

*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–OCC–2018–804. 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 advance notice that are filed with the Commission, and all written communications relating to the advance notice 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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the self-regulatory organization.

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–OCC–2018–804 and should be submitted on or before December 17, 2018.

By the Commission.

**Brent J. Fields,**  
Secretary.

[FR Doc. 2018–25606 Filed 11–23–18; 8:45 am]

**BILLING CODE 8011–01–P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–84629; File No. SR–NASDAQ–2018–095]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Nasdaq Rule 5615(b)(4) To Change the Threshold for Qualifying as a Smaller Reporting Company To Qualify for Certain Exemptions From the Compensation Committee Requirements

November 20, 2018.

Pursuant to 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 November 14, 2018, The Nasdaq Stock Market LLC (“Nasdaq” or the “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 amend Nasdaq Rule 5615(b)(4) to change the threshold for listed companies that are eligible to benefit from the exemptions from the Exchange's compensation committee requirements applicable to smaller reporting companies so that all companies that qualify for smaller reporting company status under the revised SEC definition will qualify for the Exchange's exemptions.

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

The purpose of the proposed rule change is to amend Rule 5615(b)(4) to change the threshold for listed companies that are eligible to benefit from the exemptions from the Exchange's compensation committee requirements applicable to smaller reporting companies so that all companies that qualify for smaller reporting company status under the revised SEC definition will qualify for the Exchange's exemptions.

The SEC recently adopted <sup>3</sup> amendments to the definition of “smaller reporting company” set forth in Item 10(f)(1) of Regulation S–K,<sup>4</sup> Rule 12b–2 under the Act<sup>5</sup> and Rule 405 under the Securities Act of 1933.<sup>6</sup> The amendments raise the smaller reporting company cap from less than \$75 million in public float to less than \$250 million and also include as smaller reporting companies issuers with less than \$100 million in annual revenues if they also have either no public float or a public float that is less than \$700 million. The amendments became effective on September 10, 2018. As a result of the SEC rule changes, an expanded number of registrants, and hence, of listed companies, will qualify for smaller reporting company status than was previously the case.<sup>7</sup>

Smaller reporting companies are entitled to avail themselves of certain exemptions from Nasdaq's compensation committee requirements.<sup>8</sup>

<sup>3</sup> See Release Nos. 33–10513 and 34–83550 (June 28, 2018); 83 FR 31992 (July 10, 2018) (the “Adopting Release”).

<sup>4</sup> 17 CFR 229.10(f)(1).

<sup>5</sup> 17 CFR 240.12b–2.

<sup>6</sup> 17 CFR 230.405.

<sup>7</sup> See the Adopting Release.

<sup>8</sup> Specifically, pursuant to Rule 5605(d)(5), a listed company that satisfies the definition of smaller reporting company is not required to comply with: (i) The additional requirements with respect to the independence of compensation committee members set forth in Rule 5605(d)(2)(A); (ii) the requirements with respect to the specific compensation committee responsibilities and authority set forth in Rule 5605(d)(3) and the requirement to include such responsibilities and authority in its compensation committee charter as set forth in Rule 5605(d)(1)(D); or (iii) the requirement with respect to the compensation committee's responsibility to review and reassess the adequacy of its compensation committee charter on an annual basis. A listed smaller reporting company must comply with all other applicable Exchange corporate governance requirements.

Continued

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

<sup>2</sup> 17 CFR 240.19b–4.

Rule 5615(b)(4) includes a provision describing the period within which a company must comply with all applicable compensation committee requirements after it ceases to be a smaller reporting company.<sup>9</sup> This provision currently states explicitly that a smaller reporting company must have less than \$75 million in public float. In light of the recent changes to the SEC's rules with respect to smaller reporting companies, the Exchange proposes to delete this reference to the \$75 million public float cap and revise the provision to state simply that a smaller reporting company that fails to meet the requirements for smaller reporting company status as of the last business day of its second fiscal quarter (the Determination Date) will cease to be a smaller reporting company as of the beginning of the following fiscal year. The effect of the proposed rule change is to change the threshold for listed companies that are eligible to benefit from the exemptions from the Exchange's compensation committee requirements applicable to smaller reporting companies so that all companies that qualify for smaller reporting company status under the revised SEC definition will qualify for the Exchange's exemptions.

## 2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>11</sup> in particular, in that it is designed to prevent fraudulent and manipulative

including all other applicable compensation committee requirements, unless it qualifies for another exemption from those requirements.

<sup>9</sup> Under the SEC rules set forth above with respect to smaller reporting companies, a company tests its status as a smaller reporting company on an annual basis at the end of its most recently completed second fiscal quarter ("Determination Date"). A smaller reporting company ceases to be a smaller reporting company as of the beginning of the fiscal year following the Determination Date ("Start Date"). By six months from the Start Date, a company must comply with Rule 5605(d)(3) and certify to Nasdaq that: (i) It has complied with the requirement in Rule 5605(d)(1) to adopt a formal written compensation committee charter including the content specified in Rule 5605(d)(1)(A)-(D); and (ii) it has complied, or within the applicable phase-in schedule will comply, with the additional requirements in Rule 5605(d)(2)(A) regarding compensation committee composition. A company shall be permitted to phase in its compliance with the additional compensation committee eligibility requirements of Rule 5605(d)(2)(A) relating to compensatory fees and affiliation as follows: (i) One member must satisfy the requirements by six months from the Start Date; (ii) a majority of members must satisfy the requirements by nine months from the Start Date; and (iii) all members must satisfy the requirements by one year from the Start Date.

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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.

As noted above, the effect of the proposed rule change is to change the threshold for listed companies that are eligible to benefit from the exemptions from the Exchange's compensation committee requirements applicable to smaller reporting companies so that all companies that qualify for smaller reporting company status under the revised SEC definition will qualify for the Exchange's exemptions. A listed smaller reporting company must comply with all other applicable Exchange corporate governance requirements, including all other applicable compensation committee requirements, unless it qualifies for some other exemption from those requirements. The Commission has already determined through its own rulemaking that the revised thresholds for smaller reporting company status proposed in this rule proposal are consistent with the goal of the Act to further the protection of investors and the public interest<sup>12</sup> and the Exchange believes that its own proposal is consistent with Section 6(b)(5) of the Act for the same reasons. The Exchange also believes that the proposed rule change fosters cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities because it conforms Rule 5615(b)(4) to a rule change made by the Commission.

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

Nasdaq 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 will not impose any burden on competition as its sole purpose is to change the threshold for listed companies that are eligible to benefit from the exemptions from the Exchange's compensation committee requirements applicable to smaller reporting companies so that all companies that qualify for smaller reporting company status under the

revised SEC definition will qualify for the Exchange's exemptions.

## 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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup> 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 and Rule 19b-4(f)(6)(iii) thereunder.<sup>15</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>16</sup> normally does not become operative for 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>17</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. In its filing with the Commission, Nasdaq has asked the Commission to waive the 30-day operative delay to make Nasdaq Rule 5615(b)(4) consistent with the Commission's revised definition of smaller reporting company that became effective on September 10, 2018. As such, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest and designates the proposed rule change operative upon filing.<sup>18</sup>

At any time within 60 days of the filing of such 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

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

<sup>15</sup> In addition, Rule 19b-4(f)(6)(iii) 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.

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

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

<sup>18</sup> For purposes only of waiving the operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>12</sup> See *supra* note 3.

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>19</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### 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-NASDAQ-2018-095 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-NASDAQ-2018-095. 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 such 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 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-NASDAQ-2018-095, and should be submitted on or before December 17, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

[FR Doc. 2018-25731 Filed 11-23-18; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84624; File No. SR-Phlx-2018-72]

### Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing of Proposed Rule Change To Establish Rules Governing the Give Up of a Clearing Member by a Member Organization on Exchange Transactions

November 19, 2018.

Pursuant to 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 November 6, 2018, Nasdaq PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, 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 establish rules governing the give up of a Clearing Member<sup>3</sup> by a member organization on Exchange transactions.

The text of the proposed rule change is available on the Exchange's website at <http://nasdaqphlx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

<sup>20</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> Clearing Member means a member organization which has been admitted to membership in the Options Clearing Corporation pursuant to the provisions of the rules of the Options Clearing Corporation. See Rule 1000(b)(3).

#### 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 Exchange proposes to amend Phlx Rule 1037, which is currently reserved, to establish requirements related to the give up of a Clearing Member by a member organization on Exchange transactions.

By way of background, to enter transactions on the Exchange, a member organization must either be a Clearing Member or have a clearing arrangement with a Clearing Member.<sup>4</sup> Rule 1052 currently provides that every Clearing Member shall be responsible for the clearance of the Exchange options transactions of such Clearing Member and of each member organization who gives up the name of such Clearing Member in an Exchange options transaction, provided the Clearing Member has authorized such member organization to give up its name with respect to Exchange options transactions.

Recently, certain Clearing Members, in conjunction with the Securities Industry and Financial Markets Association ("SIFMA"), expressed concerns related to the process by which executing brokers on U.S. options exchanges ("Exchanges") are allowed to designate or 'give up' a clearing firm for purposes of clearing particular transactions. The SIFMA-affiliated Clearing Members have recently identified the current give up process as a significant source of risk for clearing firms, and subsequently requested that the Exchanges alleviate this risk by amending Exchange rules governing the give up process.<sup>5</sup>

<sup>4</sup> See Rule 1046.

<sup>5</sup> NYSE Arca Inc. ("Arca") recently filed to amend its give up procedures. Arca's proposal would allow a Designated Give Up to opt out of acting as the give up for certain OTP Holders and OTP Firms. See

<sup>19</sup> 15 U.S.C. 78s(b)(2)(B).