

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-CboeEDGX-2019-032 and should be submitted on or before June 27, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>29</sup>

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85983; File No. 013-00078]

### Initial Form ATS-N Filing; Notice of Extension of Commission Review Period

May 31, 2019.

On February 8, 2019, Liquidnet H2O ATS filed an initial Form ATS-N ("Form ATS-N") with the Securities and Exchange Commission ("Commission"). Pursuant to Rule 304 under the Securities and Exchange Act of 1934 ("Act"), the Commission may, after notice and an opportunity for hearing, declare an initial Form ATS-N ineffective no later than 120 days from the date of filing with the Commission, or, if applicable, the extended review

period. June 8, 2019 is 120 calendar days from the date of filing. Pursuant to Rule 304(a)(1)(iv)(B), the Commission may extend the initial Form ATS-N review period for up to an additional 120 calendar days if the initial Form ATS-N is unusually lengthy or raises novel or complex issues that require additional time for review.

Liquidnet H2O ATS was operating pursuant to an initial operation report on Form ATS on file with the Commission as of January 7, 2019.<sup>1</sup> Liquidnet H2O ATS filed an initial Form ATS-N on February 8, 2019. During the initial 120 calendar day review period, the Commission staff has been reviewing the disclosures on Liquidnet H2O ATS's initial Form ATS-N. In addition, the staff has been engaged in ongoing discussions with Liquidnet H2O ATS about its disclosures and manner of operations, as well as the requirements of Form ATS-N, to facilitate complete and comprehensible disclosures that reflect the complexities of those operations.

Form ATS-N requires NMS Stock ATSs to file with the Commission, and disclose to the public for the first time, certain information, including descriptions by the NMS Stock ATSs of their fees, the trading activities by their broker-dealer operators and their affiliates in the NMS Stock ATSs, their use of market data, their written standards for granting access to trading on the NMS Stock ATSs, and their written safeguards and procedures for protecting their subscribers' confidential trading information required by revised Rule 301(b)(10) of Regulation ATS. The initial Form ATS-N disclosures and discussions with Commission staff have revealed complexities about the operations of Legacy NMS Stock ATSs including, among other things, matching functionalities, means of order entry, order interaction and execution procedures, conditional order processes, segmentation of orders, and counterparty selection protocols. The Commission staff needs additional time to review novel and complex issues such as these, which Commission staff has discussed with Liquidnet H2O ATS. Extending the initial Form ATS-N Commission review period for an additional 120 calendar days will provide Commission staff an opportunity to continue its review of the initial Form ATS-N disclosures and discussions with Liquidnet H2O ATS.

<sup>1</sup> An NMS Stock ATS (as defined in Rule 300(k) of Regulation ATS) that was operating pursuant to an initial operation report on Form ATS on file with the Commission as of January 7, 2019 is a "Legacy NMS Stock ATS." 17 CFR 242.301(b)(2)(viii).

In the conversations between Liquidnet H2O ATS and Commission staff about the initial Form ATS-N disclosures and the ATS operations, Commission staff and Liquidnet H2O ATS have discussed a potential amendment to update Liquidnet H2O ATS's disclosures regarding the complexities of its operations. Extending the review period will enable the NMS Stock ATS to amend its disclosures, if appropriate, and allow Commission staff to conduct a thorough review of amendments to the initial disclosures provided on the initial Form ATS-N.

For the reasons given above, the Commission is extending the review period of the initial Form ATS-N submitted by Liquidnet H2O ATS. Accordingly, pursuant to Rule 304(a)(1)(iv)(B), October 6, 2019 is the date by which the Commission may declare the initial Form ATS-N submitted by Liquidnet H2O ATS ineffective.

By the Commission.

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

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85981; File No. SR-FINRA-2019-016]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Implementation of FINRA Rule 4240 (Margin Requirements for Credit Default Swaps)

May 31, 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 May 21, 2019, 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, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

<sup>29</sup> 17 CFR 200.30-3(a)(12).

this filing by the Commission. 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 extend to July 20, 2020 the implementation of FINRA Rule 4240. FINRA Rule 4240 implements an interim pilot program with respect to margin requirements for certain transactions in credit default swaps that are security based swaps.

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**

On May 22, 2009, the Commission approved FINRA Rule 4240,<sup>4</sup> which implements an interim pilot program (the "Interim Pilot Program") with respect to margin requirements for certain transactions in credit default swaps ("CDS").<sup>5</sup> On June 11, 2018, FINRA filed a proposed rule change for immediate effectiveness extending the implementation of FINRA Rule 4240 to July 18, 2019.<sup>6</sup>

As explained in the Approval Order, FINRA Rule 4240, coterminous with

certain Commission actions, was intended to address concerns arising from systemic risk posed by CDS, including, among other things, risks to the financial system arising from the lack of a central clearing counterparty to clear and settle CDS.<sup>7</sup> On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law.<sup>8</sup> Title VII of the Dodd-Frank Act established a comprehensive new regulatory framework for swaps and security-based swaps,<sup>9</sup> including certain CDS. The legislation was intended, among other things, to enhance the authority of regulators to implement new rules designed to reduce risk, increase transparency, and promote market integrity with respect to such products.

The Commission and the CFTC have proposed or adopted rules with respect to swaps and security-based swaps pursuant to Title VII of the Dodd-Frank Act.<sup>10</sup> FINRA believes it is appropriate to extend the Interim Pilot Program for a limited period, to July 20, 2020, in light of the continuing development of the CDS business and ongoing regulatory developments. FINRA is

<sup>7</sup> See Approval Order, 74 FR at 25588–89.

<sup>8</sup> See Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203, 124 Stat. 1376 (2010).

<sup>9</sup> The terms "swap" and "security-based swap" are defined in Sections 721 and 761 of the Dodd-Frank Act. The Commodity Futures Trading Commission ("CFTC") and the Commission jointly have approved rules to further define these terms. See Securities Exchange Act Release No. 67453 (July 18, 2012), 77 FR 48208 (August 13, 2012) (Joint Final Rule; Interpretations; Request for Comment on an Interpretation: Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping). See also Securities Exchange Act Release No. 66868 (April 27, 2012), 77 FR 30596 (May 23, 2012) (Joint Final Rule; Joint Interim Final Rule; Interpretations: Further Definition of "Swap Dealer," "Security-Based Swap Dealer," "Major Swap Participant," "Major Security-Based Swap Participant" and "Eligible Contract Participant").

<sup>10</sup> See, e.g., Securities Exchange Act Release No. 84991 (January 25, 2019), 84 FR 863 (January 31, 2019) (Order Granting a Limited Exemption From the Exchange Act Definition of "Penny Stock" for Security-Based Swap Transactions Between Eligible Contract Participants; Granting a Limited Exemption From the Exchange Act Definition of "Municipal Securities" for Security-Based Swaps; and Extending Certain Temporary Exemptions Under the Exchange Act in Connection With the Revision of the Definition of "Security" To Encompass Security-Based Swaps); Securities Exchange Act Release No. 68071 (October 18, 2012), 77 FR 70214 (November 23, 2012) (Proposed Rule: Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers). See also Securities Exchange Act Release No. 71958 (April 17, 2014), 79 FR 25194 (May 2, 2014) (Proposed Rule: Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers).

considering proposing additional amendments to the Interim Pilot Program.

FINRA has filed the proposed rule change for immediate effectiveness. FINRA is proposing that the implementation date of the proposed rule change will be July 18, 2019. The proposed rule change will expire on July 20, 2020.

##### **2. Statutory Basis**

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>11</sup> 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. FINRA believes that the proposed rule change is consistent with the Act because, in light of the continuing development of the CDS business and ongoing regulatory developments, extending the implementation of the margin requirements as set forth by FINRA Rule 4240 will help to stabilize the financial markets.

#### **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 believes that extending the implementation of FINRA Rule 4240 for a limited period, to July 20, 2020, in light of the continuing development of the CDS business and ongoing regulatory developments, helps to promote stability in the financial markets and regulatory certainty for members.

#### **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

<sup>11</sup> 15 U.S.C. 78o–3(b)(6).

<sup>4</sup> See Securities Exchange Act Release No. 59955 (May 22, 2009), 74 FR 25586 (May 28, 2009) (Order Approving File No. SR-FINRA-2009-012) ("Approval Order").

<sup>5</sup> In March 2012, the SEC approved amendments to FINRA Rule 4240 that, among other things, limit at this time the rule's application to credit default swaps that are security-based swaps. See Securities Exchange Act Release No. 66527 (March 7, 2012), 77 FR 14850 (March 13, 2012) (Order Approving File No. SR-FINRA-2012-015).

<sup>6</sup> See Securities Exchange Act Release No. 83474 (June 20, 2018), 83 FR 29840 (June 26, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-025).

become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

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 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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2019-016 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-2019-016. 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 a.m. and 3 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-2019-016 and should be submitted on or before June 27, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

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

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85991; File No. 013-00109]

#### Initial Form ATS-N Filing; Notice of Extension of Commission Review Period

May 31, 2019.

On February 8, 2019, JPB-X filed an initial Form ATS-N ("Form ATS-N") with the Securities and Exchange Commission ("Commission"). Pursuant to Rule 304 under the Securities and Exchange Act of 1934 ("Act"), the Commission may, after notice and an opportunity for hearing, declare an initial Form ATS-N ineffective no later than 120 days from the date of filing with the Commission, or, if applicable, the extended review period. June 8, 2019 is 120 calendar days from the date of filing. Pursuant to Rule 304(a)(1)(iv)(B), the Commission may extend the initial Form ATS-N review period for up to an additional 120 calendar days if the initial Form ATS-N is unusually lengthy or raises novel or complex issues that require additional time for review.

JPB-X was operating pursuant to an initial operation report on Form ATS on file with the Commission as of January 7, 2019.<sup>1</sup> JPB-X filed an initial Form

ATS-N on February 8, 2019. During the initial 120 calendar day review period, the Commission staff has been reviewing the disclosures on JPB-X's initial Form ATS-N. In addition, the staff has been engaged in ongoing discussions with JPB-X about its disclosures and manner of operations, as well as the requirements of Form ATS-N, to facilitate complete and comprehensible disclosures that reflect the complexities of those operations.

Form ATS-N requires NMS Stock ATSs to file with the Commission, and disclose to the public for the first time, certain information, including descriptions by the NMS Stock ATSs of their fees, the trading activities by their broker-dealer operators and their affiliates in the NMS Stock ATSs, their use of market data, their written standards for granting access to trading on the NMS Stock ATSs, and their written safeguards and procedures for protecting their subscribers' confidential trading information required by revised Rule 301(b)(10) of Regulation ATS. The initial Form ATS-N disclosures and discussions with Commission staff have revealed complexities about the operations of Legacy NMS Stock ATSs including, among other things, matching functionalities, means of order entry, order interaction and execution procedures, conditional order processes, segmentation of orders, and counterparty selection protocols. The Commission staff needs additional time to review novel and complex issues such as these, which Commission staff has discussed with JPB-X. Extending the initial Form ATS-N Commission review period for an additional 120 calendar days will provide Commission staff an opportunity to continue its review of the initial Form ATS-N disclosures and discussions with JPB-X.

In the conversations between JPB-X and Commission staff about the initial Form ATS-N disclosures and the ATS operations, Commission staff and JPB-X have discussed a potential amendment to update JPB-X's disclosures regarding the complexities of its operations. Extending the review period will enable the NMS Stock ATS to amend its disclosures, if appropriate, and allow Commission staff to conduct a thorough review of amendments to the initial disclosures provided on the initial Form ATS-N.

For the reasons given above, the Commission is extending the review period of the initial Form ATS-N submitted by JPB-X. Accordingly, pursuant to Rule 304(a)(1)(iv)(B), October 6, 2019 is the date by which the Commission may declare the initial

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, as required under Rule 19b-4(f)(6)(iii), FINRA provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business days prior to the date of the filing of the proposed rule change, or such shorter time as designated by the Commission.

<sup>14</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> An NMS Stock ATS (as defined in Rule 300(k) of Regulation ATS) that was operating pursuant to an initial operation report on Form ATS on file with the Commission as of January 7, 2019 is a "Legacy NMS Stock ATS." 17 CFR 242.301(b)(2)(viii).