

one commenter believes that “the D-Limit order type is pro-competitive” because it offers market participants that do not buy the fastest market data “a potential way to mitigate the risk of posting liquidity without participating in a costly high-speed race to minimize latency.”¹⁶⁸

In response to the comments, IEX asserts that “[t]he asymmetry involved in the latency arbitrage strategies that are the focus of D-Limit favors the few participants that can take liquidity using the most sophisticated tools, in contrast to both market makers and brokers acting for investors that provide liquidity by posting displayed quotes.”¹⁶⁹ In particular, IEX argues that brokers representing investors “must cope with the latency caused by geographic dispersion of exchanges, the additional latency caused by systems configurations required to comply with regulatory and risk parameters in their capacity as agent, and the need to route orders in different ways to meet the needs of their various clients” and, as a result, they are “destined to lose out to firms that can prioritize speed over all other factors.”¹⁷⁰ IEX concludes that the resulting “imbalance in market competition between those who provide liquidity, versus those who take it, necessarily reduces the incentives to provide displayed quotes and therefore reduces liquidity available to investors.”¹⁷¹ Further, IEX argues that because every D-Limit order will “be required to specify a limit price, which may or may not be equal to the NBBO,” these orders should “contribute meaningfully to price discovery, as commenters have stated.”¹⁷²

As discussed at length above, the D-Limit order type is narrowly tailored to accomplish its objectives by mitigating the effects of latency arbitrage for long-term investors while incentivizing more displayed liquidity on the Exchange. Presently, as noted by several commenters with institutional trading experience, many market participants are reluctant to post displayed liquidity because of their prior experience with having that interest be adversely selected by latency arbitrage traders with whom they cannot reasonably

compete.¹⁷³ To take advantage of their low-latency systems and technology, latency arbitrage traders purchase connectivity and proprietary market data from exchanges, which they utilize to react faster to changing market prices than other market participants. Those other market participants might not be able to afford those same low-latency systems, or purchase high-end connectivity and market data from multiple individual exchanges to protect themselves. The resulting competitive imbalance between latency arbitrage traders and others can make those other market participants reluctant to post displayed limit orders on exchanges. The lack of displayed liquidity can, in turn, harm price discovery and lead to greater off-exchange trading, which can negatively impact markets and market participants. Exchanges should be able to innovate to address this competitive imbalance in a manner that is consistent with the Exchange Act.

IEX’s proposal seeks to better balance the interests of liquidity providers and long-term investors seeking liquidity with those of short-term investors utilizing latency arbitrage strategies. The D-Limit functionality will help mitigate the effects of latency arbitrage on liquidity providers and, as explained above, will likely lead to more displayed liquidity on the Exchange, which benefits all market participants through additional liquidity and enhanced public price discovery.¹⁷⁴ Further, because it is so narrowly tailored, liquidity takers who are not employing latency arbitrage strategies are unlikely to be seeking to remove a D-Limit order when it is being repriced, and thus D-Limit orders will not impose a burden on liquidity.

Accordingly, the Commission finds that D-Limit orders will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The D-Limit order type is IEX’s competitive response to mitigate current competitive imbalances between liquidity providers and latency arbitrage liquidity takers. It is designed to encourage market participants to post more priced limit orders, including displayed orders, on IEX, and thereby promotes just and equitable principles of trade, removes impediments to and perfects the mechanism of a free and open market and a national market, and, in general, protects investors and the public interest.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act,¹⁷⁵ that the proposed rule change (SR-IEX-2019-15) be, and it hereby is, approved.

By the Commission.

Vanessa A. Countryman,
Secretary.

[FR Doc. 2020-19204 Filed 8-31-20; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-89693; File No. 265-33]

Asset Management Advisory Committee

AGENCY: Securities and Exchange Commission.

ACTION: Notice of meeting.

SUMMARY: Notice is being provided that the Securities and Exchange Commission Asset Management Advisory Committee (“AMAC”) will hold a public meeting on September 16, 2020, by remote means. The meeting will begin at 9:00 a.m. (ET) and will be open to the public via webcast on the Commission’s website at www.sec.gov. Persons needing special accommodations to take part because of a disability should notify the contact person listed below. The public is invited to submit written statements to the Committee. The meeting will include a discussion of matters in the asset management industry relating to the ESG and Private Investments Subcommittees; and improving diversity and inclusion. It will also include a follow-up discussion on COVID-19 matters relating to AMAC’s meeting of May 27, 2020.

DATES: The public meeting will be held on September 16, 2020. Written statements should be received on or before September 11, 2020.

ADDRESSES: The meeting will be held by remote means and webcast on www.sec.gov. Written statements may be submitted by any of the following methods. To help us process and review your statement more efficiently, please use only one method. At this time, electronic statements are preferred.

Electronic Statements

- Use the Commission’s internet submission form (<http://www.sec.gov/rules/other.shtml>); or
- Send an email message to rule-comments@sec.gov. Please include File Number 265-33 on the subject line; or

¹⁶⁸ Vanguard Letter, *supra* note 65, at 3 (further noting that “[o]rganizations that do not pay for data products that provide unparalleled speed advantages are discouraged from posting liquidity on exchanges because they may receive unfavorable executions”). See also Allianz Letter, *supra* note 59; Raymond James Letter, *supra* note 137.

¹⁶⁹ IEX First Response to Comments, *supra* note 7, at 3.

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

¹⁷² IEX Second Response to Comments, *supra* note 38, at 21.

¹⁷³ See *supra* note 116 and accompanying text.

¹⁷⁴ See *supra* Section III.A.

¹⁷⁵ 15 U.S.C. 78s(b)(2).

Paper Statements

- Send paper statements to Vanessa Countryman, Federal Advisory Committee Management Officer, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090. All submissions should refer to File No. 265–33. This file number should be included on the subject line if email is used. The Commission will post all statements on the Commission’s website at (<http://www.sec.gov/comments/265-33/265-33.htm>).

Statements also will be available for website viewing and printing in the Commission’s Public Reference Room, 100 F Street NE, Room 1580, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. For up-to-date information on the availability of the Public Reference Room, please refer to <https://www.sec.gov/fast-answers/answerspublicdocsh.htm> or call (202) 551–5450.

All statements received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

FOR FURTHER INFORMATION CONTACT: Christian Broadbent, Senior Special Counsel, Sirimal Mukerjee, Branch Chief, or Angela Mokodean, Branch Chief, at (202) 551–6720, Division of Investment Management, Securities and Exchange Commission, 100 F Street NE, Washington DC 20549–3628.

SUPPLEMENTARY INFORMATION: In accordance with Section 10(a) of the Federal Advisory Committee Act, 5 U.S.C.-App. 1, and the regulations thereunder, Dalia Blass, Designated Federal Officer of the Committee, has ordered publication of this notice.

Dated: August 27, 2020.

Vanessa A. Countryman,

Committee Management Officer.

[FR Doc. 2020–19300 Filed 8–31–20; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–89678; File No. SR–LCH SA–2020–002]

Self-Regulatory Organizations; LCH SA; Order Approving Proposed Rule Change, as Modified by Amendment No. 1, Relating to Clearing of Markit iTraxx MSCI ESG Screened Europe Index Contracts

August 26, 2020.

I. Introduction

On June 26, 2020, Banque Centrale de Compensation, which conducts business under the name LCH SA (“LCH SA”), filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b–4, ² a proposed rule change to amend the LCH SA Methodology Services Reference Guide: CDS Margin Framework (“CDS Margin Framework”) to: (i) Permit the clearing of CDS contracts on the iTraxx MSCI ESG Screened Europe index (the “ESG Index”); (ii) make certain clarifications to facilitate validations of the CDS Margin Framework; and (iii) correct drafting errors in the CDS Margin Framework. On July 8, 2020, LCH SA filed Amendment No. 1 to the proposed rule change. ³ The proposed rule change, as modified by Amendment No. 1 (hereafter the “proposed rule change”), was published for comment in the **Federal Register** on July 15, 2020. ⁴ The Commission did not receive comments on the proposed rule change. For the reasons discussed below, the Commission is approving the proposed rule change.

II. Description of the Proposed Rule Change

A. Clearing of the ESG Index

As described further in the Notice, the ESG Index is a subset of the iTraxx Europe Main Index containing companies from the iTraxx Europe Main Index (transactions on which LCH SA

currently clears) that meet certain corporate responsibility criteria. ⁵ Before clearing CDS contracts on the ESG Index, LCH SA must ensure it can account for the risks associated with clearing transactions in the ESG Index. To account for such risks, LCH SA would apply its CDS Margin Framework to CDS contracts on the ESG Index. Thus, by modifying the CDS Margin Framework to apply to CDS contracts on the ESG Index, the proposed rule change would permit LCH SA to clear transactions in the ESG Index.

To apply the CDS Margin Framework to transactions in the ESG Index, the proposed rule change would make two changes to the CDS Margin Framework. First, in Sections 2.3.3 and 3.8.1.3, the proposed rule change would remove references to specific CDS indices so that the CDS Margin Framework no longer refers to these indices by name (like the iTraxx Europe Main Index). The proposed rule change would replace these specific references with generic references to an index or indices. Thus, the proposed rule change would help to ensure that the CDS Margin Framework applies to CDS contracts on all indices that LCH SA clears, including the ESG Index, rather than the specific indices currently named in the CDS Margin Framework.

Second, in Section 3.8.1.3, the proposed rule change would replace a specific reference to the constituents of the iTraxx Europe Main Index with a more generic reference to the constituents of the indices cleared by LCH SA and revise a formula to make the formula applicable to the iTraxx Europe Main Index and its sub-indices, which would include the ESG Index (as mentioned above, the ESG Index is a subset of the iTraxx Europe Main Index). Again, these changes would help to ensure that these aspects of the CDS Margin Framework apply to CDS contracts on all indices that LCH SA clears, including the ESG Index.

LCH SA represents that clearing of CDS contracts on the ESG Index will not require any other changes to the CDS Margin Framework or LCH SA CDS Clearing Rule Book. ⁶

B. Clarifications to the CDS Margin Framework To Facilitate Validations

The proposed rule change would also make the following changes to the CDS Margin Framework. These changes

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ Amendment No. 1 corrected minor errors in the description of the proposed rule change as originally filed with the Commission by explaining the clarifications made to Sections 3.2 and 3.8 of the CDS Margin Framework and removing a description of a change not being made as part of this filing.

⁴ Self-Regulatory Organizations; LCH SA; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, Relating to Introduction of Clearing of the New Markit iTraxx MSCI ESG Screened Europe Index Contracts, Exchange Act Release No. 89268 (July 9, 2020), 85 FR 42959 (July 15, 2020) (SR–LCH–SA–2020–002) (“Notice”).

⁵ See Notice, 85 FR at 42960. This description is excerpted from the Notice, 85 FR at 42959.

Capitalized terms not otherwise defined herein have the meanings assigned to them in the CDS Margin Framework or the LCH SA CDS Clearing Rule Book, as applicable.

⁶ See Notice, 85 FR at 42960.