

applicable statutory and regulatory requirements include 39 U.S.C. 3622, 39 U.S.C. 3642, 39 CFR part 3010, and 39 CFR part 3020, subpart B. For request(s) that the Postal Service states concern competitive product(s), applicable statutory and regulatory requirements include 39 U.S.C. 3632, 39 U.S.C. 3633, 39 U.S.C. 3642, 39 CFR part 3015, and 39 CFR part 3020, subpart B. Comment deadline(s) for each request appear in section II.

## II. Docketed Proceeding(s)

1. *Docket No(s)*: MC2019–157 and CP2019–175; *Filing Title*: USPS Request to Add Priority Mail Express & Priority Mail Contract 95 to Competitive Product List and Notice of Filing Materials Under Seal; *Filing Acceptance Date*: June 21, 2019; *Filing Authority*: 39 U.S.C. 3642, 39 CFR 3020.30 *et seq.*, and 39 CFR 3015.5; *Public Representative*: Christopher C. Mohr; *Comments Due*: July 1, 2019.

This Notice will be published in the **Federal Register**.

Stacy L. Ruble,  
Secretary.

[FR Doc. 2019–13690 Filed 6–26–19; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86178; File No. SR–FINRA–2019–014]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change To Allow Additional Time for Reporting to TRACE of Transactions in U.S. Treasury Securities Executed To Hedge a Primary Market Transaction

June 21, 2019.

#### I. Introduction

On April 16, 2019, the Financial Industry Regulatory Authority, Inc. (“FINRA”) 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 amend FINRA Rule 6730 to provide additional time for reporting to TRACE of transactions in U.S. Treasury Securities executed to hedge a primary market transaction. The proposed rule change was published for comment in the **Federal Register** on

April 30, 2019.<sup>3</sup> On June 13, 2019, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>5</sup> The Commission received one comment letter in support of the proposed rule change.<sup>6</sup> This order approves the proposed rule change.

#### II. Description of the Proposal

Currently, a transaction in a U.S. Treasury Security executed on a business day up to 5:00 p.m. E.T. must be reported on the same day during TRACE System Hours.<sup>7</sup> For a transaction in a U.S. Treasury Security executed on a business day after 5:00 p.m. E.T., a member must report the trade no later than the next business day (T+1) during TRACE System Hours, and, if reported on T+1, the member must designate the trade “as/of” and include the date of execution.<sup>8</sup>

According to FINRA, institutional investors often hedge a primary market transaction that meets the definition of “List or Fixed Offering Price Transaction” or “Takedown Transaction” (*i.e.*, a “P1” transaction) with a U.S. Treasury Security.<sup>9</sup> In such cases, hedges in U.S. Treasury Securities and the P1 transactions are

<sup>3</sup> See Securities Exchange Act Release No. 85713 (April 24, 2019), 84 FR 18329 (April 30, 2019) (“Notice”).

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

<sup>5</sup> See Securities Exchange Act Release No. 86101 (June 13, 2019), 84 FR 28601 (June 19, 2019) (designating July 29, 2019, as the date by which the Commission shall approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change).

<sup>6</sup> See Letter from Robert Toomey, Managing Director and Associate General Counsel, SIFMA, to Robert W. Errett, Deputy Secretary, Commission, dated May 21, 2019 (“SIFMA Letter”).

<sup>7</sup> See FINRA Rule 6730(a)(4)(A)(i). FINRA Rule 6710(t) defines “TRACE System Hours” to mean “the hours the TRACE system is open, which are 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.”

<sup>8</sup> See FINRA Rule 6730(a)(4)(A)(ii).

<sup>9</sup> FINRA Rule 6710(q) and (r) define “List or Fixed Offering Price Transactions” and “Takedown Transactions,” which are identified with the “P1” modifier, generally as primary market sale transactions on the first day of trading of a security: (i) By a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price (or, for Takedown Transactions, at a discount from the published or stated list or fixed offering price) or (ii) in the case of primary market sale transactions effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price (or, for Takedown Transactions, at a discount from the published or stated fixed offering price).

executed in close time proximity because the desired hedge position in the U.S. Treasury Security cannot be determined until the underwriters complete pricing of P1 issue and make allocations to customers.<sup>10</sup> Once pricing is complete for the new issue, any associated hedging trades in U.S. Treasury Securities must be entered and reported to TRACE.<sup>11</sup> Under current FINRA Rule 6730, a trade report for a transaction in a U.S. Treasury Security executed by 5:00 p.m. ET is due on trade date (by the close of TRACE System Hours), whereas a P1 trade report is due on T+1 (by the close of TRACE System Hours).<sup>12</sup>

FINRA understands that this difference in TRACE reporting timeframes for the hedging transactions in U.S. Treasury Securities and the related P1 transaction can present operational challenges for members, particularly where pricing of the debt new issue occurs prior to, but near, 5:00 p.m. E.T.<sup>13</sup> In response to these concerns, FINRA has proposed to align the TRACE reporting timeframe for any hedging transactions in U.S. Treasury Securities associated with a P1 transaction with the deadline for reporting the related P1 transaction. Specifically, FINRA has proposed to amend FINRA Rule 6730 to provide that a transaction in a U.S. Treasury Security executed to hedge a P1 transaction must be reported no later than the next business day (T+1) during TRACE System Hours and, if reported on T+1, designated “as/of” and include the date of execution.<sup>14</sup> FINRA also proposed that a member must append a new trade modifier when reporting to TRACE any transaction in a U.S. Treasury Security that is executed to hedge a P1 transaction.<sup>15</sup>

FINRA has stated that it will announce the effective date of the rule change in a *Regulatory Notice* to be published no later than 90 days following a Commission approval, and the effective date will be no later than 270 days following publication of that *Regulatory Notice*.<sup>16</sup>

#### III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules

<sup>10</sup> See Notice, 84 FR at 18330.

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

<sup>12</sup> See FINRA Rule 6730(a)(2) and (4).

<sup>13</sup> See Notice, 84 FR at 18330.

<sup>14</sup> See proposed FINRA Rule 6730(a)(4)(B).

<sup>15</sup> See proposed FINRA Rule 6730(d)(4)(G)(iii).

<sup>16</sup> See Notice, 84 FR at 18330.

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

<sup>2</sup> 17 CFR 240.19b–4.

and regulations thereunder applicable to a national securities association.<sup>17</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act,<sup>18</sup> which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that aligning the reporting deadline for U.S. Treasury Security hedge transactions with the deadline for the associated P1 transaction is reasonably designed to minimize compliance burdens on FINRA members who report to TRACE without adversely impacting regulatory surveillance. In addition, because P1 transactions and transactions in U.S. Treasury Securities are not subject to public dissemination, the rule change would not negatively impact market transparency. The new requirement to flag any transaction in a U.S. Treasury Security used to hedge a P1 transaction is reasonably designed to enhance the TRACE audit trail, consistent with the protection of investors and the public interest. The Commission notes that the one comment letter received on the proposal was supportive.<sup>19</sup>

Pursuant to Section 19(b)(5) of the Act,<sup>20</sup> the Commission consulted with and considered the views of the Treasury Department in determining to approve the proposed rule change. The Treasury Department indicated its support for the proposal.<sup>21</sup> Pursuant to Section 19(b)(6) of the Act,<sup>22</sup> the Commission has considered the sufficiency and appropriateness of existing laws and rules applicable to government securities brokers, government securities dealers, and their

<sup>17</sup> In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>18</sup> 15 U.S.C. 78o-3(b)(6).

<sup>19</sup> See SIFMA Letter, *supra* note 6 (opining that the proposal would "ease the operational burden on member firms, provide a better characterization of the transaction for market surveillance purposes through the linkage that will be reported, and result in fewer late Treasury transaction filings to the TRACE system").

<sup>20</sup> 15 U.S.C. 78s(b)(5) (providing that the Commission "shall consult with and consider the views of the Secretary of the Treasury prior to approving a proposed rule filed by a registered securities association that primarily concerns conduct related to transactions in government securities, except where the Commission determines that an emergency exists requiring expeditious or summary action and publishes its reasons therefor").

<sup>21</sup> Email from Treasury Department staff to Michael Gaw, Assistant Director, Division of Trading and Markets, Commission (June 17, 2019).

<sup>22</sup> 15 U.S.C. 78s(b)(6).

associated persons in approving the proposal. As discussed above, by aligning the TRACE reporting timeframe for transactions in U.S. Treasury Securities executed to hedge a P1 transaction with the deadline for reporting the related P1 transaction, and adopting a new modifier to identify such transactions, the proposed rule change is reasonably designed to minimize burdens on FINRA members who must report to TRACE without adversely impacting regulatory surveillance or market transparency.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>23</sup> that the proposed rule change (SR-FINRA-2019-014) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 2019-13657 Filed 6-26-19; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86179; File No. SR-ISE-2019-19]

### Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend a Pilot Program

June 21, 2019.

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 June 14, 2019, Nasdaq ISE, LLC ("ISE" or "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 its rules to extend a pilot program to quote and to trade certain options classes in penny increments ("Penny Pilot Program" or "Penny Pilot").

<sup>23</sup> 15 U.S.C. 78s(b)(2).

<sup>24</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.

The text of the proposed rule change is available on the Exchange's website at <http://ise.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

Under the Penny Pilot Program, the minimum price variation for all participating options classes, except for the Nasdaq-100 Index Tracking Stock ("QQQQ"), the SPDR S&P 500 Exchange Traded Fund ("SPY") and the iShares Russell 2000 Index Fund ("IWM"), is \$0.01 for all quotations in options series that are quoted at less than \$3 per contract and \$0.05 for all quotations in options series that are quoted at \$3 per contract or greater. QQQQ, SPY and IWM are quoted in \$0.01 increments for all options series. The Penny Pilot Program is currently scheduled to expire on June 30, 2019.<sup>3</sup> The Exchange proposes to extend the Penny Pilot Program through December 31, 2019.<sup>4</sup> This filing does not propose any substantive changes to the Penny Pilot Program: All classes currently participating will remain the same and all minimum increments will remain unchanged. The Exchange believes the benefits to public customers and other market participants who will be able to express their true prices to buy and sell

<sup>3</sup> See Securities Exchange Act Release No. 84958 (December 26, 2018), 84 FR 875 (January 31, 2019) (SR-ISE-2018-101).

<sup>4</sup> See Supplementary Material .01 to Options 3, Section 3. The Exchange is concurrently filing to relocate its Rulebook into its new Rulebook shell. As such, the ISE rule reference to Supplementary Material .01 to Rule 710 in the original Rulebook corresponds to its new location in the shell structure. See Securities Exchange Act Release No. 86138 (June 18, 2019) (ISE-2019-17).