

proposed rule 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 Room, 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 offices of the Exchange. 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-CHX-2013-20, and should be submitted on or before December 24, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>45</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70946; File No. SR-NSCC-2013-12]

### Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing of Proposed Rule Change To Provide Its Members With a Risk Management Tool That Would Enable Members To Monitor Trading Activity and Receive Notifications When Pre-Set Trading Limits are Reached

November 26, 2013.

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> notice is hereby given that on November 15, 2013, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Item I, II and III below, which Items have been prepared primarily by NSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consist of amendments to the Rules & Procedures ("Rules") of NSCC to provide NSCC Members with a risk management tool that would allow those Members to monitor trading activity and would deliver to them notifications when pre-set trading limits are reached, as more fully described below.

#### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

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

##### (A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

##### Introduction

In connection with recent industry-wide efforts to develop tools and strategies to mitigate and address the risks associated with the increasingly complex, interconnected, and automated market technology,<sup>3</sup> NSCC has developed a risk management tool, called "DTCC Limit Monitoring," that would provide its Members with post-trade surveillance.<sup>4</sup> The proposed DTCC Limit Monitoring would provide NSCC's Members with a tool to monitor the intraday clearing activity of their own trading desks and the intraday clearing activity for their correspondents and clients. The tool would send out alerts to those Members when pre-set trading limits with respect to this clearing activity is being approached and is reached, allowing them to monitor exposure of this trading activity, and providing them with notice when there is an unusual or unexpected spike in trading activity that could indicate a trading error, or that a

<sup>3</sup> While other market participants may be developing additional risk management tools in connection with these recent industry-wide efforts, the proposed DTCC Limit Monitoring would be separate from and would operate completely independently from any such tools.

<sup>4</sup> For the purposes of this proposed rule change, "post-trade" refers to the period in a transaction life cycle after it has been submitted to NSCC for clearing and settlement.

customer is trading outside the limits set by its clearing firm.

##### DTCC Limit Monitoring Proposal Overview

Pursuant to this filing, NSCC proposes to amend its Rules to create DTCC Limit Monitoring, a risk management tool that would enable Members to monitor both their own intraday trading activity and the intraday trading activity of their correspondents and/or clients. DTCC Limit Monitoring would be available to all NSCC Members. The effectiveness of DTCC Limit Monitoring in addressing risk depends on its use by NSCC Members, particularly those Members that clear for other firms, and depends on their inclusion of the tool within their broader risk management strategies. As such, NSCC is proposing to require that the following NSCC Members register for DTCC Limit Monitoring: (1) any NSCC full service Member that clears for others; (2) any NSCC full service Member that submits transactions to NSCC's trade capture system either as a Qualified Special Representative ("QSR") or Special Representative, pursuant to Procedure IV (Special Representative Service); and (3) any NSCC full service Member that has established a 9A/9B relationship in order to allow another NSCC Member (either a QSR or Special Representative) to submit locked in [sic] trade data on its behalf. NSCC Members would incur minimal, if any, cost to implement DTCC Limit Monitoring. The tool would provide NSCC Members with an additional method to monitor the post-trade activity of their own trading desks and the activity of their correspondents and/or clients.

DTCC Limit Monitoring would provide NSCC Members with: (i) post-trade data relating to unsettled equity and fixed income securities trades for a given day that have been compared or recorded through NSCC's trade capture mechanisms on that day ("LM Trade Date Data"), and (ii) other information based upon data the participating Member may itself provide at start of or throughout the day ("LM Member-provided Data"), as provided in the Rules governing DTCC Limit Monitoring (LM Trade Date Data and LM Member-provided Data shall collectively be referred to as "LM Transaction Data"). Members registered for DTCC Limit Monitoring would be permitted to input or load trade information from prior days to the system on their own to supplement their view of overall risk exposure, and to monitor their trading exposure.

<sup>45</sup> 17 CFR 200.30-3(a)(12).

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

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

## Description of DTCC Limit Monitoring

Through DTCC Limit Monitoring, NSCC would utilize market transactions and other information to report post-trade activity to Members. Members would only receive data related to their own trading desks and the activity of their correspondents and/or clients. Such reporting would incorporate transactions (defined above as LM Trade Date Data) in equity, and municipal and corporate debt securities after such transactions have: (i) passed through NSCC's edit checks, i.e., validated, and not been pended or rejected, and (ii) been recorded or compared through NSCC's Universal Trade Capture and/or Real-Time Trade Matching trade capture and comparison systems. In addition, DTCC Limit Monitoring would allow Members to input or load start of day and/or intra-day positions (defined above as LM Member-provided Data) so as to be able to view their organization's (or one or more of their correspondents' or clients') aggregate open positions in securities cleared through NSCC.

Within DTCC Limit Monitoring, Members would be required to create "Risk Entities," as described further below, to track such activity for their correspondents and clients, as well as their own trading desks, and define the rules for the aggregation of trade data, set trading limits on open positions allowable for each Risk Entity, and receive alerts for the display of breaches or near breaches of the trading limits. DTCC Limit Monitoring would provide a screen-based view for individual Members of their trade data residing in DTCC Limit Monitoring for a given day aggregated and organized according to trading limits set by the Member. Displays provided to Members would offer Members the option to view aggregate and net value across markets and other liquidity destinations, as well as provide them an ability to see exposure at the CUSIP and individual trade levels. In conformance with NSCC's Rule 49 (Release of Clearing Data and Clearing Fund Data), each Member would only be able to view information with respect to its own clearing account(s).

DTCC Limit Monitoring would be a reporting tool only and any action by a Member as a result of any alerts, or other information associated with the risk management tool would be at the discretion of the Member and would not, nor imply that any such action was effected, either in whole or part, by NSCC. Furthermore, alerts that an established trading limit has been breached would not automatically trigger a block by NSCC on any activity

processed through NSCC's clearance and settlement systems.

## Procedural Considerations of DTCC Limit Monitoring

### A. Establishing and Maintaining Risk Entities and Limits

As an initial step in utilizing DTCC Limit Monitoring, Members would establish Risk Entities. These might include the trading activity of a single desk, a correspondent, a single clearing number within the Member's NSCC account structure, or the overall firm. Members required to use DTCC Limit Monitoring would be required to create a Risk Entity for their own trading desks as well as for all correspondents and clients for which they clear trades through NSCC. DTCC Limit Monitoring would provide Members with the ability to create Risk Entities through the definition and updating of the data structure and relationships for the entities to which they assign a trading limit at a net notional value.<sup>5</sup> These trading limits are also referred to in the proposed Rules governing DTCC Limit Monitoring as "parameters." The Risk Entity definitions entered by Members would drive position calculations and displays in DTCC Limit Monitoring. DTCC Limit Monitoring would provide Members with a facility to set dollar limits with respect to each Risk Entity at a net notional level, and it may provide for additional limits as NSCC determines from time to time.

Members would be required to review reports and alerts on an on-going basis and, as necessary, modify established trading limits to reflect current trading activities within each of their Risk Entities. Changes made by Members with respect to established trading limits would be made in real time. All other updates and changes made by Members to their Risk Entities would take effect overnight. While Members would ultimately be responsible for ensuring that the trading limits set on trading activity are appropriate, NSCC staff would be able to review trade activity reports and alerts, and, at its discretion, may contact Members to discuss any concerns, for example if the established trading limits are not aligned with recent average trading activity. Members would be required to identify contacts within their firms for these purposes.

### B. Limit Monitoring Function

DTCC Limit Monitoring would aggregate and make available position

information for purposes of the Member's limit monitoring. The aggregate data would be the sum of: (a) LM Member-provided data, and (b) LM Trade Date Data, with the aggregated data referred to in the Rules as LM Transaction Data. Under the proposal, LM Trade Date Data, LM Member-provided Data, and other relevant data would be aggregated and sorted, and the data would then be displayed to the Member.

The totals would be compared to the trading limits set by the Members and the Members would be alerted to breaches based upon these limits. NSCC would set "early warning" limits at 50%, 75%, and 90% of the trading limits set by Members for each Risk Entity. Members may elect to receive early warning and breach alerts through on-screen interface within the DTCC Limit Monitoring, an email alert, and/or an automated electronic message. DTCC Limit Monitoring would also provide updated information when the alert is resolved (i.e., when the Risk Entity is within the relevant limit, for example, as a result of an offsetting transaction reducing the position or the Member raises the limit for a Risk Entity). Information such as alert history, Members' Risk Entity definitions, end of day positions, and other data as NSCC provides from time to time would be supplied to Members in reports delivered both daily, in an end-of-day report, and monthly. Members would be required to identify primary and secondary contacts within their firm to receive alerts and these reports.

### C. No Effect on Trade Guaranty and Other Considerations

The proposed rule change would provide that any reports and data supplied to Members through DTCC Limit Monitoring are not intended to impact the timing or status of NSCC's guaranty of any transaction in CNS or Balance Order Securities. In addition, the issuance of information or data through DTCC Limit Monitoring to Members, or lack thereof, would not of itself indicate or have any bearing on the status of any trade, including but not limited to, as compared, locked-in, validated, guaranteed, or not guaranteed.

### D. Limitation of Liability

DTCC Limit Monitoring would provide Members with a risk management tool in which they can review and monitor trade activity in a manner they select, and providing Members with the ability to populate the system by inputting or loading positions, defining Risk Entities and setting related limits, and receiving alerts and position data of their

<sup>5</sup> "Net notional" means the sum of the absolute value of exposure for each ticker security symbol. For example, a firm that is net long in Company X for \$50,000 and net short position in Company Z for \$100,000 has \$150,000 in net notional exposure.

choosing, for example. Accordingly, since NSCC would not be the originator of information made available through DTCC Limit Monitoring, the proposed Rule [sic] would provide that NSCC is not responsible for the completeness or accuracy of LM Trade Date Data or other information or data which it receives from Members or third parties and which is utilized in DTCC Limit Monitoring or received and compared or recorded by NSCC, nor for any errors, omissions, or delays which may occur in the transmission of such data or information. In addition, not all transactions are submitted to NSCC on a real-time basis, thus NSCC can only provide Members using DTCC Limit Monitoring with LM Trade Date Data as it is compared or recorded. Accordingly, Members should be aware that such LM Trade Date Data may not be complete.

#### *E. Indemnification*

Since each Member may use the information in DTCC Limit Monitoring for purposes of its own discretion, the proposed rule change would provide that any Member that registers for DTCC Limit Monitoring shall indemnify NSCC, and any of its employees, officers, directors, shareholders, agents, and participants who may sustain any loss, liability, or expense as a result of a third party claim related to any act or omission of the Member made in reliance upon data or information transmitted by NSCC to the Member through DTCC Limit Monitoring.

#### *Implementation Timeframe*

Following regulatory approval, NSCC would implement the changes set forth in this filing on a date no earlier than ten (10) days following notice to Members through issuance of an NSCC Important Notice.

#### *Proposed Rule Changes*

NSCC proposes to create a new Rule 54 (DTCC Limit Monitoring) and Procedure XVII (DTCC Limit Monitoring) to reflect the proposed rule changes described above. The proposed rule change would also amend Rule 58 (Limitations of Liability) to reflect the limitation of liability provision described above. In addition, Rule 1 (Definitions) would be updated to include definitions for LM Trade Date Data, LM Member-provided Data, and LM Transaction Data.

#### *2. Statutory Basis*

The proposed DTCC Limit Monitoring will facilitate the prompt and accurate clearance and settlement of securities transactions by providing NSCC's Members with a mechanism to monitor post-trade activity on an intra-day basis

and thereby allow for enhanced risk management by those Members. Therefore, NSCC believes the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NSCC, in particular Section 17A(b)(3)(F) of the Act,<sup>6</sup> which requires that NSCC's Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and, in general, to protect investors and the public interest.

#### *(B) Clearing Agency's Statement on Burden on Competition*

As stated above, the proposed DTCC Limit Monitoring would provide Members with a mechanism with which to monitor post-trade activity on an intra-day basis and, thereby, allow for enhanced risk management by those Members. NSCC believes that the effectiveness of DTCC Limit Monitoring in addressing risk depends on its use by NSCC Members, particularly those Members that clear for other firms, and depends on their inclusion of the tool within their broader risk management strategies. Approximately 85% of NSCC's Members would be required to use DTCC Limit Monitoring under the proposed rule change. NSCC Members would incur minimal, if any, cost in implementing DTCC Limit Monitoring. Therefore, NSCC does not believe that the proposed rule change would impose any burden on competition.

Furthermore, because NSCC believes that any impact DTCC Limit Monitoring has in addressing risk would facilitate the prompt and accurate clearance and settlement of securities transactions and protect investors and the public interest, in furtherance of the requirements of the Act applicable to NSCC, any burden on competition the proposed rule change is perceived as imposing would be both necessary and appropriate in furtherance of the purposes of the Act, in particular Section 17A(b)(3)(F) of the Act, cited above.

#### *(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others*

Written comments relating to the proposed rule change have not yet been solicited or received. NSCC will notify the Commission of any written comments received by NSCC.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

*(A) by order approve or disapprove such a proposed rule change, or*

*(B) institute proceedings to determine whether the proposed rule change should be disapproved.*

### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. 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-NSCC-2013-12 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-NSCC-2013-12. 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. 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 rule change that are filed with the Commission, and all written communications relating to the proposed rule 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 Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of NSCC and on NSCC's Web site ([http://dtcc.com/legal/rule\\_filings/nscc/2013.php](http://dtcc.com/legal/rule_filings/nscc/2013.php)).

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–NSCC–2013–12 and should be submitted on or before December 24, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

Kevin M. O'Neill,  
Deputy Secretary.

[FR Doc. 2013–28846 Filed 12–2–13; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–70945; File No. SR–NASDAQ–2013–142]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify a Level 2 Subscriber Fee

November 26, 2013.

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> notice is hereby given that on November 14, 2013, The NASDAQ Stock Market LLC (“NASDAQ” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NASDAQ. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

NASDAQ proposes to modify the NASDAQ Level 2 Professional Subscriber fee set forth in NASDAQ Rule 7023(b)(1)(B). NASDAQ will implement the proposed revised fee on January 1, 2014.

The text of the proposed rule change is below. Proposed new language is in

italics; proposed deletions are bracketed.<sup>3</sup>

\* \* \* \* \*

#### 7023. NASDAQ Depth-of-Book Data

(a) No change.

(b) Subscriber Fees.

(1) NASDAQ Level 2

(A) No change.

(B) Professional Subscribers pay a monthly fee of \$4[0]5 each for Display Usage based upon Direct or Indirect Access, or for Non-Display Usage based upon Indirect Access only;

(C)–(E) No change.

(2)–(4) No change.

(c)–(e) No change.

\* \* \* \* \*

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

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

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

NASDAQ is proposing a change to modify the NASDAQ Level 2 Professional Subscriber fee (“Level 2 fee”) as set forth in NASDAQ Rule 7023(b)(1)(B). NASDAQ Rule 7023(b)(1)(B) currently provides for a monthly fee of \$40 for Professional Subscribers each for any Display Usage based upon Direct or Indirect Access, or for Non-Display Usage based upon Indirect Access only. Specifically, NASDAQ proposes to increase this display fee from \$40 per month to \$45 per month. NASDAQ Level 2 Non-Professional Subscriber fees will remain unchanged.

The NASDAQ Level 2 product is completely optional. NASDAQ has enhanced this product through capacity upgrades and regulatory data sets over the last approximately 30 years, but has only once increased the associated

Professional Subscriber fee.<sup>4</sup> During this time period, the network capacity for NASDAQ Level 2 has increased from a 56 Kb feed in 1983 to the current 30 Mb feed. Additionally, since NASDAQ Level 2 is also used for market making functions, NASDAQ has invested over the years to add regulatory data sets, such as Market Maker Mode and Trading Action status. Such investments are expected to continue in 2014 by the addition of enhanced Symbol Directory and IPO messaging, as well as latency monitoring tools to the feed. Aside from the one other Level 2 Subscriber fee change previously mentioned, the only other usage fee change NASDAQ has made in the last approximately 30 years was to add a Non-Professional fee option for NASDAQ Level 2, which is widely used by online brokerage firms today. As noted above, this increase represents only the second Professional Subscriber price change for display usage of NASDAQ Level 2 user fees since its introduction in 1983.

##### b. Statutory Basis

NASDAQ believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>5</sup> in general, and with Section 6(b)(4) and 6(b)(5) of the Act,<sup>6</sup> in particular, in that it provides an equitable allocation of reasonable fees among Subscribers and recipients of NASDAQ data and is not designed to permit unfair discrimination between them. In adopting Regulation NMS, the Commission granted self-regulatory organizations and broker-dealers increased authority and flexibility to offer new and unique market data to the public. It was believed that this authority would expand the amount of data available to consumers, and also spur innovation and competition for the provision of market data.

The Commission concluded that Regulation NMS—by lessening the regulation of the market in proprietary data—would itself further the Act's goals of facilitating efficiency and competition:

[E]fficiency is promoted when broker-dealers who do not need the data beyond the prices, sizes, market center identifications of the NBBO and consolidated last sale information are not required to receive (and pay for) such data. The Commission also believes that efficiency is promoted when broker-dealers may choose to receive (and pay for) additional market data based on their

<sup>4</sup> See Securities Exchange Act Release No. 68493 (December 20, 2012), 77 FR 76574 (December 28, 2012) (SR–NASDAQ–2012–133).

<sup>5</sup> 15 U.S.C. 78f.

<sup>6</sup> 15 U.S.C. 78f(b)(4) and (5).

<sup>7</sup> 17 CFR 200.30–3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> Changes are marked to the rules of The NASDAQ Stock Market LLC found at <http://NASDAQomx.cchwallstreet.com/>.