

## V. Conclusion

It is therefore ordered, pursuant to Section 11A of the Act<sup>23</sup> and Rule 608 thereunder,<sup>24</sup> that the Twelfth Amendment to the Plan (File No. 4-631), as modified, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority,<sup>25</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79849; File No. SR-NASDAQ-2017-005]

### Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Eliminate Fees at Rule 7015(h) Assessed for VTE Terminal Connectivity

January 19, 2017.

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 January 11, 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 eliminate the Exchange’s fees at Rule 7015(h) assessed for VTE terminal connectivity, which is no longer offered by the Exchange.

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.

Commission expects the Participants to implement the Twelfth Amendment, as modified, no later than six months after the date of this order.

<sup>23</sup> 15 U.S.C. 78k-1.

<sup>24</sup> 17 CFR 242.608.

<sup>25</sup> 17 CFR 200.30-3(a)(29).

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

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

#### 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 purpose of the proposed rule change is to eliminate VTE terminal fees under Rule 7015(h), since the Exchange no longer offers VTE terminal connectivity. A VTE terminal was a basic front-end user interface used by Nasdaq members to connect to, and enter orders in, The Nasdaq Market Center. Members using VTE terminals paid the exchanges and market centers separately for data feeds and services provided by Nasdaq, other exchanges or market centers through VTE.<sup>3</sup>

Effective June 1, 2016, the Exchange increased the fees assessed for VTE connectivity, noting that the pricing changes were warranted in order to appropriately balance the decreasing demand for the product with increasing platform, overhead, and technology infrastructure costs.<sup>4</sup> The Exchange also noted that, because VTE was based on outdated technology and that members have other options for connecting to, and entering orders in, The Nasdaq Market Center, Nasdaq planned to phase out the service in its entirety on or before January 31, 2017.<sup>5</sup> There are currently no subscribers to VTE terminals, and the Exchange has begun the process of decommissioning the service. Accordingly, the Exchange is proposing to eliminate the VTE terminal fees and related text from its rulebook.

###### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b)

<sup>3</sup> Such fees are filed with the SEC and separately assessed by the exchanges and market centers at the same rate irrespective of the method of accessing the data feeds.

<sup>4</sup> Securities Exchange Act Release No. 78051 (June 13, 2016), 81 FR 39739 (June 17, 2016) (SR-NASDAQ-2016-078).

<sup>5</sup> *Id.*

of the Act,<sup>6</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>7</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that elimination of the fees is reasonable because the Exchange no longer offers the service, thus making the fees irrelevant. The Exchange believes that elimination of the fee and related rule text is an equitable allocation and is not unfairly discriminatory because there are no longer subscribers to the service, and elimination of the fee and related rule text will not impact members differently. Thus, the proposed change will not discriminate among members in any way and will be allocated equitably.

##### B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change removes fees and related text from the rules, which applied to a connectivity service that the Exchange no longer offers. The Exchange notes that VTE connectivity was entirely optional and members were able avail themselves of numerous other means of accessing The Nasdaq Market Center. In fact, the Exchange determined to decommission the connectivity option because of declining subscribership, the age of the technology, and because members have other options for connecting to, and entering orders in, The Nasdaq Market Center. Members recognized the limited utility of the connectivity option in light of more modern options, and over time all subscribers chose to cancel their subscriptions. Thus, the proposed change is not burdening competition in any way, but rather reflects the consequences of robust competition where trading venues are compelled to offer superior connectivity options, which ultimately supplant connectivity based on old technology.

##### C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

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

<sup>7</sup> 15 U.S.C. 78f(b)(4) and (5).

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>8</sup>

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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 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](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2017-005 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-NASDAQ-2017-005. 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; 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-NASDAQ-2017-005 and should be submitted on or before February 16, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79843; File No. SR-FICC-2016-801]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of No Objection to Advance Notice Filing To Implement a Change to the Methodology Used in the MBSD VaR Model

January 19, 2017.

On November 23, 2016, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the advance notice SR-FICC-2016-801 pursuant to Section 806(e)(1) of the Payment, Clearing, and Settlement Supervision Act of 2010 ("Clearing Supervision Act")<sup>1</sup> and Rule 19b-4(n)(1)(i) under the Securities Exchange Act of 1934 ("Exchange Act").<sup>2</sup> The advance notice was published for comment in the **Federal Register** on December 28, 2016.<sup>3</sup> The Commission

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 12 U.S.C. 5465(e)(1). The Financial Stability Oversight Council designated FICC a systemically important financial market utility 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, FICC is required to comply with the Clearing Supervision Act and file advance notices with the Commission. See 12 U.S.C. 5465(e).

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

<sup>3</sup> Securities Exchange Act Release No. 79643 (December 21, 2016), 81 FR 95669 (December 28, 2016) (SR-FICC-2016-801) ("Notice"). FICC also filed a proposed rule change with the Commission pursuant to Section 19(b)(1) of the Exchange Act and Rule 19b-4 thereunder, seeking approval of changes to its rules necessary to implement the

did not receive any comments on the advance notice. This publication serves as notice that the Commission does not object to the changes set forth in the advance notice.

### I. Description of the Advance Notice

As described by FICC in the advance notice, FICC proposes to change the methodology that it currently uses in the Mortgage-Backed Securities Division's ("MBSD") value-at-risk ("VaR") model from one that employs a full revaluation approach to one that would employ a sensitivity approach.<sup>4</sup> In connection with this change, FICC also proposes to amend the MBSD Clearing Rules ("MBSD Rules") to: (i) Amend the definition of VaR Charge<sup>5</sup> to reference an alternative volatility calculation ("Margin Proxy") that FICC would use in the event that data used for the sensitivity approach is unavailable for an extended period of time;<sup>6</sup> (ii) revise the definition of VaR Charge to include a VaR floor that FICC would use as an alternative to the amount calculated by the proposed VaR model for portfolios where the VaR floor would be greater than the model-based charge amount ("VaR Floor"); (iii) eliminate two components from the Required Fund Deposit<sup>7</sup> calculation that would no longer be necessary following implementation of the proposed VaR Charge; and (iv) change the margining approach that FICC may use for certain securities with inadequate historical pricing data from one that calculates charges using a historic index volatility model to one that would use a haircut method.

proposal. 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4, respectively. The proposed rule change was published for comment in the **Federal Register** on December 13, 2016. Securities Exchange Act Release No. 79491 (December 7, 2016), 81 FR 90001 (December 13, 2016) (SR-FICC-2016-007). The Commission did not receive any comments on the proposed rule change.

<sup>4</sup> The proposed sensitivity approach methodology would be reflected in the Methodology and Model Operations Document—MBSD Quantitative Risk Model ("QRM Methodology"). FICC requested confidential treatment of the QRM Methodology and filed it separately with the Secretary of the Commission, pursuant to Rule 24b-2 under the Exchange Act. See 17 CFR 240.24b-2.

<sup>5</sup> The term "VaR Charge" means, with respect to each margin portfolio, a calculation of the volatility of specified net unsettled positions of an MBSD clearing member, as of the time of such calculation. See MBSD Rule 1.

<sup>6</sup> Details of the Margin Proxy methodology would be reflected in the QRM Methodology.

<sup>7</sup> The term "Required Fund Deposit" means the amount an MBSD clearing member is required to deposit to the Clearing Fund pursuant to MBSD Rule 4. See MBSD Rule 1 and MBSD Rule 4 Section 2.

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).