collection of information requirements of Rule 31: 22 National securities exchanges, one security futures exchange, one national securities association, and two registered clearing agencies that are required to provide certain data in their possession needed by the SROs to complete Form R31, although these two clearing agencies are not themselves required to complete and submit Form R31. The Commission estimates that the total burden for all 26 respondents is 390 hours per year. The Commission estimates that, based on previous and current experience, three additional national securities exchanges will become registered and subject to the reporting requirements of Rule 31 over the course of the authorization period and collectively incur a burden of 18 hours per year. Thus, the Commission estimates the total burden for the existing and expected new respondents to be 408 hours per year.

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 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 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 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: Charles.Riddle@sec.gov.

Dated: April 17, 2019.
Jill M. Peterson,
Assistant Secretary.
[FR Doc. 2019–00803 Filed 4–19–19; 8:45 am]
BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to the First Trust California Municipal High Income ETF and the First Trust Municipal High Income ETF

April 16, 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 April 2, 2019, 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, 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 a rule change relating to the First Trust California Municipal High Income ETF (the “California Fund”) and the First Trust Municipal High Income ETF (the “Municipal Fund”), each a series of First Trust Exchange-Traded Fund III (“Trust”), the shares of which have been approved by the Commission for listing and trading under Nasdaq Rule 5735 (“Managed Fund Shares”). The California Fund and the Municipal Fund are each, a “Fund” and collectively, the “Funds.” The shares of the Funds are collectively referred to herein as the “Shares.”

The text of the proposed rule change is available on the Exchange’s website at http://nasdaq.cchwallstreet.com, 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

The Commission has approved the listing and trading of Shares under Nasdaq Rule 5735, which governs the listing and trading of Managed Fund Shares on the Exchange.3 The Exchange believes the proposed rule change reflects no significant issues not previously addressed in the Prior Releases.

Each Fund is a series of the Trust. As described below, the purpose of this proposed rule change is to delete a representation set forth in each Fund’s Prior Release (i.e., the “40/50 Requirement,” as defined below) in order to provide the Adviser with additional flexibility in managing such Fund’s portfolio. The Exchange believes that the proposed modification would provide each Fund with greater ability to select from a broad range of “Municipal Securities” (as defined below) that would support such Fund’s investment goals. Further, the Exchange notes that other recently approved proposed rule changes involving ETFs investing in municipal securities did not include a representation comparable to the 40/50 Requirement.5

As described in the California Prior Release, the primary investment objective of the California Fund is to seek to provide current income that is exempt from regular federal income taxes and California income taxes, and its secondary objective is long-term capital appreciation. As described in the Municipal 2016 Release, the primary investment objective of the Municipal Fund is to generate current income that is exempt from regular federal income taxes, and its secondary objective is long-term capital appreciation. Under normal market conditions, each Fund seeks to achieve its investment objectives by investing at least 80% of its net assets (including investment borrowings) in municipal debt securities (referred to as “Municipal Securities”) that pay interest that is exempt from regular federal income taxes (and, in the case of the California Fund, California income taxes).

As discussed in the Prior Release for each Fund, although certain representations included therein met or exceeded similar requirements set forth in the generic listing standards for actively-managed ETFs (“Generic Listing Standards”), it was not anticipated that either Fund would meet the requirement that components in the aggregate account for at least 75% of the fixed income weight of the portfolio each have a minimum original principal amount outstanding of $100 million or more (the “75/100 Requirement”).7 However, the Prior Releases each included a representation that under normal market conditions, except for the initial invest-up period and periods of high cash inflows or outflows, at least 40% (based on dollar amount invested) of the Municipal Securities in which the applicable Fund invests would be issued by issuers with total outstanding debt issuances that, in the aggregate, have a minimum amount of municipal debt outstanding at the time of purchase of $50 million or more (the “40/50 Requirement”).8

In addition to the 40/50 Requirement, the Prior Releases also included certain other representations. In this regard, the Prior Releases provided that under normal market conditions, except for the initial invest-up period and periods of high cash inflows or outflows, the applicable Fund’s portfolio of Municipal Securities would provide exposure (based on dollar amount invested) to (a) at least 10 different industries (with no more than 25% of the value of such Fund’s net assets comprising Municipal Securities that provide exposure to any single industry) and (b) not invest 25% or more of the value of its net assets (including investment borrowings) in any single state. As discussed in the Prior Release, the applicable Fund’s portfolio of Municipal Securities would be exempted securities as defined in Section 3(a)(12) of the Act.

Additionally, the Prior Releases referenced in the preceding paragraph stated that to the extent the applicable Fund invests in Municipal Securities that are mortgage-backed or asset-backed securities, such investments would not account, in the aggregate, for more than 20% of the weight of the fixed income portion of such Fund’s portfolio.

In addition to the above, the Prior Releases:10

• Limited the applicable Fund’s investments in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, to 15% of such Fund’s net assets;

• Provided that subject to certain exceptions, the applicable Fund would not invest 25% or more of the value of its total assets in securities of issuers in any one industry; and

• Provided that under normal market conditions, except for the initial invest-up period and periods of high cash inflows or outflows, the applicable Fund’s investments in Municipal Securities would provide exposure (based on dollar amount invested) to (a) at least 10 different industries (with no more than 25% of the value of such Fund’s net assets comprised of Municipal Securities that provide exposure to any single industry) and (b) solely with respect to the Municipal Fund, the Municipal Prior Release and the Municipal Fund, at least 15 different states (with no more than 30% of the value of the Municipal Fund’s net assets comprised of Municipal Securities that provide exposure to any single state).

For purposes of this filing, the 40/50 Requirement and the representations described in the three immediately
preceding paragraphs are collectively referred to as the “Representations.”

In order to provide each Fund with greater ability to select from a broad range of Municipal Securities that would support such Fund’s investment goals, the Exchange is proposing that, going forward, the 40/50 Requirement be deleted.¹¹ As noted above, the Recent Approvals did not include a comparable representation. Further, except for the deletion of the 40/50 Requirement, the Representations would not change. The Exchange believes that notwithstanding the deletion of the 40/50 Requirement, in light of the requirements that would continue to be imposed on each Fund’s portfolio, as described herein, the remaining Representations should continue to provide diversity and liquidity and should continue to mitigate the risks associated with manipulation.

In particular, as noted above, under normal market conditions, except for the initial invest-up period and periods of high cash inflows or outflows, (a) for each Fund, no component fixed income security (excluding specified U.S. government securities) would represent more than 15% of such Fund’s net assets, and the five most heavily weighted component fixed income securities in each Fund’s portfolio (excluding U.S. government securities) would not, in the aggregate, account for more than 25% of such Fund’s net assets; (b) each Fund’s portfolio of Municipal Securities would continue to be diversified among a minimum of 30 non-affiliated issuers; (c) component securities that in the aggregate account for at least 90% of the weight of each Fund’s portfolio of Municipal Securities would continue to be exempted securities as defined in Section 3(a)(12) of the Act; and (d) each Fund’s investments in Municipal Securities would continue to provide exposure (based on dollar amount invested) to at least 10 different industries (with no more than 25% of the value of such Fund’s net assets comprised of Municipal Securities that provide exposure to any single industry). In addition, each Fund’s investments in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, would continue to be limited to 15% of such Fund’s net assets and, subject to certain exceptions, each Fund would not invest 25% or more of the value of its total assets in securities of issuers in any one industry. Further, with respect to the Municipal Fund, under normal market conditions, except for the initial invest-up period and periods of high cash inflows or outflows, such Fund’s investments in Municipal Securities would continue to provide exposure (based on dollar amount invested) to at least 15 different states (with no more than 30% of the value of such Fund’s net assets comprised of Municipal Securities that provide exposure to any single state).

Continued Listing Representations

For each Fund, all statements and representations made in this filing regarding (a) the description of the portfolio or reference assets, (b) limitations on portfolio holdings or reference assets, (c) dissemination and availability of the reference asset or intraday indicative values, or (d) the applicability of Exchange listing rules shall constitute continued listing requirements for listing the applicable Shares on the Exchange. In addition, the issuer has represented to the Exchange that it will advise the Exchange of any failure by a Fund to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will monitor for compliance with the continued listing requirements. If a Fund is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures with respect to such Fund under the Nasdaq 5800 Series.

The Adviser represents that there would be no change to either Fund’s investment objectives. Except as provided herein, with respect to each Fund, all representations made in the applicable Prior Release regarding (a) the description of the portfolio or reference assets, (b) limitations on portfolio holdings or reference assets, (c) dissemination and availability of the reference asset or intraday indicative values, or (d) the applicability of Exchange listing rules (collectively, “Prior Release Continued Listing Representations”) would remain unchanged. Except for the generic listing standards and as otherwise provided in this filing, the Funds and the Shares would continue to comply with the requirements applicable to Managed Fund Shares under Nasdaq Rule 5735.

The Exchange represents that trading in the Shares would continue to be subject to the existing trading surveillances, administered by both Nasdaq and also the Financial Industry Regulatory Authority (“FINRA”), on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the deletion of the 40/50 Requirement is intended to provide each Fund with greater ability to select from a broad range of Municipal Securities that would support such Fund’s investment goals. Except for the deletion of the 40/50 Requirement, the Representations would not change. The Exchange believes that notwithstanding the deletion of the 40/50 Requirement, in light of the requirements that would

¹¹ As a related matter, going forward, the 40/50 Requirement would not be included within the meaning of the terms (i) “Portfolio Representations” set forth in California Filing Amendment No. 1 and the Municipal 2017 Release. Further, going forward, neither Fund is expected to meet the 75/100 Requirement.
continue to be imposed on each Fund’s portfolio, as described herein, the remaining Representations should continue to provide diversity and liquidity and should continue to mitigate the risks associated with manipulation.

In particular, as noted above, under normal market conditions, except for the initial invest-up period and periods of high cash inflows or outflows, (a) for each Fund, no component fixed income security (excluding specified U.S. government securities) would represent more than 15% of such Fund’s net assets, and the five most heavily weighted component fixed income securities in each Fund’s portfolio (excluding U.S. government securities) would not, in the aggregate, account for more than 25% of such Fund’s net assets; (b) each Fund’s portfolio of Municipal Securities would continue to be diversified among a minimum of 30 non-affiliated issuers; (c) component securities that in the aggregate account for at least 90% of the weight of each Fund’s portfolio of Municipal Securities would continue to be exempted securities as defined in Section 3(a)(12) of the Act; and (d) each Fund’s investments in Municipal Securities would continue to provide exposure (based on dollar amount invested) to at least 10 different industries (with no more than 25% of the value of such Fund’s net assets comprised of Municipal Securities that provide exposure to any single industry). In addition, each Fund’s investments in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser, would continue to be limited to 15% of such Fund’s net assets and, subject to certain exceptions, each Fund would not invest 25% or more of the value of its total assets in securities of issuers in any one industry. Further, with respect to the Municipal Fund, under normal market conditions, except for the initial invest-up period and periods of high cash inflows or outflows, such Fund’s investments in Municipal Securities would continue to provide exposure (based on dollar amount invested) to at least 15 different states (with no more than 30% of the value of such Fund’s net assets comprised of Municipal Securities that provide exposure to any single state). The Exchange also notes that the Recent rule change, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(5)(A)(ii)(D) of the Act. 12

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)(5)(A)(ii)(D) of the Act. 12

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–NASDAQ–2019–021 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.


13 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.
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 comments submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NASDAQ–2019–021, and should be submitted on or before May 13, 2019.

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

Jill M. Peterson, Assistant Secretary.

[FR Doc. 2019–07992 Filed 4–19–19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Extend the Pilot Program Related to EDGA Rule 11.16, Trading Halts Due to Extraordinary Market Volatility, to the Close of Business on October 18, 2019

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 12, 2019, Cboe EDGA Exchange, Inc. (the “Exchange” or “EDGA”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act3 and Rule 19b–4(f)(6) thereunder.4 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

Cboe EDGA Exchange, Inc. (“EDGA” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to extend the pilot program related to EDGA Rule 11.16, Trading Halts Due to Extraordinary Market Volatility, to the close of business on October 18, 2019. The text of the proposed rule change is attached as Exhibit 5 after

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/equities/regulation/rule_filings/edga/), 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

EDGA Rules 11.16(a) through (d), (f) and (g) describe the methodology for determining when to halt trading in all stocks due to extraordinary market volatility, i.e., market-wide circuit breakers. The market-wide circuit breaker mechanism was approved by the Commission to operate on a pilot basis, the term of which is to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS (the “LULD Plan” or “Plan”),5 including any extensions to the pilot period for the Plan. The Commission published an amendment to the LULD Plan for it to operate on a permanent, rather than pilot, basis on December 18, 2018,6 and the Commission approved that amendment on April 11, 2019.7

Market-wide circuit breakers provide an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. All U.S. equities exchanges have similar rules related to market-wide circuit breakers, which are designed to slow the effects of extreme price movement through coordinated trading halts across securities markets when severe price declines reach levels that may exhaust market liquidity. Market-wide circuit breakers provide for trading halts in all equities markets during a severe market decline as measured by a single-day decline in the S&P 500 Index.

Pursuant to EDGA Rule 11.16, a market-wide trading halt will be triggered if the S&P 500 Index declines in price by specified percentages from the prior day’s closing price of that index. Currently, the triggers are set at three circuit breaker thresholds: 7% (Level 1), 13% (Level 2) and 20% (Level 3). A market decline that triggers a Level 1 or Level 2 circuit breaker after 9:30 a.m. ET and before 3:25 p.m. ET would halt market-wide trading for 15 minutes, while a similar market decline at or after 3:25 p.m. ET would not halt market-wide trading. A market decline that triggers a Level 3 circuit breaker, at any time during the trading day, would halt market-wide trading for the remainder of the trading day. The Exchange proposes to amend EDGA Rule 11.16 to untie the market-wide circuit breaker pilot program’s effectiveness from that of the LULD Plan and to extend pilot’s effectiveness to the close of business on October 18, 2019.


