

*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-OCC-2010-18. This file number should be included on the subject line if e-mail 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 changes 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 Section, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filings 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>. 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-2010-18 and should be submitted on or before November 26, 2010.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Florence E. Harmon,**  
*Deputy Secretary.*

[FR Doc. 2010-28059 Filed 11-4-10; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63217; File No. SR-OCC-2010-14]

### Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change To Revise Its Rules To Expand the Forms of Collateral Eligible for Incorporation in the System for Theoretical Analysis and Numerical Simulations Risk Management Methodology

November 1, 2010.

#### I. Introduction

On August 25, 2010, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-OCC-2010-14 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> The proposed rule change was published in the **Federal Register** on September 13, 2010. No comment letters were received on the proposal. This order approves the proposal.

#### II. Description

This rule change revises OCC's Rules to expand the forms of collateral eligible for incorporation in OCC's System for Theoretical Analysis and Numerical Simulations ("STANS") risk management methodology.

The rule change alters Interpretation and Policy .06 to Rule 601 in connection with expanding the forms of collateral eligible for incorporation in the STANS risk management methodology. Prior to the rule change, OCC incorporated common stock and ETFs<sup>3</sup> in the STANS margin calculation process.<sup>4</sup> When OCC began including common stock and ETFs in the STANS margin calculation process, it noted its belief that the procedure would more accurately measure risk in Clearing Members' accounts and thereby permit OCC to more precisely set margin requirements to reflect that risk. For those same reasons, OCC will now incorporate certain fixed-income, "government securities" into the STANS margin calculation process.

The specific amendments to OCC's Rules that facilitate incorporation of government securities into the STANS

margin calculation process can be found at [http://www.optionsclearing.com/components/docs/legal/rules\\_and\\_bylaws/sr\\_occ\\_10\\_14.pdf](http://www.optionsclearing.com/components/docs/legal/rules_and_bylaws/sr_occ_10_14.pdf).

OCC will now incorporate in phases certain "government securities" into the STANS margin calculation beginning with U.S. Government securities.<sup>5</sup> Treasury Inflation Protected Securities and callable U.S Treasury Securities will be excluded from the initial phase, as will be Canadian government securities and GSE debt securities.<sup>6</sup>

Currently, government securities deposited as collateral to satisfy margin requirements are priced on a nightly basis and are assigned a value equal to their current market value less an applicable haircut based on the term to maturity. While this method of valuing collateral has generally served OCC well in the past, OCC believes analyzing cleared positions and margin assets as a single portfolio using STANS provides a more accurate valuation of the Clearing Members' securities deposited as collateral in relation to other account positions. As when OCC began including common stocks and ETFs in the STANS calculation, OCC believes phasing in government securities will align risk-management techniques utilized to manage market risk of cleared positions, for example for Treasury futures contracts, with those techniques used to value margin deposits.

The inclusion of government securities into STANS will be implemented using an approach similar to that used when common stocks and ETFs were added into STANS. The value of the securities deposited in a Clearing Member's account will be determined along with the risk on the margin assets on a portfolio basis with reference to the volatility and correlation of each deposited security to the other positions in the account. Given the conservative nature of the current haircuts applied to deposits of government securities, OCC anticipates a modest increase in their collateral valuation upon the implementation of this change.

As a part of this rule change, OCC will apply a portfolio specific adjustment factor when determining whether there is sufficient margin excess in an account. This will enable OCC to release margin collateral to a Clearing Member on an intraday basis. The adjustment factor is account and security specific

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

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

<sup>3</sup> ETFs fall within the definition of "fund shares" as that term is defined in Article I, Section 1 of OCC's By-Laws.

<sup>4</sup> Securities Exchange Act Release No. 34-58158 (July 15, 2008), 73 FR 42626

(July 22, 2008) (SR-OCC-2007-20).

<sup>5</sup> This would include but would not be limited to Government securities and GSE debt securities.

<sup>6</sup> The government securities being initially excluded will be evaluated by OCC for possible inclusion in STANS as appropriate models are developed.

<sup>6</sup> 17 CFR 200.30-3(a)(12).

and is determined by approximating the change in margin requirement caused by depositing or withdrawing a particular security from the Clearing Member's account based on the risk characteristics of that security and its consequent assessed value. OCC believes this process will provide a more accurate projection of the margin impact of collateral withdrawals and substitutions on a Clearing Member's account. This process is already used to analyze the impact of substitutions and withdrawals of equity collateral within the STANS Monte Carlo simulations.<sup>7</sup>

OCC's Rule 601, "Margin Requirements," already provides that margin assets in the form of securities may be incorporated into the Monte Carlo calculations as an alternative to valuing such assets under Rule 604, "Form of Margin Assets." In connection with incorporating common stocks and ETFs into the STANS calculation, OCC adopted Interpretation and Policy .06 under Rule 601 to clarify that margin assets in the form of common stocks and ETFs would be included in the Monte Carlo simulations described in Rule 601 for purposes of determining the minimum expected liquidating value of an account with other margin assets being valued as provided for under Rule 604.<sup>8</sup> OCC is now broadening the interpretation to provide that OCC may designate those margin assets which if deposited into a Clearing Member's account will be valued as provided in Rule 601 rather than Rule 604. This change is intended to facilitate OCC's adoption of certain government securities into the STANS margin calculation process.

### III. Discussion

Section 17A(b)(3)(F)<sup>9</sup> requires, among other things, that the rules of a clearing agency are designed to safeguard securities and funds in the clearing agency's possession or control or for which it is responsible. This requires OCC to have the ability to meet its settlement obligations following a member's default. It is therefore necessary that OCC have an effective methodology for calculating margin requirements that are sufficient to

enable OCC to complete settlement in the event a member becomes insolvent or otherwise fails to meet its obligations to OCC. The Commission believes that the changes OCC is making to include government securities within the STANS risk management methodology should better enable OCC to fulfill its safeguarding obligations under the Act and therefore is consistent with the Act.

### IV. 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<sup>10</sup> and the rules and regulations thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (File No. SR-OCC-2010-14) be, and hereby is, approved.<sup>12</sup>

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Florence E. Harmon,**

*Deputy Secretary.*

[FR Doc. 2010-28057 Filed 11-4-10; 8:45 am]

**BILLING CODE 8011-01-P**

## SMALL BUSINESS ADMINISTRATION

### Data Collection Available for Public Comments and Recommendations

**ACTION:** Notice and request for comments.

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1995, this notice announces the Small Business Administration's intentions to request approval on a new and/or currently approved information collection.

**DATES:** Submit comments on or before January 4, 2011.

**ADDRESSES:** Send all comments regarding whether these information collections are necessary for the proper performance of the function of the agency, whether the burden estimates are accurate, and if there are ways to minimize the estimated burden and enhance the quality of the collections, to A. B. McConnell, Jr., Chief 504 Program Branch, Office of Financial Assistance, Small Business Administration, 409 3rd Street, 8th Floor, Washington, DC 20416.

<sup>10</sup> 15 U.S.C. 78q-1.

<sup>11</sup> 15 U.S.C. 78s(b)(2).

<sup>12</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>13</sup> 17 CFR 200.30-3(a)(12).

**FOR FURTHER INFORMATION CONTACT:** A. B. McConnell, Jr., Chief of 504 Branch, Office of Financial Assistance, 202-205-7238, [Andrew.mccconnell@sba.gov](mailto:Andrew.mccconnell@sba.gov); Curtis Rich, Management Analyst, 202-205-7030 [curtis.rich@sba.gov](mailto:curtis.rich@sba.gov).

**SUPPLEMENTARY INFORMATION:** The information collected through these forms from the small business applicants and participating lenders will be used to determine eligibility and to properly evaluate the merits of each loan request based on reasonable and customary underwriting criteria such as character, capacity, credit collateral, etc. This information is collected for the purpose of extending credit under the 504 loan program.

*Title:* U.S. Small Business Administration Application for Section 504 Loan.

*Description of Respondents:* 504 Lenders.

*Form Number:* SBA Form 1244.

*Annual Responses:* 6,800.

*Annual Burden:* 15,735.

*Title:* Eligibility Information Required for 504 Submission (non PCLP).

*Description of Respondents:* 504 Lenders.

*Form Number:* SBA Form 2415.

*Annual Responses:* 5,100.

*Annual Burden:* 4,675.

*Title:* PCLP Quarterly Loan Loss Reserve Report and PCLP Guarantee Request.

*Description of Respondents:* 504 Lenders.

*Form Number:* SBA Forms 2233, 2234 (Part A), 2234 (Part B), 2234 (Part C) (Note: SBA Form 2234 (Part C) is the only form being revised).

*Annual Responses:* 1,700.

*Annual Burden:* 1,558.

*Title:* Servicing Agent Agreement.

*Description of Respondents:* 504 Lenders.

*Form Number:* SBA Form 1506.

*Annual Responses:* 7,830.

*Annual Burden:* 7, 830.

**Curtis B. Rich,**

*Acting Chief, Administrative Information Branch.*

[FR Doc. 2010-27925 Filed 11-4-10; 8:45 am]

**BILLING CODE P**

## SMALL BUSINESS ADMINISTRATION

**[Disaster Declaration # 12366 and # 12367]**

**Puerto Rico Disaster # PR-00011**

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Notice.

**SUMMARY:** This is a notice of an Administrative declaration of a disaster

<sup>7</sup> OCC believes the approach currently used to assess the impact of collateral substitutions and withdrawals represents an improvement over that outlined in File No. SR-OCC-2007-20. Interpretation and Policy .01 under Rule 608 generally provides that OCC may specify procedures from time-to-time to assess the impact of collateral withdrawals and substitutions.

<sup>8</sup> Rule 604(f) provides that, in lieu of the valuations provided for in Rule 604, OCC may elect to value any or all margin assets in the form of securities pursuant to Rule 601.

<sup>9</sup> 15 U.S.C. 78q-1(b)(3)(F).