

that information. Currently, FINRA supports four technological protocols for its members to report transactions to TRACE. FINRA has proposed to discontinue supporting one of those four protocols, CTCL. The Commission believes that such action is a reasonable exercise of FINRA's discretion, for the following reasons.

First, FINRA will continue to support three other technological protocols for reporting transactions to TRACE: FIX, web browser, and via third-party vendor. Second, FIX already is utilized by approximately half of the third-party vendors and two-thirds of member firms with direct reporting capability, and with the increase in the percentage of TRACE transactions reported via FIX there has been a concomitant decrease in CTCL usage.<sup>11</sup> Third, supporting three instead of four reporting protocols would conserve FINRA resources and has some potential for reducing operational risks.<sup>12</sup> Fourth, FINRA is taking reasonable steps to assist member firms that currently use CTCL and must transition to other reporting protocols. FINRA has stated that it will contact each such firm to offer assistance in connection with the migration, and is allowing over a year—until February 3, 2020—for affected firms to complete the migration.<sup>13</sup> The Commission has no reason to believe that this proposal will impose undue burdens on FINRA member firms; the Commission notes that no comments on the proposal were submitted.

For these reasons, the Commission believes the proposed rule change is consistent with the Act.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>14</sup> that the proposed rule change (SR-FINRA-2018-030) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

[FR Doc. 2018-22046 Filed 10-10-18; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84360; File No. SR-IEX-2018-20]

### Self-Regulatory Organizations: Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Modify Its Fee Schedule To Specify the Circumstances Under Which the Exchange Will Aggregate the Activity of Affiliated Members for Purposes of Applying the Provisions of Rule 11.170(a) Related to the IEMM Program

October 4, 2018.

Pursuant to Section 19(b)(1) <sup>1</sup> of the Securities Exchange Act of 1934 (the "Act") <sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on September 26, 2018, the Investors Exchange LLC ("IEX" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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

Pursuant to the provisions of Section 19(b)(1) under the Securities Exchange Act of 1934 ("Act"),<sup>4</sup> and Rule 19b-4 thereunder,<sup>5</sup> IEX is filing with the Commission a proposed rule change to modify its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to specify the circumstances under which the Exchange will aggregate the activity of affiliated Members for purposes of applying the provisions of Rule 11.170(a) (IEX Enhanced Market Maker ("IEMM")) Program. The Exchange has designated this rule change as "non-controversial" under Section 19(b)(3)(A) of the Act<sup>6</sup> and provided the Commission with the notice required by Rule 19b-4(f)(6) thereunder.<sup>7</sup>

The text of the proposed rule change is available at the Exchange's website at [www.iextrading.com](http://www.iextrading.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 the Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization 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 self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

##### Background

The Exchange proposes to modify its Fee Schedule, pursuant to IEX Rule 15.110(a) and (c), to specify the circumstances under which the Exchange will aggregate the activity of affiliated Members for purposes of applying the provisions of the IEMM Program. The Exchange also proposes a minor change to correct an errant cross reference in the Fee Schedule.

The IEMM program is a Market Quality Incentive Program that offers certain fee-based incentives for Members that provide meaningful and consistent support to market quality and price discovery by extensive quoting at and/or near the NBBO in IEX-listed securities for a significant portion of the day.<sup>8</sup> Specifically, a Member that satisfies the quoting criteria for one or more of the following tiers in each security listed on IEX over the course of the month that the security is listed on IEX may be designated as an IEMM:

- *Inside Tier IEMM*: One or more of its MPIDs has a displayed order entered in a principal capacity of at least one round lot resting on the Exchange at the NBB and/or the NBO for an average of at least 20% of Regular Market Hours (the "NBBO Quoting Percentage"); and/or
- *Depth Tier IEMM*: One or more of its MPIDs has a displayed order entered in a principal capacity of at least one round lot resting on the Exchange at the greater of 1 minimum price variation ("MPV") or 0.03% (*i.e.*, 3 basis points) away from the NBBO (or more aggressive) for an average of at least

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> 15 U.S.C. 78s(b)(1).

<sup>5</sup> 17 CFR 240.19b-4.

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4.

<sup>8</sup> See Rule 11.170(a). See also Securities Exchange Act Release No. 82636 (February 6, 2018), 83 FR 6059 (February 12, 2018) (SR-IEX-2018-02).

<sup>11</sup> See Notice, 83 FR at 42741.

<sup>12</sup> See *id.* at 42741.

<sup>13</sup> See *id.* at n. 8.

<sup>14</sup> 15 U.S.C. 78s(b)(2).

<sup>15</sup> 17 CFR 200.30-3(a)(12).

75% of Regular Market Hours (the "Depth Quoting Percentage").

Members that are designated as an IEMM qualify for the Standard Match Fee Discount, Reduced Match Fee Discount, and the Spread-Crossing Eligible Remove Fee Discount. Specifically, for Inside Tier IEMMs, the Standard Match Fee Discount, Reduced Match Fee Discount, and the Spread-Crossing Eligible Remove Fee Discount results in a \$0.0001 discount for each execution subject to the Standard Match Fee Discount, Reduced Match Fee Discount, or the Spread-Crossing Eligible Remove Fee Discount, respectively, with no cap on aggregate monthly savings. Furthermore, Depth Tier IEMMs will receive a \$0.0001 discount for each execution subject to the Standard Match Fee Discount, the Reduced Match Fee Discount, and the Spread-Crossing Eligible Remove Fee Discount, up to \$20,000.00 in aggregate savings per month. If a Member qualifies under both the Inside Tier and the Depth Tier, any earned Standard Match Fee Discount, Reduced Match Fee Discount, and Spread-Crossing Eligible Remove Fee Discount will be aggregated and applied to such Member's executions subject to the Standard Match Fee, Reduced Match Fee, or Spread-Crossing Eligible Remove Fee in securities priced at or above \$1.00, subject to the applicable Depth Tier aggregate monthly savings cap of \$20,000.00.

#### Proposed Changes

The Exchange proposes to amend its Fee Schedule to provide for aggregation of affiliated Members' activity for purposes of applying the provisions of the IEMM Program. The proposal is substantially based on Nasdaq Stock Market, LLC ("Nasdaq") Rule 7027, and the New York Stock Exchange, Inc.'s ("NYSE") Price List.<sup>9</sup>

Specifically, the Exchange proposes to add footnote 2 to the Exchange's Fee Schedule, entitled "Aggregation of activity of affiliated Members" to specify that for purposes of applying the provisions of Rule 11.170(a), a Member may request that the Exchange aggregate its activity with activity of such Member's affiliated Members. A Member requesting aggregation of affiliate activity is required to certify to the Exchange the affiliate status of Members whose activity it seeks to aggregate prior to receiving approval for aggregation, and inform the Exchange

immediately of any event that causes an entity to cease being an affiliate. The Exchange shall review available information regarding the entities and reserves the right to request additional information to verify the affiliate status of an entity.<sup>10</sup> The Exchange shall approve a request unless it determines that the certification is not accurate.

If two or more Members become affiliated on or prior to the sixteenth day of a month and submit the required request for aggregation on or prior to the twenty-second day of the month, an approval of the request by the Exchange shall be deemed to be effective as of the first day of that month. If two or more Members become affiliated after the sixteenth day of a month or submit a request for aggregation after the twenty-second day of the month, an approval of the request by the Exchange shall be deemed to be effective as of the first day of the next calendar month. For purposes of applying the provisions of Rule 11.170(a), references to an IEMM shall include the Member and any of its affiliates that have been approved for aggregation. The term "affiliate" shall mean any Member under 75% common ownership or control of that Member.

Lastly, the Exchange proposes to correct an errant cross reference in the Fee Schedule that incorrectly cross references Rule 11.160(a) (Notification Requirements for Offering Participants) as the IEX Enhanced Market Maker program. The Exchange proposes to correct the cross reference to appropriately cite to Rule 11.170(a) (Market Quality Incentive Programs).

#### 2. Statutory Basis

IEX believes that the proposed rule change is consistent with the provisions of Section 6(b) <sup>11</sup> of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act <sup>12</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The Exchange believes the proposed rule change is consistent with the protection of investors and the public interest because it establishes a clear and objective process for aggregating

activity across affiliated legal entities to simplify the process of billing under the IEMM program. Furthermore, the Exchange believes the proposed rule change is consistent with the protection of investors and the public interest in that it establishes a clear policy with respect to affiliate aggregation for fee purposes that is common among other exchanges, thereby promoting Members' understanding of the parameters of the IEMM program and the efficiency of its administration. The proposed rule is equitable because all similarly situated members are subject to the proposed rules equally, and access to the Exchange is offered on fair and nondiscriminatory terms.

All Members seeking to aggregate their activity are subject to the same reasonable parameters, in accordance with a standard that recognizes an affiliation as of the month's beginning, or close in time to when the affiliation occurs, provided the Member submits a timely request. Moreover, the proposed billing aggregation language is reasonable because it establishes a standard for implementation of aggregation requests that is easy to administer and that reflects the need for the Exchange to review and approve aggregation requests while avoiding the complexities associated with proration of the bills of Members that become affiliated during the course of a month. The Exchange believes that this approach will thus simplify the process of billing under the IEMM program for the Exchange and its Members and is substantially similar to aggregation standards adopted by other exchanges.<sup>13</sup>

The Exchange believes that the proposed rule change avoids disparate treatment of Members that have divided their various business activities between separate legal entities as compared to Members that operate those business activities within a single legal entity. The Exchange further notes that the proposed rule change is reasonable and is designed to remove impediments to and perfect the mechanism of a free and open market by harmonizing the rules across exchanges that govern the aggregation of certain activity for purposes of billing. In particular, as noted above, both Nasdaq and NYSE have substantially similar rules governing aggregation of activity for fee purposes.<sup>14</sup> Thus, the Exchange believes the proposed change does not present any unique or novel issues under the Act that have not already been considered by the Commission.

<sup>9</sup> See Nasdaq Rule 7027; see also NYSE's Price List, available at: [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf).

<sup>10</sup> For example, the Exchange would review a Member's Form BD in FINRA's Central Registration Depository ("CRD") to verify that the Member(s) for which it seeks aggregation pursuant to the proposed rule is under 75% common ownership or control of the requesting Member.

<sup>11</sup> 15 U.S.C. 78f.

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>13</sup> See *supra* note 4 [sic].

<sup>14</sup> See *supra* note 4 [sic].

Lastly, the Exchange believes the proposed correction to the cross-reference is reasonable and consistent with the protection of investors and the public interest in that it is designed to make the Exchange's Fee Schedule more clear and accurate, to the benefit of all market participants.

#### *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 intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As stated above, the proposed rule change, which applies equally to all Members, is intended to reduce the Exchange's administrative burden in applying discounts for firms which have requested aggregation with an affiliate Member, and is substantially similar to rules adopted by other exchanges. Because the market for order execution and routing is extremely competitive, Members may readily opt to disfavor the Exchange if they believe that alternatives offer them better value. The Exchange thus does not believe the proposed changes will impair the ability of Members or competing order execution venues to maintain their competitive standing in the financial markets.

Lastly, the Exchange believes the proposed correction to the cross reference, as described above, does not impose any burden on competition, as it is simply designed to make the Exchange's Fee Schedule more clear and accurate, to the benefit of all market participants.

#### *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**

Because the 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 Act<sup>15</sup> and Rule 19b-4(f)(6) thereunder.<sup>16</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>17</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>18</sup> 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 asked the Commission to waive the 30-day operative delay so that the Exchange may implement the proposed rule change to coincide with the launch of its listing program. The Exchange believes that providing for IEMM affiliate aggregation will help to address the significant competitive challenges it will face in establishing itself as a competitive listings market by providing appropriate incentives to affiliated Members seeking to become IEMMs that accrue to the benefit of issuers listed on IEX as well as market participants generally. The Commission does not believe that the proposed change presents any new or novel issues, as the Exchange's proposal is based on similar rules of other listing exchanges. Accordingly, waiver of the operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.<sup>19</sup>

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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>20</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

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

<sup>16</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of 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.

<sup>17</sup> 17 CFR 240.19b-4(f)(6).

<sup>18</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>19</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>20</sup> 15 U.S.C. 78s(b)(2)(B).

### **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-IEX-2018-20 on the subject line.

#### *Paper Comments*

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

All submissions should refer to File Number SR-IEX-2018-20. This file number should be included in 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 Section, 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 will also be available for inspection and copying at the IEX's principal office and on its internet website at [www.iextrading.com](http://www.iextrading.com). 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-IEX-2018-20 and should be submitted on or before November 1, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2018-22043 Filed 10-10-18; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84362; File No. SR-PEARL-2018-20]

### Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC To Amend Exchange Rule 203, Qualification and Registration of Members and Associated Persons, Relating to Registration and Qualification Examinations Required for Members and Associated Persons of Members That Engage in Trading Activities on the Exchange

October 4, 2018.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 27, 2018, MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change (“a 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 is filing a proposal to amend Rule 203, Qualification and Registration of Members and Associated Persons, relating to registration and qualification examinations required for Members and Associated Persons of Members that engage in trading activities on the Exchange.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/pearl> at MIAX PEARL’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 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

The Securities and Exchange Commission (the “SEC” or the “Commission”) recently approved a proposed rule change to restructure the Financial Industry Regulatory Authority (“FINRA”) representative-level qualification examination program.<sup>3</sup> The rule change, which will become effective on October 1, 2018, restructures the examination program into a more efficient format whereby all new representative-level applicants will be required to take a general knowledge examination (the Securities Industry Essentials Examination (“SIE”)) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role. Individuals are not required to be associated with the Exchange or any other self-regulatory organization (“SRO”) member to be eligible to take the SIE. However, passing the SIE alone will not qualify an individual for registration with the Exchange. To be eligible for registration, an individual must also be associated with a firm, pass an appropriate qualification examination for a representative or principal and satisfy the other requirements relating to the registration process.

The SIE will assess basic product knowledge; the structure and function of the securities industry markets, regulatory agencies and their functions; and regulated and prohibited practices. In particular, the SIE will cover four major areas. The first, “Knowledge of Capital Markets,” focuses on topics such as types of markets and offerings, broker-dealers and depositories, and

economic cycles. The second, “Understanding Products and Their Risks,” covers securities products at a high level as well as associated investment risks. The third, “Understanding Trading, Customer Accounts and Prohibited Activities,” focuses on accounts, orders, settlement and prohibited activities. The final, “Overview of the Regulatory Framework,” encompasses topics such as SROs, registration requirements and specified conduct rules. It is anticipated that the SIE will include 75 scored questions plus an additional 10 unscored pretest questions. The passing score will be determined through methodologies compliant with testing industry standards used to develop examinations and set passing standards.

The restructured program will eliminate duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE. The SIE will test fundamental securities related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives. The SIE was developed in consultation with a committee of industry representatives and representatives of several SROs. Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

The Exchange proposes to require that effective October 1, 2018, new applicants seeking to register in a representative capacity with the Exchange must pass the SIE before their registrations can become effective. The Exchange proposes to make the requirement operative on October 1, 2018 to coincide with the effective date of FINRA’s requirement.

The Exchange notes that individuals who are registered as of October 1, 2018 will be eligible to maintain their registrations without being subject to any additional requirements. Individuals who have been registered within the last two years prior to October 1, 2018, will also be eligible to maintain those registrations without being subject to any additional requirements, provided they register within two years from the date of their last registration. However, with respect to an individual who is not registered

<sup>21</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> See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).