relevant portions of the original proposed rule change to reference a ''financing structure or product'' where a conforming reference is appropriate.[31]

As a final example, the original proposed rule change defines the terms ''complex municipal securities financing'' and ''Complex Municipal Financing Recommendation.'' In Amendment No. 1, the MSRB proposes to revise the proposed rule change to promote consistency of these concepts by redefining the latter term to ''Complex Municipal Securities Financing Recommendation'' and make conforming changes throughout the document.[32]

III. Date of Effectiveness of the Proposed Rule Change and Amendment No. 1

As stated in the original proposed rule change, following the approval of the proposed rule change, the MSRB will publish a regulatory notice within 90 days of the publication of approval in the **Federal Register** (the 2012 Interpretive Notice, so amended by the proposed rule change, is referred to herein as the ''Revised Interpretive Notice''), and such notice shall specify the compliance date for the amendments described in the proposed rule change, which in any case shall be not less than 90 days, nor more than one year, following the date of the notice establishing such compliance date.[33]

The MSRB is requesting accelerated approval of Amendment No. 1.[34] The MSRB believes the Commission has good cause, pursuant to Section 19(b)(2) of the Act, for granting accelerated approval of Amendment No. 1.[35] The MSRB believes that the Commission has good cause, pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934, for granting accelerated approval of Amendment No. 1. Specifically, the MSRB believes that the modifications to the original proposed rule change are responsive to commenters. The MSRB states that Amendment No. 1 proposes to revise the original proposed rule change to state that (1) the underwriter making a recommendation to the issuer regarding a financing structure, including, when applicable, a Complex Municipal Securities Financing Recommendation, has the fair dealing obligation to deliver the applicable transaction-specific disclosures and (2) the notice does not apply to a dealer acting as a primary distributor in a continuous offering of municipal fund securities. Beyond these modifications, the MSRB states that Amendment No. 1 otherwise proposes to revise the original proposed rule change with technical modifications intended to more precisely define the scope of its application and/or to promote clarity in its interpretation. The MSRB believes that these modifications are consistent with the original proposed rule change.[36]

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the filing as amended by Amendment No. 1 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–MSRB–2019–10 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to File Number SR–MSRB–2019–10. 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 MSRB. 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–MSRB–2019–10 and should be submitted on or before October 29, 2019.

For the Commission, pursuant to delegated authority.[37]

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019–22388 Filed 10–11–19; 8:45 am]

BILLING CODE 8011–01–P

[31] *Id.*

[32] *Id.*

[33] *See* Notice.

[34] *See* Amendment No. 1.

[35] *Id.*

[36] *Id.*

[37] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87257; File No. SR–OCC–2019–805]

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Partial Amendment No. 1 and Notice of No Objection to Advance Notice, as Modified by Partial Amendment No. 1, Concerning a Proposed Capital Management Policy That Would Support the Options Clearing Corporation's Function as a Systemically Important Financial Market Utility

October 8, 2019.

I. Introduction

On August 9, 2019, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') advance notice SR–OCC–2019–805 (''Advance Notice'') pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, entitled Payment, Clearing and Settlement Supervision Act of 2010 (''Clearing Supervision Act'') [1] and Rule 19b–4(n)(1)(i) [2] under the Securities Exchange Act of 1934 (''Exchange Act'') [3] to adopt a policy concerning capital management at OCC, which includes OCC's plan to replenish its capital in the event it falls close to or below target capital levels.[4] The Advance Notice was published for public comment in the **Federal Register** on September 11, 2019,[5] and the

[1] 12 U.S.C. 5465(e)(1).

[2] 17 CFR 240.19b–4(n)(1)(i).

[3] 15 U.S.C. 78a *et seq.*

[4] *See* Notice of Filing *infra* note 5, at 84 FR 47990.

[5] Securities Exchange Act Release No. 86888 (Sep. 5, 2019), 84 FR 47990 (Sep. 11, 2019) (File No. SR–OCC–2019–805) (''Notice of Filing''). On August 9, 2019, OCC also filed a related proposed rule change (SR–OCC–2019–007) with the Commission pursuant to Section 19(b)(1) of the Exchange Act

Commission has received comments regarding the changes proposed in the Advance Notice.[6] On September 11, 2019, OCC filed a partial amendment (''Partial Amendment No. 1'') to modify the Advance Notice.[7] The Commission is publishing this notice to solicit comments on Partial Amendment No. 1 from interested persons and, for the reasons discussed below, is hereby providing notice of no objection to the Advance Notice.

II. Background

On February 13, 2019, the Commission issued an order disapproving a rule change that OCC proposed regarding a plan to increase OCC's capitalization.[8] OCC now proposes changes to adopt, as part of its rules, a new policy concerning capital management at OCC (''Capital Management Policy''). Specifically, the proposed Capital Management Policy would (i) describe how OCC would determine the amount of liquid net assets funded by equity (''LNAFBE'') necessary to cover OCC's potential general business losses; (ii) require OCC to hold a minimum amount of shareholders equity (''Equity'') sufficient to support the amount of LNAFBE determined to be necessary; [9] and (iii) establish a plan for replenishing OCC's capital in the event that Equity were to fall below certain thresholds. OCC also proposes to revise its existing rules to support the terms of the proposed Capital Management policy.

A. Determining Capital Requirements

As noted above, OCC proposes to adopt rules describing the determination of the LNAFBE necessary to cover potential general business losses. As proposed, LNAFBE would be a subset of OCC's overall Equity—specifically, cash and cash equivalents, less any approved adjustments—and therefore could not, by definition, exceed Equity. Specifically, OCC proposes to set a ''Target Capital Requirement,'' which would be based on two components: (i) The amount of LNAFBE determined by OCC to be necessary to ensure compliance with OCC's regulatory obligations, including Rule 17Ad–22(e)(15) under the Exchange Act; [10] and (ii) any additional amounts determined to be necessary and appropriate for capital expenditures approved by OCC's Board.[11]

With respect to the first component of the Target Capital Requirement, to ensure that it is set at a level sufficient to ensure compliance with OCC's regulatory obligations, OCC proposes to set its Target Capital Requirement, at a minimum, equal to the greater of three amounts: (i) An amount equal to six months of OCC's current operating expenses; (ii) the amount determined by OCC's Board to be sufficient to ensure a recovery or orderly wind-down of critical operations and services (''RWD Amount''); [12] or (iii) the amount determined by OCC's Board to be sufficient for OCC to continue operations and services as a going concern if general business losses materialize (''Potential Loss Amount'').[13] OCC believes that a minimum Target Capital Requirement sized to cover at least these three amounts would address OCC's obligations under Exchange Act Rule 17Ad–22(e)(15).[14] With respect to the second component of the Target Capital Requirement, the proposal would authorize OCC's Board to increase the Target Capital Requirement by an amount to be retained for capital expenditures.[15] OCC's Board would be responsible for reviewing and approving the Target Capital Requirement annually.

B. Maintaining Capital

As noted above, OCC proposes to adopt rules that would require it to hold the minimum amount of Equity necessary to cover the Target Capital Requirement. Specifically, OCC proposes to adopt rules pertaining to the monitoring and management of OCC's Equity. Under the proposed rules, OCC's senior management would be responsible for reviewing analyses, including projections of future volume, expenses, cash flows, capital needs and other factors, to help ensure adequate financial resources are available to meet general business obligations. Such analyses would also include a monthly review of whether OCC's Equity falls close to or below the Target Capital Requirement. Under the proposal, OCC would view Equity less than 110 percent of the Target Capital Requirement as falling close to the Target Capital Requirement.[16] OCC

and Rule 19b–4 thereunder (''Proposed Rule Change''). 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b–4, respectively. In the Proposed Rule Change, which was published in the **Federal Register** on August 27, 2019, OCC seeks approval of proposed changes to its rules necessary to implement the Advance Notice. Securities Exchange Act Release No. 86725 (Aug. 21, 2019), 84 FR 44944 (Aug. 27, 2019). The comment period for the related Proposed Rule Change filing closed on September 17, 2019.

[6] *See* letter from Jacqueline Mesa, Chief Operating Officer & Senior Vice President of Global Policy Futures Industry Association (''FIA''), dated September 17, 2019, to Vanessa Countryman, Secretary, Commission (''FIA Letter''); letter from Joseph P. Kamnik, Senior Vice President and Chief Regulatory Counsel, OCC, dated September 20, 2019 to Vanessa Countryman, Secretary, Commission (''OCC Letter''); letter from Steven Morrison, SVP, Associate General Counsel, LPL Financial (''LPL''), dated September 17, 2019 (received September 26, 2019) to Brent J. Fields, Secretary, Commission, (''LPL Letter''); letter from Brian Sopinsky, General Counsel, Susquehanna International Group (''SIG''), dated October 1, 2019, to Vanessa Countryman, Secretary, Commission (''SIG Letter''); memorandum from Sean Memon, Chief of Staff to Chairman Jay Clayton, Commission, to File No. SR–OCC–2019–007, dated October 2, 2019, *available at https://www.sec.gov/comments/sr-occ-2019-007/srocc2019007.htm.*

Since the proposal contained in the Advance Notice was also filed as a proposed rule change, all public comments received on the proposal are considered regardless of whether the comments are submitted on the proposed rule change or the Advance Notice.

[7] In Partial Amendment No. 1, OCC appended an Exhibit 2 to the materials filed on August 9, 2019 regarding File No. SR–OCC–2019–805. The appended Exhibit 2 consists of communications from OCC concerning the proposal dated after OCC filed the proposal on August 9, 2019 and does not change the purpose of or basis for the Advance Notice. References to the Advance Notice from this point forward refer to the Advance Notice, as amended by Partial Amendment No. 1.

[8] *See* Securities Exchange Act Release No. 85121 (Feb. 13, 2019), 84 FR 5157 (Feb. 20, 2019) (File No. SR–OCC–2015–02).

[9] LNAFBE would mean cash and cash equivalents to the extent that such cash and cash equivalents do not exceed Equity.

[10] 17 CFR 240.17Ad–22(e)(15).

[11] In setting the Target Capital Requirement, OCC would also consider but not be bound by, its projected rolling twelve-months' operating expenses pursuant to OCC's interpretation of Commodity Exchange Act Rule 39.11(a)(2). 17 CFR 39.11(a)(2). Nothing in this Order constitutes an interpretation of Rule 39.11(a)(2) under the Commodity Exchange Act by the Commission or an endorsement of OCC's interpretation of Rule 39.11(a)(2).

[12] Under the proposal, OCC's Board would approve the RWD Amount annually at a level designed to cover the cost to maintain OCC's critical services over the recovery or wind-down period. Identification of OCC's critical services and the length of time necessary to recover or wind-down is covered in OCC's Recovery and Wind-Down Plan. *See* Securities Exchange Act Release No. 83918 (Aug. 23, 2018), 83 FR 44091 (Aug. 29, 2018).

[13] Under the proposal, OCC's Board would set the Potential Loss Amount by analyzing and aggregating potential losses from individual operational risk scenarios, aggregating the loss events, and conducting loss modeling at or above the 99 percent confidence level.

[14] *See* Notice of Filing, 84 FR at 47991.

[15] Under the proposal, OCC's Board could determine, in the alternative, to fund capital expenditures out of funds in excess of the Target Capital Requirement. OCC stated that, in making such a determination, its Board would consider factors including, but not limited to, the amount of funding required, the amount of Equity proposed to be retained, the potential impact of the investment on OCC's operations, and the duration of time over which funds would be accumulated. *See* Notice of Filing, 84 FR at 47991.

[16] OCC stated that 10 percent of the Target Capital Requirement represents approximately two months of earnings, and that OCC believes that a two-month window would provide OCC's senior management and Board sufficient time to respond to a deterioration of OCC's capital. *See* Notice of Filing, 84 FR at 47992.

would refer to a breach of this 110 percent threshold as an ''Early Warning.'' Under the proposed rules, OCC's senior management would be obligated to notify OCC's Board promptly if Equity were to fall below the Early Warning threshold and to recommend to the Board whether to implement a fee increase in an amount that the Board determines necessary and appropriate to raise additional Equity.

Under the proposal, OCC's senior management would also, on a quarterly basis, review OCC's schedule of fees in consideration of projected operating expenses, projected volumes, anticipated cash flows, and capital needs. Based on its review, OCC's senior management would recommend to OCC's Board Compensation and Performance Committee whether to issue a fee increase, decrease or fee waiver. Additionally, if Equity were to exceed 110 percent of the Target Capital Requirement plus an amount of excess Equity approved for capital expenditures, OCC's Board could reduce the cost of clearing by lowering fees, declaring a fee holiday, or issuing refunds.

OCC stated that resources held to meet OCC's Target Capital Requirement would be in addition to OCC's resources to cover participant defaults.[17] OCC proposes, however, to mitigate losses arising out of a Clearing Member default with OCC's excess capital. Specifically, OCC proposes to offset default losses remaining after the application of a defaulted Clearing Member's margin deposits and Clearing Fund contributions with capital in excess of 110 percent of the Target Capital Requirement (''skin-in-the-game''). OCC also proposes to charge losses remaining after the application of skin-in-the-game to OCC senior management's deferred compensation as well as non-defaulting Clearing Members.[18]

C. Replenishing Capital

OCC proposes to establish a plan for replenishing its capital in the event that Equity were to fall below certain thresholds (''Replenishment Plan''). As described above, OCC proposes to establish an Early Warning threshold to define when OCC's Equity falls close enough to the Target Capital Requirement to require action. OCC also proposes to establish two ''Trigger Event'' thresholds to identify (i) whether OCC's Equity were to fall below the Target Capital Requirement; and (ii) the appropriate response based on the severity and speed of capital deterioration. Further, the proposed Capital Management Policy would require that, on an annual basis, OCC's Management recommend that the Board approve or, as appropriate, modify the Replenishment Plan, and that the Board review and, as appropriate, approve Management's recommendation.

Under the proposed rules, a Trigger Event would occur if OCC's Equity were to remain below 100 percent of the Target Capital Requirement for a period of 90 consecutive calendar days (referred to herein as the ''Moderate Trigger Event''). OCC believes that the failure of a fee increase resulting from an Early Warning to increase OCC's Equity above the Target Capital Requirement within 90 days would indicate that corrective action in the form of a fee increase would be insufficient.[19] Under the proposed rules, a Trigger Event would also occur if OCC's Equity were to fall below 90 percent of the Target Capital Requirement at any time (referred to herein as the ''Severe Trigger Event''). OCC believes that a Severe Trigger Event would be a sign that corrective action more significant and with a more immediate impact than increasing fees should be taken to increase OCC's Equity.[20]

As noted above, OCC's Board would be authorized to approve fee increases to address the deterioration of OCC's capital over time. To address the more acute capital replenishment needs posed by the Trigger Events, OCC proposes to authorize the use of two additional resources: (i) Funds held under The Options Clearing Corporation Executive Deferred Compensation Plan Trust (''EDCP''); [21] and (ii) funds obtained by levying a special fee on Clearing Members.

In response to a Trigger Event, OCC would be required to replenish its capital first through the contribution of the EDCP Unvested Balance. The amount of the EDCP Unvested Balance contributed would be the lesser of (i) the entire EDCP Unvested Balance or (ii) the amount necessary to raise OCC's Equity above 110 percent of the Target Capital Requirement. If a contribution of the entire EDCP Unvested balance were necessary, OCC would be required to reevaluate its Equity vis-à-vis the Target Capital Requirement to determine whether further action would be required following such a contribution.

The proposed rules would require that OCC take further action if, after contributing the entire EDCP Unvested Balance, either: (i) Equity were to remain above 90 percent, but below 100 percent, of the Target Capital Requirement for an additional 90-day period; [22] or (ii) Equity were below 90 percent of the Target Capital Requirement. Under the proposal, if OCC were to determine that further action would be necessary to replenish its capital, OCC would be required to levy a special fee on its Clearing Members (''Operational Loss Fee''), which would be payable within five business days of OCC providing notice to the Clearing Members. Accordingly, OCC proposes to amend its schedule of fees to describe the maximum Operation Loss Fee that it could charge Clearing Members. The maximum Operational Loss Fee would be sized to provide OCC with the RWD Amount after any applicable taxes (''Adjusted RWD Amount'').[23] Under the proposal, OCC would be authorized to charge Clearing Members, collectively, the lesser of (i) the maximum Operational Loss Fee; or (ii) the amount necessary to raise OCC's Equity above 110 percent of the Target Capital Requirement. Under the proposal, OCC would allocate the Operational Loss Fee equally among the Clearing Members. OCC believes that charging the Operational Loss Fee in equal shares is preferable to other potential allocation methods because it would equally mutualize the risk of operational loss among the firms that use OCC's services.[24]

The proposed rules would permit OCC to charge amounts only up to the maximum Operational Loss Fee. If, after charging some amount less than the maximum Operational Loss Fee, OCC were to issue clearing fee refunds to manage excess capital, OCC would issue such refunds in equal shares until the amount of the Operational Loss Fee charged to each Clearing Member had been fully refunded. If OCC were to

[17] *See* Notice of Filing, 84 FR at 47997.

[18] Such losses would be charged on a pro rata basis to (a) non-defaulting Clearing Members' Clearing Fund contributions, and (b) the aggregate value of the EDCP Unvested Balance (defined below).

[19] *See* Notice of Filing, 84 FR at 47992.

[20] *See id.*

[21] The EDCP funds available for capital replenishment would be only those funds that are (i) deposited on or after January 1, 2020 in respect of the EDCP and (ii) in excess of amounts necessary to pay for benefits accrued and vested under the EDCP at such time (''EDCP Unvested Balance'').

[22] The 90-calendar day term of a subsequent Moderate Trigger Event would be measured beginning on the date OCC applies the EDCP Unvested Balance.

[23] OCC acknowledged that the tax implications of the income represented by the Operational Loss Fee would depend on the extent to which any operational loss giving rise to a Trigger Event would be tax deductible. *See* Notice of Filing, 84 FR at 47993.

[24] *See id.* OCC stated that it found no evidence of a correlation between the risk of operational loss and either volume or a Clearing Member's credit risk profile. *See id.*

charge some amount less than the maximum Operational Loss Fee, then the proposed rules would allow OCC to charge another Operational Loss Fee in the future, provided that the sum of all Operational Loss Fees, less amounts refunded, could not exceed the maximum Operational Loss Fee. In the event that OCC were to charge the maximum Operational Loss Fee, OCC would then be required to convene its Board to develop a new replenishment plan.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the advance notice is consistent with the Clearing Supervision 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–2019–805 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to File Number SR–OCC–2019–805. 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 such filings will also be available for inspection and copying at the principal office of OCC and OCC's website at *https://www.theocc.com/about/publications/bylaws.jsp.*

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–OCC–2019–805 and should be submitted on or before October 30, 2019.

IV. Summary of Comments

As noted above, the Commission received comments on the substance of the proposal. In its comment, the FIA requests clarification regarding certain aspects of OCC's proposal, raises concerns about other aspects, and generally expresses the hope that its concerns will be addressed prior to the approval of the related Proposed Rule Change.[25] The FIA appreciates certain aspects of OCC's proposed skin-in-the-game provisions and characterizes them as positive and important steps in the right direction.[26] At the same time, the FIA suggests that the minimum amount of skin-in-the-game should be clearly defined, scalable, and prefunded.[27] In response, OCC states that the Commission has not imposed a skin-in-the-game requirement, but that OCC nevertheless believes it is prudent to align OCC's incentives with those of the broader industry with respect to the management of risks faced by OCC and, as a result, has determined to propose the skin-in-the-game provisions included in its proposal.[28]

With respect to allocating a potential capital shortfall through the Operational Loss Fee, the FIA acknowledges that OCC has a hybrid ownership structure whereby it is owned by exchanges rather than members, and that OCC previously proposed to allocate capital shortfalls to shareholders rather than Clearing Members, but that proposal was disapproved by the Commission, and that as a result of those factors, OCC has now proposed to raise replenishment capital through the Operational Loss Fee. However, FIA expresses the belief that imposing the Operational Loss Fee on Clearing Members without providing a return is inequitable and that, ideally, OCC's shareholders should either be required to provide ''similar such commitment or allow for an equity dilution.'' [29] In response, OCC notes that the Standards for Covered Clearing Agencies do not impose a requirement on the source of the funding other than the funds be ''equity'' of the clearing agency and that OCC originally proposed a plan for replenishment funding that would come from then-existing shareholders that was disapproved by the Commission.[30]

The FIA agrees with OCC's proposal to apportion equally resources raised from Clearing Members, but suggests that OCC should clarify the mechanism for returning such resources.[31] In response, OCC states that if an Operational Loss Fee were charged and OCC's capital subsequently exceeded 110 percent of the Target Capital Requirement such that OCC determined to return funds received pursuant to the charge, OCC would return the funds to Clearing Members in equal share to each Clearing Member that paid the Operational Loss Fee until such time as the aggregate amount of the Operational Loss Fee was returned.[32]

Contrary to the FIA's comment, LPL expresses the belief that the proposal to allocate the Operational Loss fee in equal shares among OCC's Clearing Members would be inequitable, and therefore, in contravention of Exchange Act Section 17A(b)(3)(D).[33] LPL acknowledges that Clearing Members may have access to clearance and settlement services provided by OCC, but states that allocating the Operational Loss Fee to Clearing Members in equal shares because they have equal access to the OCC's services would not necessarily result in an equitable allocation of such fees.[34] LPL argues that Clearing Members' actual use of, and therefore actual benefit derived from, the operational availability of the OCC's services vary widely, and as such, in the event of an operational loss, not every Clearing Member would suffer to the same degree.[35] Further, LPL argues that OCC's statement that there is no correlation between operational risks, on the one hand, and contract volume, on the other hand, is flawed inasmuch as it ignores the fact that a Clearing Member that makes greater use of the OCC's clearing and settlement system places greater strain on that system and thus exposes the system to greater operational risk.[36]

The FIA expresses the belief that any Board decision that results in the imposition of an Operational Loss Fee

[25] FIA Letter at 1.
[26] FIA Letter at 1.
[27] FIA Letter at 1–2.
[28] OCC Letter at 1.
[29] FIA Letter at 2.
[30] OCC Letter at 2.
[31] FIA Letter at 3.
[32] OCC Letter at 2–3. OCC's comment included an example to further clarify OCC's explanation. OCC Letter at 3.
[33] LPL Letter at 1.
[34] LPL Letter at 2.
[35] LPL Letter at 2–3.
[36] LPL Letter at 3.

should be ''syndicated with'' Clearing Members and that any resulting feedback from Clearing Members should be ''presented to the Board before any decisions are taken.'' [37] OCC responds by noting its strong belief that part of the viability of a plan to replenish capital is the speed with which that replenishment capital is accessible if needed and that, with respect to the Operational Loss Fee, relevant decisions related to imposing it would need to be made quickly, and as such they would not lend themselves to the additional step of consideration by Clearing Members before consideration by the Board.[38] OCC also expresses its view that OCC's By-Laws and the composition of the Board itself,[39] as well as a number of formal and informal mechanisms OCC has implemented to solicit Clearing Member and other interested stakeholder feedback,[40] ensure that a view informed by the Clearing Membership is already built into the Board's deliberations and decision-making. Thus OCC states the Capital Management Policy as a whole has been constructed with the benefit of the perspective of the Clearing Member community, and that any future Board decisions related to the imposition of an Operational Loss Fee would likewise benefit from the perspective of the Clearing Member community.[41] Further, the FIA expresses a concern that OCC's Board has a fiduciary duty to OCC, and by implication, not to Clearing Members that are not shareholders of OCC. In its response, OCC states that it has augmented its governance structure with a variety of formal and informal mechanisms to solicit Clearing Member and other interested stakeholder feedback.[42]

The FIA notes that, as a general matter, it believes that non-default losses should not be allocated to Clearing Members and that a CCP should absorb such losses through its capital,[43] and therefore OCC should ''revisit its approach to non-default losses and ensure its own adequate capitalization to cover this.'' [44] At the same time, the FIA acknowledges the time that would be required to raise resources through retained earnings.[45] OCC disagrees with the FIA's comment regarding allocation of non-default losses to Clearing Members in the context of OCC's current proposal and notes that (i) it has increased its capital reserves approximately tenfold since December 31, 2013; (ii) the Operational Loss Fee would be part of OCC's plan to replenish its capital rather than a mechanism to raise funds to meet the Target Capital Requirement; and (iii) an accumulation of retained earnings would still source the funds from Clearing Members.[46]

Finally, the FIA urges OCC to provide disclosures on any expenses or losses that could result in the Operational Loss Fee being charged, which the FIA asserts would assist Clearing Members in their own risk management.

V. Commission Findings and Notice of No Objection

Although the Clearing Supervision Act does not specify a standard of review for an advance notice, the stated purpose of the Clearing Supervision Act is instructive: To mitigate systemic risk in the financial system and promote financial stability by, among other things, promoting uniform risk management standards for systemically important financial market utilities (''SIFMUs'') and strengthening the liquidity of SIFMUs.[47]

Section 805(a)(2) of the Clearing Supervision Act [48] authorizes the Commission to prescribe regulations containing risk-management standards for the payment, clearing, and settlement activities of designated clearing entities engaged in designated activities for which the Commission is the supervisory agency. Section 805(b) of the Clearing Supervision Act [49] provides the following objectives and principles for the Commission's risk-management standards prescribed under Section 805(a):

- To promote robust risk management;
- to promote safety and soundness;
- to reduce systemic risks; and
- to support the stability of the broader financial system.

Section 805(c) provides, in addition, that the Commission's risk-management standards may address such areas as risk-management and default policies and procedures, among other areas.[50]

The Commission has adopted risk-management standards under Section 805(a)(2) of the Clearing Supervision Act and Section 17A of the Exchange Act (the ''Clearing Agency Rules'').[51] The Clearing Agency Rules require, among other things, each covered clearing agency to establish, implement, maintain, and enforce written policies and procedures that are reasonably designed to meet certain minimum requirements for its operations and risk-management practices on an ongoing basis.[52] As such, it is appropriate for the Commission to review advance notices against the Clearing Agency Rules and the objectives and principles of these risk management standards as described in Section 805(b) of the Clearing Supervision Act. As discussed below, the Commission believes the changes proposed in the Advance Notice are consistent with the objectives and principles described in Section 805(b) of the Clearing Supervision Act,[53] and in the Clearing Agency Rules, in particular Rules 17Ad–22(e)(2) and (15).[54]

A. Consistency With Section 805(b) of the Clearing Supervision Act

The Commission believes that the Advance Notice is consistent with the stated objectives and principles of Section 805(b) of the Clearing Supervision Act.[55] The Commission

[37] FIA Letter at 3.

[38] OCC Letter at 3.

[39] OCC Letter at 3 (stating that more than two-thirds of OCC's directors are either Clearing Member directors or public directors).

[40] OCC Letter at 4 (stating that such mechanisms include: (i) The Financial Risk Advisory Committee; (ii) the Operations Roundtable; (iii) multiple letters and open calls with Clearing Members and other interested stakeholders; and (iv) routine in-person meetings with trade groups and individual firms).

[41] OCC Letter at 4.

[42] OCC Letter at 4.

[43] FIA Letter at 3.

[44] FIA Letter at 3.

[45] FIA Letter at 2.

[46] OCC Letter at 2–3.

[47] *See* 12 U.S.C. 5461(b).

[48] 12 U.S.C. 5464(a)(2).

[49] 12 U.S.C. 5464(b).

[50] 12 U.S.C. 5464(c).

[51] 17 CFR 240.17Ad–22. *See* Securities Exchange Act Release No. 68080 (October 22, 2012), 77 FR 66220 (Nov. 2, 2012) (S7–08–11). *See also* Securities Exchange Act Release No. 78961 (September 28, 2016), 81 Fed .Reg. 70786 (October 13, 2016) (S7–03–14) (''Covered Clearing Agency Standards''). The Commission established an effective date of December 12, 2016 and a compliance date of April 11, 2017 for the Covered Clearing Agency Standards. OCC is a ''covered clearing agency'' as defined in Rule 17Ad–22(a)(5).

[52] 17 CFR 240.17Ad–22.

[53] 12 U.S.C. 5464(b).

[54] 17 CFR 240.17Ad–22(e)(2) and 17 CFR 240.17Ad–22(e)(15).

[55] Three of the issues raised by the FIA's comments are made with reference to the Proposed Rule Change, and, to the extent they are relevant to the Commission's review and evaluation thereof, will be addressed in that context. Specifically, the FIA expresses the belief that (i) the proposed application of the Operational Loss Fee is inequitable; (ii) as a general matter, non-default losses should not be allocated to Clearing Members and that a CCP should absorb such losses through its capital; and (iii) OCC should provide disclosures on any expenses or losses that could result in the Operational Loss Fee being charged. The Commission's evaluation of the Advance Notice is conducted under the Clearing Supervision Act and, as noted above, generally considers whether the proposal will mitigate systemic risk and promote financial stability. The Commission notes that the FIA has not explained or demonstrated how the absence of either a return on fees or the incorporation of shareholders in OCC's capital management planning would cause the proposal to be inconsistent with the Clearing Supervision Act.

LPL's and SIG's comments are also directed at the Proposed Rule Change and will be addressed in that

believes that the proposed rules regarding the determination of the Target Capital Requirement and monitoring of OCC's capital levels are consistent with the promotion of robust risk management because they are designed to ensure that OCC maintains the resources necessary to continue operations and services as a going concern in the event that OCC suffers general business losses. OCC's Target Capital Requirement would be designed to cover at least the Potential Loss Amount (*i.e.,* the amount necessary for OCC to continue operations and services as a going concern if general business losses materialize). As such, OCC could be expected to rely on its LNAFBE to address general business losses, which would, by definition, be limited by Equity. Further, OCC proposes to monitor Equity levels, and take action where those levels fall below the Early Warning threshold. The Commission believes, therefore, that setting and monitoring the level of OCC's Equity above the amount of capital that OCC has determined is necessary to cover the risk of potential general business losses is consistent with robust risk management. Further, OCC proposes to charge losses remaining after the application of skin-in-the-game to OCC senior management as well as Clearing Members by, as discussed above, replenishing its capital first through the contribution of the EDCP Unvested Balance. The Commission believes that making senior management's resources available for default management would help align senior management's personal economic incentives with OCC's overall risk management incentives, thereby promoting robust risk management at OCC.

The Commission believes that the proposed changes pertaining to capital monitoring and replenishment are consistent with the promotion of safety and soundness because such changes would be designed to monitor, maintain, and, if necessary, replenish the capital that OCC would rely on to remain a going concern. As described above, OCC would project future volume, expenses, cash flows, capital needs and other factors to help ensure adequate financial resources are available to meet general business obligations. OCC would also, on a monthly basis, review Equity against the Target Capital Requirement to determine whether an Early Warning or Trigger Event had occurred. In response to such monitoring, OCC would use fee-related tools (*e.g.,* increases, decreases, refunds, or fee waivers) to manage OCC's capital as necessary on an ongoing basis. Further, OCC would apply the EDCP Unvested Balance and the Operational Loss Fee to replenish capital as necessary. The Commission believes that the proposed combination of capital monitoring, management, and replenishment tools is consistent with promoting safety and soundness because it would support OCC's ability to maintain the capital necessary to remain a going concern following the realization of general business losses. Further, the Commission believes that to the extent the proposed changes are consistent with promoting OCC's safety and soundness, they are also generally consistent with supporting the stability of the broader financial system. OCC has been designated as a SIFMU, in part, because its failure or disruption could increase the risk of significant liquidity or credit problems spreading among financial institutions or markets.[56] The Commission believes that the proposed changes would help support the maintenance of OCC as a going concern, even in the face of significant general business losses, which in turn would help support the stability of the financial system by reducing the risk of significant liquidity or credit problems spreading among market participants that rely on OCC's central role in the options market.

Finally, the Commission believes that the proposed changes to increase OCC's default management resources are consistent with the reduction of systemic risk because such increase enhances the ability of OCC to absorb and contain the spread of any losses that might arise from a member default. As discussed above, the resources held to meet OCC's Target Capital Requirement would be in addition to OCC's resources to cover participant defaults. Capital in excess of 110 percent of the Target Capital Requirement, however, would be available as skin-in-the-game to offset default losses remaining after the application of a defaulted Clearing Member's margin deposits and Clearing Fund contributions. OCC does not propose to guaranty a set amount of pre-funded skin-in-the-game, but by providing for a mechanism by which OCC would identify such resources, the proposal could provide additional resources to absorb and contain the spread of losses arising from a participant default. Accordingly, and for the reasons stated above, the Commission believes the changes proposed in the Advance Notice are consistent with Section 805(b) of the Clearing Supervision Act.[57]

A. Consistency With Rule 17Ad–22(e)(2) Under the Exchange Act

Rule 17Ad–22(e)(2) under the Exchange Act generally requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that meet a number of criteria.[58] In adopting Rule 17Ad–22(e)(2), the Commission discussed comments it received regarding incentives and the concept of skin-in-the-game.[59] The Commission stated its belief that ''the proper alignment of incentives is an important element of a covered clearing agency's risk management practices,'' and noted that skin-in-the-game ''may place a role in those risk management practices in many instances, but in other instances may not be essential to a robust governance framework.'' [60] Further, the Commission declined to include a specific skin-in-the-game requirement in Rule 17Ad–22(e), and expressed the belief that it is appropriate to provide covered clearing agencies with flexibility, subject to their obligations and responsibilities as SROs under the Exchange Act, to structure their default management processes to take into account the particulars of their financial resources, ownership structures, and risk management frameworks.[61] As described above, the FIA suggests that OCC's proposal should have a minimum amount of skin-in-the-game that is clearly defined, scalable, and prefunded. But the approach the FIA comment suggests is not provided for in the proposal submitted to the Commission, and, as noted above, the Commission's rules do not require such a skin-in-the-game approach. Nonetheless, the Commission believes OCC's inclusion of its specific proposed skin-in-the-game component into its Capital Management Policy proposal is

context. LPL has not explained or demonstrated how the equal allocation of the Operational Loss Fee across Clearing Members would cause the proposal to be inconsistent with the Clearing Supervision Act. Similarly, SIG has not explained or demonstrated how a hypothetical future sale would cause the proposal to be inconsistent with the Clearing Supervision Act. Similarly, SIG has not explained or demonstrated how a hypothetical future sale would cause the proposal to be inconsistent with the Clearing Supervision Act.

[56] *See* Financial Stability Oversight Council (''FSOC'') 2012 Annual Report, Appendix A, *https://www.treasury.gov/initiatives/fsoc/Documents/2012%20Annual%20Report.pdf* (last visited Sep. 20, 2019).

[57] 12 U.S.C. 5464(b).

[58] 17 CFR 240.17Ad–22(e)(2).

[59] Covered Clearing Agency Standards, 81 FR at 70805–06.

[60] Covered Clearing Agency Standards, 81 FR at 70806.

[61] *Id.*

consistent with the Clearing Supervision Act because, among other things, it promotes robust risk management, as discussed above.

As described above, the FIA expresses the belief that any Board decision that results in the imposition of an Operational Loss Fee should be ''syndicated with'' Clearing Members and that any resulting feedback from Clearing Members should be ''presented to the Board before any decisions are taken.'' [62] In response, OCC refers to the requirements of its By-Laws that result in more than two-thirds of OCC's directors being either Clearing Member directors or public directors).[63] Further, OCC expresses its strong belief that part of the viability of a plan to replenish capital is the speed at which that replenishment capital is accessible. OCC's response is persuasive. Rule 17Ad–22(e)(2)(iii) under the Exchange Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that support the public interest requirements of Section 17A of the Exchange Act applicable to clearing agencies, and the objectives of owners and participants.[64] In adopting Rule 17Ad–22(e)(2), the Commission added paragraph (vi) in response to comments regarding the scope of Rule 17Ad–22(e)(2)(iii).[65] Paragraph (vi) of Rule 17Ad–22(e)(2) specifically addresses the consideration of the interests of participants' customers, securities issuers and holders, and other relevant stakeholders of the covered clearing agency.[66] In adopting Rule 17Ad–22(e)(2), the Commission noted that the inclusion of independent directors on a clearing agency's board may be one mechanism for helping to ensure that the relevant views of stakeholders are presented and considered.[67] In the context of default management, the Commission has acknowledged that risk exposures can change rapidly during periods of market stress.[68] Similarly, the Commission believes that the general business risk exposures, and related losses, may change rapidly during periods of stress, and, in turn, that there is a benefit to a covered clearing agency's ability to respond to such changes in a timely fashion.

Further, as described above, the FIA expresses a concern that OCC's Board has a fiduciary duty to OCC, and by implication, not to Clearing Members; however, OCC's response describes the formal and informal mechanisms that OCC employs to solicit feedback from Clearing Members and other interested stakeholders, and this response is persuasive. In adopting Rule 17Ad–22(e)(2), the Commission noted that the approach a covered clearing agency may take in considering the views of stakeholders could vary depending on the ownership structure or organizational form of the covered clearing agency.[69] The Commission believes that the governance arrangements proposed by OCC in connection with the Advance Notice and discussed above are consistent with the consideration of the interests of OCC's participants and are consistent with Rule 17Ad–22(e)(2).

Accordingly, and for the reasons stated above, the Commission believes the changes proposed in the Advance Notice are consistent with Rule 17Ad–22(e)(2) under the Exchange Act.[70]

B. Consistency With Rule 17Ad–22(e)(15) Under the Exchange Act

Rule 17Ad–22(e)(15) under the Exchange Act requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify, monitor, and manage the covered clearing agency's general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that the covered clearing agency can continue operations and services as a going concern if those losses materialize, including by taking the actions described in Rules 17Ad–22(e)(15)(i)–(iii) under the Exchange Act.[71] Rule 17Ad–22(e)(15)(i) under the Exchange Act requires that the policies and procedures described under Rule 17Ad–22(e)(15) include determining the amount of liquid net assets funded by equity based upon a covered clearing agency's general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.[72]

As described above, OCC proposes to adopt rules governing OCC's process for determining the amount of Equity required to support the LNAFBE necessary to cover potential general business losses. The proposal is designed to identify and maintain the resources necessary for OCC to recover or wind-down its critical operations or services as well as to remain a going concern following the realization of losses due to general business risk. The proposal would also allow for the inclusion of Board-approved capital expenditures in setting OCC's Target Capital Requirement. The Commission believes, therefore, that the proposal is consistent with Rule 17Ad–22(e)(15)(i).[73]

Rule 17Ad–22(e)(15)(ii) under the Exchange Act requires that the policies and procedures described under Rule 17Ad–22(e)(15) include holding liquid net assets funded by equity equal to the greater of either (i) six months of the covered clearing agency's current operating expenses, or (ii) the amount determined by the board of directors to be sufficient to ensure a recovery or orderly wind-down of critical operations and services of the covered clearing agency, as contemplated by the plans established under Rule 17Ad–22(e)(3)(ii), and which shall be in addition to resources held to cover participant defaults or other risks covered under applicable credit risk and the liquidity risk standards, and shall be of high quality and sufficiently liquid to allow the covered clearing agency to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.[74]

As described above, OCC proposes to adopt rules that would require it to hold at least the minimum amount of Equity necessary to meet the Target Capital Requirement. In turn, OCC proposes to set its Target Capital Requirement at a level at least sufficient to comply with Rule 17Ad–22(e)(15)(ii) under the Exchange Act. Specifically, the Target Capital Requirement would, at a minimum, be at least equal to the greater of: (i) The amount equal to six-months of OCC's current operating expenses; (ii) the RWD Amount; or (iii) the Potential Loss Amount. Thus, OCC's Target Capital Requirement would equal or exceed the amount determined by OCC to correspond to the amounts described in Rule 17Ad–22(e)(15)(ii). Moreover, OCC would be required to set the Target Capital Requirement at a level equal to or greater than a sufficient

[62] FIA Letter at 3.

[63] OCC Letter at 3.

[64] 17 CFR 240.17Ad–22(e)(2)(iii).

[65] Covered Clearing Agency Standards, 81 FR at 70803.

[66] 17 CFR 240.17Ad–22(e)(2)(vi).

[67] Covered Clearing Agency Standards, 81 FR at 70803.

[68] Covered Clearing Agency Standards, 81 FR at 70806.

[69] Covered Clearing Agency Standards, 81 FR at 70803.

[70] 17 CFR 240.17Ad–22(e)(2).

[71] 17 CFR 240.17Ad–22(e)(15).

[72] 17 CFR 240.17Ad–22(e)(15)(i).

[73] *Id.*

[74] 17 CFR 240.17Ad–22(e)(15)(ii).

amount of ''liquid net assets funded by equity'' as such term is used in the Rule because the Capital Management Policy provides that OCC must set the Target Capital Requirement at a level sufficient to maintain LNAFBE equal to the amounts described above and LNAFBE, in turn, must be supported by the overall amount of Equity that OCC holds.

Further, OCC proposes to require OCC Management to notify OCC's Board promptly if Equity were to fall below the Early Warning threshold and to recommend to the Board whether to implement a fee increase in an amount that the Board determines necessary and appropriate to raise additional Equity. The requirement to notify the Board, and recommend appropriate action, would help to ensure that OCC continues to hold sufficient resources to meet the Target Capital Requirement. The Commission believes, therefore, that the proposal would be designed to ensure that OCC holds Equity sufficient to support the amount of LNAFBE equal to the Target Capital Requirement, which requirement would correspond to the amounts specified under Rule 17Ad–22(e)(15)(ii).

The Commission also believes that the proposed rules concerning the form of OCC's LNAFBE and manner in which it would be held are consistent with the requirements of Rule 17Ad–22(e)(15)(ii). OCC proposes to define LNAFBE such that it would consist of only cash and cash equivalents. OCC's LNAFBE must, therefore, be liquid by definition. Further, OCC proposes to adopt rules requiring that OCC hold Equity equal to 110 percent of the Target Capital Requirement separate from OCC's resources to cover participant defaults.

Rule 17Ad–22(e)(15)(iii) under the Exchange Act requires that the policies and procedures described under Rule 17Ad–22(e)(15) include maintaining a viable plan, approved by the board of directors and updated at least annually, for raising additional equity should a covered clearing agency's equity fall close to or below the amount required under Rule 17Ad–22(e)(15)(ii).[75]

As described above, the proposed Replenishment Plan would govern OCC's process for replenishing its capital in the event that Equity were to fall close to or below the Target Capital Requirement. The proposed Replenishment Plan would require OCC's Management to monitor changes in Equity and to notify OCC's Board of a Trigger Event. Under the proposed Replenishment Plan, OCC would be required, in response to a Trigger Event, to replenish its capital first through the contribution of the EDCP Unvested Balance. If OCC were to determine that further replenishment were necessary following the contribution of the entire EDCP Unvested Balance, OCC would be required to charge the Operational Loss Fee described above. Under the proposal, OCC's Management would be obligated to recommend that the Board approve or, as appropriate, modify the proposed Replenishment Plan annually. In turn, OCC's Board would be obligated to approve or, as appropriate, modify the proposed Replenishment Plan annually based on Management's recommendation. The Commission believes, therefore, that adoption of these aspects of the proposed Capital Management Policy and supporting rule changes are consistent with Exchange Act Rule 17Ad–22(e)(15).[76]

[75] 17 CFR 240.17Ad–22(e)(15)(iii).

[76] 17 CFR 240.17Ad–22(e)(15).

VI. Conclusion

It is therefore noticed, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act, that the Commission *does not object* to Advance Notice (SR–OCC–2019–805) and that OCC is *authorized* to implement the proposed change as of the date of this notice or the date of an order by the Commission approving proposed rule change SR–OCC–2019–007, as modified by Partial Amendment No. 1, whichever is later.

By the Commission.

Vanessa A. Countryman,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87254; File No. SR–CBOE–2019–078]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Amending Its Fees Schedule

October 8, 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 October 1, 2019, Cboe Exchange, Inc. (the ''Exchange'' or ''Cboe 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.

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

[2] 17 CFR 240.19b–4.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the ''Exchange'' or ''Cboe Options'') proposes to amend its Fees Schedule. 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://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx*), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) (''Cboe Global''), which is also the parent company of Cboe C2 Exchange, Inc. (''C2''), acquired Cboe EDGA Exchange, Inc. (''EDGA''), Cboe EDGX Exchange, Inc. (''EDGX'' or ''EDGX Options''), Cboe BZX Exchange, Inc. (''BZX'' or ''BZX Options''), and Cboe BYX Exchange, Inc. (''BYX'' and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the ''Cboe Affiliated Exchanges''). Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019 (the ''migration''). The upcoming migration will also include a migration of the Exchange's billing system. Accordingly, in connection with the migration and in an effort to more closely align the Exchange's fees with the corresponding