

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or 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. Please include File Number SR-NYSEArca-2017-126 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.
- All submissions should refer to File Number SR-NYSEArca-2017-126. 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 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 the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEArca-2017-126 and should be submitted on or before November 29, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82006; File Nos. SR-DTC-2017-016; SR-NSCC-2017-016; SR-FICC-2017-020]

Self-Regulatory Organizations; The Depository Trust Company; National Securities Clearing Corporation; Fixed Income Clearing Corporation; Order Approving Proposed Rule Changes To Adopt the Clearing Agency Securities Valuation Framework

November 2, 2017.

I. Introduction

On September 8, 2017, The Depository Trust Company ("DTC"), National Securities Clearing Corporation ("NSCC"), and Fixed Income Clearing Corporation ("FICC," each a "Clearing Agency," and together with DTC and NSCC, the "Clearing Agencies"), filed with the Securities and Exchange Commission ("Commission") proposed rule changes SR-DTC-2017-016, SR-NSCC-2017-016, and SR-FICC-2017-020, respectively, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The proposed rule changes were published for comment in the **Federal Register** on September 27, 2017.³ The Commission did not receive any comment letters on the proposed

rule changes. For the reasons discussed below, the Commission approves the proposed rule changes.

II. Description of the Proposed Rule Changes

The Clearing Agencies propose to adopt the Clearing Agency Securities Valuation Framework ("Framework") of the Clearing Agencies, as described below.

A. Overview of the Framework

The Framework would address the manner in which the Clearing Agencies select and review "Pricing Vendors" and value securities that the Clearing Agencies process or otherwise hold. The proposed rule changes would set forth the securities valuation practices adopted by the Clearing Agencies for securities eligible for clearance and settlement processing by the applicable Clearing Agency; and in the case of FICC and NSCC, as central counterparties ("CCPs"), securities eligible to be held in their respective clearing funds.⁴

B. Selection of Pricing Vendors

Each Clearing Agency would price securities for both end-of-day and intraday value primarily through pricing data supplied by third-party pricing vendors ("Pricing Vendors").⁵ For most securities, Pricing Vendors would supply the Clearing Agencies with intraday pricing data on at least an hourly basis.⁶ Pricing Vendors would be selected by each Clearing Agency based on a review of their service, including, at a minimum, a review of Pricing Vendors' securities coverage and a price quality check.⁷

The Framework would provide that each security be assigned a primary source Pricing Vendor ("Primary Pricing Vendor") and a secondary source Pricing Vendor ("Secondary Pricing Vendor").⁸ In the event that the Primary Pricing Vendor becomes unavailable, unreliable, or otherwise unusable with respect to a security, the Secondary Pricing Vendor would be designated as the replacement for the Primary Pricing Vendor with respect to such security.⁹

Each Clearing Agency would perform due diligence on each Pricing Vendor prior to engagement, and at least annually thereafter, to assess the

⁴ *Id.*

⁵ *Id.* at 45107.

⁶ Certain securities may not be priced daily, and others may only be priced once each business day.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

give the Commission written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹² 17 CFR 200.30-3(a)(12).

¹⁵ U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 81667 (September 21, 2017), 82 FR 45106 (September 27, 2017) (SR-DTC-2017-016; SR-NSCC-2017-016; SR-FICC-2017-020) ("Notice").

reliability of such Pricing Vendor.¹⁰ Reliability of a Pricing Vendor would be determined by each Clearing Agency based on a range of factors, including whether such Pricing Vendor can provide accurate and timely pricing data with respect to each security.¹¹

C. Monitoring and Pricing

Each Clearing Agency would monitor and review each applicable Pricing Vendor's pricing at least once each business day to determine (i) whether any security's price has remained unchanged for an extended period; (ii) whether a security has been dropped from the Pricing Vendor's file; and (iii) whether any other circumstances exist that may call into question the reliability of any security's price.¹²

Each security's end-of-day price would be date stamped, and each intraday price would be time and date stamped. Both end-of-day and intraday prices would be identified with a Pricing Vendor source.¹³ In the event that both a Primary Pricing Vendor and a Secondary Pricing Vendor become unavailable, unreliable, or otherwise unusable with respect to a security, the applicable Clearing Agency would assign such security its last available price.¹⁴ If pricing data for a security is unavailable from a Pricing Vendor, or if the last available price is deemed to be unreliable or unusable, the applicable Clearing Agency would establish a price for the security based on valuation models, where applicable, and in accordance with the policies and procedures that support the Framework.¹⁵

III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization.¹⁶ After carefully considering the proposed rule changes, the Commission finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to the Clearing Agencies. Specifically, the Commission finds that the proposed rule changes are consistent with Section

17A(b)(3)(F) of the Act¹⁷ as well as Rules 17Ad-22(e)(4)(i)¹⁸ and (e)(6)(iv)¹⁹ under the Act.

A. Consistency With Section 17A(b)(3)(F)

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a registered clearing agency be designed to promote prompt and accurate clearance and settlement, and assure the safeguarding of securities and funds which are in the custody or control of the Clearing Agencies or for which they are responsible.²⁰

As described above, the Framework would describe the manner in which the Clearing Agencies select and review their Pricing Vendors, and how the Clearing Agencies value securities that the Clearing Agencies process or otherwise hold. By describing the Clearing Agencies' Pricing Vendors selection process and securities valuation practices in a clear and comprehensive manner, the Framework is designed to provide (i) reliable sources of timely price data, and (ii) a sound valuation practice when pricing data is not readily available. In doing so, the Framework would help the Clearing Agencies to promptly and accurately value (i) the securities that the Clearing Agencies process for clearance and settlement purposes; (ii) for DTC, the available collateral for a participant's net settlement obligation, which DTC monitors to help mitigate the credit risk that participants²¹ present to DTC;²² and (iii) for NSCC and FICC, the securities held in their respective clearing funds, which are maintained to help mitigate the credit risk that participants present to NSCC and FICC, as applicable.²³ By establishing a framework for accurately valuing securities that the Clearing Agencies process and hold for risk management purposes, the Framework would better position the Clearing Agencies to continue their critical operations and services, promptly and accurately, and

mitigate the risk of financial loss to the Clearing Agencies and their non-defaulting participants due to a participant default.

Therefore, the Commission finds that the proposed rule changes are designed to help promote prompt and accurate clearance and settlement, and assure the safeguarding of securities and funds which are in the custody or control of the Clearing Agencies or for which they are responsible, consistent with Section 17A(b)(3)(F) of the Act.²⁴

B. Consistency With Rule 17Ad-22(e)(4)(i)

Rule 17Ad-22(e)(4)(i) under the Act requires that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.²⁵

As described above, the Framework would describe how the Clearing Agencies select and review their Pricing Vendors, and how the Clearing Agencies price securities that the Clearing Agencies process or otherwise hold, even when pricing data becomes unavailable or unreliable. In doing so, the Framework would help ensure that each Clearing Agency uses (i) reliable sources of timely price data when pricing securities processed or otherwise held by the Clearing Agency and (ii) clear valuation procedures when pricing data is not readily available or reliable. The Framework would further provide that the prices provided by each Pricing Vendor would be reviewed at least daily, which would help ensure that prices are accurate and reliable.

By codifying these aforementioned practices in the Framework, the Framework is designed to help ensure that securities are priced appropriately. By appropriately pricing securities, the Clearing Agencies can more accurately calculate the value of the securities that the Clearing Agencies monitor or held for risk management purposes, as described above. Based on the value of the securities, a Clearing Agency may require a participant to provide more financial resources or limit the participants' activities pursuant to the Clearing Agency's rules, in order to better manage the credit risk presented

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ 15 U.S.C. 78s(b)(2)(C).

¹⁷ 15 U.S.C. 78q-1(b)(3)(F).

¹⁸ 17 CFR 240.17Ad-22(e)(4)(i).

¹⁹ 17 CFR 240.17Ad-22(e)(6)(iv).

²⁰ 15 U.S.C. 78q-1(b)(3)(F).

²¹ DTC refers to its participants as "Participants," while NSCC and FICC refer to their participants as "Members." These terms are defined in the rules of each of the Clearing Agencies. In this order, "participant" or "participants" refers to both the Participants of DTC and the Members of FICC and NSCC.

²² DTC: Disclosure under the Principles for Financial Market Infrastructures, available at <http://www.dtcc.com/legal/policy-and-compliance>.

²³ NSCC: Disclosure under the Principles for Financial Market Infrastructures, and FICC: Disclosure under the Principles for Financial Market Infrastructures, available at <http://www.dtcc.com/legal/policy-and-compliance>.

²⁴ 15 U.S.C. 78q-1(b)(3)(F).

²⁵ 17 CFR 240.17Ad-22(e)(4)(i).

by the participant.²⁶ Therefore, the Commission finds that the proposed rule changes are designed to help ensure that the Clearing Agencies maintain sufficient financial resources to cover their credit exposure to each participant with a high degree of confidence, consistent with Rule 17Ad-22(e)(4)(i) under the Act.²⁷

C. Consistency With Rule 17Ad-22(e)(6)(iv)

Rule 17Ad-22(e)(6)(iv) under the Act requires that each covered clearing agency that is a CCP to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, uses reliable sources of timely price data and uses procedures and sound valuation models for addressing circumstances in which pricing data are not readily available or reliable.²⁸

As described above, the Framework provides that NSCC and FICC, each a CCP, would perform due diligence on each Pricing Vendor prior to engagement, and at least annually thereafter, to assess the reliability of such Pricing Vendor. The Framework also describes how NSCC and FICC would select two Pricing Vendors for each security in case one becomes unavailable, unreliable, or otherwise unusable. In the event that both Primary and Secondary Pricing Vendors become unavailable, unreliable, or unusable, the Framework provides that NSCC and FICC would assign each affected security its last available price. The Framework would further provide that, if the last available price is unavailable, unreliable, or otherwise unusable for a security, NSCC and FICC would establish a price for that security based on valuation models (where applicable) and in accordance with the policies and procedures that support the Framework. By setting forth how NSCC and FICC would select Pricing Vendors that can provide timely and reliable pricing data, and how NSCC and FICC would price securities when pricing data is not readily available or reliable, the Commission finds that the proposed

rule changes are consistent with Rule 17Ad-22(e)(6)(iv) under the Act.²⁹

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule changes are consistent with the requirements of the Act and in particular with Section 17A(b)(3)(F)³⁰ of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that proposed rule changes SR-DTC-2017-016, SR-NSCC-2017-016, or SR-FICC-2017-020 be, and hereby are, APPROVED.³¹

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³²

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82003; File No. SR-NASDAQ-2017-113]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Exchange's Fees at Rule 7058

November 2, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 20, 2017, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. 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 Substance of the Proposed Rule Change

The Exchange proposes to amend the Exchange's fees at Rule 7058 to: (i) Offer to waive fees under this Rule for 30 days for any new, prospective, or returning

purchaser of either QView or the Latency Optics add-on service; and (ii) remove language offering a subscription to TradeInfo for up to five users at no additional cost to subscribers of the Latency Optics add-on service.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaq.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange 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. The Exchange 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

The Exchange proposes to amend its fees at Rule 7058 to: (i) Offer to waive fees under this Rule for 30 days for any new, prospective, or returning purchaser of either QView or the Latency Optics add-on service; and (ii) remove language offering a subscription to TradeInfo for up to five users at no additional cost to subscribers of the Latency Optics add-on service, along with conforming changes. The purposes of the proposed changes are to: (i) Encourage new, prospective, and returning purchasers of either QView or the Latency Optics add-on service to examine these products more closely and thereby increase the number of customers for this product; and (ii) remove a rarely used fee provision in order to render the Latency Optics subscription easier to administer.

Current Products

QView

QView is a web-based tool designed to provide a subscribing member with the ability to track its trading activity on the Exchange through both real-time and historical order and execution summaries, available on a daily or a monthly basis. The QView dashboard allows the member to view a summary of its executions and open orders,

²⁶ See the GSD Rulebook of FICC, Rule 4—Clearing Fund and Loss Allocation; the MBSD Clearing Rules of FICC, Rule 4—Clearing Fund and Loss Allocation; Rules and Procedures of NSCC, Procedure XV—Clearing Fund Formula and Other Matters; By-Laws and Organizational Certificate of DTC, Rule 4—Participants Fund and Participants Investment, available at <http://dtcc.com/legal/rules-and-procedures>.

²⁷ 17 CFR 240.17Ad-22(e)(4)(i).

²⁸ 17 CFR 240.17Ad-22(e)(6)(iv).

²⁹ *Id.*

³⁰ 15 U.S.C. 78q-1(b)(3)(F).

³¹ In approving the Proposed Rule Changes, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

³² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.