

consistent with Section 17A(b)(3)(F) of the Act.

(B) Clearing Agency's Statement on Burden on Competition

DTC believes the proposed changes could burden competition. This is because by implementing the Night Batch Process, Participants would no longer be able to use IMS to direct the prioritization of the processing of their transactions in the Night Cycle. DTC does not believe any burden on competition presented by the proposal would be significant, because the benefit that would be realized from the processing of a higher percentage of transactions during the Night Cycle through the optimized process described above would offset the burden of a Participant not being able to determine the order of processing on its own, and therefore render as insignificant any residual burden of a Participant no longer being able to use IMS to direct prioritization of transactions.

DTC believes any burden on competition that is created by these proposed changes would be necessary and appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.²⁹

The proposed changes to implement the Night Batch Process would be necessary in furtherance of the purposes of the Act because the Rules must be designed to promote the prompt and accurate clearance and settlement of Securities transactions.³⁰ As described above, DTC believes that the proposed changes would promote the prompt and accurate clearance and settlement of Securities transactions by maximizing the number of settled transactions during the Night Cycle. As such, DTC believes these proposed changes would be necessary in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.³¹

DTC believes any burden on competition that is created by the proposed changes to implement the Night Batch Process would also be appropriate in furtherance of the purposes of the Act. The proposed changes would enable DTC to optimize the available Securities positions and their settlement order. Having the ability to optimize the available Securities positions and their settlement order would help DTC to maximize the number of settled transactions during the Night Cycle. As such, DTC believes these proposed changes would be

appropriate in furtherance of the purposes of the Act, as permitted by Section 17A(b)(3)(I) of the Act.³²

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments relating to this proposed rule change have not been solicited or received. DTC will notify the Commission of any written comments received by DTC.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) By order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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-DTC-2019-005 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to File Number SR-DTC-2019-005. 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 DTC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). 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-DTC-2019-005 and should be submitted on or before August 29, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³³

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meetings

TIME AND DATE: Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Public Law 94-409, that the Securities and Exchange Commission Small Business Capital Formation Advisory Committee will hold a public meeting on Tuesday August 13, 2019, at 9:30 a.m. (CT)

PLACE: The meeting will be held at Creighton University, in The President's Fitzgerald Boardroom on the fourth floor of the Mike and Josie Harper Center, located at 602 North 20th Street, Omaha, Nebraska 68178.

STATUS: The meeting will be open to the public. Seating will be on a first-come, first-served basis. The meeting will be webcast on the Commission's website at www.sec.gov.

MATTERS TO BE CONSIDERED: On July 9, 2019, the Commission issued a press release indicating where the meeting would be held and that it would open

²⁹ 15 U.S.C. 78q-1(b)(3)(I).

³⁰ 15 U.S.C. 78q-1(b)(3)(F).

³¹ 15 U.S.C. 78q-1(b)(3)(I).

³² *Id.*

³³ 17 CFR 200.30-3(a)(12).

to the public. On August 2, 2019, the Commission published notice of the Committee meeting (Release No. 33-10666), indicating that the meeting is open to the public and inviting the public to submit written comments to the Committee. This Sunshine Act notice is being issued because a majority of the Commission may attend the meeting.

The agenda for the meeting includes matters relating to rules and regulations affecting small and emerging companies under the federal securities laws.

CONTACT PERSON FOR MORE INFORMATION: For further information, please contact Vanessa A. Countryman from the Office of the Secretary at (202) 551-5400.

Dated: August 6, 2019.

Vanessa A. Countryman,
Secretary.

[FR Doc. 2019-17103 Filed 8-6-19; 4:15 pm]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86558; File No. SR-FINRA-2019-022]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and FINRA Rule 5131 (New Issue Allocations and Distributions)

August 2, 2019.

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 July 26, 2019, 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. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

FINRA is proposing to amend FINRA Rule 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and FINRA Rule 5131 (New Issue Allocations and Distributions) to exempt additional persons from the

scope of the rules, modify current exemptions to enhance regulatory consistency, address unintended operational impediments and exempt certain types of offerings from the scope of the rules.

Specifically, the proposed rule change would: (1) Incorporate the definitions of “family member” and “family client” under the Investment Advisers Act of 1940 (“Advisers Act”)³ and the rules promulgated thereunder⁴ into the definition of “family investment vehicle” under FINRA Rule 5130(i)(4); (2) exclude sovereign entities that own broker-dealers from the categories of restricted persons under FINRA Rule 5130(i)(10)(E); (3) exempt foreign employee retirement benefits plans that meet specified conditions from FINRA Rules 5130 and 5131(b) (Spinning); (4) provide alternative conditions for satisfying the foreign investment company exemption under FINRA Rule 5130(c)(6); (5) exclude offerings that are conducted pursuant to Regulation S under the Securities Act of 1933 (“Securities Act”)⁵ and other offerings outside of the United States and its territories from the definition of “new issue” in FINRA Rules 5130 and 5131; (6) align FINRA Rule 5130(d) (Issuer-Directed Securities) with a similar provision in FINRA Rule 5131.01 (Issuer Directed Allocations); (7) exclude unaffiliated charitable organizations from the definition of “covered non-public company” in FINRA Rule 5131(e)(3); and (8) add an anti-dilution provision for purposes of FINRA Rule 5131(b), similar to the provision in FINRA Rule 5130(e) (Anti-Dilution Provisions).

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

FINRA Rule 5130 protects the integrity of the public offering process by ensuring that: (1) Members make bona fide public offerings of securities at the offering price; (2) members do not withhold securities in a public offering for their own benefit or use such securities to reward persons who are in a position to direct future business to members; and (3) industry insiders, including members and their associated persons, do not take advantage of their insider position to purchase new issues⁶ for their own benefit at the expense of public customers. Paragraph (a) of Rule 5130 provides that, except as otherwise permitted under the rule: (1) A member (or an associated person) may not sell a new issue to an account in which a restricted person⁷ has a beneficial interest;⁸ (2) a member (or an associated person) may not purchase a new issue in any account in which such member or associated person has a beneficial interest; and (3) a member may not continue to hold new issues acquired as an underwriter, selling group member, or otherwise.

FINRA Rule 5131 addresses abuses in the allocation and distribution of new issues. Among other things, the rule prohibits the practice of “spinning,” which is the allocation of new issues by a firm to executive officers and directors of the firm’s current, former or prospective investment banking clients.

In April 2017, FINRA published *Regulatory Notice* 17-14 (Capital Formation) seeking comment on the effectiveness and efficiency of its rules, operations and administrative processes governing broker-dealer activities related to the capital-raising process and their impact on capital formation.⁹ In

⁶ “New issue” means any initial public offering (“IPO”) of an equity security as defined in Section 3(a)(11) of the Act, made pursuant to a registration statement or offering circular, subject to some exceptions. See FINRA Rules 5130(i)(9) and 5131(e)(7).

⁷ The term “restricted person” includes the following categories of persons: (1) Broker-dealers; (2) broker-dealer personnel; (3) finders and fiduciaries; (4) portfolio managers; and (5) persons owning a broker-dealer. See FINRA Rule 5130(i)(10).

⁸ “Beneficial interest” means any economic interest, such as the right to share in gains or losses. The receipt of a management or performance based fee for operating a collective investment account, or other fees for acting in a fiduciary capacity, is not considered a beneficial interest in the account. See FINRA Rule 5130(i)(1).

⁹ The comment period closed on May 30, 2017. FINRA received 11 comment letters in response to

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¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 80b-2(a)(11)(G).

⁴ 17 CFR 275.202(a)(11)(G)-1.

⁵ 17 CFR 230.901, *et seq.*