

in a rate decrease.¹ The Postal Service seeks Commission approval of this rate incentive and related classification changes. Notice at 2.

II. Overview

Under the Commission's rules pertaining to Market Dominant rate adjustments, a "Type 1-C" rate adjustment is "an adjustment to a rate of general applicability that contains only a decrease." 39 CFR 3030.506(a). Such a rate adjustment "may generate unused rate adjustment authority . . ." in certain circumstances. 39 CFR 3030.506(b).

The Postal Service states that it intends to offer an Every Door Direct Mail Retail ("EDDM Retail") discount beginning August 1, 2020. Notice at 2. Specifically, the Postal Service asserts that:

The extraordinary and unprecedented nature of the COVID-19 pandemic and the current economic downturn has severely harmed many businesses. Small local businesses have been hit particularly hard as they adopt austerity measures and pull back on their marketing efforts in response to business closures or drastic reductions in demand. EDDM Retail volume was down in Quarter 2 as compared to the same period last year by 21.3 million pieces (or 13.3 percent) while revenue fell by \$3.2 million dollars (or 11 percent). A decline is projected to continue through postal Quarter 3, FY 2020 or further.

Concurrent with the gradual reopening of the economy, the Postal Service intends to offer an EDDM Retail discount to encourage use of the mail as an advertising platform to reach existing and new customers. This should in turn assist small local businesses in recovering from the impact of the pandemic. Postage for all EDDM Retail pieces entered between August 1 and September 30, 2020 will be \$0.172 per piece, a 10 percent reduction off the current permanent rate of \$0.191. No registration is required: All EDDM Retail pieces entered during the promotional period will receive the discount. *Id.* at 3.

In support of its Notice, the Postal Service asserts that it has provided the information required by 39 CFR 3030.512(a), including a schedule of planned rates; the planned effective dates; representation that public notice of the planned rates has or will be issued; and the identity of a responsible Postal Service official available to respond to inquiries from the Commission.²

The Postal Service provides price cap compliance information as required by 39 CFR 3030.512(b)(1)-(4). The Postal

Service states that it is electing to generate unused rate adjustment authority from the EDDM Retail discount pursuant to 39 CFR 3030.506(b) and 39 CFR 3030.512(b)(10). Notice at 4. It states that the workpapers for USPS Marketing Mail from Docket No. R2020-1 have been amended consistent with 39 CFR 3030.527 and 39 CFR 3030.523(b)(2). *Id.* The amended workpapers have been filed as a library reference.³ The Postal Service asserts that the discount will generate a small amount of price cap space for the USPS Marketing Mail class (approximately \$2 million, or 0.012 percent). Notice at 4.

As required by 39 CFR 3030.512(b)(7), the Postal Service provides a discussion of how this planned rate adjustment is designed to help achieve the objectives listed in 39 U.S.C. 3622(b), and properly takes into account the factors in 39 U.S.C. 3622(c). *Id.* at 5.

With regard to 39 CFR 3030.512(b)(5)-(6), the Postal Service asserts that the EDDM Retail discount would have no effect on workshare discounts approved in Docket No. R2020-1. *Id.* With regard to 39 CFR 3030.512(b)(8), the Postal Service asserts that the EDDM Retail discount will move the revenue-per-piece ratio calculated in Docket No. R2020-1 closer to 60 percent, as required by 39 U.S.C. 3626(a)(6). *Id.* at 5-6. The Postal Service asserts that no other portions of 39 U.S.C. 3626, 3627, or 3629 are implicated in this matter. *Id.*

III. Initial Commission Action

The Commission establishes Docket No. R2020-2 to consider the matters raised by the Notice. The Commission invites comments on whether the Postal Service's filing is consistent with the requirements of 39 U.S.C. 3622 and 3626, as well as 39 CFR part 3030. Comments are due June 22, 2020. *See* 39 CFR 3030.511(a)(5); 3010.108. These filings can be accessed via the Commission's website (<http://www.prc.gov>).

The Commission appoints Natalie R. Ward to serve as an officer of the Commission to represent the interests of the general public in these proceedings (Public Representative).

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. R2020-2 to consider the matters raised by the Notice.

2. Comments are due June 22, 2020.

3. Pursuant to 39 U.S.C. 505, Natalie R. Ward is appointed to serve as an

officer of the Commission to represent the interests of the general public in these proceedings (Public Representative).

4. The Secretary shall arrange for publication of this Order in the **Federal Register**.

By the Commission.

Erica A. Barker,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88994; File No. SR-ISE-2020-21]

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Further Extend the Deadline for Certain Written Supervisory-Related Reports Pursuant to Options 10, Section 7 (Supervision of Accounts)

June 2, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 1, 2020, Nasdaq ISE, LLC ("ISE" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to further extend the filing requirements for certain written reports pursuant to Options 10, Section 7, currently due June 1, 2020, to June 30, 2020.

The text of the proposed rule change is available on the Exchange's website at <http://ise.cchwallstreet.com/>, at the principal office of the Exchange, 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

¹ United States Postal Service Notice of Type 1-C Market Dominant Price Change, June 1, 2020 (Notice).

² Notice at 2. The Postal Service filed its proposed changes to the Mail Classification Schedule as an attachment to its Notice. *See* Notice, Attachment A.

³ Library Reference USPS-LR-R2020-2/1, June 1, 2020.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

Given current market conditions, the Exchange proposes to provide its members temporary relief from filing certain supervision-related reports pursuant to Options 10, Section 7 (Supervision of Accounts).³

In December 2019, COVID-19 began to spread and disrupt company operations and supply chains and impact consumers and investors, resulting in a dramatic slowdown in production and spending.⁴ By March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.⁵ To slow the spread of the disease, federal and state officials implemented social-distancing measures, placed significant limitations on large gatherings, limited travel, and closed non-essential businesses. These measures have affected the U.S. markets.⁶ In the United States, Level 1

³ The Exchange notes that ISE Options 10, including Section 7, is incorporated by reference into the rulebooks of Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX"). As such, the amendments to ISE Options 10, Section 7 proposed herein will also impact GEMX and MRX Options 10, Section 7.

⁴ See, e.g., Chairman Jay Clayton, Proposed Amendments to Modernize and Enhance Financial Disclosures; Other Ongoing Disclosure Modernization Initiatives; Impact of the Coronavirus; Environmental and Climate-Related Disclosure (Jan. 30, 2020), available at <https://www.sec.gov/news/public-statement/clayton-mda-2020-01-30>. ("Yesterday, I asked the staff to monitor and, to the extent necessary or appropriate, provide guidance and other assistance to issuers and other market participants regarding disclosures related to the current and potential effects of the coronavirus. We recognize that such effects may be difficult to assess or predict with meaningful precision both generally and as an industry- or issuer-specific basis. This is an uncertain issue where actual effects will depend on many factors beyond the control and knowledge of issuers.")

⁵ See WHO Director-General's Opening Remarks at the Media Briefing on COVID-19 (March 11, 2020), available at <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19--11-march-2020>.

⁶ "Analysts showed that we saw the fastest 'correction' in history (down 10% from a high), occurring in a matter of days. In the last week of February, the Dow fell 12.36% with notional trading of \$3.6 trillion." See Phil Mackintosh,

market wide circuit breaker halts were triggered on March 9, March 12, March 16, and March 18, 2020. While markets have seen significant declines, governments around the world are undertaking efforts to stabilize the economy and assist affected companies and their employees.⁷ State governments have only recently relaxed some social distancing measures and permitted the limited reopening of non-essential businesses. Significant uncertainty remains.

Amidst this continued and unprecedented market uncertainty, the Exchange sought to address potential challenges that members may face in timely meeting their obligations to submit to the Exchange annual supervision-related reports under Options 10, Sections 7(g) and (h) ("Supervision Reporting Requirements"), especially in light of unforeseen and uncertain demands on resources required to respond to COVID-19. Options 10, Section 7(g) requires each Exchange member that conducts a non-member customer business to submit to the Exchange a written report on the member's supervision and compliance effort during the preceding year and on the adequacy of the member's ongoing compliance processes and procedures. Each member that conducts a public customer options business is also required to specifically include its options compliance program in the report.⁸ The Section 7(g) report is due on April 1 of each year. Options 10, Section 7(h) requires that each member submit, by April 1 of each year, a copy of the Section 7(g) report to one or more control persons or, if the member has no control person, to the audit committee of its board of directors or its equivalent committee or group.⁹

On March 31, 2020, the Exchange filed a proposal to temporarily extend the filing requirements for these annual supervision-related reports from April 1, 2020 to June 1, 2020.¹⁰ In light of the

Putting the Recent Volatility in Perspective, available at <https://www.nasdaq.com/articles/putting-the-recent-volatility-in-perspective-2020-03-05>.

⁷ See, e.g., the list of actions undertaken by the Board of Governors of the Federal Reserve System at <https://www.federalreserve.gov/covid-19.htm>. See also Families First Coronavirus Response Act, Public Law 116-127.

⁸ The report shall include, but not be limited to, the information set out in Options 10, Section 7(g)(1)–(6).

⁹ See Options 10, Section 7(h) for the meaning of the term "control person" and requirements in the case of a control person that is an organization.

¹⁰ See Securities Exchange Act Release No. 88827 (March 31, 2020), 85 FR 19190 (April 6, 2020) (Notice of Filing and Immediate Effectiveness of

continued market uncertainty, the Exchange is again seeking to address potential challenges that members may face in timely meeting their obligations to submit to the Exchange annual supervision-related reports.

Accordingly, the Exchange proposes to provide additional, temporary relief for members from the Supervision Reporting Requirements by further extending the June 1, 2020 filing deadlines described above to June 30, 2020. The Exchange believes that this additional, temporary relief will permit members to continue to focus on running their businesses and the health crisis caused by the COVID-19 pandemic, including its impact on their employees, customers, and communities.

The Exchange notes that in response to COVID-19, the Financial Industry Reporting Authority ("FINRA") recently reissued temporary relief for member firms by, among other things, extending the deadline for submitting its supervision-related reports (FINRA Rule 3120 Report and FINRA Rule 3130 certification) from its initial extension deadlines of June 1, 2020¹¹ to June 30, 2020.¹² The Exchange notes, too, that at least one other options exchange that had previously extended the supervisory report deadlines from April 1 to June 1 for its members,¹³ also plans to submit a similar filing to, again, extend its deadlines through June 30, 2020. In light of these deadline extensions, the Exchange believes that extending its deadline would avoid unnecessary confusion and added burden among entities that are members of both the Exchange and FINRA because the deadline to submit supervisory reports would remain uniform.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁵ in particular, in that it is designed to promote just and equitable principles of trade; to remove impediments to and perfect the mechanism of a free and

Proposed Rule Change To Temporarily Extend Certain Filing Requirement).

¹¹ See FINRA Regulatory Notice 20-08 (March 9, 2020) available at <https://www.finra.org/rules-guidance/notices/20-08>.

¹² See FINRA Regulatory Notice 20-08, FAQs, Supervision (May 19, 2020) available at <https://www.finra.org/rules-guidance/key-topics/covid-19/faq#supe>.

¹³ See Securities Exchange Act No. 88528 (March 31, 2020), 85 FR 19196 (April 6, 2020) (SR-CBOE-2020-029).

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

open market and a national market system; and, in general to protect investors and the public interest. As a result of continued uncertainty related to the ongoing spread of the COVID-19 virus, the U.S. exchanges are experiencing unprecedented market volatility. The proposed rule change would allow the Exchange to continue to provide temporary relief for members from the Supervision Reporting Requirements, which were amended once already to require members to provide written reports to the Exchange by June 1, 2020, and further extend that deadline to June 30, 2020. The Exchange believes that this additional, temporary relief is necessary and appropriate in the public interest, and consistent with the protection of investors, given the unforeseen and uncertain challenges, including business continuity implementation and market volatility, posed by COVID-19 to members that must comply with the Supervision Reporting Requirements. The Exchange also believes that it is necessary and appropriate in the public interest, and consistent with the protection of investors, because FINRA has also re-extended the time for its members to file supervision-related reports from June 1, 2020 to June 30, 2020.¹⁶ Additionally, as indicated above, at least one other options exchange that had previously extended the supervisory report deadlines from April 1 to June 1 for its members,¹⁷ plans to submit a similar filing to re-extend its deadlines through June 30, 2020. Extending the deadline, therefore, will ensure that those entities that are members of both FINRA and the Exchange have a uniform deadline to submit their supervisory reports.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any competitive issues but rather to provide temporary relief for all members that are required to comply with the Supervision Reporting Requirements.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁸ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁹

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act²⁰ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)²¹ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Commission notes that the proposed rule change would allow the Exchange, in light of the COVID-19 pandemic, to provide temporary relief for members by extending the deadline for written reports pursuant to the Supervision Reporting Requirements from June 1, 2020 to June 30, 2020. This is consistent with the extension FINRA has provided its members for supervision-related reports and certifications required pursuant to FINRA Rule 3120 and FINRA Rule 3130²² and the extension for certain supervision-related reports Cboe Exchange, Inc. has provided its trading permit holders.²³ The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.²⁴

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

²⁰ 17 CFR 240.19b-4(f)(6).

²¹ 17 CFR 240.19b-4(f)(6)(iii).

²² See *supra* note 12.

²³ See Securities Exchange Act Release No. 88978 (June 1, 2020) (SR-CBOE-2020-049).

²⁴ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on

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 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-ISE-2020-21 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-ISE-2020-21. 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 efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁶ See *supra* note 12.

¹⁷ See *supra* note 13.

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-ISE-2020-21 and should be submitted on or before June 29, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

J. Matthew DeLesDernier,
Assistant Secretary.

[FR Doc. 2020-12277 Filed 6-5-20; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88987; File No. SR-NASDAQ-2020-028]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change To Amend IM-5101-1 (Use of Discretionary Authority) To Deny Listing or Continued Listing or To Apply Additional and More Stringent Criteria to an Applicant or Listed Company Based on Considerations Related to the Company's Auditor or When a Company's Business Is Principally Administered in a Jurisdiction That Is a Restrictive Market

June 2, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 19, 2020, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company's auditor.

The text of the proposed rule change is available on the Exchange's website at <http://nasdaq.cchwallstreet.com>, at the principal office of the Exchange, 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

Nasdaq's listing requirements include transparent criteria and corporate governance requirements. These requirements are designed to protect investors and the public interest; to ensure that a company seeking to list on Nasdaq is prepared for the rigors of operating as a public company; to provide transparent disclosure to investors in accordance with the SEC's and Nasdaq's reporting requirements; and to ensure sufficient investor interest to support liquid trading. Those criteria are set forth in the Nasdaq Rule 5000 Series.

In addition to the criteria set forth in the Rule 5000 Series, Rule 5101 describes Nasdaq's broad discretionary authority over the initial and continued listing of securities on Nasdaq in order to maintain the quality of and public confidence in its market, to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and to protect investors and the public interest. Nasdaq may use such discretion to deny initial listing, apply additional or more stringent criteria for the initial or continued listing of particular securities, or suspend or delist particular securities based on any event, condition, or circumstance that exists or occurs that makes initial or continued listing of the securities on Nasdaq inadvisable or unwarranted in the opinion of Nasdaq, even though the securities meet all enumerated criteria for initial or continued listing on Nasdaq.³

Nasdaq rules⁴ and federal securities laws⁵ require a company's financial statements included in its initial registration statement or annual report to be audited by an independent public accountant that is registered with the Public Company Accounting Oversight Board ("PCAOB"). Company management is responsible for preparing the company's financial statements and for establishing and maintaining disclosure controls and procedures and internal control over financial reporting. The company's auditor, based on its independent audit of the evidence supporting the amounts and disclosures in the financial statements, expresses an opinion on whether the financial statements present fairly, in all material respects, the company's financial position, results of operations and cash flows. "To form an appropriate basis for expressing an opinion on the financial statements, the auditor must plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement due to error or fraud."⁶

The auditor, in turn, is normally subject to inspection by the PCAOB, which assesses compliance with PCAOB and SEC rules and professional standards in connection with the auditor's performance of audits. According to the PCAOB,

PCAOB inspections may result in the identification of deficiencies in one or more of an audit firm's audits of issuers and/or in its quality control procedures which, in turn, can result in an audit firm carrying out additional procedures that should have been performed already at the time of the audit. Those procedures have sometimes led to the audited public company having to revise and refile its financial statements or its assessment of the effectiveness of its internal control over financial reporting. In addition, through the quality control remediation portion of the inspection process, inspected

⁴ See Rule 5210(b) ("Each Company applying for initial listing must be audited by an independent public accountant that is registered as a public accounting firm with the Public Company Accounting Oversight Board, as provided for in Section 102 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. 7212].") and Rule 5250(c)(3) ("Each listed Company shall be audited by an independent public accountant that is registered as a public accounting firm with the Public Company Accounting Oversight Board, as provided for in Section 102 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. 7212].").

⁵ See Section 4100—Qualifications of Accountants, *SEC Financial Reporting Manual* (June 30, 2009), available at <https://www.sec.gov/corpfin/cf-manual/topic-4/>.

⁶ See PCAOB Auditing Standard 1101.03—Audit Risk, available at <https://pcaobus.org/Standards/Auditing/Pages/AS1101.aspx>.

²⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Rule 5101.