

transactions with the Fund of Funds.³ The purchase of Creation Units by a Fund of Funds directly from a Fund will be accomplished in accordance with the policies of the Fund of Funds and will be based on the NAVs of the Funds.

9. Section 6(c) of the Act permits the Commission to exempt any persons or transactions from any provision of the Act if such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Section 12(d)(1)(J) of the Act provides that the Commission may exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision of section 12(d)(1) if the exemption is consistent with the public interest and the protection of investors. Section 17(b) of the Act authorizes the Commission to grant an order permitting a transaction otherwise prohibited by section 17(a) if it finds that (a) the terms of the proposed transaction are fair and reasonable and do not involve overreaching on the part of any person concerned; (b) the proposed transaction is consistent with the policies of each registered investment company involved; and (c) the proposed transaction is consistent with the general purposes of the Act.

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

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86351; File No. SR-NYSE-2019-32]

Self-Regulatory Organizations; New York Stock Exchange LLC; Order Granting Approval of a Proposed Rule Change To Amend NYSE Rule 123D

July 11, 2019.

I. Introduction

On May 24, 2019, New York Stock Exchange LLC (“NYSE” or the

“Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Rule 123D to permit the Exchange to declare a regulatory halt in a security that traded in the over-the-counter market prior to the initial pricing on the Exchange. The proposed rule change was published for comment in the **Federal Register** on June 6, 2019.³ The Commission has received no comment letters on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange has proposed to amend Rule 123D(d) to permit the Exchange to declare a regulatory halt in a security that traded in the over-the-counter market prior to the initial pricing on the Exchange.

Currently, Rule 123D(d) permits the Exchange to declare a regulatory halt in a security that is the subject of an initial pricing on the Exchange of a security and that has not been listed on a national securities exchange or traded in the over-the-counter market pursuant to FINRA Form 211 (the “OTC market”) immediately prior to the initial pricing. Accordingly, the Exchange has authority to declare a regulatory halt for any initial listing that is not a transfer from either another national securities exchange or the OTC market. Regulatory halts under the rule terminate when the assigned Designated Market Maker (“DMM”) opens the security.

The Exchange has proposed to delete the clause “or traded in the over-the-counter market pursuant to FINRA Form 211” in NYSE Rule 123D(d). The proposed amendment would thus enable the Exchange to declare a regulatory halt for a security that is having its initial listing on the Exchange and that was traded in the OTC market immediately prior to its initial pricing on the Exchange.

The Exchange notes that, although an OTC market security that will be listed on a primary listing exchange will be removed from the OTC trading list on the day before its initial pricing on the exchange, on the day of its initial listing, that security can trade on an unlisted trading privileges (“UTP”) basis before the first transaction on the primary listing exchange. The Exchange

states that permitting the Exchange to declare a regulatory halt in such securities before trading on the Exchange begins would avoid potential price disparities or anomalies that may occur during any UTP trading before the first transaction on the primary listing exchange. The Exchange states that quoting and trading in the pre-market of an OTC transfer can be erratic and that investors may be harmed if their securities trade during this period. The Exchange asserts that the proposed limited authority to declare a regulatory halt in the hours prior to the OTC transfer’s initial pricing on the Exchange would mitigate any potential price disparities and contribute to a fair and orderly market once the security opens on the Exchange and would be consistent with the protection of investors and the public interest.

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁴ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁵ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and that those rules not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Commission believes that extending the authority of the Exchange to declare a regulatory trading halt prior to the initial pricing on the Exchange of securities that were previously traded in the OTC market is consistent with the Act because it is reasonably designed to address any potential price disparities or anomalies that may occur during UTP trading before the first transaction on the Exchange. The Commission notes that this regulatory halt would be terminated when the DMM opens the security, and would be for the limited purpose of precluding other markets from trading the security until the

³ The requested relief would apply to direct sales of shares in Creation Units by a Fund to a Fund of Funds and redemptions of those shares. Applicants are not seeking relief from section 17(a) for, and the requested relief will not apply to, transactions where a Fund could be deemed an Affiliated Person, or a Second-Tier Affiliate, of a Fund of Funds because an Adviser or an entity controlling, controlled by or under common control with an Adviser provides investment advisory services to that Fund of Funds.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 85990 (May 31, 2019), 84 FR 26462 (June 6, 2019) (“Notice”).

⁴ 15 U.S.C. 78f(b). In approving this proposed rule change, the Commission has considered the proposed rule change’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁵ 15 U.S.C. 78f(b)(5).

Exchange has completed the initial pricing process. The Commission believes this proposed change is reasonably designed to facilitate the initial opening by the DMM and thereby promote fair and orderly markets and the protection of investors.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (SR–NYSE–2019–32) be, and it hereby is, approved.

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

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86358; File No. SR–ICC–2019–007]

Self-Regulatory Organizations; ICE Clear Credit LLC; Proposed Rule Change, Security-Based Swap Submission, or Advance Notice Relating to the ICC Rules, ICC End-of-Day Price Discovery Policies and Procedures, and ICC Risk Management Framework

July 11, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on June 28, 2019, ICE Clear Credit LLC (“ICC”) filed with the Securities and Exchange Commission the proposed rule change, security-based swap submission, or advance notice as described in Items I, II and III below, which Items have been prepared by ICC. The Commission is publishing this notice to solicit comments on the proposed rule change, security-based swap submission, or advance notice from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

The principal purpose of the proposed rule change is to make certain changes to ICC’s Clearing Rules (the “Rules”)³ and related procedures to

provide for the clearing of credit default index swaptions.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

In its filing with the Commission, ICC included statements concerning the purpose of and basis for the proposed rule change, security-based swap submission, or advance notice and discussed any comments it received on the proposed rule change, security-based swap submission, or advance notice. The text of these statements may be examined at the places specified in Item IV below. ICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, Security-Based Swap Submission, or Advance Notice

(a) Purpose

ICE Clear Credit proposes amendments to its Rules, End-of-Day Price Discovery Policies and Procedures (the “EOD Policy”) and Risk Management Framework (the “Risk Framework”) to provide for the clearing by ICC of credit default index swaptions (“Index Swaptions”). Pursuant to an Index Swaption, one party (the “Swaption Buyer”) has the right (but not the obligation) to cause the other party (the “Swaption Seller”) to enter into an index credit default swap transaction at a pre-determined strike price on a specified expiration date on specified terms. In the case of Index Swaptions that would be cleared by ICC, the underlying index credit default swap would be limited to certain CDX and iTraxx Europe index credit default swaps that are accepted for clearing by ICC, and which would be automatically cleared by ICC upon exercise of the Index Swaption by the Swaption Buyer in accordance with its terms.

ICC is proposing to adopt a new Subchapter 26R of its Rules, which will set out the contract terms and specifications for cleared Index Swaptions. ICC is also proposing to adopt amendments to its EOD Policy which would establish an end-of-day (“EOD”) settlement price submission process for Index Swaptions. Proposed amendments to the Risk Framework would address the margining and risk management processes for Index Swaptions, among other matters. The text of the proposed amendments is attached [sic] in Exhibit 5.

Prior to the commencement of clearing of Index Swaptions, ICC intends to adopt certain other policies and procedures, including a new set of Exercise Procedures, which will address in further detail the manner in which Index Swaptions may be exercised by Swaption Buyers and the manner in which ICC will assign such exercises to Swaption Sellers. ICC also expects to make certain changes to its Risk Management Model Description relating to the initial margin model for Index Swaptions. ICC will make subsequent filings pursuant to Rule 19b–4 with respect to such additional or amended policies or procedures as required. ICC does not intend to commence clearing of Index Swaptions until any such additional filings, as well as the current filing (“Index Swaptions Related Filings”) have been approved by the Commission or otherwise become effective. As such, ICC proposes to make the changes to the Rules, EOD Policy, and Risk Framework effective following the approval of all Index Swaptions Related Filings and the completion of the ICC governance process surrounding the Index Swaptions product expansion.

Rule Amendments

In new Subchapter 26R, Rule 26R–102 will set out key definitions used for Index Swaptions, which are generally similar to those used in the subchapters for other index Contracts cleared by ICC. Key defined terms would include “Eligible Untranch Swaption Index”, which would specify the applicable series and version of a CDX or iTraxx index or sub-index underlying an Index Swaption. As with other index Contracts, ICC would maintain a List of Eligible Untranch Swaption Indices, which will contain the Eligible Untranch Swaption Indices as well as the eligible expiration dates and strike prices, as well as other relevant terms, for Index Swaptions that will be accepted for clearing by ICC. The rule would define the “Relevant Index Swaption Untranch Terms Supplement”, which is the market-standard published standard terms document for index swaptions of the relevant type that would be incorporated by reference into the contract terms in the Rules for a cleared Index Swaption. The rule also would define the “Underlying Contract,” which would be the index CDS Contract into which the Index Swaption may be exercised, and the “Underlying New Trade,” which would be a new single name CDS trade that would arise upon exercise of an Index Swaption where a relevant Restructuring Credit Event, if

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ Capitalized terms used but not defined herein have the meanings specified in the Rules.