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[FR Doc. 2018–11119 Filed 5–23–18; 8:45 am]

BILLING CODE 7710–12–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–83290; File No. SR–FINRA–2018–020]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Modify the Definition of “Agency Debt Security”

May 18, 2018.

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 May 17, 2018, the 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 and II 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 amend FINRA Rule 6710 to modify the definition of “Agency Debt Security.”

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

FINRA requires members to report to the Trade Reporting and Compliance Engine (“TRACE”) transactions in Agency Debt Securities, ³ which includes those debt securities issued or guaranteed by a Government-Sponsored Enterprise (“GSE”). Fannie Mae (“Fannie”) and Freddie Mac (“Freddie”), both of which are GSEs, announced changes relating to the issuance structure of their credit risk transfer securities (“CRTs”). ⁴ Currently, Fannie and Freddie issue CRTs as direct debt obligations, and therefore CRTs fall within the definition of “Agency Debt Security” for purposes of TRACE data categorization and dissemination. FINRA understands that under the new issuance structure, CRTs will be issued by a Fannie- or Freddie-sponsored trust rather than directly by Fannie or Freddie, and proceeds from the sale of the CRTs will be placed in a trust account and managed by a third-party trustee. As a result of CRTs being issued by a trust sponsored by a GSE instead of directly issued by a GSE, CRTs would no longer fall within the technical definition of “Agency Debt Security” and would be considered corporate debt for TRACE data and dissemination purposes. This outcome would be problematic for TRACE subscribers consuming data related to CRTs because transactions in CRTs would no longer be disseminated as part of the Agency Debt data set. In addition, the TRACE system would apply the corporate, rather than Agency, debt transaction size dissemination cap for unrated securities, specifically a \$1 million dissemination cap for unrated corporate debt versus \$5 million for unrated Agency Debt Securities. Thus, classifying CRTs as corporate debt would decrease transparency as to the actual size of the transaction given that unrated corporate debt is disseminated with the \$1, rather than \$5, million dissemination cap.

³ “Agency Debt Security” generally includes a debt security (i) issued or guaranteed by an Agency as defined in Rule 6710(k); or (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in Rule 6710(n). Rule 6710(n) provides that “Government-Sponsored Enterprise” has the same meaning as defined in 2 U.S.C. 622(8).

⁴ Fannie and Freddie introduced their respective CRT programs in 2013. CRTs are linked to an underlying loan pool selected and acquired by the GSE and the credit and prepayment performance of the underlying loans determines the performance of the CRTs.

FINRA believes that the new issuance structure for CRTs will not materially change the characteristics of the CRTs to warrant altered treatment for purposes of TRACE categorization and dissemination. While a trust will be issuing the CRTs, FINRA understands that Fannie and Freddie will retain a material net economic interest ⁵ in the reference tranches associated with the CRTs issued under the new structure and will enter into a credit protection agreement with the trust, including agreeing to pay any shortfall between the investment earnings on the collateral held by the trust and the one-month LIBOR. Thus, FINRA is proposing to amend Rule 6710(l) to expand the definition of “Agency Debt Security” to include debt issued by a trust or other entity established or sponsored by a GSE for the purpose of issuing debt securities, where the GSE provides the collateral to the entity or retains a material net economic interest in the securities issued by the entity. This proposed rule would allow CRTs to continue to fall within the definition of “Agency Debt Security” for TRACE purposes and would address any similar future modifications by Fannie and Freddie to other programs. ⁶ FINRA believes that this would benefit investors by ensuring the continued application of the \$5 million dissemination cap for unrated Agency Debt Securities, instead of the \$1 million dissemination cap for unrated corporate debt. Additionally, continuing to classify CRTs issued under the new issuance structure as Agency Debt Securities would avoid confusion by ensuring that subscribers of the Agency Debt data set continue to receive transaction information on CRTs. Finally, FINRA does not believe that the modification in issuance structure will materially change the characteristics of the CRTs for purposes of TRACE dissemination and, therefore, FINRA does not believe that classifying CRTs as corporate debt solely because of the new issuance structure is warranted.

FINRA has filed the proposed rule change for immediate effectiveness. FINRA has requested that the SEC waive the requirement that the proposed rule

⁵ See, e.g., Fannie Mae, Prospectus, Connecticut Avenue Securities, Series 2018–C03 Notes Due October 2030, <http://www.fanniemae.com/resources/file/credit-risk/pdf/connave-2018-c03-prospectus.pdf>; see also, e.g., Freddie Mac, Offering Circular, Seasoned Credit Risk Transfer Trust, Series 2017–3, http://www.freddiemac.com/seasonedloanofferings/docs/SCRT_2017-3_OC%20Final.pdf.

⁶ FINRA has discussed the proposed rule change with Fannie and Freddie, both of which support the continued inclusion of CRTs within the definition of “Agency Debt Security.”

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁷ 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, and, in general, to protect investors and the public interest. The proposed rule change would prevent investor confusion by providing that CRTs continue to fall within the definition of "Agency Debt Security" for TRACE purposes. In addition, subscribers of the Agency Debt data set would continue to receive transaction information on CRTs, and investors would continue to see CRTs disseminated pursuant to the protocols applicable to Agency Debt Securities that provide a comparatively higher level of transparency as to the actual size of the transaction. As noted above, FINRA does not believe that the new issuance structure will materially change the characteristics of CRTs sufficient to warrant different treatment for TRACE purposes, and believes that the proposal is in the best interest of investors in that it would reduce confusion regarding the appropriate categorization of CRTs.

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. FINRA does not anticipate that the proposed rule change will lead to any material costs or benefits to members, as it does not affect the TRACE reporting requirements that are applicable today. The proposed rule change would simply allow FINRA to continue classifying the CRTs as Agency Debt Securities for data categorization and dissemination purposes.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6) thereunder.⁹

FINRA has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. FINRA has stated that, based on conversations with Fannie and Freddie, it understands that the first CRTs will be issued under the new structure imminently. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Such action should help avoid confusion among consumers of TRACE data products; if the proposal were not immediately operative, debt securities issued by GSE-sponsored trusts that retain economic characteristics of Agency Debt Securities would instead be treated as corporate debt securities, contrary to established expectations. In addition, the Commission's action will preserve the same degree of post-trade transparency for debt securities issued by GSE-sponsored trusts, as such securities will continue utilizing the \$5 million dissemination cap and avoid the \$1 million cap that would apply if securities newly issued by GSE-sponsored trusts were characterized as corporate debt securities. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.¹⁰

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6).

¹⁰ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

to determine whether the proposed rule 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. Please include File Number SR-FINRA-2018-020 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-2018-020. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of 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-2018-020, and should be submitted on or before June 14, 2018.

¹¹ 17 CFR 200.30-3(a)(12).

⁷ 15 U.S.C. 78o-3(b)(6).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Robert W. Errett,

Deputy Secretary.

[FR Doc. 2018-11093 Filed 5-23-18; 8:45 am]

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DEPARTMENT OF STATE

[Public Notice: 10422]

U.S. Department of State Advisory Committee on Private International Law (ACPIL): Public Meeting on Micro, Small and Medium-Sized Enterprises (MSMEs) in Advance of the United Nations Commission on International Trade Law (UNCITRAL) Commission Session for 2018

The Office of the Assistant Legal Adviser for Private International Law, Department of State, hereby gives notice the Advisory Committee on Private International Law (ACPIL) will hold a public meeting via teleconference to discuss several matters relating to MSMEs. This is not a meeting of the full Advisory Committee.

The UNCITRAL Commission Session, which will be held June 25 through July 13, will, among other things, finalize and adopt a Legislative Guide on Key Principles of a Business Registry (A/CN.9/940) and an instrument on Reducing the Legal Obstacles Faced by MSMEs (A/CN.9/941). Additionally, the Commission will consider a proposal by the Government of Italy on possible future work by UNCITRAL on alternative forms of organization to corporate like models (contractual networks) (A/CN.9/954). The Commission documents will be available at <http://www.uncitral.org/uncitral/commission/sessions/50th.html>.

Time and Place: The ACPIL public meeting will take place on Tuesday, June 12, 2018, from 10 a.m. to 12:00 p.m. EDT via teleconference.

Public Participation: Those planning to participate should email pil@state.gov to obtain the call-in number.

Michael J. Dennis,

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[FR Doc. 2018-11173 Filed 5-23-18; 8:45 am]

BILLING CODE 4710-08-P

DEPARTMENT OF TRANSPORTATION

Federal Motor Carrier Safety Administration

[FMCSA Docket No. FMCSA-2018-0050]

Qualification of Drivers; Exemption Applications; Epilepsy and Seizure Disorders

AGENCY: Federal Motor Carrier Safety Administration (FMCSA), DOT.

ACTION: Notice of final disposition.

SUMMARY: FMCSA announces its decision to exempt seven individuals from the requirement in the Federal Motor Carrier Safety Regulations (FMCSRs) that interstate commercial motor vehicle (CMV) drivers have “no established medical history or clinical diagnosis of epilepsy or any other condition which is likely to cause loss of consciousness or any loss of ability to control a CMV.” The exemptions enable these individuals who have had one or more seizures and are taking anti-seizure medication to operate CMVs in interstate commerce.

DATES: The exemptions were applicable on April 26, 2018. The exemptions expire on April 26, 2020.

FOR FURTHER INFORMATION CONTACT: Ms. Christine A. Hydock, Chief, Medical Programs Division, (202) 366-4001, fmcamedical@dot.gov, FMCSA, Department of Transportation, 1200 New Jersey Avenue SE, Room W64-224, Washington, DC 20590-0001. Office hours are from 8:30 a.m. to 5 p.m., e.t., Monday through Friday, except Federal holidays. If you have questions regarding viewing or submitting material to the docket, contact Docket Services, telephone (202) 366-9826.

SUPPLEMENTARY INFORMATION:

I. Electronic Access

You may see all the comments online through the Federal Document Management System (FDMS) at: <http://www.regulations.gov>.

Docket: For access to the docket to read background documents or comments, go to <http://www.regulations.gov> and/or Room W12-140 on the ground level of the West Building, 1200 New Jersey Avenue SE, Washington, DC, between 9 a.m. and 5 p.m., e.t., Monday through Friday, except Federal holidays.

Privacy Act: In accordance with 5 U.S.C. 553(c), DOT solicits comments from the public to better inform its rulemaking process. DOT posts these comments, without edit, including any personal information the commenter provides, to <http://www.regulations.gov>,

as described in the system of records notice (DOT/ALL-14 FDMS), which can be reviewed at <http://www.dot.gov/privacy>.

II. Background

On March 22, 2018, FMCSA published a notice announcing receipt of applications from seven individuals requesting an exemption from the epilepsy and seizure disorders prohibition in 49 CFR 391.41(b)(8) and requested comments from the public (83 FR 12641). The public comment period ended on April 23, 2018, and one comment was received.

FMCSA has evaluated the eligibility of these applicants and determined that granting exemptions to these individuals would achieve a level of safety equivalent to or greater than the level that would be achieved by complying with the current regulation 49 CFR 391.41(b)(8).

The physical qualification standard for drivers regarding epilepsy found in 49 CFR 391.41(b)(8) states that a person is physically qualified to drive a CMV if that person has no established medical history or clinical diagnosis of epilepsy or any other condition which is likely to cause the loss of consciousness or any loss of ability to control a CMV.

In addition to the regulations, FMCSA has published advisory criteria¹ to assist medical examiners in determining whether drivers with certain medical conditions are qualified to operate a CMV in interstate commerce. [49 CFR part 391, APPENDIX A TO PART 391—MEDICAL ADVISORY CRITERIA, section H. *Epilepsy: § 391.41(b)(8)*, paragraphs 3, 4, and 5.]

III. Discussion of Comments

FMCSA received one comment in this proceeding. This comment supported granting exemptions to these applicants.

IV. Basis for Exemption Determination

Under 49 U.S.C. 31136(e) and 31315(b), FMCSA may grant an exemption from the epilepsy and seizure disorder prohibition in 49 CFR 391.41(b)(8) if the exemption is likely to achieve an equivalent or greater level of safety than would be achieved without the exemption. The exemption allows the applicants to operate CMVs in interstate commerce.

In reaching the decision to grant these exemption requests, FMCSA considered

¹ See http://www.ecfr.gov/cgi-bin/text-idx?SID=e47b48a9ea42dd67d999246e23d97970&mc=true&node=pt49.5.391&rgn=div5#ap49.5.391_171.a and <https://www.gpo.gov/fdsys/pkg/CFR-2015-title49-vol5/pdf/CFR-2015-title49-vol5-part391-appA.pdf>.