

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-IEX-2018-21 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-IEX-2018-21. 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 the 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-IEX-2018-21 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>20</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84366; File No. SR-FINRA-2018-030]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change To Amend FINRA Rule 7730 To Remove Computer-to-Computer Interface as a Technological Option for TRACE Reporting

October 4, 2018.

#### I. Introduction

On August 15, 2018, 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 modify the technological connectivity options available to member firms for reporting transactions to the Transaction Reporting and Compliance Engine ("TRACE"). The proposed rule change was published for comment in the **Federal Register** on August 23, 2018.<sup>3</sup> The Commission received no comments on the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposal

FINRA has proposed to amend Rule 7730 (Trade Reporting and Compliance Engine (TRACE)) to remove Computer-to-Computer Interface ("CTCI") as a technological means of connectivity for use in reporting transactions to TRACE. CTCI was made available for TRACE reporting purposes at TRACE's inception. FINRA added Financial Information eXchange ("FIX") as a protocol for transaction reporting to TRACE for securitized products in 2011 and for corporate and agency debt securities in 2012. FINRA has represented that approximately two thirds of member firms with direct connections, and half of the service bureaus, have migrated from CTCI to

FIX.<sup>4</sup> FINRA believes that the migration to FIX will continue for member firms and service bureaus as it is an immediately available and viable alternative to CTCI, and that removing CTCI as a connectivity option will reduce operational overhead and risk for FINRA.<sup>5</sup>

Accordingly, FINRA has proposed to amend Rule 7730 to remove CTCI as a means of connectivity for members to report transactions to TRACE, leaving three currently available options: (i) Web browser access; (ii) FIX line access; or (iii) indirectly via third-party vendors (e.g., service bureaus).<sup>6</sup> Member firms that currently use CTCI will be able to migrate at any point throughout the implementation period, during which FINRA will engage in outreach with the industry to provide information and assistance in connection with the migration.<sup>7</sup> The operative date for the rule change will be February 3, 2020.<sup>8</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 and regulations thereunder applicable to a national securities association.<sup>9</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act,<sup>10</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.

While Section 15A(b)(6) sets out principles to which the rules of a national securities association must adhere, it does not prescribe specific technological requirements for carrying out those principles. Thus, in a situation where an association requires information from its members to carry out its self-regulatory and market oversight functions, the association generally has discretion over establishing the means by which its members may be required to provide

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

<sup>5</sup> See *id.*

<sup>6</sup> See FINRA Rule 7730.

<sup>7</sup> See Notice, 83 FR at 42741. FINRA stated that, in addition to general industry outreach, FINRA will contact each member firm that directly reports to TRACE via CTCI by email and telephone to provide information and assistance in connection with the migration. See *id.* at n. 8.

<sup>8</sup> See *id.* at 42741.

<sup>9</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>10</sup> 15 U.S.C. 78o-3(b)(6).

<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> See Securities Exchange Act Release No. 83868 (August 17, 2018), 83 FR 42741 ("Notice").

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, CTCI. 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 CTCI 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 CTCI 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.

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## 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.

<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.

## 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>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).