

and consulting with any other of the fund's advisers that is a principal underwriter or affiliated person of a principal underwriter concerning the fund's securities transactions.

These requirements provide a mechanism for fund boards to oversee compliance with the rule. The required recordkeeping facilitates the Commission staff's review of rule 10f-3 transactions during routine fund inspections and, when necessary, in connection with enforcement actions.

The staff estimates that approximately 236 funds engage in a total of approximately 2,928 rule 10f-3 transactions each year.<sup>1</sup> Rule 10f-3 requires that the purchasing fund create a written record of each transaction that includes, among other things, from whom the securities were purchased and the terms of the transaction. The staff estimates<sup>2</sup> that it takes an average fund approximately 30 minutes per transaction and approximately 1,464 hours<sup>3</sup> in the aggregate to comply with this portion of the rule.

The funds also must maintain and preserve these transactional records in accordance with the rule's recordkeeping requirement, and the staff estimates that it takes a fund approximately 20 minutes per transaction and that annually, in the aggregate, funds spend approximately 976 hours<sup>4</sup> to comply with this portion of the rule.

In addition, fund boards must, no less than quarterly, examine each of these transactions to ensure that they comply with the fund's policies and procedures. The information or materials upon which the board relied to come to this determination also must be maintained and the staff estimates that it takes a fund 1 hour per quarter and, in the aggregate, approximately 944 hours<sup>5</sup> annually to comply with this rule requirement.

The staff estimates that reviewing and revising as needed written procedures for rule 10f-3 transactions takes, on average for each fund, two hours of a compliance attorney's time per year.<sup>6</sup>

<sup>1</sup> These estimates are based on staff extrapolations from filings with the Commission.

<sup>2</sup> Unless stated otherwise, the information collection burden estimates are based on conversations between the staff and representatives of funds.

<sup>3</sup> This estimate is based on the following calculation: (0.5 hours × 2,928 = 1,464 hours).

<sup>4</sup> This estimate is based on the following calculations: (20 minutes × 2,928 transactions = 58,560 minutes; 58,560 minutes/60 = 976 hours).

<sup>5</sup> This estimate is based on the following calculation: (1 hour per quarter × 4 quarters × 236 funds = 944 hours).

<sup>6</sup> These averages take into account the fact that in most years, fund attorneys and boards spend little

Thus, annually, in the aggregate, the staff estimates that funds spend a total of approximately 472 hours<sup>7</sup> on monitoring and revising rule 10f-3 procedures.

Based on an analysis of fund filings, the staff estimates that approximately 299 fund portfolios enter into subadvisory agreements each year.<sup>8</sup> Based on discussions with industry representatives, the staff estimates that it will require approximately 3 attorney hours to draft and execute additional clauses in new subadvisory contracts in order for funds and subadvisers to be able to rely on the exemptions in rule 10f-3. Because these additional clauses are identical to the clauses that a fund would need to insert in their subadvisory contracts to rely on rules 12d3-1, 17a-10, and 17e-1, and because we believe that funds that use one such rule generally use all of these rules, we apportion this 3 hour time burden equally to all four rules. Therefore, we estimate that the burden allocated to rule 10f-3 for this contract change would be 0.75 hours.<sup>9</sup> Assuming that all 299 funds that enter into new subadvisory contracts each year make the modification to their contract required by the rule, we estimate that the rule's contract modification requirement will result in 224 burden hours annually.<sup>10</sup>

The staff estimates, therefore, that rule 10f-3 imposes an information collection burden of 4,080 hours.<sup>11</sup>

The collection of information required by rule 10f-3 is necessary to obtain the benefits of the rule. Responses will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The public may view the background documentation for this information collection at the following website, [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive

or no time modifying procedures and in other years, they spend significant time doing so.

<sup>7</sup> This estimate is based on the following calculation: (236 funds × 2 hours = 472 hours).

<sup>8</sup> Based on information in Commission filings, we estimate that 38 percent of funds are advised by subadvisers.

<sup>9</sup> This estimate is based on the following calculation: (3 hours × 4 rules = .75 hours).

<sup>10</sup> These estimates are based on the following calculations: (0.75 hours × 299 portfolios = 224 burden hours).

<sup>11</sup> This estimate is based on the following calculation: (1,464 hours + 976 hours + 944 hours + 472 + 244 hours = 4,080 total burden hours).

Office Building, Washington, DC 20503, or by sending an email to: [ShaguftaAhmed@omb.eop.gov](mailto:ShaguftaAhmed@omb.eop.gov); and (ii) Charles Riddle, Acting Director/Chief Information Officer, Securities and Exchange Commission, c/o Candace Kenner, 100 F Street NE, Washington, DC 20549 or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: October 3, 2018.

**Eduardo A. Aleman,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84344; File No. SR-CBOE-2018-056]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Order Approving a Proposed Rule Change To Adopt Rule 6.57, Risk-Weighted Asset ("RWA") Packages

October 2, 2018.

#### I. Introduction

On August 8, 2018, the Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposal to adopt Rule 6.57, Risk-Weighted Assets ("RWA") Transactions. The proposed rule change was published for comment in the *Federal Register* on August 23, 2018.<sup>3</sup> The Commission did not receive any comment letters on the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

As described in more detail in the Notice,<sup>4</sup> the Exchange proposes to adopt Rule 6.57 to provide a mechanism for Cboe Options market makers to submit an on-floor risk-weighted asset package ("RWA Package")<sup>5</sup> in the SPX trading crowd for the purpose of reducing risk-weighted asset ("RWA") exposure in

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

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

<sup>3</sup> See Securities Exchange Act Release No. 83870 (August 17, 2018), 83 FR 42725 (August 23, 2018) ("Notice").

<sup>4</sup> See *id.*

<sup>5</sup> An RWA Package is a set of SPX options positions with at least: 50 options series; 10 contracts per options series; and 10,000 total contracts. See *id.* at 42726.

open SPX positions across numerous series. RWA Packages may be executed in the SPX crowd on the trading floor if they meet certain conditions specified in Rule 6.57, including that they be initiated for the account(s) of a Cboe Options market maker, result in a change in beneficial ownership, and include a certification concerning the attributable net reduction of RWA.<sup>6</sup>

Further, Rule 6.57(c) sets forth a trading procedure that requires the entering firm to submit a list of the individual SPX options series, their size, and any net debit or credit bid price received, as well as contact information for the order.<sup>7</sup> Cboe will thereafter post a list of the individual components of the RWA Package, the proposed net price for the RWA Package (if available), the contact information, and the time at which the two-hour request-for-quote period (“RFQ Period”) concludes.<sup>8</sup>

Rule 6.57(c) further specifies that the response that represents the best bid or offer on a net debit or credit basis for the RWA Package has priority.<sup>9</sup> In the event that equal bids or offers are received, the first RFQ response at the best bid or offer on a net debit or credit basis for the RWA Package has priority.<sup>10</sup> If executed, the representing party must report the details of the execution to the Exchange.<sup>11</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act,<sup>12</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>13</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>14</sup> which requires, among other things, that the rules of a national securities exchange be designed to remove impediments to and perfect the mechanism of a free and open market and a national market

system, and, in general, to protect investors and the public interest and that the rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system by providing a mechanism to facilitate the reduction of SPX options positions and concomitant RWA.<sup>15</sup> Specifically, the Exchange represented that such a mechanism would help market makers to continue to provide critical liquidity in the options market by reducing RWA to comply with “bank capital regulations that . . . are negatively impacting the ability of [market makers] clearing through bank-affiliated clearing firms to provide liquidity.”<sup>16</sup> In reducing RWA, bank-affiliated clearing firms will be able to clear more market maker activity during periods of increased volume and volatility.<sup>17</sup> In turn, market makers may be better able to continue quoting during those periods, lessening the risk of market dislocations or excess volatility that could occur if market makers needed to reduce their quoting activity during such periods to the detriment of investors.

Further, with respect to trading, the Exchange’s rule is based on Rule 6.49A, which establishes a similar process for on-floor transfers, but improves upon that rule by adding certifications to assure compliance and increases transparency by electronically disseminating the list of series in a proposed RWA Package. All Cboe members will be given notice of and the ability to participate in the RWA Package trading process.

Finally, the Commission notes the narrow scope of proposed Rule 6.57. The proposed rule change would apply only to SPX options, which are particularly impacted by current bank-capital regulations, and any transaction must result in a net reduction of RWA. Furthermore, the proposed rule change is only effective for a limited term, ending two years from the approval date.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>18</sup> that the proposed rule change (SR–CBOE–2018–056) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Submission for OMB Review; Comment Request

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549–2736

#### Extension:

Electronic Data Collection System; SEC File No. 270–621, OMB Control No. 3235–0672

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (“Commission”) is soliciting comments on the collection of information summarized below. The Commission plans to submit an extension for this current collection of information to the Office of Management and Budget for approval.

The Commission invites comment on updates to its Electronic Data Collection System database (the Database), which will support information provided by members of the public who would like to file an online tip, complaint or referral (TCR) to the Commission. The Database will be a web based e-filed dynamic report based on technology that pre-populates and establishes a series of questions based on the data that the individual enters. The individual will then complete specific information on the subject(s) and nature of the suspicious activity, using the data elements appropriate to the type of complaint or subject. The information collection is voluntary. The public interface to the Database will be available using the agency’s website, [www.sec.gov](http://www.sec.gov). The Commission estimates that it takes a complainant, on average, 30 minutes to submit a TCR through the Database. Based on the receipt of an average of approximately 16,000 annual TCRs for the past three fiscal years, the Commission estimates that the annual reporting burden is 8,000 hours.

Written comments are invited on: (a) Whether this collection of information is necessary for the proper performance

<sup>6</sup> See *id.* at 42726–27.

<sup>7</sup> See *id.* at 42727.

<sup>8</sup> See *id.* The Exchange believed that this two-hour period was sufficient to allow members to review, price, and bid/offer for the RWA Package, because the RWA Package will be available in an electronic format and the Exchange believed that firms had access to electronic systems that will aid them in evaluating and pricing the SPX positions contained in an RWA Package. See *id.*

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

<sup>10</sup> See *id.* at 42727.

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

<sup>12</sup> 15 U.S.C. 78f.

<sup>13</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> See Notice, *supra* note 3, at 42726, 42730.

<sup>16</sup> *Id.* at 42726.

<sup>17</sup> See *id.*

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

<sup>19</sup> 17 CFR 200.30–3(a)(12).