

proposed rule change to be operative upon filing with the Commission.¹⁵

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-CboeBYX-2019-004 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-CboeBYX-2019-004. 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-CboeBYX-2019-004 and should be submitted on or before May 13, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request, Copies Available From: U.S. Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736.

Extension:

Business Conduct Standards for Security-Based Swap Dealers and Major Security-Based Swap Participants, SEC File No. 270-792; OMB Control No. 3235-0739.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") is soliciting comments on the collection of information provided for in Business Conduct Standards for Security-Based Swap Dealers and Major Security-Based Swap Participants.¹ (17 CFR 240.3a67-10, 240.3a71-3, 240.3a71-6, 240.15Fh-1 through 15Fh-6 and 240.15Fk-1), under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*). The Commission plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for extension and approval.

¹⁶ 17 CFR 200.30-3(a)(12).

¹ *Business Conduct Standards for Security-Based Swap Dealers and Major Security-Based Swap Participants*, Exchange Act Release 77617 (Apr. 14, 2016), 81 FR 29959 (May 13, 2016). See also *Business Conduct Standards for Security-Based Swap Dealers and Major Security-Based Swap Participants; Correction*, Exchange Act Release 77617A (May 19, 2016), 81 FR 32643 (May 24, 2016). (together, "the Business Conduct Rules for SBSs and MSBSPs" or "BCS Rules")

In 2010, Congress passed the Dodd-Frank Act, establishing a comprehensive framework for regulating the over-the-counter swaps markets. As required by Title VII of the Dodd-Frank Act, new section 15F(h) of the Exchange Act established business conduct standards for security-based swap ("SBS") Dealers and Major SBS Participants ("collectively "SBS Entities") in their dealings with counterparties, including special entities. In 2016, in order to implement the Dodd-Frank Act, the Commission adopted the BCS Rules for SBS Dealers and Major SBS Participants,² a comprehensive set of business conduct standards and chief compliance officer requirements applicable to SBS Entities, that are designed to enhance transparency, facilitate informed customer decision-making, and heighten standards of professional conduct to better protect investors.³

Rules 15Fh-1 through 15Fh-6 and 15Fk-1 require SBS Entities to:

- Verify whether a counterparty is an eligible contract participant and whether it is a special entity;
- Disclose to the counterparty material information about the SBS, including material risks, characteristics, incentives and conflicts of interest;
- Provide the counterparty with information concerning the daily mark of the SBS;
- Provide the counterparty with information regarding the ability to require clearing of the SBS;
- Communicate with counterparties in a fair and balanced manner based on principles of fair dealing and good faith;
- Establish a supervisory and compliance infrastructure; and
- Designate a chief compliance officer that is required to fulfill the described duties and provide an annual compliance report.

The rules also require SBS Dealers to:

- Determine that recommendations they make regarding SBS are suitable for their counterparties.
- Establish, maintain and enforce written policies and procedures reasonably designed to obtain and retain

² *Id.*

³ Commission staff has prepared separate supporting statements pursuant to the Paperwork Reduction Act ("PRA") regarding final Rule 3a71-3(c) and Rule 3a71-6, which address the cross-border application of the business conduct standards and the availability of substituted compliance. The Office of Management and Budget ("OMB") has assigned control number 3235-0717 to Final Rule 3a71-3(c) and 3235-0715 to Final Rule 3a71-6. Final Rule 3a67-10(d) is a definitional rule and does not have a PRA burden associated with it. Rules 3a71-3(a), Rule 15Fh-1 and Rules 15Fh-2(b) and (c) address scope of the rules and definitions and so do not have PRA burdens associated with them.

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

a record of the essential facts concerning each known counterparty that are necessary to conduct business with such counterparty; and

- Comply with rules designed to prevent “pay-to-play.”

The rules also define what it means to “act as an advisor” to a special entity, and require an SBS Dealer who acts as an advisor to a special entity to:

- Make a reasonable determination that any security-based swap or trading strategy involving a security-based swap recommended by the SBS Dealer is in the best interests of the special entity whose identity is known at a reasonably sufficient time prior to the execution of the transaction to permit the SBS Dealer to comply with this obligation; and

- Make reasonable efforts to obtain such information that the SBS Dealer considers necessary to make a reasonable determination that a security-based swap or trading strategy involving a security-based swap is in the best interests of the known special entity.

In addition, the rules require SBS Entities acting as counterparties to special entities to reasonably believe that the counterparty has an independent representative who meets the following requirements:

- Has sufficient knowledge to evaluate the transaction and risks;

- Is not subject to a statutory disqualification;
- Undertakes a duty to act in the best interests of the special entity;
- Makes appropriate and timely disclosures to the special entity of material information concerning the security-based swap;
- Evaluates, consistent with any guidelines provided by the special entity, the fair pricing and the appropriateness of the security-based swap;
- Is independent of the security-based swap dealer or major security-based swap participant that is the counterparty to a proposed security-based swap.

Under the rules, the special entity’s independent representative must also be subject to pay-to-play regulations, and if the special entity is an ERISA plan, the independent representative must be an ERISA fiduciary.

The information that must be collected pursuant to the BCS Rules is intended to increase accountability and transparency in the market. The information will therefore help establish a framework that protects investors and promotes efficiency, competition and capital formation.

Based on a review of recent data, as of 2018, the Commission estimates the number of respondents to be as follows:

50 SBS Dealers, 5 Major SBS Participants, for a total of 55 “SBS Entities”.⁴ Further, we estimate that approximately 46 of these 55 SBS Entities will be dually registered with the CFTC as Swap Entities. We also estimate that there are currently 13,137 security-based swap market participants of which 8,802 are also swap market participants. In 2018, there were approximately 593,364 security-based swap transactions between an SBS Dealer and counterparty that is not an SBS Dealer of which 233,595 were new or amended trades. The Commission estimates there are 370 independent, third-party representatives and 20 in-house independent representatives.⁵ We estimate that there are approximately 13,706 unique SBS Dealer and non-SBS-Dealer pairs. We have used these estimates in calculating the hour and cost burdens for the rule provisions that we anticipate have a “collection of information” burden within the meaning of the PRA.

The Commission estimates that the aggregate burden of the ongoing reporting and disclosures required by the BCS Rules, as described above, is approximately 554,823 hours and \$2,138,000 calculated as follows:

Section	Type of burden	Respondents	Ongoing annual burden (hours)	Ongoing annual burden (cost)	Industry-wide annual burden (hours)	Industry-wide annual burden (cost)
15Fh-3(b), (c), (d)—Disclosures—SBS Entities.	Reporting	55	4,120	\$0	226,600	\$0
15Fh-3(b), (c), (d)—Disclosures—SBS Transactions Between SBS Dealer and Non-SBSD Counterparty.	Reporting	233,595	1	0	233,595	0
15Fh-3(e), (f)—Know Your Counterparty and Recommendations (SBS Dealers).	Reporting	50	137	0	6,853	0
15Fh-3(g)—Fair and Balanced Communications.	Reporting	55	2	3,600	110	198,000
15Fh-3(h)—Supervision	Reporting	55	540	4,800	29,700	264,000
15Fh-5—SBS Entities Acting as Counterparties to Special Entities.	Reporting	55	390	0	21,450	0
15Fh-5—SBS Entities Acting as Counterparties to Special Entities.	Third-Party Disclosure.	55	390	0	21,450	0
15Fh-6—Political Contributions	Reporting	50	1	25,600	50	1,280,000
15Fk-1—Chief Compliance Officer ...	Reporting	55	273	7,200	15,015	396,000.00
Total				554,823	\$2,138,000

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the

information shall have practical utility; (b) the accuracy of the Commission’s estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity

of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or

⁴ Unless otherwise noted, estimates were derived from the DTCC-TIW data set (February 2019).

⁵ See, Exchange Act Rule 15Fh-5.

other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

Please direct your written comments to: Charles Riddle, Acting Director/Chief Information Officer, Securities and Exchange Commission, c/o Candace Kenner, 100 F Street NE, Washington, DC 20549, or send an email to: PRA_Mailbox@sec.gov.

Dated: April 17, 2019.

Jill M. Peterson,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85656; File No. SR-CboeBZX-2019-023]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change Amend Exchange Rule 14.11(c), Index Fund Shares, To Adopt Generic Listing Standards for Index Fund Shares Based on an Index of Municipal Bond Securities

April 16, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 3, 2019, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Exchange Rule 14.11(c) (“Index Fund Shares”) to adopt generic listing standards for Index Fund Shares based on an index of municipal bond securities.

The text of the proposed rule change is also available on the Exchange’s

website (http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/), at the Exchange’s Office of the Secretary, 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

Rule 14.11(c) permits the Exchange to list a series of Index Fund Shares based on an index or portfolio of underlying securities. Currently, Rule 14.11(c) includes generic listing standards for Index Fund Shares based on an index or portfolio of equity or fixed income securities or a combination thereof. The Exchange proposes to amend Rule 14.11(c) to add a new Rule 14.11(c)(4)(B)(ii) to provide quantitative generic listing standards for Index Fund Shares based on an index or portfolio of Municipal Securities³ that do not meet the generic listing standards under Rule 14.11(c)(4)(B)(i).⁴ All other standards not included in Rule 14.11(c)(4)(B)(i) applicable to series of Index Fund Shares based on an index composed of fixed income securities will continue to apply to a series of Index Fund Shares based on an index or portfolio of Municipal Securities listed pursuant to Rule 14.11(c)(4)(B)(ii).

An index of Municipal Securities typically does not meet the generic listing requirements for Index Fund Shares based on an index of fixed income securities.⁵ Nonetheless, the

³ The term “Municipal Securities” has the definition given to it in Section 3(a)(29) of the Act.

⁴ The Exchange notes that this proposal is substantively identical to a proposal recently submitted by NYSE Arca, Inc. See Securities Exchange Act Release No. 85170 (February 21, 2019), 84 FR 6451 (February 27, 2019) (SR-NYSEArca-2019-04).

⁵ See Exchange Rule 14.11(c)(4)(A)(ii). Municipal Securities are typically issued in with individual maturities of relatively small size, although they generally are constituents of a much larger

Commission has previously approved proposed rule changes relating to listing and trading on the Exchange of Index Fund Shares based on an index of Municipal Securities.⁶ Given the large number of prior approvals by the Commission, the Exchange now

municipal bond offering. Therefore, an index of Municipal Securities will typically be unable to satisfy the requirement that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the index each shall have a minimum principal amount outstanding of \$100 million or more.

⁶ The Exchange notes that the Commission has approved or published immediately effective filings allowing the listing and trading of a large number of series of Index Fund Shares based on Municipal Securities. See Securities Exchange Act Release Nos. 84107 (September 13, 2018), 83 FR 47210 (September 18, 2018) (SR-CboeBZX-2018-070) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To List and Trade Shares of the iShares iBonds Dec 2025 Term Muni Bond ETF of iShares Trust Under BZX Rule 14.11(c)(4) (Index Fund Shares)); 79381 (November 22, 2016), 81 FR 86044 (November 29, 2016) (SR-BatsBZX-2016-48) (Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendments No. 1 and No. 2 Thereto, To List and Trade Shares of the iShares iBonds Dec 2023 Term Muni Bond ETF and iShares iBonds Dec 2024 Term Muni Bond ETF of the iShares U.S. ETF Trust Pursuant to BZX Rule 14.11(c)(4); 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR-NYSEArca-2012-92) (order approving proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 67729 (August 24, 2012), 77 FR 52776 (August 30, 2012) (SR-NYSEArca-2012-92) (notice of proposed rule change relating to the listing and trading of iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 72523, (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR-NYSEArca-2014-37) (order approving proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary.02); 72172 (May 15, 2014), 79 FR 29241 (May 21, 2014) (SR-NYSEArca-2014-37) (notice of proposed rule change relating to the listing and trading of iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Equities Rule 5.2(j)(3), Commentary.02); 72464 (June 25, 2014), 79 FR 37373 (July 1, 2014) (File No. SR-NYSEArca-2014-45) (order approving proposed rule change governing the continued listing and trading of shares of the PowerShares Insured California Municipal Bond Portfolio, PowerShares Insured National Municipal Bond Portfolio, and PowerShares Insured New York Municipal Bond Portfolio); 75468 (July 16, 2015), 80 FR 43500 (July 22, 2015) (SR-NYSEArca-2015-25) (order approving proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3)); 74730 (April 15, 2015), 76 [sic] FR 22234 (April 21, 2015) (notice of proposed rule change relating to the listing and trading of iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Equities Rule 5.2(j)(3), Commentary .02); 74730 75376 (July 7, 2015), 80 FR 40113 (July 13, 2015) (SR-NYSEArca-2015-18) (order approving proposed rule change relating to the listing and trading of Vanguard Tax-Exempt Bond Index Fund under NYSE Arca Equities Rule 5.2(j)(3)).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.