

The Proposed Rules fall within this category. Having considered those statutory factors, we find that applying the Proposed Rules to the audits of EGCs is necessary or appropriate in the public interest.

The PCAOB provided information identified by the Board's staff from public sources, including data and analysis of EGCs that set forth its views as to why it believes the Proposed Rules should apply to audits of EGCs. To inform consideration of the application of auditing standards to audits of EGCs, the PCAOB staff published a white paper that provides general information about characteristics of EGCs ("EGC White Paper").³⁵ In addition, the Board sought public input on the application of the Proposed Rules to the audits of EGCs.³⁶ Commenters who addressed this question generally supported applying the Proposed Rules to audits of EGCs, citing that consistent requirements should apply for similar situations encountered in any audit of a company, whether the company is an EGC or not, as well as that the benefits described in the Proposal would be applicable to EGCs.³⁷

As the Board observed in the PCAOB Adopting Release, "an analysis by the PCAOB staff . . . suggests that the prevalence and significance of the use of the work of specialists in audits of EGCs is comparable to the prevalence and significance of the use of the work of specialists in audits of non-EGCs, for audit engagements by both smaller audit firms and larger audit firms."³⁸ Additionally, the PCAOB Adopting Release noted that "any new PCAOB standards and amendments to existing standards determined not to apply to the audits of EGCs would require auditors to address the differing requirements within their methodologies, which would also create the potential for confusion."³⁹ In the EGC White Paper, the PCAOB staff stated that "[a]pproximately 99% of EGC filers were audited by accounting firms that also audit issuers that are not EGC filers."⁴⁰ As a result, there is a potential for confusion and complexity

to have auditors maintain two sets of methodologies related to using work of specialists.

The Board recognized that even a small increase in audit fees could negatively affect the profitability and competitiveness of EGCs. However, the PCAOB Adopting Release notes that many EGCs are expected to experience minimal impact from the Proposed Rules. For example, for those EGCs that use a company specialist,⁴¹ the Proposed Rules relating to the auditor's use of the work of such specialists are risk-based and designed to be scalable to companies of varying size and complexity.⁴²

The PCAOB Adopting Release also noted EGCs generally tend to have shorter financial reporting histories and as a result, there is less information available to investors regarding such companies relative to the broader population of public companies.⁴³ As such, the Proposed Rules, which are intended to enhance audit quality, could increase the credibility of financial statement disclosures by EGCs.⁴⁴

We agree with the Board's analysis. We believe the Proposed Rules will benefit EGCs at least as much as non-EGCs, in part, because the prevalence and significance of the use of the work of specialists in audits of EGCs is comparable to the prevalence and significance of the use of the work of specialists in audits of non-EGCs. In addition, we agree with the Board that, given the scalability and risk-based nature of the new audit requirements, EGCs likely will experience only minimal cost impacts from the Proposed Rules. Finally, we also agree with the Board the Proposed Rules could increase the credibility of financial statement disclosures by EGCs.

As such, after considering the protection of investors and whether the action will promote efficiency, competition, and capital formation, we believe there is a sufficient basis to determine that applying the Proposed Rules to the audits of EGCs is necessary or appropriate in the public interest.

V. Conclusion

The Commission has carefully reviewed and considered the Proposed Rules, the information submitted therewith by the PCAOB, and the

comment letters received. In connection with the PCAOB's filing and the Commission's review,

A. The Commission finds that the Proposed Rules are consistent with the requirements of the Sarbanes-Oxley Act and the securities laws and are necessary or appropriate in the public interest or for the protection of investors; and

B. Separately, the Commission finds that the application of the Proposed Rules to the audits of EGCs is necessary or appropriate in the public interest, after considering the protection of investors and whether the action will promote efficiency, competition, and capital formation.

It is therefore ordered, pursuant to Section 107 of the Sarbanes-Oxley Act and Section 19(b)(2) of the Exchange Act, that the Proposed Rules (File No. PCAOB-2019-006) be and hereby are approved.

By the Commission.

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meetings

TIME AND DATE: 2 p.m. on Thursday, July 11, 2019.

PLACE: The meeting will be held at the Commission's headquarters, 100 F Street NE, Washington, DC 20549.

STATUS: This meeting will be closed to the public.

MATTERS TO BE CONSIDERED:

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters also may be present.

In the event that the time, date, or location of this meeting changes, an announcement of the change, along with the new time, date, and/or place of the meeting will be posted on the Commission's website at <https://www.sec.gov>.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (6), (7), (8), 9(B) and (10) and 17 CFR 200.402(a)(3), (a)(5), (a)(6), (a)(7), (a)(8), (a)(9)(ii) and (a)(10), permit consideration of the scheduled matters at the closed meeting.

³⁵ See *Characteristics of Emerging Growth Companies as of November 15, 2017* (Oct. 11, 2018), available at <https://pcaobus.org/EconomicAndRiskAnalysis/Documents/White-Paper-Characteristics-Emerging-Growth-Companies-November-2017.pdf>.

³⁶ See PCAOB Proposal; see also comment letters provided to the PCAOB related to this matter, available at <https://pcaobus.org/Rulemaking/Pages/docket-044-comments-auditors-use-work-specialists.aspx>.

³⁷ See PCAOB Adopting Release at 64.

³⁸ See *id.* at 66.

³⁹ See *id.* at 64.

⁴⁰ See EGC White Paper at 20.

⁴¹ See PCAOB Adopting Release at 50, which discusses that the most significant impact on the final amendments related to costs for auditors is expected to result from the requirements to evaluate the work of a company's specialist.

⁴² See *id.* at 68.

⁴³ See *id.* at 65.

⁴⁴ See *id.* at 66.

The subject matters of the closed meeting will consist of the following topics:

Institution and settlement of injunctive actions;

Institution and settlement of administrative proceedings;

Resolution of litigation claims; and

Other matters relating to enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting agenda items that may consist of adjudicatory, examination, litigation, or regulatory matters

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

Dated: July 3, 2019.

Vanessa A. Countryman,
Secretary.

[FR Doc. 2019-14533 Filed 7-3-19; 11:15 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86256; File No. SR-FINRA-2019-008]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To Establish a Corporate Bond New Issue Reference Data Service

July 1, 2019.

I. Introduction

On March 27, 2019, 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 establish a new issue reference data service for corporate bonds. The Commission published notice of filing of the proposed rule change in the **Federal Register** on April 8, 2019. ³ On May 22, 2019, 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 the proposed rule change should be

disapproved. ⁴ The Commission has received thirteen comment letters on the proposal. ⁵ This order institutes proceedings under Section 19(b)(2)(B) of the Act ⁶ to determine whether to approve or disapprove the proposed rule change.

II. Summary of the Proposed Rule Change

As described in more detail in the Notice, FINRA proposes to establish a new issue reference data service for corporate bonds. FINRA states that its proposal is in line with a recommendation from the SEC Fixed Income Market Structure Advisory Committee, which recommended that FINRA establish a new issue data service which would contain specified data elements on TRACE-eligible corporate bond new issues. ⁷

Specifically, FINRA is proposing to amend Rule 6760 to require that underwriters subject to Rule 6760 ⁸

⁴ See Securities Exchange Act Release No. 85911, 83 FR 24839 (May 29, 2019).

The Commission designated July 7, 2019, as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

⁵ See Letters from: (1) Cathy Scott, Director, Fixed Income Forum, on behalf of The Credit Roundtable, dated April 29, 2019 (“Credit Roundtable Letter”); (2) Salman Banaei, Executive Director, IHS Markit, dated April 29, 2019 (“IHS Markit Letter”); (3) David R. Burton, Senior Fellow in Economic Policy, The Heritage Foundation, dated April 29, 2019 (“Heritage Foundation Letter”); (4) Tom Quadman, Executive Vice President, U.S. Chamber of Commerce, dated April 29, 2019 (“Chamber Letter”); (5) Lynn Martin, President and COO, ICE Data Services, dated April 29, 2019 (“ICE Data Letter”); (6) Tyler Gellasch, Executive Director, Healthy Markets Association, dated April 29, 2019 (“Healthy Markets Letter”); (7) Greg Babyak, Global Head of Regulatory Affairs, Bloomberg L.P., dated April 29, 2019 (“Bloomberg Letter”); (8) Marshall Nicholson and Thomas S. Vales, ICE Bonds dated April 29, 2019 (“ICE Bonds Letter”); (9) Christopher B. Killian, Managing Director, SIFMA, dated April 29, 2019 (“SIFMA Letter”); (10) Larry Tabb, TABB Group, dated May 15, 2019 (“Tabb Letter”); (11) Larry Harris, Fred V. Keenan Chair in Finance, U.S.C. Marshall School of Business, dated May 17, 2019 (“Harris Letter”); (12) John Plansky, Executive Vice President and Chief Executive Officer, Charles River Development, dated May 24, 2019 (“Charles River Letter”); and (13) SEC Fixed Income Market Structure Advisory Committee, dated June 11, 2019 (“FIMSAC Letter”). All comments on the proposed rule change are available at: <https://www.sec.gov/comments/sr-finra-2019-008/srfinra2019008.htm>.

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ See Fixed Income Market Structure Advisory Committee Recommendation (October 29, 2018) available at: <https://www.sec.gov/spotlight/fix-income-advisory-committee/fimsac-corporate-bond-new-issue-reference-data-recommendation.pdf>.

⁸ As part of the proposal, FINRA would amend Rule 6760(a)(1) to clarify that underwriters subject to the Rule must report required information for the purpose of providing market participants in the corporate debt security markets with reliable and timely new issue reference data to facilitate the trading and settling of these securities, in addition to the current purpose of facilitating trade reporting and dissemination in TRACE-Eligible Securities.

report to FINRA a number of data elements, including some already specified by the rule, for new issues in corporate debt securities. ⁹ FINRA proposes to require underwriters to report all these data fields prior to the first transaction in the security.

FINRA would disseminate the corporate bond new issue reference data collected under Rule 6760 upon receipt. ¹⁰ That data would be provided to subscribers for fees that FINRA states are determined on a commercially reasonable basis. In particular, FINRA proposes to make the corporate bond new issue reference data available to any person or organization for a fee of \$250 per month if used for internal purposes only, and for a fee of \$6,000 per month where the subscriber retransmits or repackages the data for delivery and dissemination outside the organization. FINRA notes that because the charge includes unlimited redistribution rights, FINRA would assess it only once on the party that subscribes to receive the data from FINRA. Accordingly, FINRA would not assess any charge on firms that receive the data from data vendors or other market participants that have subscribed for redistribution rights, nor would FINRA increase the amount charged to the subscriber based on how often it redistributes the data. FINRA states that it anticipates that many market participants, including clearing firms and correspondent firms, are likely to receive the data from data vendors to which they currently subscribe in lieu of developing processes to receive the data directly from FINRA.

If the Commission approves the filing, FINRA proposes to announce the

⁹ In connection with the proposal, FINRA also would make two technical, non-substantive, clarifying edits to the definition of corporate debt security that is currently located in FINRA Rule 2232 (Customer Confirmations). First, FINRA would clarify that the definition of corporate debt security is limited to TRACE-Eligible Securities.

Second, FINRA would update the definition of corporate debt security to exclude the class of assets defined as Securitized Products in Rule 6710(m), rather than Asset-Backed Securities, defined in Rule 6710(cc).

FINRA also proposes to relocate the revised definition of corporate debt security into the TRACE Rule Series. FINRA believes it makes sense to include the definition in Rule 6710 where it would sit alongside a number of other TRACE definitions for fixed income asset types. FINRA would make corresponding technical edits to Rule 2232 to refer to the relocated definition in Rule 6710.

¹⁰ FINRA states that under proposed Rule 6760(d), there may be some information collected under the Rule for security classification or other purposes that would not be disseminated. This may include, for example, information about ratings that is restricted by agreement. In addition, CUSIP Global Services (“CGS”) information would not be disseminated to subscribers that do not have a valid license regarding use of CGS data.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 85488 (April 2, 2019), 84 FR 13977 (“Notice”).