

### A. Background

#### Partial Calls and the Call Lottery

An issuer of a Security may be allowed under the terms of the issue to call a portion of the par value of the issue outstanding for redemption at certain times during the life of the issue, *i.e.*, a Partial Call.<sup>6</sup> In such case, some investors may have all or a portion of their position redeemed by the issuer, while others may not have any portion of their position redeemed.

When an issuer initiates a Partial Call, DTC's Procedures require the trustee for the issue to publish notice of such event or mail notice of the event, including the specific amount to be redeemed, to the registered holders.<sup>7</sup> After DTC receives or collects notice of the Partial Call, DTC creates an announcement through its redemptions service,<sup>8</sup> and preliminary call notice information is made available to Participants.<sup>9</sup>

Under DTC's Procedures set forth in the Redemptions Guide relating to a Partial Call, DTC allocates the called Securities among Participants that hold the applicable Security by means of an impartial lottery, based upon Participants' net long positions as of the close of business on the day prior to the publication of the call notice.<sup>10</sup> Upon performing the call lottery, DTC reports the results to Participants.<sup>11</sup>

#### Odd Lots

An odd lot occurs when a Participant holds a position in a Security that is not within the stated increments of the Security, *i.e.*, the par value at which, pursuant to the terms of the issue, the Security can be purchased and traded. For example, a bond contract for a Security may provide that all purchases must be made in authorized denominations equal to a multiple of \$5,000, the minimum incremental value. Therefore, any amount held by a Participant that is not a multiple of \$5,000, such as a position with a value of \$5,001, would be an odd lot.<sup>12</sup> DTC

states that running the lottery with the odd lot position intact could result in another Participant being driven into an odd lot position.<sup>13</sup>

### B. Proposed Change

DTC proposes to amend its Redemptions Guide to revise its call lottery process such that, for issues where the incremental value is \$5,000 or less, Participants with odd lot positions would have their positions adjusted down to the nearest value that is divisible by the minimum incremental value for purposes of the lottery. However, the Participant would continue to hold the Securities reduced from its position for this purpose in its Account. Thus, the Participant with the initial odd lot for issues where the incremental value is \$5,000 or less would continue to maintain an odd lot position after the lottery is run, and no new odd lot positions would be created.

In addition, a copyright date in the text of the Redemptions Guide is currently shown as 1999–2014. DTC proposes to revise the text of the Redemptions Guide to reflect a copyright date of 1999–2019.

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act<sup>14</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. After carefully considering the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to DTC. In particular, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act.<sup>15</sup>

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to, among other things, promote the prompt and accurate clearance and settlement of securities transactions and assure the safeguarding of securities and funds which are in the custody or control of

holder's account at the Participant that held the full position prior to the split is not in a par value amount that is a multiple of the authorized denomination, then an odd lot amount could be created in the Participant's DTC account.

<sup>13</sup> DTC states that odd lot positions are more difficult to trade due to the terms of the issue requiring trades to be made only in multiples of the incremental value. *Supra* note 3, at 4.

<sup>14</sup> 15 U.S.C. 78s(b)(2)(C).

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

the clearing agency or for which it is responsible.<sup>16</sup>

As described above, the proposal would prevent the creation of new odd lot positions during the lottery process for issues where the incremental value is \$5,000 or less, which would facilitate the allocation of positions that are more amenable to trading for transactions that are processed and settled through DTC's system. Therefore, the proposal should promote the prompt and accurate clearance and settlement of securities transactions that are processed and settled through DTC's system.

### IV. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and, in particular, with the requirements of Section 17A of the Act<sup>17</sup> and the rules and regulations promulgated thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act<sup>18</sup> that proposed rule change SR–DTC–2019–009, be, and hereby is, approved.<sup>19</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87880; File No. SR–ICEEU–2019–029]

#### Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing and Immediate Effectiveness of Proposed Rule Changes Relating to Clearing Member Charges and Rates of Return on Cash and Collateral in Relation to Margin Deposits and Guaranty Fund Contributions for All Clearing Member House and Customer Accounts

January 2, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on December

<sup>16</sup> *Id.*

<sup>17</sup> 15 U.S.C. 78q–1.

<sup>18</sup> 15 U.S.C. 78s(b)(2).

<sup>19</sup> In approving the proposed rule change, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>20</sup> 17 CFR 200.30–3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>6</sup> See *id.* at 19.

<sup>7</sup> See *id.*

<sup>8</sup> DTC's redemptions service includes announcing, collecting, allocating, and reporting redemption and maturity payments on behalf of its Participants holding Eligible Securities. See *id.* at 7.

<sup>9</sup> See *id.* at 19.

<sup>10</sup> See *id.*

<sup>11</sup> See *id.* at 21.

<sup>12</sup> An odd lot position may be created, for example, as a result of a beneficial holder's account at a Participant being split into two accounts as a result of divorce or the administration of the estate of the beneficial holder. If the division of the assets in the beneficial holder's account at the Participant ultimately results in a portion of the beneficial holder's position in the subject Security being transferred to another Participant, and the remaining balance of the Security in the beneficial

20, 2019, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule changes described in Items I, II and III below, which Items have been primarily prepared by ICE Clear Europe. ICE Clear Europe filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(2)<sup>4</sup> thereunder, so that the proposed rule change was effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

### **I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change**

The principal purpose of the proposed rule change is to revise Clearing Member Charges and Rates of Return on cash and collateral in relation to margin deposits and Guaranty Fund contributions for all Clearing Member House and Customer Accounts. The revisions do not involve any changes to the ICE Clear Europe Clearing Rules or Procedures.<sup>5</sup>

### **II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, Security-Based Swap Submission or Advance Notice**

In its filing with the Commission, ICE Clear Europe included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. ICE Clear Europe has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

#### *(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change, Security-Based Swap Submission or Advance Notice*

##### **(a) Purpose**

The purpose of the proposed rule changes are for ICE Clear Europe to: (i) Reduce the Rate of Return paid to Clearing Members on cash balances; and (ii) increase the charges levied on Clearing Members in relation to collateral in respect of margin deposits and Guaranty Fund contributions.

Attached [sic] as Exhibit 5 are the tables listing the new Clearing Member

Charges and Rates of Return that will be included in a Circular in advance of the effective date. The new Clearing Member Charges and Rates of Return are expected to come into effect on January 1, 2020. The proposed revisions to the Clearing Member Charges and Rates of Return are set forth in Exhibit 5 hereto, and described in detail as follows.

Currently, ICEU pays a rate of return on cash deposited by Clearing Members in respect of margin deposits and Guaranty Fund contributions referred to as the ICE Deposit Rate (“IDR”). IDR is calculated daily and applied to cash balances held at the close of business on the previous business day in respect of three currencies, U.S. Dollar, Euro and Pound Sterling. It is calculated as follows: The net income earned on cash deposits (positive or negative) less a charge of 12.5 basis points (out of which the Clearing House shall cover external investment management expenses). ICEU proposes to increase this charge to 15 basis points.

ICEU also proposes to increase the Clearing House charges for Collateral and Triparty Collateral as per Exhibit 5.

	Cash	Collateral	Triparty collateral
<b>Margin Deposits</b>			
House and Affiliate Accounts (“H”, “F” and “R”).	Clearing House pays IDR.	Clearing House charges 8.33 [7.5] basis points.	Clearing House charges 8.33 [7.5] basis points.
Segregated Customer Accounts (“C”, “E”, “K”, “S”, “T”, “W” and “Z”).	Clearing House pays IDR.	Clearing House charges 8.33 [7.5] basis points.	Clearing House charges 8.33 [7.5] basis points.
Standard Omnibus Indirect Customer Accounts (“O”, “P”, “X” and “Y”).	Clearing House pays IDR.	Clearing House charges 8.33 [7.5] basis points.	Clearing House charges 8.33 [7.5] basis points.
Gross Omnibus Indirect Customer Accounts (“A” and “B”).	Clearing House pays IDR minus 15 bps.	Clearing House charges 10.33 [9.5] basis points.	Clearing House charges 10.33 [9.5] basis points.
Individually Segregated Operationally Co-mingled (“ISOC”) Account (“I” and “J” Account).	Clearing House pays IDR minus 15 bps.	Clearing House charges 10.33 [9.5] basis points.	Clearing House charges 10.33 [9.5] basis points.
Individually Segregated Sponsored Account (“Sponsored Principal”).	Clearing House pays IDR minus 20 bps.	Clearing House charges 13.33 [12.5] basis points.	Clearing House charges 13.33 [12.5] basis points.
<b>Guaranty Fund</b>			
All Clearing Members .....	Clearing House pays IDR.	Clearing House charges 8.33 [7.5] basis points.	N/A.

### **(b) Statutory Basis**

ICE Clear Europe believes that the proposed rule changes are consistent with the requirements of the Act, including Section 17A of the Act<sup>6</sup> and regulations thereunder applicable to it. More specifically ICE Clear Europe has determined that imposing such Charges

and Rates of Return uniformly across all market participants thus provides for the equitable allocation of reasonable dues, fees, and other charges among its Clearing Members, within the meaning of Section 17A(b)(3)(D) of the Act.<sup>7</sup> As such, the proposed changes are appropriately filed pursuant to Section

19(b)(3)(A)<sup>8</sup> of the Act and paragraph (f)(2) of Rule 19b-4<sup>9</sup> thereunder.

#### *(B) Self-Regulatory Organization’s Statement on Burden on Competition*

ICE Clear Europe does not believe the proposed rule changes would have any impact, or impose any burden, on competition not necessary or

allocation of reasonable dues, fees, and other charges among its participants.”

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

<sup>9</sup> 17 CFR 240.19b-4(f)(2).

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

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

<sup>5</sup> Capitalized terms used but not defined herein have the meanings specified in the ICE Clear Europe Clearing Rules.

<sup>6</sup> 15 U.S.C. 78q-1.

<sup>7</sup> 15 U.S.C. 78q-1(b)(3)(D). Under this provision, “[a] clearing agency shall not be registered unless the Commission determines that—(D) The rules of the clearing agency provide for the equitable

appropriate in furtherance of the purpose of the Act because the changes to the Clearing Member Charges and Rates of Return will apply uniformly across all market participants. ICE Clear Europe does not believe that the amendments would adversely affect the ability of such Clearing Members or other market participants generally to engage in cleared transactions or to access clearing.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments relating to the proposed changes to the rules have not been solicited or received. ICE Clear Europe will notify the Commission of any written comments received by ICE Clear Europe.

**III. Date of Effectiveness of the Proposed Rule Change, Security-Based Swap Submission and Advance Notice and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>10</sup> of the Act and paragraph (f) of Rule 19b-4<sup>11</sup> 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.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, security-based swap submission or advance notice is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>) or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ICEEU-2019-029 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-ICEEU-2019-029. 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, security-based swap submission or advance notice that are filed with the Commission, and all written communications relating to the proposed rule change, security-based swap submission or advance notice 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 ICE Clear Europe and on ICE Clear Europe's website at <https://www.theice.com/clear-europe/regulation>.

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-ICEEU-2019-029 and should be submitted on or before January 28, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-87873; File No. SR-CBOE-2019-127]**

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

December 31, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the

"Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 20, 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.

**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 adopt certain linkage fee codes. 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**

The Exchange's Fees Schedule currently provides for fee codes for Routing Fees. In particular, the Fees Schedule currently lists fee codes and their corresponding transaction fee for routed Customer orders to other options exchanges specifically in Exchange Traded Funds ("ETF") and equity options, and for non-Customer orders routed in Penny and Non-Penny options classes. The Exchange notes that in connection with a recent technology migration (including the migration of the Exchange's billing system to a new

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(2).

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

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

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