

Market Session Opening Process for Non-IEX-Listed Securities is consistent with the protection of investors and the public interest because it will make the Exchange's rules more accurate and complete, and descriptive of the System's functionality.

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

IEX 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. With regards to inter-market competition, the proposed resting price for Discretionary Peg orders will be the same as the resting price of Primary Peg orders pursuant to Rule 11.190(b)(8), and thus the Exchange believes that no new inter-market burdens are being imposed.<sup>19</sup> Furthermore, the Exchange notes that other markets are free to adopt similar rules for comparable order types to the extent that the proposed changes pose a competitive threat to their business. In this regard, the Exchange notes that NYSE American LLC has adopted a rule copying an earlier iteration of the Exchange's Discretionary Peg order type and quote stability calculation.<sup>20</sup> Accordingly, the Exchange also believes that the proposed rule change will not result in any burden on inter-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

With regards to intra-market competition, the proposed change will modify the resting price of all Discretionary Peg orders and will therefore be applied equally to all Members using the Discretionary Peg order type. Moreover, the Exchange does not believe that the proposed change to the resting price of Discretionary Peg orders will result in any burden on Members seeking to cross the spread and execute at the far side quote (the NBO (NBB) for buy (sell) orders). To the contrary, the proposed change would provide potential benefits to such Members. As discussed above, the enhanced benefits and protections offered by the Discretionary Peg order, as proposed, is intended in part to incentivize additional resting Discretionary Peg orders to be entered on the Exchange. Thus, Members seeking to cross the spread may be more likely to obtain price improvement for their liquidity removing orders to the extent such orders execute against a Discretionary Peg order during times when the CQI is off.

Moreover, as discussed in the Purpose and Statutory Basis sections, resting Discretionary Peg orders generally provide liquidity and opportunities for price improvement to market participants removing liquidity on the Exchange during periods of quote stability. Thus, the Exchange further believes that by enhancing the performance of Discretionary Peg orders, and thereby incentivizing additional order flow, the proposed changes may enhance the overall execution experience for other market participants seeking to cross the spread and execute at the far side quote during periods of quote stability, which is consistent with the protection of investors and the public interest.

#### *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**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall: (a) By order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be 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-IEX-2018-23 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-2018-23. 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-2018-23 and should be submitted on or before January 9, 2019.

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

**Eduardo A. Aleman,**  
*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-84817; File No. SR-CboeEDGX-2018-037]

### **Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Designation of a Longer Period for Commission Action on Proposed Rule Change To Permit the Listing and Trading of P.M.-Settled Series on Certain Broad-Based Index Options on a Pilot Basis**

December 13, 2018.

On October 11, 2018, Cboe EDGX Exchange, Inc. filed with the Securities and Exchange Commission

<sup>19</sup> *Id.*

<sup>20</sup> See NYSE American Rule 7.31E(h)(3)(D).

<sup>21</sup> 17 CFR 200.30-3(a)(12).

(“Commission”), 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> a proposed rule change to permit the listing and trading of P.M.-settled series on certain broad-based index options on a pilot basis. The proposed rule change was published for comment in the **Federal Register** on October 30, 2018.<sup>3</sup> The Commission has received no comment letters on the proposed rule change.

Section 19(b)(2) of the Act<sup>4</sup> provides that, within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day after publication of the notice for this proposed rule change is December 14, 2018. The Commission is extending this 45-day time period.

The Commission finds that it is appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> designates January 28, 2019 as the date by which the Commission shall either approve or disapprove or institute proceedings to determine whether to disapprove the proposed rule change (File Number SR-CboeEDGX-2018-037).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84818; File No. SR-NYSEArca-2018-75]

### Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Regarding the Listing and Trading of Shares of the PGIM Ultra Short Bond ETF

December 13, 2018.

#### I. Introduction

On October 12, 2018, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to modify the rule governing the listing and trading of shares (“Shares”) of the PGIM Ultra Short Bond ETF (“Fund”). The Commission previously approved the listing and trading of the Shares subject to a representation that the Fund’s investments in OTC derivatives would not exceed 20% of the Fund’s net assets.<sup>3</sup> The Exchange now seeks to permit the Fund to invest up to 50% of its net assets in OTC derivatives under certain circumstances.

The proposed rule change was published for comment in the **Federal Register** on October 31, 2018.<sup>4</sup> On November 7, 2018, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>5</sup> The Commission has not received any comments on the proposed rule change. This order approves the proposed rule change, as modified by Amendment No. 1.

#### II. Description of the Proposed Rule Change, as Modified by Amendment No. 1

The Shares are Managed Fund Shares that do not satisfy all of the criteria for generic listing set forth in Commentary

.01 to NYSE Arca Rule 8.600-E. Thus, the Exchange currently lists and trades the Shares pursuant to a rule (“Listing Rule”) approved by Commission.<sup>6</sup> The Listing Rule requires that the Fund’s portfolio meet all requirements of Commentary .01 to NYSE Arca Rule 8.600-E except for those set forth in Commentary .01(a)(1), Commentary .01(b)(4) and Commentary .01(b)(5).<sup>7</sup> Accordingly, the Listing Rule limits the Fund’s investments in OTC derivatives to 20% of the Fund’s assets and, for purposes of calculating this limit, the portfolio’s investment in OTC derivatives is calculated using the aggregate gross notional value of the OTC derivatives.<sup>8</sup>

The Exchange proposes to allow: (1) Up to 50% of the Fund’s assets to be invested in OTC derivatives that are used to reduce currency, interest rate, credit, or duration risk arising from the Fund’s investments (“Hedging Derivatives”); and (2) up to 20% of the Fund’s assets to be invested in OTC derivatives other than Hedging Derivatives. For purposes of calculating the proposed alternative limits, the portfolio’s investments in OTC derivatives would be calculated using the aggregate gross notional value of the OTC derivatives.

According to the Exchange, the Fund’s adviser and sub-adviser believe that it is important to provide the Fund with additional flexibility to manage risk associated with its investments and, depending on market conditions, it may be necessary for the Fund to utilize additional OTC derivatives for this purpose.<sup>9</sup> Generally, according to the Exchange, OTC derivatives may be customized to a greater degree than exchange-listed derivatives, which may allow the Fund to better hedge its assets and may mitigate trading its costs.<sup>10</sup>

The Exchange also states that the Commission has previously approved an exception from the requirements of Commentary .01(e) relating to investments in OTC derivatives similar to those proposed with respect to the Fund.<sup>11</sup>

#### III. Discussion

After careful review, the Commission finds that the Exchange’s proposed rule change, as modified by Amendment No. 1, to amend the Listing Rule applicable to the Shares consistent with the Act and the rules and regulations

<sup>6</sup> See Prior Order, *supra* note 3.

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

<sup>8</sup> See Commentary .01(e) to NYSE Arca Rule 8.600-E.

<sup>9</sup> See Notice, *supra* note 3, 83 FR at 59794.

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

<sup>11</sup> See *id.*, 83 FR at 54794, n.10.

<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. 84481 (Oct. 24, 2018), 83 FR 54624.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> *Id.*

<sup>6</sup> 17 CFR 200.30-3(a)(31).

<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. 83319 (May 24, 2018), 83 FR 25097 (May 31, 2018) (SR-NYSEArca-2018-15) (“Prior Order”).

<sup>4</sup> See Securities Exchange Act Release No. 84486 (Oct. 25, 2018), 83 FR 54794 (“Notice”).

<sup>5</sup> In Amendment No. 1, the Exchange: (1) Corrected its description of the current listing rule applicable to the Shares; (2) clarified the scope of the Fund’s permitted investments in over-the-counter (“OTC”) derivatives; (3) supplemented its arguments in support of the proposed rule change; and (4) made technical changes. Amendment No. 1 is available at: <https://www.sec.gov/comments/sr-nyseArca-2018-75/srnysearca201875-4628265-176398.pdf>. Amendment No. 1 is not subject to notice and comment because it does not materially alter the substance of the proposed rule change or raise unique or novel regulatory issues.