default management process will further the safeguarding of securities and funds which are in the custody or control of OCC, or for which it is responsible.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act[11] and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[12] that the proposed rule change (SR–OCC–2015–04), as modified by Amendment 1, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[13]

Brent J. Fields,

Secretary.

[FR Doc. 2015–06715 Filed 3–24–15; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–74536; File No. SR–OCC–2015–007]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change To Enhance the Measurement Used To Establish Minimum Capital Requirements for Banks Approved To Issue Letters of Credit

March 19, 2015.

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 March 6, 2015, The Options Clearing Corporation (''OCC'') 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 OCC. 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

OCC proposes to amend its By-Laws and Rules in order to enhance the measurement used to establish minimum capital requirements for banks approved to issue letters of credit that may be deposited by clearing members as a form of margin asset.

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

In its filing with the Commission, OCC 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. OCC 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

1. Purpose

The purpose of this proposed rule change is to enhance the measurement used by OCC to establish minimum capital requirements for banks approved to issue letters of credit that may be deposited by clearing members as a form of margin asset. Currently, OCC Rule 604 Interpretation and Policy .01 requires U.S. banks to have $100,000,000 or more in shareholders' equity, and non-U.S. banks to have $200,000,000 or more in shareholders' equity, in order to be approved as an issuer of letters of credit that may deposited by clearing members to meet their margin obligation(s) at OCC. The purpose of these minimum capital requirements is to ensure that issuers of letters of credit whose letters of credit are deposited at OCC as a margin asset by clearing members have the ability to honor a demand for payment by OCC under such letters of credit should a need to do so arise, such as in the case of a clearing member default.

The financial requirements set forth in OCC Rule 604 Interpretation and Policy .01 concerning issuers of letters of credit have been in place for some time.[3] In the years since OCC adopted OCC Rule 604 Interpretation and Policy .01, bank financial reporting standards have evolved and now place a greater emphasis on Tier 1 Capital as opposed shareholders' equity.[4] In fact, Tier 1 Capital is the primary component of a bank's total regulatory capital.[5] Tier 1 Capital is a more conservative measure of a bank's financial health as it ignores subordinated debt, intermediate-term preferred stock, cumulative and long-term preferred stock and a portion of a bank's allowance for loan and lease losses. In light of the more universal acceptance of Tier 1 Capital for bank financial reporting standards, OCC is now proposing to amend OCC Rule 604 Interpretation and Policy .01 to substitute Tier 1 Capital for shareholders' equity.

OCC believes that by measuring a bank's financial health based on Tier 1 Capital, instead of shareholders' equity, OCC will reduce its credit risk to banks issuing letters of credit deposited by clearing members as a form of margin asset. As stated above, Tier 1 Capital is a more conservative measure of a bank's financial health. Therefore, after implementation of the proposed rule change, should OCC need to demand payment on a letter of credit deposited by a clearing member as a margin asset, such as in the case of a clearing member default, it is less likely that the bank issuing such letter of credit would not perform upon its payment commitment because the bank would be required to hold a greater amount of capital in order to be an OCC letter of credit bank. In turn, credit risk presented to OCC as a result of accepting letters of credit as a form of margin asset is reduced.[6]

In order to effect the proposed rule change, and in addition to amending OCC Rule 604 Interpretation and Policy .01 as described above, OCC is proposing to add a paragraph ''c'' to Interpretation and Policy .01 of OCC Rule 604 in order to adopt a definition for Tier 1 Capital that leverages the definition of Tier 1 Capital employed by a bank's regulatory agency. OCC believes that such a definition is appropriate given that OCC accepts letters of credit from banks regulated by different regulatory authorities.[7] In addition, and for the reasons stated

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[11] In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[12] 15 U.S.C. 78s(b)(2).

[13] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities and Exchange Act Release No. 19422 (January 12, 1983), SR–OCC–1982–08 [sic].

[4] Tier 1 Capital is the measure used by the Basel Committee on Banking Supervision to measure the financial health of a bank. The goal of the Basel Committee on Banking Supervision is to strengthen the regulation, supervision and risk management of the banking sector. The Basel Committee on Banking Supervision's most recent set of reform measures, Basel III, is located at: *http://www.bis.org/publ/bcbs189.pdf.*

[5] *See https://www.kansascityfed.org/Publicat/BasicsforBankDirectors/BasicsforBankDirectors.pdf.*>

[6] OCC does not anticipate that the proposed rule change would impact any of the banks already approved to issue letters of credit that may be deposited by clearing members as a form of margin since all such banks maintain amounts of Tier 1 Capital that exceed, as applicable, $100 million for U.S. banks or $200 million for Non-U.S. banks.

[7] *See* OCC Rule 604(c). For example, OCC accepts letters of credit issued by banks regulated by The Federal Reserve Board, The Office of the Comptroller of the Currency, The Australian Prudential Regulation Authority and The German Federal Financial Supervisory Authority.

above, OCC is proposing to make a conforming change to OCC Rule 604 Interpretation and Policy .04 so that any one bank may not issue letters of credit for an individual clearing member exceeding 15% of the bank's Tier 1 Capital (instead of shareholders' equity).

2. Statutory Basis

OCC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act[8] because it will help ensure the safeguarding of securities and funds which are in the custody and control of OCC, or for which it is responsible. OCC believes that the proposed rule change would help ensure the safeguarding of securities and funds which are in the custody and control of OCC, or for which OCC is responsible, because banks approved to issue letters of credit that may be deposited by clearing members as a form of margin asset at OCC will be subject to a more conservative capital requirement thereby increasing the likelihood that the bank will have the ability to honor a demand for payment made by OCC. For the same reason, OCC believes that the adoption of a more conservative capital requirement for banks approved to issue letters of credit that may be deposited by clearing members as a form of margin asset is consistent with the requirement of SEC Rule 17Ad-22(d)(3), which requires OCC hold assets in a manner that minimizes risk of loss or delay in access to them.[9] The proposed rule change is not inconsistent with any rules of OCC, including any other rules proposed to be amended.

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

OCC does not believe that the proposed rule change would impose any burden on competition.[10] Changes to the rules of a clearing agency may have an impact on the participants in a clearing agency and the markets that the clearing agency serves. This proposed rule change enhances the measurement used to establish capital requirements for banks that want to be, or are, approved to issue letters of credit that clearing members may deposit as a margin asset at OCC. The proposed modifications would not unfairly inhibit access to OCC's services or disadvantage or favor any particular user in relationship to another user because each user will continue to be able to use the same set of approved letter of credit banks if it wishes to deposit a letter of credit as a form of margin asset. In addition, OCC permits a wide variety of other assets to be deposit by clearing members to meet their margin requirements at OCC.[11] The proposed modifications would not disadvantage or favor any particular bank wishing to become an approved letter of credit bank, or already an approved letter of credit bank, as those wishing to become letter of credit banks will have the same capital requirement applied to them, and those currently approved as letter of credit banks already meet the enhanced capital measurement.

For the foregoing reasons, OCC believes that the proposed rule change is in the public interest, would be consistent with the requirements of the Act applicable to clearing agencies and would not impose a burden on competition.

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

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

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 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.* Please include File Number SR–OCC–2015–007 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–OCC–2015–007. 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 OCC and on OCC's Web site at *http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_15_007.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–2015–007 and should be submitted on or before April 15, 2015.

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

Brent J. Fields,

Secretary.

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[8] 15 U.S.C. 78q-1(b)(3)(F).

[9] 17 CFR 240.17Ad-22(d)(3).

[10] 15 U.S.C. 78q-1(b)(3)(I).

[11] *See* OCC Rule 604.

[12] 17 CFR 200.30–3(a)(12).