charge by contacting NRC's Clearance Officer, David Cullison, Office of the Chief Information Officer, U.S. Nuclear Regulatory Commission, Washington, DC 20555–0001; telephone: 301–415–2084; email: *Infocollects.Resource@nrc.gov.*

B. Submitting Comments

Please include Docket ID NRC–2019–0049 in the subject line of your comment submission, in order to ensure that the NRC is able to make your comment submission available to the public in this docket.

The NRC cautions you not to include identifying or contact information in comment submissions that you do not want to be publicly disclosed in your comment submission. The NRC will post all comment submissions at *http://www.regulations.gov* as well as enter the comment submissions into ADAMS, and the NRC does not routinely edit comment submissions to remove identifying or contact information.

If you are requesting or aggregating comments from other persons for submission to the NRC, then you should inform those persons not to include identifying or contact information that they do not want to be publicly disclosed in their comment submission. Your request should state that the NRC does not routinely edit comment submissions to remove such information before making the comment submissions available to the public or entering the comment into ADAMS.

II. Background

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the NRC is requesting public comment on its intention to request the OMB's approval for the information collection summarized below.

1. *The title of the information collection:* Security Acknowledgment and Termination Statement.
2. *OMB approval number:* An OMB control number has not yet been assigned to this proposed information collection.
3. *Type of submission:* New.
4. *The form number, if applicable:* NRC Form 176.
5. *How often the collection is required or requested:* On occasion.
6. *Who will be required or asked to respond:* NRC Employees, Licensees and contractors.
7. *The estimated number of annual responses:* 400.
8. *The estimated number of annual respondents:* 400.
9. *The estimated number of hours needed annually to comply with the information collection requirement or request:* 80.
10. *Abstract:* The NRC Form 176, ''Security Acknowledgement and Termination Statement'' is completed by employees, licensees and contractors in connection with the termination of their access authorization/security clearance granted by the NRC and to acknowledge and accept their continuing security responsibility.

III. Specific Requests for Comments

The NRC is seeking comments that address the following questions:

1. Is the proposed collection of information necessary for the NRC to properly perform its functions? Does the information have practical utility?
2. Is the estimate of the burden of the information collection accurate?
3. Is there a way to enhance the quality, utility, and clarity of the information to be collected?
4. How can the burden of the information collection on respondents be minimized, including the use of automated collection techniques or other forms of information technology?

Dated at Rockville, Maryland, on April 2, 2019.

For the Nuclear Regulatory Commission.

David C. Cullison,

NRC Clearance Officer, Office of the Chief Information Officer.

[FR Doc. 2019–06782 Filed 4–5–19; 8:45 am]

BILLING CODE 7590–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–85488; File No. SR–FINRA–2019–008]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Establish a Corporate Bond New Issue Reference Data Service

April 2, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on March 27, 2019, Financial Industry Regulatory Authority, Inc. (''FINRA'') 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 FINRA. 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

FINRA is proposing to enhance the collection and dissemination of new issue reference data for corporate bonds and charge associated fees.

The text of the proposed rule change is available on FINRA's website at *http://www.finra.org,* at the principal office of FINRA 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, FINRA 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. FINRA 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

FINRA is submitting this proposed rule change to establish a new issue reference data service for corporate bonds, consistent with a recommendation from the SEC's Fixed Income Market Structure Advisory Committee (''FIMSAC'').

Background

On October 29, 2018, the FIMSAC unanimously approved a recommendation from its Technology and Electronic Trading Subcommittee to establish a new issue reference data service for corporate bonds (''FIMSAC Recommendation'').[3] Specifically, the FIMSAC Recommendation urged FINRA to establish a consolidated, comprehensive, and accurate data set for corporate bond new issues. Today, market participants rely on corporate bond reference data providers for this information. However, each reference data provider collects and disseminates new issue reference data from different sources and at different speeds that vary

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Recommendation to Establish a New Issue Reference Data Service for Corporate Bonds, (October 29, 2018), *https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-corporate-bond-new-issue-reference-data-recommendation.pdf.*

by a few hours to several days, resulting in data that may not be consistent, timely and accurate across reference data providers.

The FIMSAC Recommendation states that reliable, consistent and timely reference data is necessary to support the efficient trading and settlement of bonds. A centralized reference data source is increasingly important as market participants rely more on electronic trading platforms, so that all platform participants price and trade bonds based on consistent and accurate information.

In considering the need for improved corporate new issue reference data, the FIMSAC looked to the municipal bond market, where there is a centralized reference data service. The Municipal Securities Rulemaking Board (''MSRB'') requires the underwriter of a new issue of municipal securities to communicate information to ensure that market participants have timely access to information necessary to report, compare, confirm, settle and clear transactions in the new issue. Specifically, under MSRB Rule G–34, underwriters must submit new issue information to the New Issue Information Dissemination Service (''NIIDS''), operated by the Depository Trust and Clearing Corporation (''DTCC''). NIIDS then makes this information immediately available to reference data providers.

To achieve its purpose, the FIMSAC stated that FINRA should expand its existing rules so that it can similarly collect and disseminate comprehensive reference data for corporate bond new issues. Currently, under Rule 6760 (Obligation to Provide Notice), members that are underwriters of an initial offering of a TRACE-Eligible Security are required to submit certain specified information to FINRA prior to the execution of the first transaction of the offering to facilitate trade reporting and dissemination of transactions.[4] The information required by the rule generally is limited to the fields needed to set up a bond on TRACE for trade reporting purposes (*e.g.,* the CUSIP number, the issuer name, the coupon rate, the maturity, whether Rule 144A applies, and a brief description of the bond). FINRA disseminates some of this new issue information as part of the Corporate Security Daily List; however, electronic trading platforms generally require more information to make new issues available to trade.[5]

The FIMSAC Recommendation asked that FINRA build on the existing Rule 6760 requirements to establish a new issue data service with more comprehensive information. The FIMSAC stated that FINRA was best situated to carry out the Recommendation because it would be an incremental addition to current practices, both for FINRA and the underwriters that must report new issue information.

Proposal

In line with the FIMSAC Recommendation, FINRA is proposing to amend Rule 6760 to specify a number of data elements, in addition to those already specified by the rule, which must be submitted for new issues in corporate debt securities.[6] Under the proposed rule change, underwriters subject to Rule 6760 [7] would be required to report the following additional data elements: (A) The International Securities Identification Number (''ISIN''); (B) the currency; (C) the issue date; (D) the first settle date; (E) the interest accrual date; (F) the day count description; (G) the coupon frequency; (H) the first coupon payment date; (I) a Regulation S indicator; (J) the security type; (K) the bond type; (L) the first coupon period type; (M) a convertible indicator; (N) a call indicator; (O) the first call date; (P) a put indicator; (Q) the first put date; (R) the minimum increment; (S) the minimum piece/denomination; (T) the issuance amount; (U) the first call price; (V) the first put price; (W) the coupon type; (X) rating; (Y) a perpetual maturity indicator; and (Z) a Payment-In-Kind (PIK) indicator.

These data fields, together with certain data fields specified in the current Rule, reflect all but one of the fields that were described in the FIMSAC Recommendation, as well as additional fields identified during supplemental industry outreach conducted by FINRA.[8] FINRA also notes that several fields specified in the proposed rule change are already required to be reported or are reported voluntarily on the FINRA TRACE New Issue Form.[9] FINRA has attached as Exhibit 3 a detailed list of the corporate bond new issue reference data fields that specifies whether the fields are currently mandatory or voluntary and includes a description of each field.

In addition, for the fields that FINRA added to the proposal based on additional industry outreach ((T) through (Z) above), Exhibit 3 describes FINRA's rationale for their inclusion in

[4] In cases where a new issue is priced and begins trading on the same day, Rule 6760 requires certain data elements—those sufficient to identify the security accurately—to be reported before the execution of the first transaction, and all remaining data elements to be reported within 15 minutes of the Time of Execution of the first transaction.

[5] The information distributed on the Corporate Security Daily List may only be used to support trade reporting and may not be redistributed. The Daily List includes some mandatory new issue information currently collected from underwriters pursuant to Rule 6760, which is then made available at no charge through an application program interface (''API''). The Daily List would not be impacted by this proposal.

[6] In connection with the proposal, FINRA also would make two technical, non-substantive, clarifying edits to the definition of corporate debt security that is currently located in FINRA Rule 2232 (Customer Confirmations). First, FINRA would clarify that the definition of corporate debt security is limited to TRACE-Eligible Securities. This clarification reflects the original intent of the definition and is consistent with current FINRA guidance. *See* FINRA Fixed Income Confirmation Disclosure FAQ 1.12, *http://www.finra.org/industry/faq-fixed-income-confirmation-disclosure-frequently-asked-questions-faq.*

Second, FINRA would update the definition of corporate debt security to exclude the class of assets defined as Securitized Products in Rule 6710(m), rather than Asset-Backed Securities, defined in Rule 6710(cc). When the definition of corporate debt security was first drafted, FINRA did not yet have a defined term for Securitized Products, only Asset-Backed Securities. Since that time, FINRA added the term Securitized Products, which includes Asset-Backed Securities. Accordingly, this is a clarifying change that simply updates the terms referred to in the corporate debt security definition; this clarifying change also reflects the original intent of the definition and is consistent with current FINRA guidance. *See* FINRA Fixed Income Confirmation Disclosure FAQ 1.11.

FINRA also proposes to relocate the revised definition of corporate debt security into the TRACE Rule Series. FINRA believes it makes sense to include the definition in Rule 6710 where it would sit alongside a number of other TRACE definitions for fixed income asset types. FINRA would make corresponding technical edits to Rule 2232 to refer to the relocated definition in Rule 6710.

[7] As part of the proposal, FINRA would amend Rule 6760(a)(1) to clarify that underwriters subject to the Rule must report required information for the purpose of providing market participants in the corporate debt security markets with reliable and timely new issue reference data to facilitate the trading and settling of these securities, in addition to the current purpose of facilitating trade reporting and dissemination in TRACE-Eligible Securities.

[8] The one field from the FIMSAC Recommendation that FINRA has not included in this proposal is ''Calculation Types (CALT).'' FINRA understands from industry outreach that this field, as it is included in the FIMSAC Recommendation, leverages calculation methodology that is specific to one data vendor's protocols and may not be readily available to all underwriters that would be required to report information to FINRA under Rule 6760, or to consumers of the data. The FIMSAC Recommendation noted that the preliminary list of data fields was developed based on discussions with market participants, but that it should be finalized based on further analysis by FINRA and the SEC. *See* FIMSAC Recommendation at pg. 3 n.2.

[9] The FINRA TRACE New Issue Form is used by firms to set up securities pursuant to firms' existing obligations either under Rule 6760 or 6730 (Transaction Reporting). It allows for the submission of data fields required by these rules as well as additional data fields that underwriters often report voluntarily. As part of this proposal, FINRA would codify in Rule 6760 the specific fields that have been deemed necessary under current Rule 6760(b) and therefore are mandatory for successful submission of the TRACE New Issue Form.

the proposal. These attributes were indicated by market participants as important in liquidity and risk assessment. Issue amount is an indication of potential liquidity of the issue in general and also in particular as it is in many cases among the criteria used for index consideration. Other proposed fields (coupon type, PIK, perpetual maturity indicator and the complementing put information) provide further context and are descriptive of the cash flow profile and considerations in risk assessment and pre-trade compliance efforts. Additionally, FINRA utilizes ratings to determine TRACE grade (Investment Grade or Non-Investment Grade) which in turn determines dissemination volume caps.

The proposal also would require that all data elements be reported for new issues in corporate debt securities prior to the first transaction in the security. Currently, for information reported under Rule 6760 for trade reporting purposes, the Rule allows phased reporting in some cases. Specifically, for an offering of a security that is priced and begins trading on the same business day between 9:30 a.m. and 4:00 p.m. Eastern Time, Rule 6760 requires certain information to be reported before the first trade in the security and remaining information within 15 minutes of the time of the first trade. Otherwise, the current Rule requires all information to be reported before the first trade in the security.

As noted above, FINRA is proposing to amend Rule 6760 to require all data fields for new issues in corporate debt securities to be reported prior to the first trade. FINRA alternatively considered maintaining the Rule's phased reporting approach for offerings in corporate debt securities subject to the proposal, with certain core information required prior to the first trade and an extended 60-minute window for remaining information, given the additional data fields that would be required to be reported under the proposal. However, FINRA believes that the proposed approach to require uniform pre-first trade reporting better supports the stated goals in the FIMSAC Recommendation to increase the efficiency of the corporate bond market and promote fair competition among all market participants. Specifically, a uniform reporting approach would allow FINRA to collect and make all of the data available immediately to market participants, resulting in a more consistent, timely and complete data set that will support more efficient pricing, trading and settlement of bonds. FINRA also believes that the proposed uniform reporting approach better advances the element in the FIMSAC Recommendation stating that managing underwriters should be required to report the data elements to FINRA no later than reporting such data elements to any third party not involved in the offering, including reference data vendors. Uniform pre-first trade reporting furthers this element, while not unduly constraining the sharing of data that may be necessary as part of the underwriting process.[10] On balance, FINRA believes the significant benefits of uniform pre-first trade reporting outweigh the additional burdens on underwriters, but invites interested parties to submit comments on this (or any) aspect of the proposal.

Further in line with the FIMSAC Recommendation, FINRA would disseminate corporate bond new issue reference data collected under Rule 6760 upon receipt and provide subscribers with access to the data for fees determined on a commercially reasonable basis.[11] Under Rule 7730 (Trade Reporting and Compliance Engine (TRACE)), FINRA would make the corporate bond new issue reference data available to any person or organization for a fee of $250 per month for internal purposes only, and for a fee of $6,000 per month where the data is retransmitted or repackaged for delivery and dissemination outside the organization.

This data would be accessible by all member firms and other market participants and data users, with the fees assessed only on those that choose to subscribe. The $6,000 charge for redistribution would apply to any retransmission or redistribution of the data to any party other than the subscriber. For example, the redistribution charge would apply to a firm that displays the data on a website to its clients or customers, or to a clearing firm that displays or otherwise makes the data available to its correspondents. However, FINRA notes that because the charge includes unlimited redistribution rights, FINRA would assess it only once on the party that subscribes. Accordingly, FINRA would not assess any charge on firms that receive the data from data vendors or other market participants that have subscribed for redistribution rights, nor would FINRA increase the amount charged to the subscriber based on how often it redistributes the data. As discussed further below, FINRA anticipates that many market participants, including clearing firms and correspondent firms, will receive the data from data vendors consistent with what they do today.

If the Commission approves the filing, FINRA will announce the effective date of the proposed rule change in a *Regulatory Notice* to be published no later than 90 days following publication of the *Regulatory Notice.* The effective date will be no later than 270 days following Commission approval. Based on implementation of this proposal, FINRA would evaluate a potential expansion of the new issue reference data service to include other debt products.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[12] which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative 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, in general, to protect investors and the public interest. FINRA also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,[13] which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

The proposed changes to Rule 6760 are designed to improve transparency and efficiency in the corporate bond markets, consistent with Section 15A(b)(6).[14] The proposal would do so by providing market participants in the corporate bond markets with reliable and timely new issue reference data to facilitate secondary trading in and settlement of these instruments, particularly during the period when

[10] *See* FIMSAC Recommendation at pg. 3.

[11] Under proposed Rule 6760(d), there may be some information collected under the Rule for security classification or other purposes that would not be disseminated. This may include, for example, information about ratings that is restricted by agreement. In addition, CUSIP Global Services' (''CGS'') information would not be disseminated to subscribers that do not have a valid license regarding use of CGS data.

[12] 15 U.S.C. 78*o*–3(b)(6).

[13] 15 U.S.C. 78*o*–3(b)(5).

[14] Related changes to the definition of corporate debt security in Rule 2232 are technical, non-substantive, and clarifying, and are intended to support the proposed changes to Rule 6760, consistent with Section 15A(b)(6).

new issues first start trading in the secondary markets. As discussed throughout the filing, the proposal would advance the FIMSAC Recommendation, which was intended to address the lack of a reliable and timely centralized source for corporate bond new issue reference data. The FIMSAC Recommendation explained that reliable, consistent and timely reference data is necessary to support the efficient trading and settlement of bonds, and is increasingly important as market participants rely more on electronic trading platforms. FINRA believes that the proposed new issue data reporting and dissemination requirements in Rule 6760 are designed to and will support and further the efficient trading and settlement of bonds, provide uniform and timely access to important new issue corporate reference data, and otherwise promote the objectives of Section 15A(b)(6).

FINRA further believes that the proposed fees for the corporate bond new issue reference data service contemplated by Rule 7730 are fair, equitable, reasonable, and not unfairly discriminatory. As discussed in the next section with respect to anticipated economic impacts of the proposal, the proposed fees would price the corporate bond new issue reference data service as a utility, using cost plus margin pricing, which FINRA believes is a reasonable means to meet ongoing operating costs related to the initiative. The data service would be available on the same terms to any party that wished to subscribe with two flat prices, one for internal use only and one for redistribution. FINRA believes that the proposed fee structure will allow for broad distribution of the new issue reference data to market participants, and that the fees are reasonably designed to cover FINRA's ongoing operational costs. Specifically, the proposed fee structure reflects FINRA's estimates of the ongoing operational costs related to the new proposed data service, including direct staff allocated to the initiative, and related functions, including technology, legal, billing, and finance. Accordingly, FINRA believes the proposed fees are reasonably designed to recover the costs of the data service with equitable and not unfairly discriminatory charges based on subscribers' use of the data for their business purposes. FINRA notes that the proposed fee structure, with use-based tiers that are based on projected costs, is consistent with fees the SEC previously has approved. The SEC has stated its belief that a ''use-based approach is consistent with equitable distribution of fees'' and approved use-based fees when reasonably related to costs.[15]

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

FINRA 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.

Economic Impact Assessment

Regulatory Need

Currently in the corporate bond market, new issue reference data is not collected consistently or with established data standards, nor is it uniformly distributed to market participants in a timely manner. Data providers collect new issue reference data from different sources, typically underwriters, which often results in incomplete and inconsistent data. This holds true for any individual data provider and for the aggregate data collected; that is, even if a market participant gained access to all commercial products available today, the data may not be complete, reliable or timely for all new issues. The speed that data providers collect and disseminate data also varies and can be as long as several days.

There are significant frictions in the corporate bond market that have made finding a solution to this problem difficult. First, because data is provided voluntarily by underwriters today, data providers may not be able to assure the completeness, accuracy and timeliness of the information. Second, underwriters may have differing incentives with respect to the importance of providing the information to data providers.[16] Finally, because data providers are paid, at least in part, for the data they collect, there is little incentive to share information among themselves.

The lack of accurate, complete and timely corporate bond new issue reference data imposes costs to various market participants. Incomplete new issue reference data prevents traders from identifying and evaluating newly issued bonds for trading.[17] This may lead to loss of trading opportunities for traders, loss of business for trading platforms, and less demand for the initial subscription of the bond issuance, all of which can hurt issuers and underwriters, decreasing demand and liquidity for bonds. Variation of reference data completeness across data providers puts small traders who cannot afford multiple data providers at a disadvantage in accessing the new issue market. For trading platforms, clearing firms and electronic trading platforms, inaccurate reference data creates inconsistencies in trading and the settlement process and increases transaction costs. The lack of centralized data sources forces data providers and trading platforms to manually collect or correct data, which can be costly.

Baseline

This section explains the current dissemination process of the new issue reference data in the corporate bond market, including summary statistics on the new issuance market and underwriters.

In 2018, 22,385 TRACE-Eligible corporate debt securities were issued, including corporate bonds and equity linked notes. New issue reference data is generated by underwriters. It is usually aggregated by data providers and then sold to various market participants for consumption, including trading and clearing firms, electronic trading platforms, broker-dealers and bond investors. As noted above, FINRA conducted outreach to understand the dissemination process, direct and indirect costs imposed by the process, and ways it might be improved.[18]

To facilitate trade reporting, as discussed above, underwriters are required to report limited new issue information to FINRA under Rule 6760. Underwriters also often provide additional new issue reference data to FINRA on a voluntary basis on the FINRA TRACE New Issue Form. Besides regulatory reporting to FINRA, underwriters follow different practices to report reference data on new corporate bond issues to other parties. To facilitate trading of corporate bonds, underwriters usually report some of the data to their clients, which are generally institutional investors. Some also report to certain aggregators and media vendors. No standard exists among underwriters on whom to report new

[15] *See* Securities Exchange Act Release No. 72280 (May 29, 2014), 79 FR 32351, 32353 (June 4, 2014) (Order Approving File No. SR–FINRA–2014–018) (approving fees for ATS data that varied according to use and discussing the Commission's prior approval of similar use-based TRACE fees).

[16] For example, underwriters may provide the information to data providers who also provide services in the underwriting process like modeling and pricing of the bonds, or to data providers who also provide trading platforms.

[17] According to one trading platform, its reference data provider would only provide data relating to new issues the morning after issuance, which resulted in the firm's clients not being able to trade the bond when it began to trade (usually the previous afternoon).

[18] FINRA talked to four data providers, three underwriters, two trading platforms, and two clearing firms.

issuances to, what fields to include and on what timeline, so the dissemination of new issue reference data is fragmented and inconsistent.

Based on FINRA's conversations with data providers, no systematic ways exist for data providers to obtain complete, timely and reliable reference information on corporate bond new issues. Individual underwriters send new issue reference information to some data providers, often through email or term sheets. However, data providers rely on various sources for collecting the reference data for other new issues, including preliminary deal documents, issuers, vendor data, pricing wires and final prospectuses. Since information is collected through different sources, the coverage of new issues varies by data providers and, as a result, data can be inconsistent. The speed at which data providers collect reference data also varies. Any individual data provider might have reference data for only a subset of the newly issued bonds on the pricing day when bonds are sold in the primary market. The coverage may rise through the trading day and reach its steady level several days after the issuance.

FINRA understands that individual firms typically gain access today to new issue reference data by purchasing the services of one or more third-party data vendors. Introducing firms may gain access to the information via their clearing firm, which provides the data as part of its services. Similarly, some firms may grant access to the new pricing information to their clients, either directly or through some research product.

FINRA understands that trading platforms typically subscribe to data providers and augment their reference data from other sources, such as term sheets and websites to collect missing reference information. Clients of trading platforms rely on the platforms to provide new issue reference data.

Electronic trading platforms capture a significant portion of the corporate bond trading volume. The U.S. Treasury Department estimates that electronic platforms have captured 20% of investment grade corporate bond trading.[19] According to Greenwich Associates' 2017 U.S. Fixed-Income Study, almost 85% of investors in investment grade instruments surveyed use electronic trading, and close to 73% of investors in high-yield instruments do.

Economic Impacts

Pricing of the Proposed Service

New issue reference data is essential for the pricing and trading of bonds and the proper functioning of the corporate bond market. However, building such data requires extensive coordination among market participants and manual data collection, compilation and cleaning efforts for each data vendor. By using a regulatory requirement to centralize data reporting to FINRA, FINRA could reduce these duplicated efforts and thus costs, while improving the accuracy, completeness and timeliness of the information made available. FINRA is proposing to price the reference data as a utility, using cost plus margin pricing. This ensures that market participants get accurate and timely reference data, while limiting the price of new issue reference data as a barrier to entry to bond market participants.

Besides improving the quality of new issue reference data available to the market, FINRA believes that the data service will promote fair and reasonable pricing for reference data by introducing an alternative source in addition to what is provided by the incumbent data providers. As discussed in more detail below, currently underwriters have relatively few incentives to report to data providers other than the prevalent incumbent data providers. The incumbent data providers face less competition because of the complexity of building the database as discussed previously, leading to a relatively high barrier to entry. By providing an alternative option for the data at cost plus margin, the service will exert disciplinary pressure on the current pricing for the data. The proposed service may not be the only collector of reference data. Data providers may continue to collect data from their existing sources and on a range of bond reference data beyond the limited fields provided in the proposed service. By lowering the barrier to entry and allowing data providers to compete on other dimensions and value-added services, the service would promote competitive pricing of the reference data.

Benefits

The proposed service would be a central source for collecting and disseminating new issue reference data, and would provide market participants with more complete, accurate and timely data about new issues. FINRA expects that the new issue reference data service will increase the transparency of the corporate bond market, especially around the issuance period. Historically, TRACE implementation has demonstrated that transparency has facilitated trading and improved market quality.[20] Thus, FINRA believes that the increased transparency as a result of the proposed reference data service will also benefit the market.

Accurate and timely information about newly issued corporate bonds would allow potential buyers the opportunity to evaluate the bonds for investment, especially right after issuance. This likely increases their investment choices. Index operators would also have the opportunity to evaluate new bonds for timely inclusion. This helps ensure that the index accurately represents the concurrent bond market condition.

Accurate and timely new issue data also would benefit trading platforms and clearing firms by reducing broken trades and errors in trading due to inconsistent information. It also would increase trading speed by removing delays due to manually correcting reference data errors. Accurate and timely new issue reference data may also increase trading volumes that might otherwise be lost when traders do not have reference data on newly issued bonds.

A central source for new issue reference data would likely benefit most data providers by providing them with a complete, accurate and relatively low cost source of data. It would reduce the need for data providers to manually collect missing data or correct errors in the new issue reference data.

Issuers and underwriters may benefit from the service as well. The new issue reference data service may reduce trading costs and increase trading volume as discussed above. To the extent that this results in increased liquidity, it will lower the cost of capital for issuers. Increased awareness of the new issuances may also help underwriters in marketing and underwriting. Underwriters may also benefit from the reference data that underwriters collectively submit by reducing the need to manually research other reference data sources for proper procurement of information.

Costs and Negative Impacts

The proposed rule change may impose costs on underwriters to report

[19] *See* Jake Liebschutz and Brian Smith, Examining Corporate Bond Liquidity and Market Structure, (March 7, 2016), *https://www.treasury.gov/connect/blog/Pages/Examining-Corporate-Bond-Liquidity-and-Market-Structure.aspx.*

[20] *See* FINRA's website for a list of TRACE Independent Academic Studies, available at *http://www.finra.org/industry/trace/trace-independent-academic-studies.*

the additional reference data to FINRA. Currently, underwriters provide limited corporate bond reference data to FINRA, some required under Rule 6760 and some voluntarily, and they may provide information to one or more data vendors. The costs associated with providing the new proposed reference data fields to FINRA depends on underwriters' current reporting systems, the speed at which they currently are able to provide this information, and the timing with which they report the data today. Reporting additional fields to FINRA as outlined in the proposed rule may require upgrades to their current system for reporting to incorporate both the new fields as well as to meet the new timing required by the proposed rule change. Underwriters may also incur costs when they choose to use third-party vendors to report the reference data, although FINRA anticipates that underwriters will decide to report themselves or through a third party based on their cost and efficiencies. Based on conversations with underwriters, FINRA understands that underwriters do not anticipate incurring significant costs for reporting under this proposal.

The underwriter market is highly skewed towards large underwriters, with 71.24% of dollar volume being led by the ten largest underwriters in the first three quarters of 2018, according to Bloomberg league tables. This may create a concern that underwriters that underwrite fewer deals may be burdened disproportionally if there are fixed costs associated with amending an underwriter's reporting system to meet the additional requirements for new issue reference data submission as set forth in the proposal. Additional burden may be alleviated because reporting to FINRA would reduce or eliminate the need for underwriters to report to other parties, or by the fact that underwriters can leverage investments already made in the existing reporting system necessary under Rule 6760.

Subscribers to FINRA's new issue reference data service will incur a subscription fee and setup cost. Subscribers may pay the lower fee for internal usage of the data or pay the higher fee for redistributing the data. Firms redistributing the data may pass on the cost to their clients; however, FINRA will not charge redistributors anything beyond the flat $6,000 per month charge regardless of how often it redistributes the data. Thus those firms gaining access indirectly, for example through a clearing firm, may be charged by the clearing firm as part of their agreements. However, FINRA expects that any incremental additional cost charged by a redistributor to cover new issue reference data may be relatively low because FINRA would allow unlimited redistribution rights for the $6,000 monthly charge. FINRA also believes that the incremental additional costs charged by redistributors may be relatively low compared to the current cost that subscribers incur to obtain new issue reference data for corporate bonds. FINRA anticipates that many market participants will receive the data from redistributors, consistent with what they do today.

A centralized source of new issue reference data is more efficient than the current process of sourcing reference data, and FINRA intends to price the service as a utility provider. Subscribers would be able to access the full data stream from a single source rather than have to engage in multiple contracts or limit their access to data. Direct subscription to the reference data service is completely voluntary, so any subscription indicates that the benefit outweighs the cost and thus, it will not impose a regulatory burden on subscribers. For those firms that gain access indirectly through another subscriber, costs may decrease if the costs to subscribers to obtain new issue reference data is lower and some or all of those savings are passed onto the firms.

Finally, a centralized source of new issue reference data may create a single point of failure in the new issue reference data market if data providers stop collecting data on their own and solely rely on the data service. We expect this is unlikely to happen because data providers will likely continue to collect a range of bond reference data beyond the limited fields provided in the proposed service in order to provide value added services to their offerings.

Competition and Efficiency

The proposed service will likely affect competition among market participants. FINRA believes the service will promote competition in general while ensuring the essential functioning of the bond market by providing accurate and timely data for pricing and trading of corporate bonds.

The proposed service may increase competition among data providers. FINRA learned through discussions with market participants that the quality and timeliness of reference data varies greatly across data providers. Underwriters provide the reference data and in return receive a benefit. Given the prevalence of the incumbent data provider's service, underwriters have less incentive to report to other data providers. This might create a high barrier to entry for other data providers.[21] By providing an option of complete and timely new issue reference data to data providers, the proposed service would promote competition by lowering the barrier to entry. Data providers can compete on other dimensions, such as presentation, ease of access, integration with other data, supplementary fields and other value-added services.

The proposed service also would promote competition among firms by lowering the barrier to entry for broker-dealers trading newly issued corporate bonds. For example, accurate and timely information about newly issued corporate bonds at relatively low cost would especially benefit small broker-dealers that would otherwise have less access to such information.

The proposed service would increase efficiency by providing data providers with the essential fields on the complete set of new issuances on which they can build their reference data. It reduces the need for data providers and trading platforms to manually correct errors and fill in missing data.[22]

Alternatives Considered

FINRA understands that for the municipal bonds new issue reference data service required by the MSRB and operated by DTCC, costs may be recovered from generally applicable connectivity fees to underwriters, service providers, and information vendors that use NIIDS. FINRA has determined that rather than imposing connectivity fees on underwriters, which could be ultimately passed on to other users, it is more appropriate to recover fees from parties that choose to receive and use the data for their business purposes.

FINRA also considered whether there was an appropriate alternative approach that involved an expansion of the DTCC's NIIDS service to include corporate new issue reference data. However, based on operational and commercial reasons, including inefficiencies with integrating the existing FINRA reporting infrastructure with a separate DTCC infrastructure, FINRA concluded that expanding the

[21] For example, one trading platform/data provider told FINRA that a reference data contract with the incumbent provider of new issue data is prohibitively expensive, so it has to use other less expensive reference data sources and a higher degree of manual intervention.

[22] For example, one trading platform told FINRA that in addition to the cost of their contract with the reference data provider, they hired an employee specifically to maintain the integrity of the new issue reference data and the estimated cost for the person-hours needed for this is about $150k/year.

current existing FINRA reporting and dissemination framework was a more effective and efficient approach. In addition, the current proposal reflects the unanimous view of the FIMSAC, which stated that FINRA was best situated to carry out the Recommendation because it would be an incremental addition to current practices, both for FINRA and the underwriters that must report corporate new issue information.

In addition, as discussed above, FINRA considered an alternative, phased reporting approach, with certain core information required prior to the first trade and an extended 60-minute window for remaining information. FINRA is not proposing this alternative approach for the reasons discussed above, but FINRA invites interested parties to submit comments on this or any other element of the proposal.

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. As noted above, the proposed rule change is based on the FIMSAC Recommendation, which was published on the SEC website but did not generate any written comments.

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 up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

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.* Please include File Number SR–FINRA–2019–008 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–FINRA–2019–008. 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 FINRA. 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–FINRA–2019–008, and should be submitted on or before April 29, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[23]

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019–06786 Filed 4–5–19; 8:45 am]

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[23] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–85481; File No. SR–GEMX–2019–03]

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt the Term "Professional Customer"

April 2, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] notice is hereby given that on March 20, 2019, Nasdaq GEMX, LLC (''GEMX'' or ''Exchange'') filed with the Securities and Exchange Commission (''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 adopt the term ''Professional Customer'' and reorganize the Rulebook as well as other technical amendments.

The text of the proposed rule change is available on the Exchange's website at *http://nasdaqgemx.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: (1) Adopt a definition specifically for Professional Customer;

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.