

Within 10 days of becoming an Access Person, a dated initial holdings report that sets forth certain information with respect to the Access Person's securities and accounts; (ii) dated quarterly transaction reports within 30 days of the end of each calendar quarter providing certain information with respect to any securities transactions during the quarter and any account established by the Access Person in which any securities were held during the quarter; and (iii) dated annual holding reports providing information with respect to each Covered Security the Access Person beneficially owns and accounts in which securities are held for his or her benefit. In addition, rule 17j-1 requires investment personnel of a fund or its investment adviser, before acquiring beneficial ownership in securities through an initial public offering (IPO) or in a private placement, to obtain approval from the fund or the fund's investment adviser.

The requirements that the management of a rule 17j-1 organization provide the fund's board with new and amended codes of ethics and an annual issues and certification report are intended to enhance board oversight of personal investment policies applicable to the fund and the personal investment activities of Access Persons. The requirements that Access Persons provide initial holdings reports, quarterly transaction reports, and annual holdings reports and request approval for purchases of securities through IPOs and private placements are intended to help fund compliance personnel and the Commission's examinations staff monitor potential conflicts of interest and detect potentially abusive activities. The requirement that each rule 17j-1

of the fund, who would otherwise be required to report solely by reason of being a fund director and who does not have information with respect to the fund's transactions in a particular security, does not have to file an initial holdings report or a quarterly transaction report; (iii) an Access Person of a principal underwriter of the fund does not have to file reports if the principal underwriter is not affiliated with the fund (unless the fund is a unit investment trust) or any investment adviser of the fund and the principal underwriter of the fund does not have any officer, director, or general partner who serves in one of those capacities for the fund or any investment adviser of the fund; (iv) an Access Person to an investment adviser need not make quarterly reports if the report would duplicate information provided under the reporting provisions of the Investment Adviser's Act of 1940; (v) an Access Person need not make quarterly transaction reports if the information provided in the report would duplicate information received by the 17j-1 organization in the form of broker trade confirmations or account statements or information otherwise in the records of the 17j-1 organization; and (vi) an Access Person need not make quarterly reports with respect to transactions effected pursuant to an Automatic Investment Plan.

organization maintain certain records is intended to assist the organization and the Commission's examinations staff in determining if there have been violations of rule 17j-1.

We estimate that annually there are approximately 85,297 respondents under rule 17j-1, of which 15,297 are rule 17j-1 organizations and 70,000 are Access Persons. In the aggregate, these respondents make approximately 107,363 responses annually. We estimate that the total annual burden of complying with the information collection requirements in rule 17j-1 is approximately 376,628 hours. This hour burden represents time spent by Access Persons that must file initial and annual holdings reports and quarterly transaction reports, investment personnel that must obtain approval before acquiring beneficial ownership in any securities through an IPO or private placement, and the responsibilities of Rule 17j-1 organizations arising from information collection requirements under rule 17j-1. These include notifying Access Persons of their reporting obligations, preparing an annual rule 17j-1 report and certification for the board, documenting their approval or rejection of IPO and private placement requests, maintaining annual rule 17j-1 records, maintaining electronic reporting and recordkeeping systems, amending their codes of ethics as necessary, and, for new fund complexes, adopting a code of ethics.

We estimate that there is an annual cost burden of approximately \$5,000 per fund complex, for a total of \$4,020,000 associated with complying with the information collection requirements in rule 17j-1. This represents the costs of purchasing and maintaining computers and software to assist funds in carrying out rule 17j-1 recordkeeping.

These burden hour and cost estimates are based upon the Commission staff's experience and discussions with the fund industry. The estimates of average burden hours and costs are made solely for the purposes of the Paperwork Reduction Act. These estimates are not derived from a comprehensive or even a representative survey or study of the costs of Commission rules.

Compliance with the collection of information requirements of the rule is mandatory and is necessary to comply with the requirements of the rule in general. An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid control number. Rule 17j-1 requires that

records be maintained for at least five years in an easily accessible place.<sup>7</sup>

*Written comments are invited on:* (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication by May 31, 2022.

Please direct your written comments to David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, C/O John Pezzullo, 100 F Street NE, Washington, DC 20549; or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: March 25, 2022.

**J. Matthew DeLesDernier,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-94492; File No. SR-NASDAQ-2022-020]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 4756(a)(3), in Light of Planned Changes to the System as Well as To Address Existing Issues

March 23, 2022.

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 March 11, 2022, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II

<sup>7</sup> If information collected pursuant to the rule is reviewed by the Commission's examination staff, it will be accorded the same level of confidentiality accorded to other responses provided to the Commission in the context of its examination and oversight program. See section 31(c) of the Investment Company Act (15 U.S.C. 80a-30(c)).

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

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

below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend Rule 4756(a)(3), in light of planned changes to the System as well as to address existing issues, as described further below. The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, 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**

Presently, the Exchange is making functional enhancements and improvements to specific Order Types<sup>3</sup> and Order Attributes<sup>4</sup> that are currently only available via the RASH Order entry protocol.<sup>5</sup> Specifically, the Exchange will be upgrading the logic and implementation of these Order Types and Order Attributes so that the features

are more streamlined across the Nasdaq Systems and order entry protocols, and will enable the Exchange to process these Orders more quickly and efficiently. Additionally, this System upgrade will pave the way for the Exchange to enhance the OUCH Order entry protocol<sup>6</sup> so that Participants may enter such Order Types and Order Attributes via OUCH, in addition to the RASH Order entry protocol.<sup>7</sup> The Exchange plans to implement its enhancement of the OUCH protocol sequentially, by Order Type and Order Attribute.<sup>8</sup>

To support and prepare for these upgrades and enhancements, the Exchange previously submitted four rule filings to the Commission that amended its rules pertaining to, among other things, Market Maker Peg Orders, Orders with Reserve Size, Orders with Pegging and Trade Now Attributes, and Discretionary Orders.<sup>9</sup> The Exchange now proposes to amend Rule 4756(a)(3), which governs the entry of Orders, so that it aligns with how the System, once upgraded, will handle the partial cancellation of Orders to reduce their share size. The proposed filing also addresses issues with the existing Rule

<sup>6</sup> The OUCH Order entry protocol is a Nasdaq proprietary protocol that allows subscribers to quickly enter orders into the System and receive executions. OUCH accepts limit Orders from members, and if there are matching Orders, they will execute. Non-matching Orders are added to the Limit Order Book, a database of available limit Orders, where they are matched in price-time priority. OUCH only provides a method for members to send Orders and receive status updates on those Orders. See <https://www.nasdaqtrader.com/Trader.aspx?id=OUCH>.

<sup>7</sup> The Exchange designed the OUCH protocol to enable members to enter Orders quickly into the System. As such, the Exchange developed OUCH with simplicity in mind, and it therefore lacks more complex order handling capabilities. By contrast, the Exchange specifically designed RASH to support advanced functionality, including discretion, random reserve, pegging and routing. Once the System upgrades occur, then the Exchange intends to propose further changes to its Rules to permit participants to utilize OUCH, in addition to RASH, to enter order types that require advanced functionality.

<sup>8</sup> The Exchange notes that its sister exchanges, Nasdaq BX and Nasdaq PSX, plan to file similar proposed rule changes with the Commission shortly. However, certain Order Types affected by the proposed rule change are associated with the Nasdaq Opening and Closing Crosses (LOC, MOC, LOO, MOO, IO, and OIO Orders, discussed below), and thus are not applicable to either Nasdaq BX or Nasdaq PSX.

<sup>9</sup> See Securities Exchange Act Release No. 34–93245 (October 4, 2021), 86 FR 56302 (October 8, 2021) (SR–NASDAQ–2021–075); Securities Exchange Act Release No. 34–92180 (June 15, 2021), 86 FR 33420 (June 24, 2021) (SR–NASDAQ–2021–044); Securities Exchange Act Release No. 34–91109 (February 11, 2021), 86 FR 10141 (February 18, 2021) (SR–NASDAQ–2020–090); Securities Exchange Act Release No. 34–90389 (November 10, 2020), 85 FR 73304 (November 17, 2020) (SR–NASDAQ–2020–071).

text and the current implementation of that Rule text by the System.

In pertinent part, existing Rule 4756(a)(3) states as follows, with respect how the Exchange handles partial Order cancellations to reduce share size:

In addition, a partial cancellation of an Order to reduce its share size will not affect the priority of the Order on the book; provided, however, that such a partial cancellation may not be made with respect to an MOO Order, an LOO Order, an OIO Order, an MOC Order, an LOC Order, an IO Order, or a Pegged Order (including a Discretionary Order that is Pegged).

The first clause of this text states the general rule that participants may instruct the Exchange to partially cancel their Orders to reduce share size, and when handling such partial cancellation instructions, the Exchange will adjust the size of the Orders without affecting their existing priority. The second clause states an exception to this general rule, which the Exchange intends to mean that when the Exchange processes partial cancellations of Market On Open (“MOO”), Limit on Open (“LOO”), Opening Imbalance Only (“OIO”), Market on Close (“MOC”), Limit on Close (“LOC”), and Imbalance Only Orders (“IO”), as well as Orders with the Pegging Attribute (including Discretionary Orders with Pegging) that participants enter via RASH or FIX or QIX (as opposed to OUCH or FLITE), the partially cancelled Orders will lose their priority.

Going forward, planned upgrades will provide for the Exchange to process partial cancellations of all Order Types and Attributes entered through all of its available and applicable Order Entry Protocols, including RASH, OUCH, FIX, QIX and FLITE,<sup>10</sup> and it will do so without loss of priority, such that the existing exception to the general rule in 4756(a)(3) will no longer be necessary. Thus, the Exchange proposes to eliminate this exception by deleting the following text from the Rule: “provided, however, that such a partial cancellation may not be made with respect to an MOO Order, an LOO Order, an OIO Order, an MOC Order, an LOC Order, an IO Order, or a Pegged Order (including a Discretionary Order that is Pegged).” This proposal will provide better outcomes to participants by enabling them to reduce the share size of their Orders without the need to sacrifice the priority of their Orders.

The Exchange believes that it is reasonable to allow the partial

<sup>10</sup> The Exchange notes that while the QIX Order Entry Protocol still exists, the Exchange plans to retire it in the near future and has begun transitioning participants away from its use.

<sup>3</sup> An “Order Type” is a standardized set of instructions associated with an Order that define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. See Equity 1, Section 1(a)(7).

<sup>4</sup> An “Order Attribute” is a further set of variable instructions that may be associated with an Order to further define how it will behave with respect to pricing, execution, and/or posting to the Nasdaq Book when submitted to Nasdaq. See *id.*

<sup>5</sup> The RASH (Routing and Special Handling) Order entry protocol is a proprietary protocol that allows members to enter Orders, cancel existing Orders and receive executions. RASH allows participants to use advanced functionality, including discretion, random reserve, pegging and routing. See [http://nasdaqtrader.com/content/technicalsupport/specifications/TradingProducts/rash\\_sb.pdf](http://nasdaqtrader.com/content/technicalsupport/specifications/TradingProducts/rash_sb.pdf).

cancellation of an Order without the Order losing priority because the participant that entered the Order continues to express its willingness to trade at the price entered when the Order first came onto the Book. Moreover, if the Order is displayed, other participants quoting at the same price are aware of the priority of their Orders relative to the partially cancelled Order. While a partial cancellation may provide these other participants with greater opportunities to provide a fill, the Exchange does not believe that it would be reasonable for these participants to jump ahead of an Order with time priority merely because the size of the Order has been reduced. Similarly, if the partially cancelled Order is non-displayed, other participants would have no awareness of its price, its original size, or its reduced size. Again, while other participants at that price may have an increased opportunity to provide a fill when the Order's size is reduced, they would not have an expectation that the priority of their Orders would change vis-à-vis that of an Order that arrived on the Book at an earlier time.

Moreover, the Exchange notes that the proposal will simplify and harmonize the Exchange's processing of partial cancellations across its Order Entry Protocols.

Additionally, the proposed Rule change will address ambiguities in the existing Rule text. The existing Rule text does not state expressly the Exchange's current practice of restricting the loss of priority following a partial cancellation to LOO, MOO, MOC, LOC, and Pegged Orders when such Orders are entered through RASH or FIX or QIX. The existing language suggests that partial cancellations of these Orders cause a loss of priority in all cases, regardless of the Exchange's Order Entry Protocol utilized to enter the Orders. In fact, the Exchange does process partial cancellations of these Orders without loss of priority when the Orders are entered through OUCH and FLITE. The proposed Rule change will address this issue by providing for consistent handling of partial cancellations across all Orders and all applicable and available Order Entry Protocols and by eliminating exceptions in the existing Rule text.

Similarly, the existing Rule is ambiguous as to the intended scope of its exception to the general rule for "Pegged Orders." Although the Rule states that the exception applies to "Pegged Orders (including a Discretionary Order that is Pegged)," the Exchange does not intend for Orders with Midpoint Pegging to be part of this

exception, and it applies the Rule accordingly. In other words, the Exchange processes partial cancellations for Orders with Midpoint Pegging (*i.e.*, Midpoint Peg Post-Only Orders, Midpoint Extended Life Orders, and Midpoint Extended Life Plus Continuous Book Orders, as well as Non-Display Orders assigned the Midpoint Peg Attribute) without loss of priority. The Exchange recognizes that the Rule text does not specifically address Orders with Midpoint Pegging. Again, the proposed Rule change will eliminate this issue going forward because the Exchange will adopt consistent handling of partial cancellations across all Orders and available and applicable Order Entry Protocols.

Finally, the proposed Rule change will address a problem that the Exchange has uncovered with the manner in which the System presently processes OIO and IO Orders entered through RASH and FIX and QIX. As noted above, the Exchange intends for the existing Rule to mean that partially cancelled OIO and IO Orders entered through RASH or FIX or QIX lose priority. Nevertheless, the Exchange discovered, during the course of preparing its upgrades that the System presently processes partial cancellations of OIO and IO Orders entered through RASH or FIX or QIX without loss of priority. The Exchange believes that the proposed Rule will render the existing Rule text problem moot, and will better serve participants by improving the efficiency of their activity on the Exchange as well as their potential outcomes.

The Exchange intends to implement the foregoing changes during the Second Quarter of 2022. The Exchange will issue an Equity Trader Alert at least 7 days in advance of implementing the changes.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>11</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>12</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that its proposed amendment to Rule 4756(a)(3) is consistent with the Act. Eliminating the exception to the general Rule

providing for the Exchange to process partial cancellations without loss of priority will benefit participants by enabling them to reduce the share size of their Orders without the need to sacrifice the priority of their Orders.

The Exchange believes that it is reasonable to allow the partial cancellation of an Order without the Order losing priority because the participant that entered the Order continues to express its willingness to trade at the price entered when the Order first came onto the Book. Moreover, if the Order is displayed, other participants quoting at the same price are aware of the priority of their Orders relative to the partially cancelled Order. While a partial cancellation may provide these other participants with greater opportunities to provide a fill, the Exchange does not believe that it would be reasonable for these participants to jump ahead of an Order with time priority merely because the size of the Order has been reduced. Similarly, if the partially cancelled order is non-displayed, other participants would have no awareness of its price, its original size, or its reduced size. Again, while other participants at that price may have an increased opportunity to provide a fill when the Order's size is reduced, they would not have an expectation that the priority of their Orders would change vis-à-vis that of an Order that arrived on the Book at an earlier time.

Moreover, the proposal will simplify and harmonize the Exchange's processing of partial cancellations across its Order Entry Protocols. This proposed amendment reflects planned upgrades that will allow the Exchange to process partial cancellation of Orders entered through all pertinent and available Order Entry Protocols without loss of priority.

Additionally, the proposed Rule change is consistent with the Act because it will eliminate ambiguities in the existing Rule text that do not fully reflect the Exchange's intended meaning or application of the Rule. As noted above, the existing Rule text does not state that the Exchange limits the loss of priority for partially cancelled Orders to LOO, MOO, MOC, LOC, and Pegged Orders when such Orders are entered through RASH or FIX or QIX. The existing language suggests that partial cancellations of these Orders lose priority in all cases, regardless of the Exchange's Order Entry Protocol utilized to enter the Orders. In fact, the Exchange does process partial cancellations of these Orders without loss of priority when the Orders are entered through OUCH or FLITE. The

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

proposed Rule change will address this issue by providing for consistent handling of partial cancellations across all applicable and available Orders and Order Entry Protocols and by eliminating exceptions in the existing Rule text.

Similarly, the existing Rule does not reflect the Exchange's intent that Orders with Midpoint Pegging are not included in this exception, even though it applies the Rule in this manner. In other words, the Exchange processes partial cancellations for Midpoint Pegging Orders without loss of priority. The Exchange recognizes that the Rule text does not specifically address Orders with Midpoint Pegging. Again, the proposed Rule change will eliminate this issue going forward because the Exchange will adopt consistent handling of partial cancellations across all Orders and applicable and available Order Entry Protocols.

The proposed Rule change is consistent with the Act because it will address a problem that the Exchange has uncovered with the manner in which the System presently processes OIO and IO Orders entered through RASH and FIX and QIX. As noted above, the Exchange intends for the existing Rule to mean that partially cancelled OIO and IO Orders entered through RASH or FIX or QIX lose priority. Nevertheless, during the course of preparing its upgrades, the Exchange discovered that the System presently does process partial cancellations of OIO and IO Orders entered through RASH and FIX and QIX without loss of priority. The Exchange believes that the proposed Rule will render the existing Rule text problem moot, and will better serve participants by improving the efficiency of their activity on the Exchange as well as their potential outcomes.

Furthermore, it is consistent with the Act to ensure that the Exchange's Rules and practices are, and remain, in sync.

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

The Exchange does not believe that its proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. As a general principle, the proposed changes are reflective of the significant competition among exchanges and non-exchange venues for order flow. In this regard, proposed changes that facilitate enhancements to the Exchange's System and Order Entry Protocols as well as those that amend and clarify the Exchange's Rules regarding its Order Types and Attributes, are pro-competitive because they bolster the

efficiency, integrity, and overall attractiveness of the Exchange in an absolute sense and relative to its peers.

Moreover, the proposed changes will not unduly burden intra-market competition among various Exchange participants. The Exchange's proposal to allow the partial cancellation of an Order without the Order losing priority will not impact intra-market competition because the participant that entered the Order continues to express its willingness to trade at the price entered when the Order first came onto the Book. Moreover, if the Order is displayed, other participants quoting at the same price are aware of the priority of their Orders relative to the partially cancelled Order. While a partial cancellation may provide these other participants with greater opportunities to provide a fill, the Exchange does not believe that it would be reasonable for these participants to jump ahead of an Order with time priority merely because the size of the Order has been reduced. Similarly, if the partially cancelled Order is non-displayed, other participants would have no awareness of its price, its original size, or its reduced size. Again, while other participants at that price may have an increased opportunity to provide a fill when the Order's size is reduced, they would not have an expectation that the priority of their Orders would change vis-à-vis that of an Order that arrived on the Book at an earlier time.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were either solicited or 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 Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup>

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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-NASDAQ-2022-020 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-NASDAQ-2022-020. 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 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-NASDAQ-2022-020, and should be submitted on or before April 20, 2022.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

[FR Doc. 2022-06511 Filed 3-29-22; 8:45 am]

BILLING CODE 8011-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-94497; File No. SR-FICC-2021-009]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To Enhance Capital Requirements and Make Other Changes

March 23, 2022.

#### I. Introduction

On December 13, 2021, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) proposed rule change SR-FICC-2021-009 (the “Proposed Rule Change”) 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> The Proposed Rule Change was published for comment in the **Federal Register** on December 29, 2021,<sup>3</sup> and the Commission received no comment letters regarding the changes proposed in the Proposed Rule Change.

On January 26, 2022, pursuant to Section 19(b)(2) of the Act,<sup>4</sup> the Commission designated a longer period within which to approve, disapprove, or institute proceedings to determine whether to approve or disapprove the Proposed Rule Change.<sup>5</sup> This order institutes proceedings, pursuant to Section 19(b)(2)(B) of the Act,<sup>6</sup> to

determine whether to approve or disapprove the Proposed Rule Change.

#### II. Summary of the Proposed Rule Change

As described in the Notice, FICC proposes to amend the Government Securities Division (“GSD”) Rulebook (the “GSD Rules”) and the Mortgage-Backed Securities Division (“MBS”) Clearing Rules (the “MBS Rules,” and together with the GSD Rules, the “Rules”) of FICC in order to (1) revise its capital requirements for GSD members and MBS members (collectively, “members”), (2) streamline its two credit risk monitoring systems, Watch List and enhanced surveillance list, and (3) make certain other clarifying, technical, and supplementary changes to implement items (1) and (2).<sup>7</sup>

First, FICC proposes to revise various aspects of its capital requirements for several types of members. FICC proposes to increase minimum capital requirements for certain members. FICC also proposes to revise how it measures certain members’ capital by incorporating common equity tier 1 capital and the standards established in the capital adequacy rules and regulations of the Federal Deposit Insurance Corporation. FICC would revise the reporting requirements concerning the capital requirements for certain members. In addition, for certain types of members who currently do not have specific amounts for their minimum capital requirements, the proposal would establish such a requirement.

Second, FICC proposes to revise its Watch List and enhanced surveillance list, which are both currently used to identify participants who would receive additional or enhanced credit risk monitoring. FICC proposes to revise its Watch List and delete its enhanced surveillance list. FICC also proposes to clarify that members on the Watch List are reported to FICC’s management committees and regularly reviewed by FICC’s senior management.

Third, FICC proposes to (1) revise or add headings and sub-headings and renumbering sections as appropriate, (2) revise defined terms and add appropriate defined terms to facilitate the proposed changes, (3) rearrange and consolidate paragraphs to promote readability, (4) fix typographical and other errors, and (5) other changes in

order to improve the accessibility and transparency of the Rules.

#### III. Proceedings To Determine Whether To Approve or Disapprove the Proposed Rule Change and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Act<sup>8</sup> to determine whether the Proposed Rule Change should be approved or disapproved. Institution of proceedings is appropriate at this time in view of the legal and policy issues raised by the Proposed Rule Change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved. Rather, the Commission seeks and encourages interested persons to comment on the Proposed Rule Change, providing the Commission with arguments to support the Commission’s analysis as to whether to approve or disapprove the Proposed Rule Change.

Pursuant to Section 19(b)(2)(B) of the Act,<sup>9</sup> the Commission is providing notice of the grounds for disapproval under consideration. The Commission is instituting proceedings to allow for additional analysis of, and input from commenters with respect to, the Proposed Rule Change’s consistency with Section 17A of the Act,<sup>10</sup> and the rules thereunder, including the following provisions:

- Section 17A(b)(3)(F) of the Act,<sup>11</sup> which requires, among other things, that the rules of a clearing agency must be designed to promote the prompt and accurate clearance and settlement of securities transactions, to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, and to protect investors and the public interest;

- Section 17A(b)(3)(I) of the Act,<sup>12</sup> which requires that the rules of a clearing agency do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act;

- Rule 17Ad-22(e)(18) under the Act,<sup>13</sup> which requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which permit fair and

<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> Securities Exchange Act Release No. 93857 (December 22, 2021), 86 FR 74130 (December 29, 2021) (SR-FICC-2021-009) (“Notice”).

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

<sup>5</sup> Securities Exchange Act Release No. 94066 (January 26, 2022), 87 FR 5523 (February 1, 2022) (SR-FICC-2021-009).

<sup>6</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>7</sup> The description of the Proposed Rule Change is based on the statements prepared by FICC in the Notice. See Notice, *supra* note 3. Capitalized terms used herein and not otherwise defined herein are defined in the Rules, available at <https://www.dtcc.com/legal/rules-and-procedures>.

<sup>8</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>9</sup> *Id.*

<sup>10</sup> 15 U.S.C. 78q-1.

<sup>11</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>12</sup> 15 U.S.C. 78q-1(b)(3)(I).

<sup>13</sup> 17 CFR 240.17Ad-22(e)(18).