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) of the Act and paragraph (f) of Rule 19b–4 thereunder. 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 will 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 No. SR–CBOE–2020–069 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 No. SR–CBOE–2020–069. 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 website (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 website 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 No. SR–CBOE–2020–069, and should be submitted on or before August 31, 2020. For the Commission, by the Division of Trading and Markets, pursuant to delegated authority. J. Matthew DeLesDernier, Assistant Secretary.

[FR Doc. 2020–17350 Filed 8–7–20; 8:45 am]
BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Exchange’s Compliance Rule Under General 7 of the Exchange’s Rulebook


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 July 31, 2020, 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 and II, 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. The Exchange proposes to amend the Compliance Rule (“Compliance Rule”) regarding the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”).3 to be consistent with an amendment to the CAT NMS Plan recently approved by the Commission.


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 this proposed rule change is to amend General 7, the Compliance Rule regarding the CAT NMS Plan, to be consistent with an amendment to the CAT NMS Plan recently approved by the Commission.4 The Commission approved an amendment to the CAT NMS Plan to amend the requirements for Firm Designated IDs in four ways: (1) To prohibit the use of account numbers as Firm Designated IDs for trading accounts that are not proprietary accounts; (2) to require that the Firm Designated ID for a trading account be persistent over time for each Industry Member so that a single account may be tracked across time within a single Industry Member; (3) to permit the use of relationship identifiers as Firm Designated IDs in certain circumstances; and (4) to permit the use of entity identifiers as Firm Designated IDs in certain circumstances (the “FDID Amendment”). As a result, the Exchange proposes to amend the definition of “Firm Designated ID” in General 7, Section 1 to reflect the changes to the CAT NMS Plan regarding

3 Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the Compliance Rule.
the requirements for Firm Designated IDs.

General 7, Section 1(r) defines the term “Firm Designated ID” to mean “a unique identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository, where each such identifier is unique among all identifiers from any given Industry Member for each business date.”

1) Prohibit Use of Account Numbers

The Exchange proposes to amend the definition of “Firm Designated ID” in General 7, Section 1(r) to provide that Industry Members may not use account numbers as the Firm Designated ID for trading accounts that are not proprietary accounts. Specifically, the Exchange proposes to add the following to the definition of a Firm Designated ID: “provided, however, such identifier may not be the account number for such trading account if the trading account is not a proprietary account.”

2) Persistent Firm Designated ID

The Exchange also proposes to amend the definition of “Firm Designated ID” in General 7, Section 1(r) to require a Firm Designated ID assigned by an Industry Member to a trading account to be persistent over time, not for each business day.

5 To effect this change, the Exchange proposes to amend the definition of “Firm Designated ID” in General 7, Section 1(r) to add “and persistent” after “unique” and delete “for each business day” so that the definition of “Firm Designated ID” would read, in relevant part, as follows: a unique and persistent identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository . . . where each such identifier is unique among all identifiers from any given Industry Member.

3) Relationship Identifiers

The FDID Amendment also permits an Industry Member to provide a relationship identifier as the Firm Designated ID, rather than an identifier that represents a trading account, in certain scenarios in which an Industry Member does not have an account number available to its order handling and/or execution system at the time of order receipt (e.g., certain institutional accounts, managed accounts, accounts for individuals). In such scenarios, the trading account structure may not be available when a new order is first received from a client and, instead, only an identifier representing the client’s trading relationship is available. In these limited instances, the Industry Member may provide an identifier used by the Industry Member to represent the client’s trading relationship with the Industry Member instead of an account number.

When a trading relationship is established at a broker-dealer for clients, the broker-dealer typically creates a parent account, under which additional subaccounts are created. However, in some cases, the broker-dealer establishes the parent relationship for a client using a relationship identifier as opposed to an actual parent account. The relationship identifier could be any of a variety of identifiers, such as a short name for a relevant individual or institution. This relationship identifier is established prior to any trading for the client. If a relationship identifier has been established rather than a parent account, and an order is placed on behalf of the client, any executed trades will be kept in a firm account (e.g., a facilitation or average price account) until they are allocated to the proper subaccounts, i.e., the accounts associated with the parent relationship identifier connecting them to the client.

Relationship identifiers are used in circumstances in which the account structure is not available to the trading system at the time of order placement. The clients have established accounts prior to the trade that satisfy relevant regulatory obligations for opening accounts, such as Know Your Customer and other customer obligations.

However, the order receipt workflows operate using relationship identifiers, not accounts. For Firm Designated ID purposes, as with an identifier for a trading account, the relationship identifier must be persistent over time. The relationship identifier also must be unique among all identifiers from any given Industry Member. With these requirements, a single relationship could be tracked across time within a single Industry Member using the Firm Designated ID. In addition, the relationship identifier could be a name or otherwise provide an indication as to the identity of the relationship. The masking requirement would avoid potentially revealing the identity of the relationship.

An example of the use of a relationship identifier as a Firm Designated ID would be as follows: Suppose that Big Fund Manager is known in Industry Member A’s systems as “BFM1.” When an order is placed by Big Fund Manager, the order is tagged to BFM1. Industry Member A could use a masked version of BFM1 in place of the Firm Designated ID representing a trading account when reporting a new order from Big Fund Manager instead of the account numbers to which executed shares/contracts will be allocated at a later time via a booking or other system. Similarly, another example of the use of a relationship identifier as a Firm Designated ID would involve an individual in place of the Big Fund Manager in the above example.

In accordance with the FDID Amendment, the Exchange proposes to amend the definition of “Firm Designated ID” in General 7, Section 1(r) to permit Industry Members to provide a relationship identifier as the Firm Designated ID as described above. Specifically, the Exchange proposes to amend the definition of “Firm Designated ID” in General 7, Section 1(r) to state that a Firm Designated ID means, in relevant part, “a unique and persistent relationship identifier when an Industry Member does not have an account number available to its order handling and/or execution system at the time of order receipt, provided, however, such identifier must be masked.”

4) Entity Identifiers

The FDID Amendment also permits Industry Members to provide an entity identifier, rather than an identifier that represents a trading account, when an employee of the Industry Member is exercising discretion over multiple client accounts and creates an aggregated order for which a trading account number of the Industry Member is not available at the time of order origination. An entity identifier is an identifier of the Industry Member that represents the firm discretionary relationship with the client rather than a firm trading account.

The scenarios in which a firm uses an entity identifier are comparable to when a firm uses a relationship identifier (as described above) except the entity identifier represents the Industry Member rather than a client. As with relationship identifiers, entity identifiers are used in circumstances in which the account structure is not
available to the trading system at the
time of order placement. In this
workflow, the Industry Member’s order
handling and execution system does not
have an account number at the time of
order origination. The relevant clients
that will receive an allocation of the
execution have established accounts
prior to the trade that satisfy relevant
regulatory obligations for opening
accounts, such as Know Your Customer
and other customer obligations.
However, the order origination
workflows operate using entity
identifiers, not accounts.

For Firm Designated ID purposes, as
with the identifier for a trading account
or a relationship, the entity identifier
must be persistent over time. The entity
identifier also must be unique among all
identifiers from any given Industry
Member. Each Industry Member must
make its own risk determination as to
whether it believes it is necessary to
mask the entity identifier when using an
entity identifier to report the Firm
Designated ID to CAT.

An example of the use of an entity
identifier as a Firm Designated ID would
be when Industry Member 1 has an
employee that is a registered
representative that has discretion over
several client accounts held at Industry
Member 1. The registered representative
places an order that he will later
allocate to individual client accounts.
At the time the order is placed, the
trading system only knows it involves a
representative of Industry Member 1
and it does not have a specific trading
account that could be used for Firm
Designated ID reporting. Therefore,
Industry Member 1 could report IM1, its
entity identifier, as the FDID with the
new order.

In accordance with the FDID
Amendment, the Exchange proposes to
amend the definition of “Firm
Designated ID” in General 7, Section
1(r) to permit the use of an entity
identifier as a Firm Designated ID as
described above. Specifically, the
Exchange proposes to amend the
definition of a “Firm Designated ID” in
General 7, Section 1(r) to state that a
Firm Designated ID means, in relevant
part, “a unique and persistent entity
identifier when an employee of an
Industry Member is exercising
discretion over multiple client accounts
and creates an aggregated order for
which a trading account number of the
Industry Member is not available at the
time of order origination.”

2. Statutory Basis

The Exchange believes that the
proposed rule change is consistent with
the provisions of Section 6(b)(5) of the
Act, which require, among other
things, that the Exchange’s rules must
be designed to prevent fraudulent
manipulative acts and practices, to
promote just and equitable principles of
trade, and, in general, to protect
investors and the public interest, and
Section 6(b)(8) of the Act, which
requires that the Exchange’s rules not
impose any burden on competition that
is not necessary or appropriate.

The Exchange believes that this
proposal is consistent with the Act
because it is consistent with, and
implements, a recent amendment to the
CAT NMS Plan, and is designed to
assist the Exchange and its Industry
Members in meeting regulatory
obligations pursuant to the Plan. In
approving the Plan, the SEC noted that
the Plan “is necessary and appropriate
in the public interest, for the protection
of investors and the maintenance of fair
and orderly markets, to remove
impediments to, and perfect the
mechanism of a national market system,
or is otherwise in furtherance of the
purposes of the Act.”

To the extent that this proposal implements the Plan, and
applies specific requirements to
Industry Members, the Exchange
believes that this proposal furthers the
objectives of the Plan, as identified by
the SEC, and is therefore consistent with
the Act.

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

The Exchange does not believe that
the proposed rule change will result in
any burden on competition that is not
necessary or appropriate in furtherance
of the purposes of the Act. The
Exchange notes that the proposed rule
changes are consistent with a recent
amendment to the CAT NMS Plan, and
are designed to assist the Exchange in
meeting its regulatory obligations
pursuant to the Plan. The Exchange also
notes that the FDID Amendment will
apply equally to all Industry Members
that trade NMS Securities and OTC
Equity Securities. In addition, all
national securities exchanges and
FINRA are proposing this amendment
to their Compliance Rules. Therefore,
this is not a competitive rule filing, and,
therefore, it does not impose a burden
on competition.

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.

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

The Exchange has filed the proposed
rule change pursuant to Section
19(b)(3)(A)(iii) of the Act and Rule
19b–4(f)(6) thereunder. Because the
proposed rule change does not: (i)
Significantly affect the protection of
investors or the public interest; (ii)
impose any significant burden on
competition; and (iii) become operative
prior to 30 days from the date on which
it was filed, or such shorter time as the
Commission may designate, if
consistent with the protection of
investors and the public interest, the
proposed rule change has become
effective pursuant to Section
19(b)(3)(A) of the Act
and Rule 19b–4(f)(6)(iii)
thereunder.

A proposed rule change filed under
Rule 19b–4(f)(6) normally does not
become operative prior to 30 days after
the date of the filing. However, pursuant
to Rule 19b–4(f)(6)(iii), the
Commission may designate a shorter
time if such action is consistent with the
protection of investors and the public
interest. The Exchange has asked the
Commission to waive the 30-day
operational delay so that the proposal
may become operative by July 31, 2020.
The Commission believes that waiver of
the 30-day operational delay is consistent
with the protection of investors and the
public interest because it implements an
amendment to the CAT NMS Plan
approved by the Commission.

Accordingly, the Commission hereby
waives the 30-day operational delay and
designates the proposal operative as of
At any time within 60 days of the filing of this 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 will 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-C2–2020–046 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–2020–046. 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 website (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 website 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–NASDAQ–2020–046, and should be submitted on or before August 31, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.17

J. Matthew DeLesDernier,
Assistant Secretary.

[FR Doc. 2020–17348 Filed 8–7–20; 8:45 am]
BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–89470; File No. SR–C2–2020–008]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Options Regulatory Fee


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 July 21, 2020, Cboe C2 Exchange, Inc. (the “Exchange” or “C2 Options”) filed with the Securities and Exchange Commission (the “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

Cboe C2 Exchange, Inc. (the “Exchange” or “C2 Options”) proposes to amend its Fees Schedule relating to the Options Regulatory Fee. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.


The Exchange notes ORF also applies to customer-range transactions executed during Global Trading Hours.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to reduce the Options Regulatory Fee (“ORF”) from $0.0012 per contract to $0.0004 per contract, effective August 3, 2020, in order to help ensure that revenue collected from the ORF, in combination with other regulatory fees and fines, does not exceed the Exchange’s total regulatory costs.

The ORF is assessed by C2 Options to each Trading Permit Holder (“TPH”) for options transactions cleared by the TPH that are cleared by the Options Clearing Corporation (“OCC”) in the customer range, regardless of the exchange on which the transaction occurs.3 In other words, the Exchange imposes the ORF on all customer-range transactions cleared by a TPH, even if the transactions do not take place on the Exchange. The ORF is collected by OCC on behalf of the Exchange from the Clearing Trading Permit Holder (“CTPH”) or non-CTPH that ultimately clears the transaction. With respect to linkage transactions, C2 Options reimburses its routing broker providing Routing Services pursuant to C2 Options Rule 6.15 for options regulatory fees it incurs in connection with the Routing Services it provides.

Revenue generated from ORF, when combined with all of the Exchange’s other regulatory fees and fines, is designed to recover a material portion of the regulatory costs to the Exchange of the supervision and regulation of TPH customer options business including performing routine surveillances, investigations, examinations, financial monitoring, and policy, rulemaking, interpretive, and enforcement activities.

3 The Exchange notes ORF also applies to customer-range transactions executed during Global Trading Hours.