

competition as all Members are eligible for the Crossing Fee Cap. The Crossing Fee Cap would apply uniformly to all Members engaged in Firm Proprietary trading in options classes traded on the Exchange. The Exchange believes there is nothing impermissible about offering the Crossing Fee Cap solely to Firm Proprietary transactions given that this practice is consistent with fee caps in place on ISE.<sup>32</sup> Furthermore, to the extent the Crossing Fee Cap provides an incentive for Firm Proprietary orders to transact order flow on the Exchange, such order flow brings increased liquidity to the benefit of all market participants. The service fee would be assessed uniformly on all Members.

The Exchange's proposal to remove the term "& SPY" from Options 7, Section 4, Route-Out Fee, does not impose an undue burden on competition. SPY has no separate pricing within Options 7, Section 3 and SPY is part of the Penny Interval Program and would otherwise be subject to the pricing applicable to Penny Symbols.

#### Options 7, Section 1

The Exchange's proposal to amend Options 7, Section 1 to replace the term "Penny Pilot Program" with "Penny Interval Program" and remove a reference to a list of Penny Pilot Program symbols does not impose an undue burden on competition. This amendment seeks to conform the name of the program which governs the listing of certain standardized options and remove an obsolete table which linked to a list of pilot symbols.

#### 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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>33</sup> and Rule 19b-4(f)(2)<sup>34</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: (i) Necessary or appropriate in the public interest; (ii) for the protection of

investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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](mailto:rule-comments@sec.gov). Please include File Number SR-GEMX-2020-18 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-GEMX-2020-18. 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-GEMX-2020-18 and

should be submitted on or before August 20, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2020-16469 Filed 7-29-20; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-89392; File No. SR-OCC-2020-007]

### Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Concerning The Options Clearing Corporation's Synthetic Futures Model

July 24, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 10, 2020, the Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by OCC. OCC filed the proposed rule change pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and Rule 19b-4(f)(4)(ii)<sup>4</sup> thereunder so that the proposal 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

OCC is filing a proposed rule change to clarify the intended scope of use of an existing OCC margin model. The proposed changes to OCC's Margins Methodology are contained in confidential Exhibit 5 of filing SR-OCC-2020-007. Material proposed to be added to the Margins Methodology as currently in effect is underlined and material proposed to be deleted is marked in strikethrough text. All capitalized terms not defined herein have the same meaning as set forth in the OCC By-Laws and Rules.<sup>5</sup>

<sup>35</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>3</sup> 15 U.S.C. 78s(b)(3)(A).

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

<sup>5</sup> OCC's By-Laws and Rules can be found on OCC's public website: <http://optionsclearing.com/about/publications/bylaws.jsp>.

<sup>32</sup> Nasdaq ISE, LLC has a crossing fee cap within Options 7, Section 6H of \$90,000 per month, per Member.

<sup>33</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>34</sup> 17 CFR 240.19b-4(f)(2).

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

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

### (A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

#### (1) Purpose

##### Background

On May 15, 2019, the Commission issued a Notice of No Objection to an advance notice filing by OCC to enhance its margin model for Volatility Index Futures.<sup>6</sup> On May 16, 2019, the Commission approved a proposed rule change by OCC concerning the same changes.<sup>7</sup> The model enhancements included: (1) The daily re-estimation of prices and correlations using “synthetic” futures;<sup>8</sup> (2) an enhanced statistical distribution for modeling price returns for synthetic futures (*i.e.*, an asymmetric Normal Reciprocal Inverse Gaussian (or “NRIG”) distribution); and (3) a new anti-procyclical floor for variance estimates. The main feature of the enhanced model was the replacement of the use of the underlying index itself as a risk factor<sup>9</sup> (*e.g.*, the VIX) with risk factors that are based on observed futures prices (*i.e.*, the “synthetic” futures contracts). These risk factors are then used in the generation of Monte Carlo scenarios for the futures by using volatility and correlations obtained from the existing

simulation models in OCC's proprietary margin system, the System for Theoretical Analysis and Numerical Simulations (“STANS”).<sup>10</sup> Additionally, the model has the ability to capture the “Samuelson effect,”<sup>11</sup> when appropriate for a product, thus offering more accurate margins across the term structure.

The enhanced model was initially adopted to replace OCC's former model for Volatility Index Futures, which modeled the potential final settlement prices of Volatility Index Futures using the underlying index as the risk factor.<sup>12</sup> However, this enhanced model is also fit for use for Cboe's AMERIBOR Futures<sup>13</sup> because the model is better able to capture the correlation and idiosyncrasy in futures contracts where coverages across the term structure may potentially be different.<sup>14</sup>

#### Proposed Changes

OCC proposes to revise its Margins Methodology to clarify the intended scope and use of its “Volatility Index Futures Model,” which would be renamed the “Synthetic Futures Model.” Under the proposed rule change, the Synthetic Futures Model would be available for use for the AMERIBOR Futures cleared by OCC. OCC also proposes to modify the Margins Methodology to describe certain model parameter calibrations more generally for a given futures product. For example, the proposed rule

change would allow OCC to adjust certain features of the model involving the use of logarithmic returns and seasonal adjustments so it can be appropriately calibrated for AMERIBOR Futures, which do not exhibit the Samuelson effect observed with Volatility Index Futures. In addition, the methodology would be revised for AMERIBOR Futures to provide flexibility in applying the anti-procyclical floor currently used for Volatility Index Futures. OCC adopted a scaled variance floor for Volatility Index Futures, where the scaling is calculated based on the underlying Volatility Index, to ensure the model had an effective floor to address anti-procyclicality. Based on the characteristics of AMERIBOR Futures, OCC proposes to use the unconditional variance from the 500-days of synthetic futures data to estimate the procyclical floor and the scale factor applied to the variance floor would be set to 1.

OCC also proposes other clean-up changes to the Margins Methodology. Specifically, OCC would clarify that OCC no longer uses a Student's *t*-distribution for univariate modeling for most risk factors<sup>15</sup> and remove redundant language used to describe how estimations for synthetic futures are done on a daily basis (*i.e.*, are designated as “non-pending”). OCC also proposes to remove statements related to OCC's old Clearing Fund methodology, which was replaced in September 2018.<sup>16</sup>

#### (2) Statutory Basis

OCC believes the proposed rule change is consistent with Section 17A of the Act<sup>17</sup> and the rules thereunder applicable to OCC. Section 17A(b)(3)(F) of the Act<sup>18</sup> requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of derivative agreements, contracts, and transactions. The proposed rule change would make minor changes to OCC's Margins Methodology so that the Synthetic

<sup>6</sup> See Securities Exchange Act Release No. 85870 (May 15, 2019), 84 FR 23096 (May 21, 2019) (SR–OCC–2019–801). Certain indices are designed to measure the volatility implied by the prices of options on a particular reference index or asset (“Volatility Indexes”). For example, the Cboe Volatility Index (“VIX”) is designed to measure the 30-day expected volatility of the Standard & Poor's 500 index (“SPX”). OCC clears futures contracts on Volatility Indexes. These futures contracts are referred to herein as “Volatility Index Futures.”

<sup>7</sup> See Securities Exchange Act Release No. 85873 (May 16, 2019), 84 FR 23620 (May 16, 2019) (SR–OCC–2019–002).

<sup>8</sup> A “synthetic” futures time series, for the intended purposes of OCC, relates to a uniform substitute for a time series of daily settlement prices for actual futures contracts, which persists over many expiration cycles and thus can be used as a basis for econometric analysis.

<sup>9</sup> A “risk factor” within OCC's margin system may be defined as a product or attribute whose historical data is used to estimate and simulate the risk for an associated product.

<sup>10</sup> See Securities Exchange Act Release No. 53322 (February 15, 2006), 71 FR 9403 (February 23, 2006) (SR–OCC–2004–20). A detailed description of the STANS methodology is available at <http://optionsclearing.com/risk-management/margins/>.

<sup>11</sup> The Samuelson effect is a term used to describe the observation that shorter tenor contracts tend to be more volatile than back tenor contracts. See Samuelson, Paul A., “Proof that Properly Anticipated Prices Fluctuate Randomly,” *Industrial Management Review*, Vol. 6 (1965).

<sup>12</sup> OCC's former model for Volatility Index Futures was subject to certain limitations, which were addressed by the enhanced model. For example, Volatility Indexes, unlike futures contracts, are not investible (*i.e.*, they cannot be replicated by static portfolios of traded contracts). In addition, the futures market has a term structure that cannot be modeled using just the underlying index.

<sup>13</sup> AMERIBOR Futures are futures on the American Interbank Offered Rate disseminated by the American Financial Exchange, LLC, which is a transactions-based interest rate benchmark that represents market-based borrowing costs (<http://www.cboe.com/products/futures/ameribor-futures>).

<sup>14</sup> For example, OCC also maintains a “Generic Futures Model,” which is a simple model based on the cost of carry that is primarily used to margin equity-like futures such as SPX futures and interest rates futures such as AMERIBOR Futures. This model also has certain limitations (*e.g.*, the model does not consider the volatility term structure of futures contracts by assuming a flat volatility for all contracts, and it assumes a perfect correlation among different futures contracts on the same underlying asset).

<sup>15</sup> See Securities Exchange Act Release No. 83326 (May 24, 2018), 83 FR 25081 (May 31, 2018) (SR–OCC–2017–022) and Securities Exchange Act Release No. 83305 (May 23, 2018), 83 FR 24536 (May 29, 2018) (SR–OCC–2017–811).

<sup>16</sup> On July 26, 2018, the SEC issued a Notice of No Objection to an advance notice by OCC concerning the adoption of a new stress testing and Clearing Fund methodology. See Securities Exchange Act Release No. 83714 (July 26, 2018), 83 FR 37570 (August 1, 2018) (SR–OCC–2018–803). On July 27, 2018, the SEC approved a proposed rule change by OCC concerning the same proposal. See Securities Exchange Act Release No. 83735 (July 27, 2018), 83 FR 37855 (August 2, 2018) (SR–OCC–2018–008).

<sup>17</sup> 15 U.S.C. 78q–1.

<sup>18</sup> 15 U.S.C. 78q–1(b)(3)(F).

Futures Model can be used to model Choe's AMERIBOR Futures. OCC believes the Synthetic Futures Model may provide better margin coverage for these products than other margin models maintained by OCC. OCC uses the margin it collects from a defaulting Clearing Member to protect other Clearing Members from losses as a result of the default and ensure that OCC is able to continue the prompt and accurate clearance and settlement of its cleared products. OCC therefore believes that the proposed rule change is designed to promote the prompt and accurate clearance and settlement derivatives transactions in accordance with Section 17A(b)(3)(F) of the Act.<sup>19</sup>

Exchange Act Rules 17Ad-22(e)(6)(i), (iii), and (v)<sup>20</sup> further require that a covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things: (1) Considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market; (2) calculates margin sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default; and (3) uses an appropriate method for measuring credit exposure that accounts for relevant product risk factors and portfolio effects across products. OCC believes that using the Synthetic Futures Model for AMERIBOR Futures would produce margin levels commensurate with the risks and particular attributes of product in question, generate margin requirements to cover OCC's potential future exposure to its participants, and appropriately take into account relevant product risk factors for AMERIBOR Futures. In this way, OCC believes the proposed rule change is consistent with the requirements of Rules 17Ad-22(e)(6)(i), (iii), and (v).<sup>21</sup>

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

Section 17A(b)(3)(I) of the Act<sup>22</sup> requires that the rules of a clearing agency not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. OCC does not

believe that the proposed rule change would have any impact or impose a burden on competition. Recent impact analysis by OCC indicates that the impact on margin requirements for currently affected Clearing Members would be relatively minimal, both in terms of absolute dollars and as a percentage of aggregate account-level margin requirements.<sup>23</sup> As a result, OCC does not believe that the proposed rule change would unfairly inhibit access to OCC's services or disadvantage or favor any particular user in relationship to another user. Accordingly, OCC does not believe that the proposed rule change would have any impact or impose a burden on competition.

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

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

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

Pursuant to Section 19(b)(3)(A) of the Act,<sup>24</sup> and Rule 19b-4(f)(4)(ii) thereunder,<sup>25</sup> the proposed rule change is filed for immediate effectiveness because it effects a change in an existing service of OCC that (i) primarily affects the clearing operations of OCC with respect to products that are not securities and (ii) does not significantly affect any securities clearing operations of OCC or any rights or obligations of OCC with respect to securities clearing or persons using such securities clearing services.

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.<sup>26</sup>

### **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](mailto:rule-comments@sec.gov). Please include File Number SR-OCC-2020-007 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2020-007. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet 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 filing also will be available for inspection and copying at the principal office of OCC and on 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-2020-007 and should be submitted on or before August 20, 2020.

<sup>19</sup> *Id.*

<sup>20</sup> 17 CFR 240.17Ad-22(e)(6)(i), (iii), and (v).

<sup>21</sup> 17 CFR 240.17Ad-22(e)(6)(i), (iii), and (v).

<sup>22</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>23</sup> OCC has provided impact analysis of the proposed change in confidential Exhibit 3 to filing SR-OCC-2020-007.

<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 CFR 240.19b-4(f)(4)(ii).

<sup>26</sup> Notwithstanding its immediate effectiveness, implementation of this rule change will be delayed until this change is deemed certified under CFTC Rule 40.6.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

[FR Doc. 2020–16472 Filed 7–29–20; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–89397; File No. 4–698]

### Joint Industry Plan; Order Approving Amendment to the National Market System Plan Governing the Consolidated Audit Trail

July 24, 2020.

#### I. Introduction

On April 14, 2020, the Operating Committee for Consolidated Audit Trail, LLC, on behalf of the Participants<sup>1</sup> to the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”)<sup>2</sup> filed with the Securities and Exchange Commission (“Commission” or “SEC”) pursuant to Section 11A(a)(3) of the Securities Exchange Act of 1934 (“Exchange Act”),<sup>3</sup> and Rule 608 thereunder,<sup>4</sup> a proposed amendment (“Amendment”) to the CAT NMS Plan to revise data reporting requirements for Firm Designated ID.<sup>5</sup> The Amendment was published for comment in the **Federal Register** on June 17, 2020.<sup>6</sup> No comment letters were received. This order approves the Amendment to the Plan.

<sup>27</sup> 17 CFR 200.30–3(a)(12).

<sup>1</sup> The Participants are: BOX Options Exchange LLC, Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe C2 Options Exchange, Inc., Cboe Exchange, Inc., Financial Industry Regulatory Authority, Inc., Long-Term Stock Exchange LLC, Investors’ Exchange, LLC, Miami International Securities Exchange, LLC, MEMX LLC, MIAx EMERALD, LLC, MIAx PEARL, LLC, Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq BX, Inc., Nasdaq PHLX LLC, The NASDAQ Stock Market LLC, New York Stock Exchange LLC, NYSE Arca, Inc., NYSE Chicago, Inc., NYSE American, LLC and NYSE National, Inc. (collectively, the “Participants,” “self-regulatory organizations,” or “SROs”).

<sup>2</sup> The CAT NMS Plan was approved by the Commission, as modified, on November 15, 2016. See Securities Exchange Act Release No. 79318 (November 15, 2016), 81 FR 84696 (November 23, 2016) (“CAT NMS Plan Approval Order”).

<sup>3</sup> 15 U.S.C. 78k–1(a)(3).

<sup>4</sup> 17 CFR 242.608.

<sup>5</sup> See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission, dated April 14, 2020.

<sup>6</sup> See Securities Exchange Act Release No. 89052 (June 11, 2020), 85 FR 36623 (“Notice”).

#### II. Description of the Amendment

In the Amendment, the Participants propose to amend the definition of “Firm Designated ID” to: (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.<sup>7</sup>

##### A. Prohibition on Use of Account Numbers

The Participants propose to amend the definition of Firm Designated ID to prohibit the use of account numbers as Firm Designated IDs for accounts that are not proprietary accounts. After discussions with the industry, the Participants have concluded that each Industry Member must make its own risk determination as to whether it believes it is necessary to mask the actual account number for any proprietary account of the Industry Member when reporting the Firm Designated ID to CAT.

##### B. Persistent Firm Designated IDs

The Participants propose to amend the definition of Firm Designated ID to specify that Firm Designated IDs must be unique and persistent over time, rather than unique for each account for each business date. Specifically, the Participants propose to amend the definition of “Firm Designated ID” in Section 1.1 of the CAT NMS Plan 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.”<sup>8</sup> The

<sup>7</sup> See Notice, *supra* note 6, at 36626. Prior to this amendment, “Firm Designated ID” was defined as “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.”

<sup>8</sup> The Participants state that if an Industry Member assigns a new account number or entity identifier to a client or customer due to a merger, acquisition or some other corporate action, then the Industry Member should create a new Firm Designated ID to identify the new account identifier/relationship identifier/entity identifier in

Participants state that with this change, a single account (or relationship or entity identifier as described below) can be tracked across time within a single Industry Member using the Firm Designated ID, without requiring a regulator to use Customer information.<sup>9</sup>

##### C. Relationship Identifiers

The Participants propose to amend the definition of Firm Designated ID so that Industry Members would be able to provide a “relationship identifier” as the Firm Designated ID when they do not have an account number available to their order handling and/or execution system at the time of order receipt, but can provide an identifier representing the client’s trading relationship. Specifically, the Participants propose to amend the definition of a “Firm Designated ID” in Section 1.1 of the CAT NMS Plan to state that a Firm Designated ID means, in 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.”

The Participants state that relationship identifiers are used by a broker-dealer when it establishes the parent relationship for a client using a relationship identifier as opposed to an actual parent account. The Participants further state that a relationship identifier is established prior to any trading for a client and could be any of a variety of identifiers, such as a short name for a relevant individual or institution. The proposed amendment would allow Industry Members to use relationship identifiers in circumstances in which the account structure is not available to an Industry Member’s trading system at the time of order placement. When a relationship identifier is used instead of a parent account, and an Industry Member places an order on behalf of the client, any executed trades will be kept in a firm

use at the Industry Member for the entity. In addition, if a previously assigned Firm Designated ID is no longer in use by an Industry Member (e.g., if the trading account associated with the Firm Designated ID has been closed), then an Industry Member may reuse the Firm Designated ID for another trading account. The Participants represent that the Plan Processor will maintain a history of the use of each Firm Designated ID, including, for example, the effective dates of the Firm Designated ID with respect to each associated trading account. See Notice, *supra* note 6, at 36625 n.9.

<sup>9</sup> “Customer information” is Customer Account Information and Customer Identifying Information that will be captured by CAT and stored in a secure database physically separated from the transactional database. See CAT NMS Plan at Section 1.1, and Appendix D, Section 9.1.