

be minimized, including the use of automated collection techniques or other forms of information technology?

Dated at Rockville, Maryland, this 27th day of July 2018.

For the Nuclear Regulatory Commission.

David Cullison,

NRC Clearance Officer, Office of the Chief Information Officer.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83713; File No. SR-MSRB-2018-06]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend MSRB Rule A-13 to Temporarily Reduce the Rate of Assessment for the MSRB's Underwriting, Transaction and Technology Fees on Brokers, Dealers and Municipal Securities Dealers

July 26, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act" or "Exchange Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 23, 2018 the Municipal Securities Rulemaking Board (the "MSRB" or "Board") 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 the MSRB. 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 MSRB filed with the Commission a proposed rule change to amend MSRB Rule A-13 to temporarily reduce the rate of assessment for the MSRB's underwriting, transaction and technology fees on brokers, dealers and municipal securities dealers ("dealers") with respect to assessable activity that occurs during the months of October, November and December 2018 (the "proposed rule change"). The MSRB has designated the proposed rule change for immediate effectiveness.

The text of the proposed rule change is available on the MSRB's website at www.msrb.org/Rules-and-

Interpretations/SEC-Filings/2018-Filings.aspx, at the MSRB's principal office, 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 MSRB 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 MSRB 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 purpose of the proposed rule change is to temporarily reduce the rate of assessment for the MSRB's underwriting, transaction and technology fees for dealers under Rule A-13, with respect to assessable activity that occurs during the months of October, November and December 2018. The proposed rule change is designed to reduce, in a carefully considered and strategic manner, excess MSRB reserves in a way that achieves a fair and equitable balance of fees across regulated entities.

The MSRB discharges its statutory mandate under the Exchange Act through the establishment of rules for dealers and municipal advisors (together with dealers, "regulated entities"); the collection and dissemination of market information; and market leadership, outreach and education. As a self-regulatory organization, the MSRB must maintain sufficient reserves to discharge its responsibilities and operate without interruption, even in an economic downturn. Reserves are necessary to mitigate fluctuations in the MSRB's revenue stream, which is primarily market-driven, and provide a backstop for funding services essential to the efficiency of the market. However, as current reserves exceed the target thresholds that have been established by its Board of Directors, the MSRB is now seeking to temporarily reduce its three largest sources of revenue, which collectively, make up approximately 80% of the MSRB's FY 2018 budgeted revenue. The proposed rule change is projected to reduce the MSRB's excess

reserves by approximately \$2.6 million and will help align reserve levels with target levels.

Pursuant to Rule A-13, each dealer must pay to the Board underwriting, transaction and technology fees based upon the rates specified in that rule. The proposed rule change would add a new section (h) setting forth revised temporary assessment rates for these three types of assessments, generally reducing by one-third the fees for activity that occurs during the months of October, November and December 2018. New Rule A-13(h)(i) would provide that the underwriting assessment for certain primary offerings for this time period would be .00185% of the par value (\$0.0185 per \$1,000), a reduction from .00275% of the par value (\$.0275 per \$1,000). New Rule A-13(h)(ii) would provide that the transaction assessment would be .00067% of the par value (\$0.0067 per \$1,000), a reduction from .001% (\$.01 per \$1,000). And, new Rule A-13(h)(iii) would provide that the technology assessment would be \$0.67 per transaction (a reduction from \$1.00 per transaction). Rates of assessment would revert to current levels effective January 1, 2019.

Importantly, the temporary reduced rates are for activity that occurs during this three-month period. Dealers are typically billed for these fees after the relevant month end. Specifically, the underwriting fee is billed immediately after the respective month end, while the transaction and technology fees are billed thirty days in arrears.

Financial Reserves and the Board's Holistic Review of MSRB Fees

In 2010, after several years of heavy investment in the technological infrastructure needed to launch the MSRB's Electronic Municipal Market Access (EMMA[®]) website, the MSRB's financial reserve levels had dropped below the target of 12 months of operating expenses excluding depreciation expense, plus three-times annual capital needs. As a result, replenishing the MSRB's reserves became a priority. The following year, the MSRB increased the transaction fee under Rule A-13 and began assessing a new technology fee for dealers under the same rule.³ By 2014, revenue from the technology fee had generated sufficient resources to stabilize the technology reserve and allowed the MSRB to rebate \$3.6 million in technology fees to eligible dealers. The Board's technology fee rebate decision

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Release No. 34-63621 (Dec. 29, 2010), 76 FR 604 (Jan. 5, 2011) (File No. SR-MSRB-2010-10).

and analysis of reserve levels prompted it in 2015 to conduct a holistic review of fees from dealer assessments, municipal advisors and other sources to determine whether further changes to the funding structure were warranted.

The Board evaluated the assessment of MSRB fees on regulated entities with the goal of better aligning revenue sources with operating expenses and all capital needs. The Board strives to diversify funding sources among regulated entities and other entities that fund MSRB services in a manner that ensures long-term sustainability, while continuing to strike an equitable balance in fees among regulated entities and a fair allocation of the cost of operating and administering the MSRB, including regulatory activities, systems development and operational activities. The Board, as it has historically, strives to continually refine its fee structure to ensure it is balanced and fair and provides for reasonable cost allocation.

The first outcome of the holistic review was to substantially reduce (by 8.3%) the fee assessed on municipal securities underwriters. At the same time, the MSRB raised initial registration fees (which had not been adjusted since 1975) and annual fees (which had not been adjusted since 2009)—fees that are paid by all regulated entities—to better align with the cost of administering registrants and ensure that all registrants more fairly contributed to defraying the costs and expenses of operating and administering the MSRB. With the extension of the MSRB's jurisdiction to regulate municipal advisors, this class of regulated entity began contributing to the cost of MSRB regulation in 2014.⁴ To further the objective of appropriately and equitably assessing fees across all regulated activities, in 2018, the MSRB introduced a new fee on underwriters of 529 plans, as underwriters to 529 plans had not previously paid a fee in this capacity.⁵

The current fees assessed on regulated entities are:

1. Municipal advisor professional fee (Rule A-11). \$500 for each person associated with the municipal advisor who is qualified as a municipal advisor representative in accordance with Rule G-3 and for whom the municipal advisor has on file with the SEC a Form MA-I as of January 31 of each year;

2. Initial registration fee (Rule A-12). \$1,000 one-time registration fee to be paid by each dealer to register with the

MSRB before engaging in municipal securities activities and by each municipal advisor to register with the MSRB before engaging in municipal advisory activities;

3. Annual registration fee (Rule A-12). \$1,000 annual fee to be paid by each dealer and municipal advisor registered with the MSRB;

4. Late fee (Rule A-11 and Rule A-12). \$25 monthly late fee and a late fee on the overdue balance (computed according to the prime rate) until paid on balances not paid within 30 days of the invoice date by the dealer or municipal advisor;

5. Underwriting fee (Rule A-13). \$.0275 per \$1,000 of the par value paid by a dealer, on all municipal securities purchased from an issuer by or through such dealer, whether acting as principal or agent as part of a primary offering; and in the case of an underwriter (as defined in Rule G-45) of a primary offering of certain municipal fund securities, \$.005 per \$1,000 of the total aggregate assets for the reporting period;

6. Transaction fee (Rule A-13). .001% (\$.01 per \$1,000) of the total par value to be paid by a dealer, except in limited circumstances, for inter-dealer sales and customer sales reported to the MSRB pursuant to Rule G-14(b), on transaction reporting requirements;

7. Technology fee (Rule A-13). \$1.00 paid by a dealer per transaction for each inter-dealer sale and for each sale to customers reported to the MSRB pursuant to Rule G-14(b); and

8. Examination fee (Rule A-16). \$150 test development fee assessed per candidate for each MSRB examination.⁶

Notably, while all regulated entities contribute to the MSRB's revenue base, the three fees that are the subject of the proposed rule change (underwriting, transaction and technology fees) constitute approximately 80% of the MSRB's FY 2018 budgeted revenue. As the most significant contributors to MSRB funding, as well as being market based and historically contributing more than budgeted, these three fees are the primary drivers for the excess reserves.⁷ While the fees generated from municipal advisors contribute to the MSRB's budget, the fees charged for this newly regulated category of

⁶ In addition, the MSRB charges data subscription service fees for subscribers, including dealers and municipal advisors, seeking direct electronic delivery of municipal trade data and disclosure documents associated with municipal bond issues. However, this information is available without direct electronic delivery on the EMMA website without charge.

⁷ Reserves also grew due to fine revenue, a new revenue source first provided in 2010 under the Dodd-Frank Wall Street Reform and Consumer Protection Act. See 15 U.S.C. 78o-4(c)(9).

professionals remain relatively modest and do not yet meet target revenues.⁸ Accordingly, the Board determined that these three fees exclusively should be temporarily reduced for the designated period.

Since the initiation of the Board's holistic review of fees, MSRB reserves continued to grow due to strong revenue results compared to budget, as well as expense savings, and bolstered reserve levels to the point where another rebate was warranted in 2016. That year, the MSRB rebated \$5.5 million of excess reserves to dealers who were assessed underwriting, transaction and technology fees during the first nine months of the fiscal year. In total, \$9.1 million was returned to dealers in fee rebates since 2014. However, the fee rebates were not without their operational challenges. Industry feedback suggested that underwriting fee rebates can be problematic due to inherent complications of processing and potentially redistributing pro rata shares to syndicate members. Moreover, the MSRB believes that the approach taken in the proposed rule change (*i.e.*, a temporary reduction in dealer fees) would be fairer than another alternative approach, such as a fee holiday. For a fee holiday, the MSRB would forego charging fees for one month—but, because of the difficulties in selecting a single month that is representative of dealer activity for all dealers subject to the relevant fees, the MSRB believes that a temporary fee reduction that occurs over the course of several months is more likely to lead to a fair and equitable fee reduction across dealers. Accordingly, the Board has determined that a temporary three-month fee reduction, rather than a fee rebate or fee holiday, is a preferable mode of reducing its reserves.

The Board strives to be fiscally responsible. Since approximately 80% of the Board's revenue sources are market based, which is inherently unpredictable and largely has exceeded budget, and the Board has a historical track record of managing expenses to below budget, reserves continue to grow. The Board seeks to strike the right balance in fee assessments to maintain sufficient reserves to ensure fiscal sustainability, while providing relief to regulated entities that have contributed

⁸ See Release No. 34-81841 (Oct. 10, 2017), 82 FR 48135, 48138 (Oct. 16, 2017) (File No. SR-MSRB-2017-07) (noting that the target revenue to be generated from the municipal advisor fee under Rule A-11 was approximately \$2 million, or approximately 5% of the total MSRB revenues). At present, the municipal advisor professional fee generates approximately \$1.5 million, or 4% of the MSRB's Fiscal Year 2018 budgeted revenues.

⁴ See Release No. 34-72019 (Apr. 25, 2014), 79 FR 24798 (May 1, 2014) (File No. SR-MSRB-2014-03).

⁵ See Release No. 34-81264 (Jul 31, 2017), 82 FR 36472 (Aug. 4, 2017) (File No. SR-MSRB-2017-05).

to the excess reserves position. The temporary three-month fee reduction continues these ongoing efforts.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(f) of the Act⁹ which states that the MSRB's rules shall:

provide that each municipal securities broker, municipal securities dealer, and municipal advisor shall pay to the Board such reasonable fees and charges as may be necessary or appropriate to defray the costs and expenses of operating and administering the Board. Such rules shall specify the amount of such fees and charges, which may include charges for failure to submit to the Board, or to any information system operated by the Board, within the prescribed timeframes, any items of information or documents required to be submitted under any rule issued by the Board.

The MSRB believes that its rules provide for reasonable dues, fees, and other charges among regulated entities. The MSRB believes that the proposed rule change is necessary and appropriate to fund the operation and administration of the Board and satisfies the requirements of Section 15B(b)(2)(f),¹⁰ achieving a more equitable balance of fees among regulated entities and a fairer allocation of the expenses of the regulatory activities, system development, and operational activities undertaken by the MSRB because it temporarily decreases fees for the regulated entities that financially contribute the greatest to the cost of MSRB activities.

As described above, current reserve levels exceed targets, but looking forward to FY 2020, the MSRB's pro formas project reserves to fall modestly below targeted levels with the temporary fee reduction. As a result, the MSRB believes that it is preferable to temporarily reduce fees rather than take an alternative approach, such as a permanent fee reduction. Also, the MSRB believes a temporary fee reduction is preferable to a fee rebate because it would be operationally easier for dealers as dealers would be able to incorporate temporarily reduced fee rates into their business processes in advance rather than receive a rebate associated with past activity that may need to be redistributed through or across organizations. Finally, the MSRB believes that the proposed rule change would achieve a more equitable balance among regulated entities and a fairer allocation of the MSRB's expenses because the three fees that are the subject of the proposed rule change,

representing approximately 80% of the MSRB's FY 2018 revenue budget, have contributed most to funding operations of the MSRB and concurrently contributed the most to the current reserve levels.

While the MSRB has progressively budgeted for municipal advisor fees to defray a greater portion of the cost of the MSRB's municipal advisor-related activity,¹¹ municipal advisor fees have comprised a very small portion of the MSRB's revenues and have not contributed to the MSRB's excess reserves position. For these same reasons, the beneficiaries of the proposed rule change are generally the same group of regulated entities that received the fee rebates in 2014 and 2016, as described above.

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

Section 15B(b)(2)(C) of the Act¹² requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Board's policy on the use of economic analysis limits its applications regarding those rules for which the Board seeks immediate effectiveness.¹³ However, an internal analysis is still conducted to gauge the economic impact, with an emphasis on the burden on competition involving regulated entities.

In this regard, the Board believes the proposed rule change is necessary and appropriate to promote fairness in funding the operation and administration of the Board and would achieve a more equitable balance among regulated entities and a more balanced allocation of the expenses of the regulatory activities, system development, and operational activities undertaken by the MSRB. Because the three fees that are the subject of the proposed rule change (underwriting,

transaction and technology fees) are the primary drivers for the MSRB's excess reserves, the Board believes that it is appropriate to temporarily reduce these fees for the designated period.

The MSRB does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as it would temporarily decrease by the same percentage the underwriting, transaction and technology fees for all dealers subject to these fees.

The MSRB believes that the proposed rule change would not impose an unnecessary or inappropriate regulatory burden on small regulated entities, as smaller dealers would benefit from the temporary fee reduction in the same proportion as larger dealers in relation to the assessible activity during the relevant three-month period.

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

Written comments were neither solicited nor received.

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

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁴ and Rule 19b-4(f)(2)¹⁵ 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 is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-MSRB-2018-06 on the subject line.

¹¹ See *supra* n. 8.

¹² 15 U.S.C. 78o-4(b)(2)(C).

¹³ The scope of the Board's policy on the use of economic analysis in rulemaking provides that: [t]his Policy addresses rulemaking activities of the MSRB that culminate, or are expected to culminate, in a filing of a proposed rule change with the SEC under Section 19(b) of the Exchange Act, other than a proposed rule change that the MSRB reasonably believes would qualify for immediate effectiveness under Section 19(b)(3)(A) of the Exchange Act if filed as such or as otherwise provided under the exception process of this Policy.

Policy on the Use of Economic Analysis in MSRB Rulemaking, available at <http://msrb.org/Rules-and-Interpretations/Economic-Analysis-Policy.aspx>. For those rule changes which the MSRB seeks immediate effectiveness, the MSRB usually focuses exclusively its examination on the burden of competition on regulated entities.

¹⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁵ 17 CFR 240.19b-4(f)(2).

⁹ 15 U.S.C. 78o-4(b)(2)(f).

¹⁰ *Id.*

Paper Comments

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

All submissions should refer to File Number SR–MSRB–2018–06. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–MSRB–2018–06 and should be submitted on or before August 22, 2018.

For the Commission, pursuant to delegated authority.¹⁶

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–83712; File No. SR–DTC–2018–004]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Make Clarifying Changes and Updates to the DTC Underwriting Service Guide

July 26, 2018.

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 July 20, 2018, The Depository Trust Company (“DTC”) 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 the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b–4(f)(4) thereunder.⁴ 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 proposed rule change of DTC⁵ consists of modifications to the DTC Underwriting Service Guide (“Underwriting Guide”)⁶ to (i) promote

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b–4(f)(4).

⁵ Capitalized terms not defined herein are defined in the Rules, By-Laws and Organization Certificate of DTC (the “Rules”), available at www.dtcc.com/~media/Files/Downloads/legal/rules/dtc_rules.pdf, and the DTC Operational Arrangements for Securities to Become and Remain Eligible for DTC Services (“OA”), available at <http://www.dtcc.com/~media/Files/Downloads/legal/issue-eligibility/eligibility/operational-arrangements.pdf>.

⁶ Available at <http://www.dtcc.com/~media/Files/Downloads/legal/service-guides/Underwriting-Service-Guide.pdf>. The Underwriting Guide and the OA constitute Procedures of DTC. Pursuant to the Rules, the term “Procedures” means the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27, as amended from time to time. See Rule 1, Section 1, *supra* note 5. DTC’s Procedures are filed with the Commission. They are binding on DTC and each Participant in the same manner as they are bound by the Rules. See Rule 27, *supra* note 5. The OA is also binding on each Issuer and Agent of an Eligible Security. See OA at 5, *supra* note 5. DTC also maintains service guides that constitute Procedures relating to other services it offers, including the “Canadian-Link Service Guide,” “Custody Service Guide” (defined below as “Custody Guide”), “Deposits Service Guide,” “Distributions Service Guide,” “Redemptions Service Guide,” “Reorganizations Service Guide” and “Settlement Service Guide.” Available at <http://www.dtcc.com/legal/rules-and-procedures?subsidiary=DTC&pgs=1>.

consistency with respect to processes and requirements described in other Procedures that are related to those set forth in the Underwriting Guide, (ii) make clarifying and technical changes and (iii) provide enhanced readability and transparency for users of DTC’s underwriting service (“Underwriting Service”), as described below.

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

In its filing with the Commission, the clearing agency 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 clearing agency 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

1. Purpose

The proposed rule change consists of proposed modifications to the Underwriting Guide to (i) promote consistency with respect to processes and requirements described in other Procedures that are related to those set forth in the Underwriting Guide, (ii) make clarifying and technical changes and (iii) provide enhanced readability and transparency for users of DTC’s Underwriting Service, as described below.

Background

Eligible Securities⁷ may be introduced into DTC as new issuances (“New Issues”) through the Underwriting Service, in connection with a Participant, or a correspondent working through a Participant’s Account, submitting an eligibility request.⁸ In addition to the process for New Issues, there are separate eligibility processes for (i) older issues (“Older Issues”), *i.e.*, those already available in the market but not previously made eligible for deposit at DTC⁹ and (ii) Eligible Securities in

⁷ Generally, Eligible Securities must have been issued in a transaction: (i) Registered with the Commission pursuant to the Securities Act; (ii) exempt from registration pursuant to a Securities Act exemption without transfer or ownership restrictions; or (iii) pursuant to Rule 144A, 17 CFR 230.144A, or Regulation S, 17 CFR 230.901–230.905, under the Securities Act. See OA, *supra* note 5 at 2–3.

⁸ See OA, *supra* note 5 at 1–2.

⁹ *Id.*

¹⁶ 17 CFR 200.30–3(a)(12).