

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84362; File No. SR-PEARL-2018-20]

### Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIAX PEARL, LLC To Amend Exchange Rule 203, Qualification and Registration of Members and Associated Persons, Relating to Registration and Qualification Examinations Required for Members and Associated Persons of Members That Engage in Trading Activities on the Exchange

October 4, 2018.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) <sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 27, 2018, MIAX PEARL, LLC (“MIAX PEARL” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change (“a proposed rule change”) 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 203, Qualification and Registration of Members and Associated Persons, relating to registration and qualification examinations required for Members and Associated Persons of Members that engage in trading activities on the Exchange.

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/pearl> at MIAX PEARL’s 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 Securities and Exchange Commission (the “SEC” or the “Commission”) recently approved a proposed rule change to restructure the Financial Industry Regulatory Authority (“FINRA”) representative-level qualification examination program.<sup>3</sup> The rule change, which will become effective on October 1, 2018, restructures the examination program into a more efficient format whereby all new representative-level applicants will be required to take a general knowledge examination (the Securities Industry Essentials Examination (“SIE”)) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role. Individuals are not required to be associated with the Exchange or any other self-regulatory organization (“SRO”) member to be eligible to take the SIE. However, passing the SIE alone will not qualify an individual for registration with the Exchange. To be eligible for registration, an individual must also be associated with a firm, pass an appropriate qualification examination for a representative or principal and satisfy the other requirements relating to the registration process.

The SIE will assess basic product knowledge; the structure and function of the securities industry markets, regulatory agencies and their functions; and regulated and prohibited practices. In particular, the SIE will cover four major areas. The first, “Knowledge of Capital Markets,” focuses on topics such as types of markets and offerings, broker-dealers and depositories, and

economic cycles. The second, “Understanding Products and Their Risks,” covers securities products at a high level as well as associated investment risks. The third, “Understanding Trading, Customer Accounts and Prohibited Activities,” focuses on accounts, orders, settlement and prohibited activities. The final, “Overview of the Regulatory Framework,” encompasses topics such as SROs, registration requirements and specified conduct rules. It is anticipated that the SIE will include 75 scored questions plus an additional 10 unscored pretest questions. The passing score will be determined through methodologies compliant with testing industry standards used to develop examinations and set passing standards.

The restructured program will eliminate duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE. The SIE will test fundamental securities related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives. The SIE was developed in consultation with a committee of industry representatives and representatives of several SROs. Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

The Exchange proposes to require that effective October 1, 2018, new applicants seeking to register in a representative capacity with the Exchange must pass the SIE before their registrations can become effective. The Exchange proposes to make the requirement operative on October 1, 2018 to coincide with the effective date of FINRA’s requirement.

The Exchange notes that individuals who are registered as of October 1, 2018 will be eligible to maintain their registrations without being subject to any additional requirements. Individuals who have been registered within the last two years prior to October 1, 2018, will also be eligible to maintain those registrations without being subject to any additional requirements, provided they register within two years from the date of their last registration. However, with respect to an individual who is not registered

<sup>21</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

on the effective date of the proposed rule change but was registered within the last two years prior to the effective date of the proposed rule change, the individual's SIE status in the Central Registration Depository ("CRD") system would be administratively terminated if such individual does not register with the Exchange within four years from the date of the individual's last registration. The Exchange also notes that consistent with Rule 203 Interpretations and Policies .05, the Exchange will consider waivers of the SIE alone or the SIE and the representative or principal-level examination(s) for applicants who are seeking registration in a representative- or principal-level registration category.<sup>4</sup>

The Exchange also proposes to add Interpretations and Policies .09 to Rule 203 "Summary of Qualifications Requirements" which summarizes the qualification requirements for each of the required registration categories described in the Exchange Rules.

The Exchange notes that this filing is substantially similar to a companion Miami International Securities Exchange, LLC ("MIAX Options") filing relating to registration and qualification examinations required for Members and Associated Persons of Members that engage in trading activities on the MIAX Options Exchange.

## 2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>6</sup> 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. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>7</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed rule change will improve the efficiency of the Exchange's

examination requirements, without compromising the qualification standards, by eliminating duplicative testing of general securities knowledge on examinations. FINRA has indicated that the SIE was developed in an effort to adopt an examination that would assess basic product knowledge; the structure and function of the securities industry markets, regulatory agencies and their functions; and regulated and prohibited practices. The Exchange also notes that the introduction of the SIE and expansion of the pool of individuals who are eligible to take the SIE, has the potential of enhancing the pool of prospective securities industry professionals by introducing them to securities laws, rules and regulations and appropriate conduct before they join the industry in a registered capacity. Lastly, the Exchange notes adopting the SIE requirement is consistent with the requirement recently adopted by FINRA.<sup>8</sup>

Furthermore, the Exchange believes that adding Interpretations and Policies .09 to Rule 203 will provide greater clarity regarding the Exchange's examination requirements as updated by, and those remaining in effect following, the proposed rule change, and consistency with the rules of other exchanges.<sup>9</sup>

## 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 that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposed rule change, which harmonizes its rules with recent rule changes adopted by FINRA and which is being filed in conjunction with similar filings by the other national securities exchanges, will reduce the regulatory burden placed on market participants engaged in trading activities across different markets. The Exchange believes that the harmonization of these registration requirements across the various markets will reduce burdens on competition by removing impediments to participation in the national market system and promoting competition among participants across the multiple national securities exchanges.

## C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor 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) of the Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days from the date of filing. However, Rule 19b-4(f)(6)(iii)<sup>11</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative on October 1, 2018 to coincide with the effective date of FINRA's proposed rule change on which the proposal is based.<sup>12</sup> The waiver of the operative delay would make the Exchange's qualification requirements consistent with those of FINRA, as of October 1, 2018. Therefore, the Commission believes that the waiver of the 30-day operative delay is consistent with the protection of investors and the public interest and hereby waives the 30-day operative delay and designates the proposal operative on October 1, 2018.<sup>13</sup>

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.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule

<sup>4</sup> Pursuant to a Regulatory Services Agreement between FINRA and MIAX PEARL, FINRA provides MIAX PEARL certain exam waiver services in responding to exam waiver requests from MIAX PEARL Members.

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> *Id.*

<sup>8</sup> See *supra* note 3.

<sup>9</sup> See e.g. Cboe Exchange, Inc. Rule 3.6A Interpretations and Policies .08(b) and Nasdaq ISE, LLC Rule 313 Registration Requirements Supplementary Material .08 (b).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>12</sup> See *supra* note 3.

<sup>13</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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](mailto:rule-comments@sec.gov). Please include File Number SR-PEARL-2018-20 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-PEARL-2018-20. 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 the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-PEARL-2018-20 and should be submitted on or before November 1, 2018.

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

**Eduardo A. Aleman,**  
Assistant Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-84369]

**Securities Exchange Act of 1934**

October 4, 2018.

*In the Matter of the NYSE Arca, Inc.;* Order Scheduling Filing of Statements on Review for an Order of Disapproval of Proposed Rule Change To List and Trade the Shares of the ProShares Bitcoin ETF and the ProShares Short Bitcoin ETF (File No. SR-NYSEArca-2017-139).

On December 4, 2017, NYSE Arca Inc. ("NYSE Arca") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act ("Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares of the ProShares Bitcoin ETF and the ProShares Short Bitcoin ETF issued by the ProShares Trust II under NYSE Arca Rule 8.200-E, Commentary .02. The proposed rule change was published for comment in the **Federal Register** on December 26, 2017.<sup>3</sup>

On January 30, 2018, pursuant to Section 19(b)(2) of the Exchange Act,<sup>4</sup> the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change.<sup>5</sup> On March 23, 2018, the Commission instituted proceedings under Section 19(b)(2)(B) of the Exchange Act<sup>6</sup> to determine whether to approve or disapprove the proposed rule change.<sup>7</sup> On June 15, 2018, the Commission extended the period for consideration of the proposed rule change to August 23, 2018.<sup>8</sup>

On August 22, 2018, the Division of Trading and Markets, pursuant to delegated authority,<sup>9</sup> issued an order disapproving the proposed rule change.<sup>10</sup> On August 23, 2018, the Secretary of the Commission notified NYSEArca that, pursuant to

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 82350 (Dec. 19, 2017), 82 FR 61100 (Dec. 26, 2017).

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> See Securities Exchange Act Release No. 82602 (Jan. 30, 2018), 83 FR 4941 (Feb. 2, 2018).

<sup>6</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>7</sup> See Securities Exchange Act Release No. 82939 (Mar. 23, 2018), 83 FR 13537 (Mar. 29, 2018).

<sup>8</sup> See Securities Exchange Act Release No. 83452 (June 15, 2018), 83 FR 28894 (June 21, 2018).

<sup>9</sup> 17 CFR 200.30-3(a)(12).

<sup>10</sup> See Securities Exchange Act Release No. 83904 (Aug. 22, 2018), 83 FR 43934 (Aug. 28, 2018) (SR-NYSEArca-2017-139) ("Disapproval Order").

Commission Rule of Practice 431,<sup>11</sup> the Commission would review the Division's action pursuant to delegated authority and that the Division's action pursuant to delegated authority had been automatically stayed.<sup>12</sup>

Accordingly, *it is ordered*, pursuant to Commission Rule of Practice 431, that by November 5, 2018, any party or other person may file a statement in support of, or in opposition to, the action made pursuant to delegated authority.

It is further *ordered* that the order disapproving proposed rule change SR-NYSEArca-2017-139 shall remain in effect pending the Commission's review.

By the Commission.

**Eduardo A. Aleman,**

Assistant Secretary.

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**SECURITIES AND EXCHANGE COMMISSION**

[Securities Exchange Act of 1934; Release No. 34-84368/October 4, 2018]

**In the Matter of the Cboe BZX Exchange, Inc.; For an Order of Disapproval of Proposed Rule Change To List and Trade the Shares of the GraniteShares Bitcoin ETF and the GraniteShares Short Bitcoin ETF (File No. SR-CboeBZX-2018-001); Order Scheduling Filing of Statements on Review**

On January 5, 2018, Cboe BZX Exchange, Inc. ("BZX") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to list and trade shares of the GraniteShares Bitcoin ETF and the GraniteShares Short Bitcoin ETF issued by the GraniteShares ETP Trust under BZX Rule 14.11(f)(4).<sup>3</sup> The proposed rule change was published for comment in the **Federal Register** on January 18, 2018.<sup>4</sup>

On February 22, 2018, pursuant to Section 19(b)(2) of the Exchange Act, the Commission designated a longer

<sup>11</sup> See 17 CFR 201.431(c).

<sup>12</sup> See Letter from Secretary of the Commission to David De Gregorio, Senior Counsel, NYSE Group, Inc. (Aug. 23, 2018), available at <https://www.sec.gov/rules/sro/nysearca/2018/34-83904-letter-from-secretary.pdf>.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> On August 21, 2018, BZX filed Amendment No. 1 to the proposal, and on August 22, 2018, BZX filed Amendment No. 2 to the proposal.

<sup>4</sup> See Securities Exchange Act Release No. 82484 (Jan. 11, 2018), 83 FR 2704 (Jan. 18, 2018).

<sup>14</sup> 17 CFR 200.30-3(a)(12).