

subject to contract controls and unannounced on-site audits and inspections.

Computers are protected by mechanical locks, card key systems, or other physical access control methods. The use of computer systems is regulated with installed security software, computer logon identifications, and operating system controls including access controls, terminal and transaction logging, and file management software. Online data transmissions are protected by encryption. Access is controlled by logon ID and password. Online data transmissions are protected by encryption.

RECORD ACCESS PROCEDURES:

Requests for access must be made in accordance with the Notification Procedure above and USPS Privacy Act regulations regarding access to records and verification of identity under 39 CFR 266.6.

CONTESTING RECORD PROCEDURES:

See NOTIFICATION PROCEDURES and RECORD ACCESS PROCEDURES.

NOTIFICATION PROCEDURES:

Customers who want to know if information about them is maintained in this system of records must address inquiries in writing to the system manager. Inquiries must contain name, address, email, and other identifying information.

EXEMPTIONS PROMULGATED FOR THE SYSTEM:

None.

HISTORY:

August 25, 2016, *81 FR 58542*.

Ruth Stevenson,

Attorney, Federal Compliance.

[FR Doc. 2018-27965 Filed 12-26-18; 8:45 am]

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POSTAL SERVICE

Product Change—Priority Mail Negotiated Service Agreement

AGENCY: Postal Service™.

ACTION: Notice.

SUMMARY: The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule's Competitive Products List.

DATES: *Date of required notice:* December 27, 2018.

FOR FURTHER INFORMATION CONTACT: Elizabeth Reed, 202-268-3179.

SUPPLEMENTARY INFORMATION: The United States Postal Service® hereby gives notice that, pursuant to 39 U.S.C. 3642 and 3632(b)(3), on December 19, 2018, it filed with the Postal Regulatory Commission a *USPS Request to Add Priority Mail Contract 499 to Competitive Product List*. Documents are available at www.prc.gov, Docket Nos. MC2019-56, CP2019-60.

Elizabeth Reed,

Attorney, Corporate and Postal Business Law.

[FR Doc. 2018-27937 Filed 12-26-18; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84860; File No. SR-GEMX-2018-42]

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Market Makers Trading in Non-Appointed Options Classes

December 19, 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 December 12, 2018, Nasdaq GEMX, LLC (“GEMX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 805(b) relating to Market Makers³ trading in non-appointed options classes.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ “Market Makers” refers to “Competitive Market Makers” and “Primary Market Makers” collectively. See Rule 100(a)(33).

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 this rule change is to amend Rule 805(b) relating to Market Makers trading in non-appointed options classes.

Rule 805(b) presently governs the submission of orders by Market Makers in non-appointed options classes. Subparagraphs (b)(2) and (b)(3) place limitations on the overall percentage of executions that can occur in the non-appointed options classes. Specifically, subparagraph (b)(2) limits a Competitive Market Maker's (“CMM”) total number of contracts executed in non-appointed options classes to 25% of the CMM's total number of contracts executed in its appointed options classes and with respect to which it was quoting pursuant to Rule 804(e)(1), and subparagraph (b)(3) limits a Primary Market Maker's (“PMM”) total number of contracts executed in non-appointed options classes to 10% of the PMM's total number of contracts executed in its appointed classes.

The Exchange now proposes in subparagraph (b)(3) to increase the overall percentage of executions that can occur in a PMM's non-appointed options classes from 10% to 25% to align with the CMM allowance as well as other options exchanges, including its affiliated options market, BX Options.⁴ The Exchange adopted the

⁴ BX Options Market Makers (including Lead Market Makers) can execute no more than 25% of their total volume outside of their registered options classes. See BX Options Rules, Chapter VII, Section 6(e). In addition, CBOE Rule 8.7, Interpretations and Policies .03 provides that 75% of a Market-Maker's total contract volume must be in classes to which the Market-Maker is appointed. Accordingly, only 25% of a CBOE Market-Maker's contract volume can be in non-appointed classes. CBOE Rule 8.7 applies equally to Lead Market-Makers and Designated Primary Market-Makers in the same

10% volume limitation for PMMs as part of its application to be registered as a national securities exchange, and initially restricted PMMs in this manner because as a nascent exchange, it sought to promote PMM activity in their appointed options classes in order to encourage liquidity on the Exchange. Since then, there has been a proliferation of options classes added to the Exchange for trading, and the Exchange therefore believes that the 10% limitation is restrictive in light of the current environment. The Exchange does not believe that its proposal will adversely impact the quality of the Exchange's market or lead to a material decrease in liquidity. As noted above, other options exchanges are operating today with similar or more generous allowances for its market makers without sacrificing market quality, and the Exchange believes that its proposed increase will likewise not result in a decrease of market quality.⁵ Furthermore, Market Makers and in particular, PMMs, will continue to be subject to the highest standard applicable on the Exchange to provide liquidity. For instance as set forth in Rule 804(e)(2), PMMs are held to the highest quoting standards on the Exchange. Specifically, PMMs are required to provide two-sided quotations in 90% of the cumulative number of seconds for which that PMM's appointed options class is open for trading.⁶ Furthermore, PMMs are required to quote in certain options series of their appointed classes that are excluded from the quoting requirements of CMMs (*i.e.*, Quarterly Options Series, Adjusted Options Series, and long-term options). In addition, the Exchange can announce a higher percentage than the current 90% quoting requirement if doing so would be in the interest of a fair and orderly market.⁷ PMMs are also required to enter quotes in their appointed options classes and participate in the Opening Process.⁸ Accordingly, the Exchange believes that the foregoing obligations will continue to ensure that PMMs will provide liquidity in their appointed options classes notwithstanding the proposed

manner as Market-Makers. The Exchange also notes that NYSE Arca Options does not impose a strict percentage limitation on its market makers for transacting in non-appointed classes. *See* NYSE Arca Options Rules 6.37–O(d) and 6.37B–O.

⁵ *Id.*

⁶ *See* Rule 804(e)(2).

⁷ *See* Rule 804(e)(2). *See also* Securities Exchange Act Release No. 84581 (November 14, 2018), 83 FR 58657 (November 20, 2018) (SR–GEMX–2018–37).

⁸ *See* Rule 701(c)(3).

increase in the trading allowance in non-appointed classes.

In addition, the Exchange believes that the proposed increase in the overall percentage from 10% to 25% will bring GEMX in line with other options exchanges, and permit its Market Makers to effectively compete with market makers on other options exchanges. Moreover, applying requirements that are substantially similar to other options exchanges will remove a significant compliance burden on market makers who provide liquidity across multiple options exchanges.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁰ 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. In particular, the Exchange believes that the proposed rule change promotes just and equitable principles of trade because it reduces an outdated restriction on PMMs, and simplifies the application of the rule by imposing the same 25% volume limitation on all Market Makers. The purpose of limiting the number of contracts executed in non-appointed classes to a small percentage of contracts executed in appointed classes was to encourage Market Makers to provide liquidity in their appointed classes. As discussed above, the Exchange initially adopted the 10% volume limitation for PMMs because as a nascent exchange, it sought to promote PMM activity in their appointed options classes in order to encourage liquidity on the Exchange. Since then, there has been a proliferation of options classes added to the Exchange for trading, and the Exchange therefore believes that the 10% limitation is restrictive in light of the current environment. Other options exchanges are operating today with similar or more generous allowances for its market makers without sacrificing market quality, and the Exchange therefore believes that the proposed increase will not result in a decrease of quality on its own market.¹¹ In addition, the Exchange believes that the heightened obligations for PMMs to participate in the Opening Process and provide intra-day quotes will continue

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ *See* note 4 above.

to ensure that PMMs provide liquidity in their appointed options classes notwithstanding the proposed increase in the trading allowance in non-appointed classes.¹² As discussed above, the proposed rule change will also conform GEMX's Market Maker obligations to the requirements of other options markets, which will promote the application of consistent compliance standards for market makers who provide liquidity across multiple options exchanges.

Furthermore, such volume limitations were traditionally put in place and especially important at "floor-based" exchanges, since market makers were limited in the number of classes in which they could physically make markets, and it was in the floor-based exchange's interest that market makers focus their market making abilities on their appointed classes.¹³ Although limitations on trading in non-appointed classes may be less important on a fully electronic exchange since electronic quoting and trading systems allow market makers to make markets and provide liquidity in many more options classes than on a floor-based exchange, GEMX still believes focusing its Market Makers on trading in their appointed classes is important for providing liquidity in those classes. In this respect, the Exchange believes that its proposal would continue to meet that objective because the proposed limitation for PMMs would still require that a substantial percentage (*i.e.*, 75%) of a PMM's transactions be effected in their appointed classes.

Finally, in determining to revise requirements for its Market Makers, the Exchange is mindful of the balance between the obligations and benefits provided to Market Makers. While the proposal will change obligations currently in place for Market Makers, the Exchange does not believe that these changes reduce the overall obligations applicable to Market Makers. In this respect, the Exchange still imposes many obligations on Market Makers to maintain a fair and orderly market in their appointed classes, which the Exchange believes eliminates the risk of a material decrease in liquidity.¹⁴ In addition, Market Makers are required to abide by quoting requirements in their appointed options classes in order to maintain the status of a Market Maker,

¹² *See* notes 6–8 above, with accompanying text.

¹³ *See e.g.*, Securities Exchange Act Release No. 35786 (May 31, 1995), 60 FR 30122 (June 7, 1995) (SR–Amex–94–51) (order approving proposal by American Stock Exchange, Inc. relating to the in person trading volume requirement for registered options traders).

¹⁴ *See* Rule 803(b)(1)–(4).

and PMMs in particular are held to the highest quoting standards on the Exchange.¹⁵ As further discussed above, PMMs are also required to enter quotes and participate during the Opening Process, pursuant to Rule 701. Lastly, the Exchange also notes that for non-appointed options classes of Market Makers, Rule 803(d) would continue to prohibit a Market Maker from engaging in transactions for an account in which it has an interest that are disproportionate in relation to, or in derogation of, the performance of its obligations as specified in Rule 803(b) with respect to its appointed options classes. In particular, Market Makers would be prohibited from (1) individually or as a group, intentionally or unintentionally, dominating the market in options contracts of a particular class and (2) effecting purchases or sales on the Exchange except in a reasonable and orderly manner.¹⁶ Accordingly, the proposal supports the quality of the Exchange's markets by helping to ensure that Market Makers and in particular, PMMs, will continue to be obligated to and have incentives to provide liquidity in their appointed classes. Ultimately, the benefit that the proposed rule change confers upon PMMs by increasing the percentage of contracts executed in the PMM's non-appointed classes from 10% to 25% is offset by the PMM's continued responsibilities to provide significant liquidity to the market to the benefit of market participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that its proposal will impose an undue burden on intra-market competition because it will align the percentage limitations for both PMMs and CMMs to 25% of their non-appointed classes, and will treat all Market Makers uniformly in this respect. In terms of inter-market competition, the Exchange operates in a highly competitive market in which market participants can send order flow to competing exchanges if they deem trading practices at a particular exchange to be onerous or cumbersome. The proposal to increase the limitation on the percentage of contracts executed in a PMM's non-appointed classes from 10% to 25% will serve to better align

¹⁵ See notes 6 and 7 above, with accompanying text.

¹⁶ See Rule 803(d)(1) and (2).

the Exchange's requirements with those in place at other options exchanges, which enhances the ability of its Market Makers to effectively compete with market makers on other options exchanges.¹⁷

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)(iii) of the Act¹⁸ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁹

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act²⁰ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)²¹ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. GEMX has requested that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii). The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The proposal raises no novel issues. As the Exchange notes, other options markets require their market makers to a 25% restriction for trading in non-appointed classes. Further, pursuant to the proposal, PMMs' obligation to their appointed classes would remain unchanged. Accordingly, the Commission waives the operative delay and designates the proposed rule change operative upon filing.²²

¹⁷ See note 4 above.

¹⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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.

²⁰ 17 CFR 240.19b-4(f)(6).

²¹ 17 CFR 240.19b-4(f)(6)(iii).

²² For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on

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. Please include File Number SR-GEMX-2018-42 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-GEMX-2018-42. 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

efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-GEMX-2018-42 and should be submitted on or before January 17, 2019.

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

Brent J. Fields,
Secretary.

[FR Doc. 2018-28001 Filed 12-26-18; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84864; File No. SR-MIAX-2018-38]

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by Miami International Securities Exchange, LLC To Amend Exchange Rule 510, Minimum Price Variations and Minimum Trading Increments To Extend the Penny Pilot Program

December 19, 2018.

Pursuant to the provisions of 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 December 13, 2018, Miami International Securities Exchange, LLC (“MIAX Options” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I and II 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 is filing a proposal to amend Rule 510, Minimum Price Variations and Minimum Trading Increments, Interpretations and Policies .01 to extend the pilot program for the quoting and trading of certain options in pennies.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/> at MIAX Options’ principal

office, 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 Exchange is a participant in an industry-wide pilot program that provides for the quoting and trading of certain option classes in penny increments (the “Penny Pilot Program” or “Program”). The Penny Pilot Program allows the quoting and trading of certain option classes in minimum increments of \$0.01 for all series in such option classes with a price of less than \$3.00; and in minimum increments of \$0.05 for all series in such option classes with a price of \$3.00 or higher. Options overlying the PowerShares QQQ™ (“QQQ”), SPDR® S&P 500® ETF (“SPY”), and iShares® Russell 2000 ETF (“IWM”), however, are quoted and traded in minimum increments of \$0.01 for all series regardless of the price. The Penny Pilot Program was initiated at the then existing option exchanges in January 2007³ and currently includes more than 300 of the most active option classes. The Penny Pilot Program is currently scheduled to expire on December 31, 2018.⁴ The purpose of the proposed rule change is to extend the Penny Pilot Program in its current format through June 30, 2019.

In addition to the extension of the Penny Pilot Program through June 30,

³ See Securities Exchange Act Release Nos. 55154 (January 23, 2007), 72 FR 4743 (February 1, 2007) (SR-CBOE-2006-92); 55161 (January 24, 2007), 72 FR 4754 (February 1, 2007) (SR-ISE-2006-62); 54886 (December 6, 2006), 71 FR 74979 (December 13, 2006) (SR-Phlx-2006-74); 54590 (October 12, 2006), 71 FR 61525 (October 18, 2006) (SR-NYSEArca-2006-73); and 54741 (November 9, 2006), 71 FR 67176 (November 20, 2006) (SR-Amex-2006-106).

⁴ See Securities Exchange Act Release No. 83515 (June 25, 2018), 83 FR 30786 (June 29, 2018) (SR-MIAX-2018-12) (extending the Penny Pilot Program from June 30, 2018 to December 31, 2018).

2019, the Exchange proposes to extend one other date in the Rule. Currently, Interpretations and Policies .01 states that the Exchange will replace any Penny Pilot issues that have been delisted with the next most actively traded multiply listed option classes that are not yet included in the Penny Pilot Program, and that the replacement issues will be selected based on trading activity in the previous six months. Such option classes will be added to the Penny Pilot Program on the second trading day following July 1, 2018.⁵ Because this date has expired and the Exchange intends to continue this practice for the duration of the Penny Pilot Program, the Exchange is proposing to amend the Rule to reflect that such option classes will be added to the Penny Pilot Program on the second trading day following January 1, 2019.

The purpose of this provision is to reflect the new date on which replacement issues may be added to the Penny Pilot Program.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act⁷ in particular, in that it is 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 facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

In particular, the proposed rule change, which extends the Penny Pilot Program for six months, allows the Exchange to continue to participate in a program that has been viewed as beneficial to traders, investors and public customers and viewed as successful by the other options exchanges participating in it.

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

MIAX Options does not believe that the proposed rule change will impose any burden on competition that is not

⁵ The month immediately preceding a replacement class’s addition to the Pilot Program (*i.e.*, December) is not used for purposes of the six-month analysis. For example, a replacement added on the second trading day following January 1, 2019, will be identified based on trading activity from June 1, 2018, through November 30, 2018.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

²³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.