

June 1, 2019

For more information please contact info@mediantonline.com

IN THIS ISSUE

Take Action Now	2
SEC Proposes Amendments to Accelerated and Large Accelerated Filer Definitions.....	3
SEC Proposes Rule Amendments and Guidance for Regulating Cross-Border Security-Based Swap Transactions and Market Participants.....	3
SEC Announces Commencement and Termination Dates of the Pre-Pilot Period of the Transaction Fee Pilot for National Market System Stocks.....	4
SEC Extends Period for Commission Action on FINRA Rule Proposal to Establish a Corporate Bond New Issue Reference Data Service.....	4
FINRA to Extend Implementation of Interim Pilot Program on Margin Requirements for Credit Default Swaps	5
Nasdaq Proposes Transaction Fee Changes	5
Nasdaq New MIDP Routing Option Granted Accelerated Approval by SEC	6
Nasdaq Proposed Revisions to Initial Listing Standards Granted Longer Period for SEC Action	7
Nasdaq to Change Strike Price Intervals for Options.....	7
NYSE to Add New Order Type and Related Changes	7
NYSE to Amend Section 703.18 of the Listed Company Manual to Permit Listing of Event-Based Contingent Value Rights.....	8
SEC Announces Fixed Income Market Structure Advisory Committee Meeting.....	8
SEC Names Adam S. Aderton as Co-Chief of Asset Management Unit	8
Notable Enforcement Actions	9

Take Action Now

FINRA Reminds Firms to Register for CAT Reporting by June 27, 2019

On May 21, 2019, Financial Industry Regulatory Authority, Inc. (“FINRA”) issued Regulatory Notice 19-19 to remind firms they must register with FINRA CAT, LLC (“FINRA CAT”) for reporting to the Consolidated Audit Trail (“CAT”). CAT registration commenced on March 18, 2019, and will run through June 27, 2019. All Industry Members, as defined under the CAT NMS Plan, that will have a CAT reporting obligation must register during this window. The registration form, which must be submitted online, and related information can be found at www.catnmsplan.com/registration.

Industry Members that must register for the CAT include any:

- member of FINRA or a national securities exchange that handles orders or quotes in NMS stocks, OTC equity securities or exchange listed options; and
- third-party CAT reporting agent that is or will be authorized to submit data to the CAT on behalf of an Industry Member.

The CAT rules do not provide for any firms to be excluded or exempted from the CAT reporting obligation.

For Equities (Phase 2a), Industry Member testing (file submission and data integrity) is scheduled to commence in December 2019, with go-live in April 2020. For Options (Phase 2b), Industry Member testing (file submission and data integrity) is scheduled to start as early as December 2019, with go-live in May 2020.

All questions regarding CAT registration should be directed to the FINRA CAT Helpdesk at (888)696-3348 or help@finracat.com.

Notice: http://www.finra.org/sites/default/files/notice_other_file_ref/Regulatory-Notice-19-19.pdf

SEC PROPOSES AMENDMENTS TO ACCELERATED AND LARGE ACCELERATED FILER DEFINITIONS

On May 9, 2019, the Securities and Exchange Commission (“SEC” or “Commission”) proposed amendments to the accelerated filer and large accelerated filer definitions to promote capital formation for smaller reporting issuers, by more appropriately tailoring the types of issuers that are included in the categories of accelerated and large accelerated filers. The proposed amendments would exclude from the accelerated and large accelerated filer definitions an issuer that is eligible to be a smaller reporting company and had annual revenues of less than \$100 million in the most recent fiscal year for which audited financial statements are available. In addition, the proposed amendments would increase the public float transition threshold for accelerated and large accelerated filers *becoming* non-accelerated filers from \$50 million to \$60 million and for *exiting* large accelerated filer status from \$500 million to \$560 million. Finally, the proposed amendments would add a revenue test to the transition thresholds for exiting both accelerated and large accelerated filer status. As a result of the amendments, certain low-revenue issuers would not be required to have their assessment of the effectiveness of internal controls over financial reporting attested to, and reported on, by an independent auditor, although they would continue to be required to make such assessments and to establish and maintain the effectiveness of their internal controls over financial reporting.

Comments Due: July 29, 2019

Proposed Rule: <https://www.sec.gov/rules/proposed/2019/34-85814.pdf>

Press Release: <https://www.sec.gov/news/press-release/2019-68>

SEC PROPOSES RULE AMENDMENTS AND GUIDANCE FOR REGULATING CROSS-BORDER SECURITY-BASED SWAP TRANSACTIONS AND MARKET PARTICIPANTS

On May 10, 2019, the SEC proposed a package of rule amendments and interpretive guidance to address the cross-border application of certain security-based swap requirements under the Securities Exchange Act of 1934 (“Exchange Act”) that were added by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The proposals, in some cases, further harmonize the regulatory regime governing security-based swaps administered by the SEC with the regulatory regime governing swaps administered by the Commodity Futures Trading Commission (“CFTC”). The proposing release addresses four key areas: the use of transactions that have been “arranged, negotiated, or executed” by personnel located in the United States as a trigger for regulating security-based swaps and market participants; the requirement that non-U.S. resident security-based swap dealers and major security-based swap participants certify and provide an opinion of counsel that the SEC can access their books and records and conduct onsite inspections and examinations; the cross-border application of statutory disqualification provisions; and the questionnaires or employment applications that security-based swap dealers and major security-based swap participants must maintain with regard to their foreign associated persons.

Comments Due: July 23, 2019

Proposed Rule: <https://www.sec.gov/rules/proposed/2019/34-85823.pdf>

Press Release: <https://www.sec.gov/news/press-release/2019-69>

SEC ANNOUNCES COMMENCEMENT AND TERMINATION DATES OF THE PRE-PILOT PERIOD OF THE TRANSACTION FEE PILOT FOR NATIONAL MARKET SYSTEM STOCKS

On May 21, 2019, the SEC designated, pursuant to Rule 610T(c)(2) of Regulation NMS, the commencement and termination dates of the pre-Pilot period of the Transaction Fee Pilot for National Market System stocks. Rule 610T(c)(1) provides that the Pilot shall include, among other things, a six month pre-Pilot period. Rule 610T(c)(2) further provides that the Commission shall designate by notice the commencement and termination dates of, among other things, the pre-Pilot period. Accordingly, the Commission is issuing this notice to designate July 1, 2019 as the pre-Pilot period's commencement date, and December 31, 2019 as the pre-Pilot period's termination date. During the pre-Pilot period, national securities exchanges subject to Rule 610T are required to comply with the data compilation requirements of Rule 610T(d) and (e). However, pursuant to the Commission's Partial Stay Order of March 28, 2019, pending a decision by the Court of Appeals regarding the petitions to review Rule 610T's validity and further order of the Commission, these exchanges will not be required to transmit order routing data to the Commission, or to publicly post Exchange Transaction Fee Summaries.

Notice Release: <https://www.sec.gov/rules/other/2019/34-85906.pdf>

SEC EXTENDS PERIOD FOR COMMISSION ACTION ON FINRA RULE PROPOSAL TO ESTABLISH A CORPORATE BOND NEW ISSUE REFERENCE DATA SERVICE

On March 27, 2019, FINRA filed with the SEC a proposed rule change to establish a new issue reference data service for corporate bonds. The proposed rule change was published for comment in the Federal Register on April 8, 2019. The Commission received eleven comment letters on the proposal. On May 22, 2019, the SEC found it appropriate to designate a longer period within which to take action on the proposed FINRA rule change so that it has sufficient time to consider the proposed rule change and the comments received. Accordingly, the SEC, pursuant to Section 19(b)(2) of the Exchange Act, designates July 7, 2019, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

Comments Due: June 19, 2019

Notice: <https://www.sec.gov/rules/sro/finra/2019/34-85911.pdf>

Proposed Rule: <https://www.sec.gov/rules/sro/finra/2019/34-85488.pdf>

FINRA TO EXTEND IMPLEMENTATION OF INTERIM PILOT PROGRAM ON MARGIN REQUIREMENTS FOR CREDIT DEFAULT SWAPS

On May 21, 2019, FINRA filed a proposed rule change to extend to July 20, 2020 the implementation of FINRA Rule 4240. FINRA Rule 4240 implements an interim pilot program with respect to margin requirements for certain transactions in credit default swaps (“CDS”) that are security-based swaps. FINRA Rule 4240, coterminous with certain Commission actions, was intended to address concerns arising from systemic risk posed by CDS, including, among other things, risks to the financial system arising from the lack of a central clearing counterparty to clear and settle CDS. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law. Title VII of the Dodd-Frank Act established a comprehensive new regulatory framework for swaps and security-based swaps, including certain CDS. The legislation was intended, among other things, to enhance the authority of regulators to implement new rules designed to reduce risk, increase transparency, and promote market integrity with respect to such products. The Commission and the CFTC have proposed or adopted rules with respect to swaps and security-based swaps pursuant to Title VII of the Dodd-Frank Act. FINRA believes that extending the implementation of FINRA Rule 4240 for a limited period, to July 20, 2020, in light of the continuing development of the CDS business and ongoing regulatory developments, helps to promote stability in the financial markets and regulatory certainty for members.

Comments Due: 21 days after publication in the Federal Register

Proposed Rule: https://www.finra.org/sites/default/files/rule_filing_file/SR-FINRA-2019-016.pdf

NASDAQ PROPOSES TRANSACTION FEE CHANGES

On May 15, 2019, the Nasdaq Stock Market (“Nasdaq”) filed with the SEC a proposed rule change to amend Nasdaq’s transaction fees at Equity 7, Section 118(a) to: (1) adopt two new credits tiers available to members for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) in securities of all three Tapes that provide liquidity; (2) adopt a new credit tier for midpoint orders (other than Supplemental Orders) that provide liquidity; (3) amend the qualification criteria required to receive a credit available to members for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) in securities of all three Tapes that provide liquidity; and (4) lower a credit available to members for displayed quotes/orders (other than Supplemental Orders or Designated Retail Orders) in securities of all three Tapes that provide liquidity. The rule change has become immediately effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act.

Comments Due: June 11, 2019

Notice Release: <https://www.sec.gov/rules/sro/nasdaq/2019/34-85861.pdf>

NASDAQ NEW MIDP ROUTING OPTION GRANTED ACCELERATED APPROVAL BY SEC

On May 20, 2019, the SEC issued an order granting accelerated approval of a Nasdaq proposal to adopt a new MIDP routing option under Nasdaq Rule 4758 and make conforming changes to Nasdaq Rule 4703(e). The MIDP routing option would allow Nasdaq members to seek midpoint liquidity on Nasdaq and other markets on the Nasdaq system routing table. The MIDP routing option would be available only for a non-displayed order with a midpoint pegging order attribute. Nasdaq would accept an order with the MIDP routing option (“MIDP order”) only with a time-in-force of Market Hours DAY or IOC, and a MIDP order could not be flagged to participate in any of the Nasdaq crosses. As proposed, a MIDP order would check the Nasdaq system for available shares and any remaining shares would then be routed to destinations on the system routing table that support midpoint eligible orders. A MIDP order to buy (sell) would be routed with a limit price that is at the lesser (greater) of: (1) the current NBO (NBB); or (2) the order’s entered limit price (if applicable). If shares remain unexecuted after routing, the order would return to Nasdaq and check the Nasdaq system for available shares, with remaining shares posted on the Nasdaq book as a non-displayed order with a midpoint pegging order attribute (unless an IOC). If a MIDP order has a time-in-force of IOC and there are unexecuted shares remaining after routing, the order would first check the Nasdaq system for available shares, and then any remaining shares would be cancelled. Nasdaq also proposes to allow a member to use the minimum quantity order attribute upon entry of a MIDP order. If, upon entry, the size of a MIDP order is less than the minimum quantity designated by the member, the order would be rejected. If, at any point during the routing process and prior to the MIDP order returning to post on the Nasdaq book, the remaining size of the order becomes less than the specified minimum quantity, the order would be cancelled back to the member. If shares of a MIDP order with a minimum quantity order attribute remain unexecuted after routing, the order would return to Nasdaq and check the Nasdaq system for available shares with any remaining shares posted on the Nasdaq book (unless an IOC) as a non-displayed order with a midpoint pegging order attribute and the minimum quantity condition specified by the member upon entry of the order. As noted above, if a MIDP order has a time-in-force of IOC and there are unexecuted shares remaining after routing, the order would first check the Nasdaq system for available shares, and then any remaining shares would be cancelled. Nasdaq proposes to implement the proposal in the second quarter of 2019 and represents that it will provide notice of the implementation date at least 30 days prior to implementation via an Equity Trader Alert.

Comments Due: June 11, 2019

Notice Release: <https://www.sec.gov/rules/sro/nasdaq/2019/34-85892.pdf>

Final Rule: <https://www.sec.gov/comments/sr-nasdaq-2019-004/srnasdaq2019004-5485246-185147.pdf>

NASDAQ PROPOSED REVISIONS TO INITIAL LISTING STANDARDS GRANTED LONGER PERIOD FOR SEC ACTION

On March 21, 2019, Nasdaq filed with the SEC a proposed rule change to revise Nasdaq's initial listing standards related to liquidity. The proposed rule change was published for comment in the Federal Register on April 9, 2019. No comments have been received on the proposed rule change. On May 24, 2019, the SEC found it appropriate to designate a longer period within which to take action on the proposed Nasdaq rule change so that it has sufficient time to consider the proposed rule change and the comments received. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act, designates July 8, 2019, as the date by which the SEC should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

Notice Release: <https://www.sec.gov/rules/sro/nasdaq/2019/34-85933.pdf>

NASDAQ TO CHANGE STRIKE PRICE INTERVALS FOR OPTIONS

On May 29, 2019, Nasdaq filed a proposed rule change to allow \$1 or greater strike price intervals for options listed on the PowerShares QQQ Trust ("QQQ") and the iShares Russell 2000 Index Fund ("IWM"), consistent with recent changes proposed by Cboe Exchange, Inc. ("CBOE") and approved by the SEC. Currently, Chapter IV, Supplementary Material .01(c) to Section 6, allows for the interval between strike prices of series of options on SPY, IVV, and DIA to be \$1 or greater where the strike price is greater than \$200. QQQ and IWM options, however, currently trade on the Nasdaq with \$1 intervals up to a strike price of \$200 pursuant to Supplementary Material .01(b) to Section 6. Above \$200, these options classes trade with significantly wider \$5 strike price intervals. Nasdaq now proposes to modify Supplementary Material .01(c) to Section 6 to allow \$1 strike price intervals where the strike price is above \$200 for QQQ and IWM options, in effect matching the strike setting regime for these products below \$200 and also for options on SPY, IVV, and DIA.

Comments Due: 21 days after publication in the Federal Register

Notice Release: <https://www.sec.gov/rules/sro/nasdaq/2019/34-85951.pdf>

NYSE TO ADD NEW ORDER TYPE AND RELATED CHANGES

On May 3, 2019, the New York Stock Exchange ("NYSE") filed with the SEC a proposed rule change to amend Rule 7.31 (Orders and Modifiers) to add a new order type, Capital Commitment Order, and make related changes to Rules 7.16, 7.34, 7.36, and 7.37. The NYSE proposes to further amend Rule 7.31 to specify that Market Orders and the Last Sale Peg Modifier would not be available to Designated Market Makers ("DMMs"). The proposed new order type, Capital Commitment Order, or "CCO," is based in part on the current Capital Commitment Schedule, which is currently available only to DMMs trading in Exchange-listed securities. The NYSE proposes to make related changes to Rules 7.16 (Short Sales), 7.34 (Trading Sessions), 7.36 (Order Ranking and Display), and 7.37 (Order Execution and Routing).

Comments Due: May 30, 2019

Notice Release: <https://www.sec.gov/rules/sro/nyse/2019/34-85772.pdf>

NYSE TO AMEND SECTION 703.18 OF THE LISTED COMPANY MANUAL TO PERMIT LISTING OF EVENT-BASED CONTINGENT VALUE RIGHTS

On May 9, 2019, the NYSE filed with the SEC a proposed rule change to amend Section 703.18 of the Listed Company Manual to expand the circumstances under which a Contingent Value Right may be listed on the NYSE. Contingent Value Rights (“CVRs”) are unsecured obligations of the issuer providing for a possible cash payment either (i) at maturity based upon the price performance of an affiliate's equity security (a “Price-Based CVR”) or (ii) within a specified time period, upon the occurrence of a specified event relating to the business of the issuer of the CVR or an affiliate of such issuer (an “Event-Based CVR”). Section 703.18 of the Manual currently provides only for the listing of Price-Based CVRs. The Exchange proposes the following changes to its listing rules for CVRs: to permit the listing of Event-Based CVRs; to update the issuer listing standards in Section 703.18 to reflect changes to the initial listing requirements for operating companies referenced in that rule; and to modify the delisting provisions to reflect that a CVR will be delisted if its issuer's common stock ceases to be listed on a national securities exchange.

Comments Due: June 5, 2019

Notice Release: <https://www.sec.gov/rules/sro/nyse/2019/34-85812.pdf>

SEC ANNOUNCES FIXED INCOME MARKET STRUCTURE ADVISORY COMMITTEE MEETING

The SEC Fixed Income Market Structure Advisory Committee will hold an open, public telephonic meeting on Tuesday, June 11, 2019 beginning at 1:00 p.m. (ET). The meeting will include the consideration of a recommendation from the Technology and Electronic Trading Subcommittee. Members of the public may listen to the meeting by telephone at 1-800-260-0718, participant code 467607, or by webcast on the Commission's website at www.sec.gov. The public is invited to submit written statements.

Comments Due: June 6, 2019

Meeting Notice: <https://www.sec.gov/rules/other/2019/34-85895.pdf>

SEC NAMES ADAM S. ADERTON AS CO-CHIEF OF ASSET MANAGEMENT UNIT

On May 2, 2019, the SEC announced that Adam S. Aderton was named Co-Chief of the Division of Enforcement's Asset Management Unit, a national specialized unit that focuses on misconduct by investment advisers, investment companies, and private funds. Mr. Aderton joined the SEC in 2008 as a staff attorney in the Division of Enforcement. He joined the Asset Management Unit in 2010 and was promoted to Assistant Director in 2013.

Press Release: <https://www.sec.gov/news/press-release/2019-64>

Notable Enforcement Actions

Enforcement actions relating to operational matters for this month continued to be limited, focusing on reporting obligations.

On March 4, 2019, a firm was fined \$20,000 for inaccurately or untimely submitted Reportable Order Events (“ROE”) to the Order Audit Trail System (“OATS”). The findings stated that the firm transmitted ROEs to OATS that were rejected for context or syntax errors and were repairable. Of the rejected ROEs that the firm did repair, some were not repaired within the required time period and some of the late resubmissions were reported with inaccurate, rejected ROE IDs. The firm also submitted Combined Order Route Reports that OATS was unable to match to the related exchange order because the firm reported incorrect exchange participant IDs to OATS. In addition, the firm submitted Combined Order Route Reports that OATS was unable to match to the receiving firm’s related New Order Report because the firm reported incorrect sent-to-firm Market Participant Identifier (MPIDs) to OATS. (**FINRA Case #2016051933501**)

http://www.finra.org/sites/default/files/fda_documents/2016051933501%20Great%20Point%20Capital%20LLC%20CRD%20114203%20AWC%20va.pdf

On March 18, 2019, a firm was fined \$175,000 and required to revise its supervisory system and WSPs with respect to its compliance with its OATS reporting obligation. The firm consented to the sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate, incomplete, or improperly formatted data. The findings stated that the ROEs contained inaccurate Firm Order Identifications (“FOID”). This conduct resulted from two issues, the firm’s misunderstanding of its FOID reporting obligation, and the misreporting of a certain type of order that was unique to a recently acquired broker-dealer. The firm submitted certain route reports subsequent to an order modification (cancel/replace) that linked to the FOID of the original order instead of the modified order. Because the route report subsequent to the cancel/replace linked back to the original FOID, instead of the new FOID for the replaced order, the sequencing of events within the order lifecycle was inaccurate. The findings also stated that the firm failed to transmit ROEs to OATS. This conduct resulted from a vendor issue that occurred when maintenance was being performed on an OATS-reporting server. (**FINRA Case #2016049867901**)

http://www.finra.org/sites/default/files/fda_documents/2016049867901%20Cowen%20and%20Company%2C%20LLC%20BD%207616%20AWC%20jm.pdf

On March 22, 2019, a firm was fined \$22,500 for failing to report certain municipal securities transactions to the Municipal Securities Rulemaking Board’s (“MSRB”) real-time transaction reporting system. The findings stated that the firm failed to report both the purchases into its riskless principal account and the sales to its investment adviser clients of certain riskless principal transactions. The findings also stated that the firm conducted a securities business while failing to maintain its required minimum net capital. The firm operated with a net capital deficiency because it overstated the allowable portion of receivable commissions from the sale of unregistered offerings and failed to record a haircut deduction in a money market mutual fund. The firm failed

to maintain an accurate general ledger and net capital computation as a result of these errors. **(FINRA Case #2017052419301)**

http://www.finra.org/sites/default/files/fda_documents/2017052419301%20McDonald%20Partners%20LLC%20BD%20135414%20AWC%20jm.pdf

On March 26, 2019, a firm was fined \$15,000 for failing to report transactions in Trade Reporting and Compliance Engine® (“TRACE”)-eligible fixed income securities. The findings stated that the firm failed to accurately record the terms and conditions of customer orders on its books and records. The firm failed to mark order tickets for securities transactions as either solicited or unsolicited. Instead, the section of the order ticket where that information was supposed to be noted was marked N/A. **(FINRA Case #2016048194301)**

http://www.finra.org/sites/default/files/fda_documents/2016048194301%20Stonecrest%20Capital%20Markets%2C%20Inc.%20BD%2039616%20AWC%20jm.pdf