

invested through a Subaccount in an undesired Portfolio.

(5) The Proposed Substitution will in no way alter the insurance benefits to Contract Owners or the contractual obligations of the Insurers.

(6) The Proposed Substitution will in no way alter the tax treatment of Contract Owners in connection with their Contracts, and no tax liability will arise for Contract Owners as a result of the Proposed Substitution.

(7) The Proposed Substitution will not adversely affect existing Contract Owners who elected optional living benefit riders and allocated Contract value to Subaccounts investing in the Replaced Portfolio since the Replacement Portfolio is an allowable Investment Option for use with such riders.

### Conclusion

For the reasons and upon the facts set forth above and in the application, the Applicants submit that the Proposed Substitution meets the standards of Section 26(c) of the 1940 Act and respectfully request that the Commission issue an order of approval pursuant to Section 26(c) of the 1940 Act and that such order be made effective as soon as possible.

For the Commission, by the Division of Investment Management, under delegated authority.

**Kevin M. O'Neill,**  
*Deputy Secretary.*

[FR Doc. 2013-24604 Filed 10-21-13; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission will hold a Closed Meeting on Thursday, October 24, 2013 at 11:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the Closed Meeting. Certain staff members who have an interest in the matters also may be present.

The General Counsel of the Commission, or her designee, has certified that, in her opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (7), 9(B) and (10) and 17 CFR 200.402(a)(3), (5), (7), 9(ii) and (10), permit consideration of the scheduled matter at the Closed Meeting.

Commissioner Aguilar, as duty officer, voted to consider the items listed for the Closed Meeting in a closed session.

The subject matter of the Closed Meeting will be: Institution and settlement of injunctive actions; institution and settlement of administrative proceedings; adjudicatory matters; amicus consideration; and other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting items.

For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact the Office of the Secretary at (202) 551-5400.

Dated: October 17, 2013.

**Elizabeth M. Murphy,**  
*Secretary.*

[FR Doc. 2013-24776 Filed 10-18-13; 11:15 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70596; File No. SR-OCC-2013-806]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Advance Notice of and No Objection to The Options Clearing Corporation's Proposal To Enter a New Credit Facility Agreement

October 2, 2013.

Notice is hereby given that, on September 12, 2013, The Options Clearing Corporation ("OCC") filed an advance notice with the Securities and Exchange Commission ("Commission") pursuant to Section 806(e) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act,<sup>1</sup> entitled the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act"), and Rule 19b-4(n)(1)(i) of the Securities Exchange Act of 1934 ("Exchange Act").<sup>2</sup> The advance notice is described in Items I, II, and III below, which Items have been prepared by OCC. The Commission is publishing this notice to solicit comments from

<sup>1</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, 124 Stat. 1376 (2010). OCC was designated as a systemically important financial market utility by the Financial Stability Oversight Council on July 18, 2012. See Financial Stability Oversight Council 2012 Annual Report, Appendix A, <http://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf>. Therefore, OCC is required to comply with Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

<sup>2</sup> 17 CFR 240.19b-4(n)(1)(i).

interested persons, and to provide notice that the Commission has no objection to the changes set forth in the advance notice and authorizes OCC to implement those changes earlier than 60 days after the filing of the advance notice.

### I. Clearing Agency's Statement of the Terms of Substance of the Advance Notice

In connection with a change to its operations (the "Change"), OCC proposes to replace its credit facility with a new credit facility, which is designed to be used to meet obligations of OCC arising out of the default or suspension of a clearing member of OCC, in anticipation of a potential default by a clearing member or as a result of the insolvency of any bank or clearing organization doing business with OCC.

### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed change and discussed any comments it received, if any, on the advance notice. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections A and B below, of the most significant aspects of these statements.

#### A. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Advance Notice

##### (i) Description of Change

The Change involves the replacement of a credit facility that OCC maintains for the purposes of meeting obligations arising out of the default or suspension of a clearing member or the failure of a bank or securities or commodities clearing organization to perform its obligations due to its bankruptcy, insolvency, receivership or suspension of operations. OCC's existing credit facility (the "Existing Facility") was implemented on October 11, 2012 through the execution of a Credit Agreement among OCC, JPMorgan Chase Bank, N.A. ("JPMorgan"), as administrative agent, and the lenders that are parties to the agreement from time to time, which provides short-term secured borrowings in an aggregate principal amount of \$2 billion and may be increased to \$3 billion.

The Existing Facility is set to expire on October 10, 2013 and OCC is therefore currently negotiating the terms of a new credit facility (the "New

Facility”) on substantially similar terms as the Existing Facility. On September 9, 2013, OCC received a Commitment Letter with regard to the New Facility from: JPMorgan, the administrative agent and collateral agent, and a lender, for the New Facility; J.P. Morgan Europe Limited (“JPM Europe”), the euro administrative agent; JPMorgan Securities LLC (“JPMorgan Securities”), the joint lead arranger for the New Facility; Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”), the joint lead arranger for the New Facility; and Bank of America, N.A. (“BANA”), the syndication agent and a lender for the New Facility.

The terms and conditions applicable to the New Facility are set forth in the Commitment Letter and a Summary of Terms and Conditions attached as an exhibit to the Commitment Letter. The Commitment Letter, including the exhibit, is attached to this filing as Exhibit 3A. One of the conditions to the availability of the New Facility is the execution and delivery of a credit agreement and pledge agreement between OCC, JPMorgan, JPMorgan Securities, MLPF&S, BANA and the various lenders under the New Facility, which OCC anticipates will occur on or before October 9, 2013. Another condition is the successful syndication of the facility to a group of lenders who will in the aggregate provide commitments of \$2 billion.

Under the New Facility, a syndicate of banks, financial institutions and other entities will make loans to OCC on request. The New Facility includes a tranche that may be drawn in dollars or euros and a dollar-only tranche. The aggregate amount of loans available under the facility, subject to the value of eligible collateral, is up to \$2 billion. The dollar equivalent of the total loans denominated in euros under the euro/dollar tranche of the New Facility may not exceed \$100 million. During the term of the New Facility, the amount of the New Facility may be increased to up to \$3 billion if OCC so requests and if sufficient commitments from lenders are received and accepted.

The New Facility is available on a revolving basis for a 364-day term. OCC may request a loan under the New Facility on any business day by providing a notice to JPMorgan, as administrative agent, which will then notify the lenders, who will be required to fund their *pro rata* share of any requested loan within a specified period of time after receiving notice from JPMorgan. The funding deadline is designed to permit OCC to obtain funds on the date of the request, subject to a cutoff time after which funding will

occur on the next business day. Each loan issued pursuant to the New Facility matures and is payable 30 days after the borrowing date, except for test borrowings under the facility, which mature and are payable one business day after the borrowing date. Proceeds of these loans must be used to meet the obligations of OCC arising out of the default or suspension of a clearing member, in anticipation of a potential default by a clearing member, or the failure of a bank or securities or commodities clearing organization to perform its obligations to OCC. In order to obtain a loan under the facility, OCC must pledge as collateral cash or securities issued or guaranteed by the U.S. Government or the Government of Canada, that are margin deposits of suspended members or that are held in OCC’s clearing fund, and that in either case are not otherwise subject to liens, security interests or other encumbrances. Securities issued by the Government of Canada will only be eligible to be pledged as collateral if they have a minimum rating of AAA/Aaa as determined by S&P or Moody’s. OCC has the authority to pledge these assets in connection with borrowings under Section 5(e) of Article VIII of its By-Laws and Rule 1104(b).

The amount available under the New Facility at any given point in time is equal to the lesser of (i) \$2 billion, or the increased size of the facility, if applicable, and (ii) the sum of (A) 90% of the value of OCC’s clearing fund that is not subject to liens or encumbrances granted by OCC other than in connection with the New Facility and (B) 90% of the value of unencumbered margin deposits of suspended clearing members that are not subject to liens or encumbrances granted by OCC other than in connection with the New Facility. If the aggregate principal amount of loans under the New Facility exceeds the amount available under this formula, OCC must prepay loans, obtain the release of liens and/or require additional margin and/or clearing fund deposits to cure the deficiency. A condition to the making of any loan under the New Facility is that, after giving effect to the loan, the sum of 100% of the dollar-denominated loans and 105% of the euro-denominated loans under the New Facility may not exceed the “borrowing base.” The borrowing base is determined by adding the value of all collateral pledged in connection with all loans under the New Facility, after applying “haircuts” to U.S. and Canadian Government securities based on their remaining maturity. If the borrowing base is less

than the sum of 100% of the dollar-denominated loans and 105% of the euro-denominated loans under the New Facility, OCC must prepay loans or pledge additional collateral to cure the deficiency. There are additional customary conditions to the making of any loan under the New Facility, including that OCC is not in default. Importantly, however, the absence of a material adverse change affecting OCC is not a condition to the making of a loan. Loans may be prepaid at any time without penalty.

Events of default by OCC under the New Facility include, but are not limited to, non-payment of principal, interest, fees or other amounts when due; non-compliance with a daily borrowing base when loans are outstanding; material inaccuracy of representations and warranties; bankruptcy events; fundamental changes; and failure to maintain a first priority perfected security interest in collateral. In the event of a default, the interest rate applicable to outstanding loans would increase by 2.00%. The New Facility also includes customary defaulting lender provisions, including provisions that restrict the defaulting lender’s voting rights, permit set-offs of payments against the defaulting lender and suspend the defaulting lender’s right to receive commitment fees.

The New Facility involves a variety of customary fees payable by OCC, including: (1) A one-time arrangement fee payable to JPMorgan Securities and MLPF&S; (2) a one-time administrative and collateral agent fee payable to JPMorgan if the New Facility closes; (3) a one-time euro administrative fee payable to JPMorgan if the New Facility closes; (4) upfront commitment fees payable to the lenders based on the amount of their commitments; and (5) an ongoing quarterly commitment fee based on the unused amount of the New Facility.

#### (ii) Anticipated Effect on and Management of Risk

Overall, the New Facility reduces the risks to OCC, its clearing members and the options market in general because it will allow OCC to obtain short-term funds to address liquidity demands arising out of the default or suspension of a clearing member of OCC, in anticipation of a potential default of clearing members or the insolvency of a bank or another securities or commodities clearing organization. The existence of the New Facility could enable OCC to minimize losses in the event such a default, suspension or insolvency, by allowing it to obtain funds on extremely short notice to

ensure that the clearance and settlement of transactions in options and other contracts occurs without interruption. By drawing on the facility OCC would be able to avoid liquidating margin or clearing fund assets in what would likely be volatile market conditions, which would preserve funds available to cover any losses resulting from the failure of a clearing member, bank or another clearing organization. OCC's entering into the New Facility will not increase the risks associated with its clearing function because it is entered into on substantially the same terms as the Existing Facility.

Two new features of the New Facility have been added to enhance OCC liquidity and reduce risk. The inclusion of Canadian Government securities as eligible collateral will increase the amount of OCC collateral that can be pledged to support borrowings under the New Facility, resulting in increased availability of loans. The clarification that OCC may borrow under the New Facility in anticipation of a potential default by of a clearing member is subject to the condition that such provision will not become effective until an appropriate rule change is filed with and approved by the Commission.

While the New Facility will, in general, reduce the risks associated with OCC's clearing function, like any lending arrangement the New Facility involves risks. One of the primary risks to OCC and its clearing function associated with the New Facility is the risk that a lender fails to fund when OCC requests a loan, because of the lender's insolvency or otherwise. This risk is mitigated through the use of a syndicated facility, which does not depend on the creditworthiness of a small number of lenders. In addition, the New Facility has lender default provisions designed to discourage lenders from failing to fund loans. Moreover, OCC has the ability under the New Facility to replace a defaulting lender. Finally, in the event a particular lender fails to fund its portion of the requested loan, the New Facility includes provisions pursuant to which OCC may request "covering" loans from non-defaulting lenders to make up the shortfall, or OCC may simply make a second borrowing request for the shortfall amount that lenders are committed to make, subject to OCC's satisfying the borrowing conditions for the second loan, although in either case the total amount available for borrowing under the New Facility would be reduced by the unfunded commitment of the defaulting lender. The failure by one or more lenders to fund the first

loan does not relieve the lenders of their commitment to fund the second loan.

A second risk associated with the New Facility is the risk that OCC is unable to repay a loan within 30 days, which would allow the lenders to seize the pledged collateral and liquidate it, potentially at depressed prices that would result in losses to OCC. OCC believes that this risk is at a manageable level, because 30 days should be an adequate period of time to allow OCC to generate funds to repay the loans under the New Facility, such as by liquidating clearing fund assets other than those pledged to secure the loans. As provided in Section 5(e) of Article VIII of its By-Laws, if the loans have not been repaid within 30 days, the amount of clearing fund assets used to secure the loans will be considered to be an actual loss to the clearing fund, which will be allocated in accordance with Section 5 of Article VIII, and the proceeds of such allocation can be used to repay the loans.

The New Facility will further the relevant objectives from Section 805(b) of the Payment, Clearing and Settlement Supervision Act of 2010 ("Clearing Supervision Act")<sup>3</sup> while also promoting compliance with the clearing agency standards in Rule 17Ad-22 of the Securities Exchange Act of 1934.<sup>4</sup> The objectives and principles of Section 805 of the Clearing Supervision Act specify the promotion of robust risk management, promotion of safety and soundness, reduction of systemic risks and support of the stability of the broader financial system.<sup>5</sup> OCC believes the New Facility would promote these objectives because the New Facility would provide OCC with an additional source of liquidity to meet its settlement obligations while at the same time being structured to address certain risks, as described above, that arise in connection with the New Facility. OCC also believes that the New Facility would provide OCC with a mechanism to maintain sufficient financial resources that is consistent with Rule 17Ad-22(b)(3).<sup>6</sup> The New Facility could enable OCC to minimize losses in the event of a default, suspension or insolvency, by allowing it to obtain funds on extremely short notice to ensure that the clearance and settlement of transactions in options and other contracts occurs without interruption. Moreover, the New Facility would permit OCC to avoid liquidating margin or clearing fund assets in what would

likely be volatile market conditions and preserve sufficient financial resources to cover any losses resulting from the failure of a clearing member, bank or other clearing organization.

#### (iii) Accelerated Commission Action Requested

Pursuant to Section 806(e)(1)(I) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, OCC requests that the Commission notify OCC that it has no objection to the Change no later than October 3, 2013, which is one week prior to the October 10, 2013 effective date of the New Facility. OCC requests Commission action one week in advance of the effective date to ensure that there is no period of time that OCC operates without a credit facility, given the importance of the borrowing capacity in connection with OCC's risk management.

#### (B) Clearing Agency's Statement on Comments on the Advance Notice Received From Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed Change and none have been received.

### III. Date of Effectiveness of the Proposed Change and Timing for Commission Action

The proposed change may be implemented if the Commission does not object to the proposed change within 60 days of the later of (i) the date that the proposed change was filed with the Commission or (ii) the date that any additional information requested by the Commission is received. The clearing agency shall not implement the proposed change if the Commission has any objection to the proposed change.

The Commission may extend the period for review by an additional 60 days if the proposed change raises novel or complex issues, subject to the Commission providing the clearing agency with prompt written notice of the extension. A proposed change may be implemented in less than 60 days from the date the advance notice is filed, or the date further information requested by the Commission is received, if the Commission notifies the clearing agency in writing that it does not object to the proposed change and authorizes the clearing agency to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.

The clearing agency shall post notice on its Web site of proposed changes that are implemented.

<sup>3</sup> 12 U.S.C. 5464.

<sup>4</sup> 17 CFR 240.17Ad-22.

<sup>5</sup> 12 U.S.C. 5464(b).

<sup>6</sup> 17 CFR 240.17Ad-22(b)(3).

The proposal shall not take effect until all regulatory actions required with respect to the proposal are completed.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2013-806 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2013-806. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method of submission. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed change that are filed with the Commission, and all written communications relating to the proposed change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Section, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's Web site at [http://www.optionsclearing.com/components/docs/legal/rules\\_and\\_bylaws/sr\\_occ\\_13\\_806.pdf](http://www.optionsclearing.com/components/docs/legal/rules_and_bylaws/sr_occ_13_806.pdf).

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-OCC-2013-806 and should be submitted on or before November 12, 2013.

#### V. Commission's Findings and Notice of No Objection

Section 806(e)(1)(G) of the Clearing Supervision Act provides that a designated financial market utility may implement a change if it has not received an objection from the Commission within 60 days of the later of (i) the date that the Commission receives notice of the proposed change or (ii) the date the Commission receives any further information it requests for consideration of the notice. A designated financial market utility may implement a proposed change in less than 60 days from the date of receipt of the notice of the change by the Commission, or the date the Commission receives any further information it requested, if the Commission notifies the designated financial market utility in writing that it does not object to the proposed change and authorizes the designated financial market utility to implement the proposed change on an earlier date, subject to any conditions imposed by the Commission.<sup>7</sup>

In its filing with the Commission, OCC requested that the Commission notify OCC that it has no objection to the change no later than October 3, 2013, which is one week before the October 10, 2013 effective date of the New Facility. OCC requested Commission action by this date to ensure that there is no period of time that OCC operates without a credit facility, given the importance of the borrowing capacity in connection with OCC's risk-management framework.

The Commission does not object to the proposed change. Ensuring that OCC has uninterrupted access to a credit facility will promote the safety and soundness of the broader financial system by providing OCC with an additional source of liquidity to meet its clearance and settlement obligations in the event of the failure of a clearing member, bank, or clearing organization doing business with OCC. Having access to a credit facility will help OCC minimize losses in the event of such a failure by allowing it to access funds on extremely short notice, and without having to liquidate assets at a time when market prices could be falling precipitously.

#### VI. Conclusion

Pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act, the Commission does not object to the proposed change, and authorizes OCC to

implement the change (SR-OCC-2013-806) as of the date of this Order.<sup>8</sup>

By the Commission.

**Kevin M. O'Neill,**  
*Deputy Secretary.*

[FR Doc. 2013-24550 Filed 10-21-13; 8:45 am]

BILLING CODE 8011-01-P

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70619; File No. SR-FINRA-2013-027]

#### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Granting Approval of a Proposed Rule Change Relating to Amendments to FINRA Rules 2360 and 4210 in Connection With OCC Cleared Over-the-Counter Options

October 7, 2013.

#### I. Introduction

On June 28, 2013, Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to provide for the treatment of over-the-counter ("OTC") options cleared by The Options Clearing Corporation ("OCC") under FINRA's rules. The proposed rule change was published for comment in the **Federal Register** on July 9, 2013.<sup>3</sup> The Commission received one comment letter on the proposal.<sup>4</sup> This order approves the proposed rule change.

#### II. Description

On December 14, 2012, the Commission approved new rules established by OCC to clear and guarantee OTC options on the S&P 500 index.<sup>5</sup> FINRA seeks to amend FINRA Rules 2360 (Options) and 4210 (Margin Requirements) to provide for the application of existing FINRA rules to

<sup>8</sup> 12 U.S.C. 5465(e)(1)(I).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 69913 (July 2, 2013), 78 FR 41149 ("Notice").

<sup>4</sup> See Letter to Elizabeth M. Murphy, Secretary, Commission, from Alessandro Cocco, Managing Director, J.P. Morgan Clearing Corporation, dated July 30, 2013 ("JP Morgan Clearing Letter").

<sup>5</sup> See Securities Exchange Act Release No. 68434 (December 14, 2012), 77 FR 75243 (December 19, 2012) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1 Thereto, and Notice of No Objection to Advance Notice, Modified by Amendment No. 1 Thereto, Relating to the Clearance and Settlement of Over-the-Counter Options) ("OCC Notice").

<sup>7</sup> 12 U.S.C. 5465(e)(1)(I).