FINRA qualification examinations are not designed to provide information beyond demonstration of basic proficiency. For these reasons, comparisons of test scores across candidates may not be appropriate.[12]

Nevertheless, to the extent that test scores are used by individuals and others today, restricting the information may impose certain costs. For individuals, these costs can vary from time and effort to differentiate themselves, to direct monetary costs if a test score would have improved their compensation or position. Regardless of its predictive ability, where parties today rely on the details of passing scores to make decisions and would make a different judgment in the absence of such information, the change may result in an economic transfer away from high-scoring individuals towards others.

Impact on Other Users of the Information

The economic impact to others is fundamentally related to the extent to which candidates share passing score information with current or prospective employers and the reliability of such scores as a signal in the contexts for which they are being used.

In situations where passing scores are misleading and cause users to make inefficient or ineffective decisions, the elimination of this information may lead to benefits through better decision making. In situations where passing scores are not misleading but are uninformative, they add noise to the decision-making process. However, noisy information should not cause consistent bias in the aggregate. Finally, in situations where passing scores are viewed as providing valuable information in decision making, the elimination of this information may result in the need for an alternative process and, in turn, result in additional costs.

(available at: *http://www.finra.org/industry/chief-economist*).

[12] The Standard for Educational and Psychological Testing published by the American Education Research Association, American Psychological Association, and National Council on Measurement in Education have established that ''[i]f validity for some common or likely interpretation for a given use has not been evaluated, or if such an interpretation is inconsistent with available evidence, that fact should be made clear and potential users should be strongly cautioned about making unsupported interpretations.''

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act [13] and paragraph (f)(1) of Rule 19b–4 thereunder.[14] 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–FINRA–2018–036 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–FINRA–2018–036. 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. 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–FINRA–2018–036 and should be submitted on or before November 2, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[15]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2018–22205 Filed 10–11–18; 8:45 am]

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[13] 15 U.S.C. 78s(b)(3)(A).

[14] 17 CFR 240.19b–4(f)(1).

[15] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–84374; File No. SR–FINRA–2018–032]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change to FINRA Rule 6710 To Modify the Dissemination Protocols for Agency Debt Securities

October 5, 2018.

I. Introduction

On August 16, 2018, the Financial Industry Regulatory Authority, Inc. (''FINRA'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to modify the dissemination protocols for Agency Debt Securities. The proposed rule change was published for comment in the **Federal Register** on August 23, 2018.[3] The Commission received no comment letters on the proposed rule

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 83882 (August 17, 2018), 83 FR 42732 (''Notice'').

change. This order approves the proposed rule change.

II. Description of the Proposal

Under FINRA's rules, each member firm is required to report to the Trade Reporting and Compliance Engine (''TRACE'') transactions in TRACE-Eligible Securities,[4] including securities that meet the definition of ''Agency Debt Security.'' [5] Currently, for disseminated reports of transactions in Agency Debt Securities, FINRA displays either the entire notional size (volume) of the transaction or a capped amount, depending on whether the security is Investment Grade,[6] Non-Investment Grade,[7] or unrated.[8] For Agency Debt Securities that are Investment Grade or unrated, FINRA disseminates the entire notional size for transactions of $5 million or less in par value traded, but a capped size—''$5MM+''—for transactions exceeding $5 million in par value traded; for transactions in Agency Debt Securities that are Non-Investment Grade, FINRA disseminates the entire notional size for transactions of $1 million or less in par value traded but a capped size— ''1MM+''—for transactions exceeding $1 million in par value traded.[9]

FINRA has proposed to apply the $5 million dissemination cap to transactions in all Agency Debt Securities, regardless of whether the security is Investment Grade, Non-Investment Grade, or unrated. FINRA has stated that, when adopting the original dissemination caps for Agency Debt Securities, it believed that unrated Agency Debt Securities should default to the $5 million dissemination cap due to factors such as that they trade more consistently with Investment Grade securities that are subject to the $5 million dissemination cap.[10] FINRA has further stated that it is not aware of the existence of any Non-Investment Grade Agency Debt Securities other than credit risk transfer securities (''CRTs''), a type of Agency Debt Security issued by Fannie Mae (''Fannie'') and Freddie Mac (''Freddie'').[11] Based on FINRA's experience with CRTs and in consultation with Fannie and Freddie, FINRA believes that it is appropriate to disseminate Non-Investment Grade CRTs with the $5 million dissemination cap. Because CRTs are the only type of Agency Debt Security rated less than Investment Grade, FINRA is proposing to simplify the dissemination structure by applying the $5 million cap to all Agency Debt Securities irrespective of rating.[12]

FINRA has stated that it will announce the effective date of the rule change in a *Regulatory Notice* to be published no later than 60 days following a Commission approval, and the effective date will be no later than 120 days following publication of that *Regulatory Notice.*[13]

III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association.[14] In particular, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act,[15] which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that the proposal is reasonably designed to simplify the dissemination protocols for transactions in Agency Debt Securities by instituting a uniform $5 million dissemination cap, regardless of whether the security is Investment Grade, Non-Investment Grade, or unrated. The Commission received no comments that objected to the proposed rule change and notes that FINRA consulted with Fannie and Freddie before submitting the proposal.

Pursuant to Section 19(b)(5) of the Act,[16] the Commission consulted with and considered the views of the Treasury Department in determining to approve the proposed rule change. The Treasury Department indicated its support for the proposal.[17] Pursuant to Section 19(b)(6) of the Act,[18] the Commission has considered the sufficiency and appropriateness of existing laws and rules applicable to government securities brokers, government securities dealers, and their associated persons in approving the proposal. As discussed above, by applying the $5 million dissemination cap to all Agency Debt Securities regardless of rating, the rule change will simplify the dissemination protocols for transactions in Agency Debt Securities.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[19] that the proposed rule change (SR–FINRA–2018–032) is approved.

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[4] *See* FINRA Rule 6710(a) (defining ''TRACE-Eligible Security'').

[5] FINRA Rule 6710(l) generally defines ''Agency Debt Security'' to mean a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n); or (iii) issued by a trust or other entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity.

[6] FINRA Rule 6710(h) defines ''Investment Grade'' to mean ''a TRACE-Eligible Security that, if rated by only one nationally recognized statistical rating organization (''NRSRO''), is rated in one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated in one of the four highest generic rating categories by all or a majority of such NRSROs; provided that if the NRSROs assign ratings that are evenly divided between (i) the four highest generic ratings and (ii) ratings lower than the four highest generic ratings, FINRA will classify the TRACE-Eligible Security as Non-Investment Grade for purposes of TRACE. If a TRACE-Eligible Security is unrated, for purposes of TRACE, FINRA may classify the TRACE-Eligible Security as an Investment Grade security. FINRA will classify an unrated Agency Debt Security as defined in [Rule 6710(l)] as an Investment Grade security for purposes of the dissemination of transaction volume.''

[7] FINRA Rule 6710(i) defines ''Non-Investment Grade'' to mean ''a TRACE-Eligible Security that, if rated by only one NRSRO, is rated lower than one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated lower than one of the four highest generic rating categories by all or a majority of such NRSROs. Except as provided in [Rule 6710(h)], if a TRACE-Eligible Security is unrated, FINRA may classify the TRACE-Eligible Security as a Non-Investment Grade security.''

[8] *See* Notice, 83 FR at 42732.

[9] *See* Securities Exchange Act Release No. 59733 (April 8, 2009), 74 FR 17709, 17712 (April 16, 2009) (SR–FINRA–2009–010) (Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto To Expand TRACE To Include Agency Debt Securities and Primary Market Transactions).

[10] *See* Notice, 83 FR at 42732.

[11] *See id.*

[12] *See id.* at 42733. In support of the proposal, FINRA provided statistics about the trade count and notional volume traded for Investment Grade, Non-Investment Grade, and unrated Agency Debt Securities indicating that, for both metrics, transactions in Non-Investment Grade Agency Debt Securities currently account for only a small percentage of transactions in Agency Debt Securities. *See id.*

[13] *See id.*

[14] In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[15] 15 U.S.C. 78o–3(b)(6).

[16] 15 U.S.C. 78s(b)(5) (providing that the Commission ''shall consult with and consider the views of the Secretary of the Treasury prior to approving a proposed rule filed by a registered securities association that primarily concerns conduct related to transactions in government securities, except where the Commission determines that an emergency exists requiring expeditious or summary action and publishes its reasons therefor'').

[17] Telephone conversation with Treasury Department staff and Brett Redfearn, Director, Division of Trading and Markets, *et al.,* on October 2, 2018.

[18] 15 U.S.C. 78s(b)(6).

[19] 15 U.S.C. 78s(b)(2).

[20] 17 CFR 200.30–3(a)(12).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[20]

Eduardo A. Aleman,

Assistant Secretary.

[FR Doc. 2018–22203 Filed 10–11–18; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–84379; File No. SR–NYSEArca–2018–73]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating To Listing and Trading of Shares of the First Trust Short Duration Managed Municipal ETF Under NYSE Arca Rule 8.600–E

October 5, 2018.

Pursuant to Section 19(b)(1) [1] of the Securities Exchange Act of 1934 (the ''Act'') [2] and Rule 19b–4 thereunder,[3] notice is hereby given that, on October 3, 2018, NYSE Arca, Inc. (the ''Exchange'' or ''NYSE Arca'') filed with the Securities and Exchange Commission (the ''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. 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 list and trade shares of the First Trust Short Duration Managed Municipal ETF under NYSE Arca Rule 8.600–E (''Managed Fund Shares''). The proposed rule change is available on the Exchange's website at *www.nyse.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 self-regulatory organization 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 those 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 parts of such statements.

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

1. Purpose

The Exchange proposes to list and trade shares (''Shares'') of the First Trust Short Duration Managed Municipal ETF (''Fund'') under NYSE Arca Rule 8.600–E,[4] which governs the listing and trading of Managed Fund Shares.[5] The Shares will be offered by First Trust Exchange-Traded Fund III (the ''Trust''), which is registered with the Commission as an open-end management investment company.[6] The Fund is a series of the Trust.

First Trust Advisors L.P. will be the Fund's investment adviser (''Adviser''). First Trust Portfolios L.P. will be the Fund's distributor. Brown Brothers Harriman & Co. will serve as custodian (''Custodian'') and transfer agent (''Transfer Agent'') for the Fund.

Commentary .06 to Rule 8.600–E provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect and maintain a ''fire wall'' between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.[7] In addition, Commentary .06 further requires that personnel who make decisions on the open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund's portfolio. The Adviser is not registered as a broker-dealer but is affiliated with a broker-dealer, and has implemented and will maintain a ''fire wall'' with respect to such broker-dealer affiliate regarding access to information concerning the composition of and/or changes to the Fund's portfolio. In addition, personnel who make decisions on the Fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material, non-

[1] 15 U.S.C. 78s(b)(1).

[2] 15 U.S.C. 78a.

[3] 17 CFR 240.19b–4.

[4] The Securities and Exchange Commission (''Commission'') has approved Exchange listing and trading shares of actively managed funds that principally hold municipal bonds. *See, e.g.,* Securities Exchange Act Release Nos. 60981 (November 10, 2009), 74 FR 59594 (November 18, 2009) (SR–NYSEArca–2009–79) (order approving listing and trading of shares of the PIMCO Short-Term Municipal Bond Strategy Fund and PIMCO Intermediate Municipal Bond Strategy Fund); 79293 (November 10, 2016), 81 FR 81189 (November 17, 2016) (SR–NYSEArca–2016–107) (order approving listing and trading of shares of Cumberland Municipal Bond ETF under Rule 8.600); 80865 (June 6, 2017), 82 FR 26970 (June 12, 2017) (order approving listing and trading of shares of the Franklin Liberty Intermediate Municipal Opportunities ETF and Franklin Liberty Municipal Bond ETF under NYSE Arca Equities Rule 8.600); 80885 (June 8, 2017), 82 FR 27302 (June 14, 2017) (order approving listing and trading of shares of the IQ Municipal Insured ETF, IQ Municipal Short Duration ETF, and IQ Municipal Intermediate ETF under NYSE Arca Equities Rule 8.600); 82166 (November 29, 2017), 82 FR 57497 (December 5, 2017) (SR–NYSEArca–2017–90) (order approving listing and trading of shares of the Hartford Municipal Opportunities ETF Under NYSE Arca Rule 8.600–E). The Commission also has approved listing and trading on the Exchange of shares of the SPDR Nuveen S&P High Yield Municipal Bond Fund under Commentary .02 of NYSE Arca Equities Rule 5.2(j)(3). *See* Securities Exchange Act Release No.63881 (February 9, 2011), 76 FR 9065 (February 16, 2011) (SR–NYSEArca–2010–120).

[5] A Managed Fund Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a–1) (''1940 Act'') organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Rule 5.2–E(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

[6] The Trust is registered under the 1940 Act. On August 17, 2018, the Trust filed with the Commission its registration statement on Form N–1A under the Securities Act of 1933 (15 U.S.C. 77a) (''Securities Act''), and under the 1940 Act relating to the Fund (File Nos. 333–176976 and 811–22245) (''Registration Statement''). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. *See* Investment Company Act Release No. 30029 (April 10, 2012) (File No. 812–13795) (''Exemptive Order'').

[7] An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the ''Advisers Act''). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A–1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A–1 under the Advisers Act. In addition, Rule 206(4)–7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.