SUPPLEMENTARY INFORMATION:

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I. Introduction

The Commission gives notice that the Postal Service filed request(s) for the Commission to consider matters related to negotiated service agreement(s). The request(s) may propose the addition or removal of a negotiated service agreement from the market dominant or the competitive product list, or the modification of an existing product currently appearing on the market dominant or the competitive product list.

Section II identifies the docket number(s) associated with each Postal Service request, the title of each Postal Service request, the request's acceptance date, and the authority cited by the Postal Service for each request. For each request, the Commission appoints an officer of the Commission to represent the interests of the general public in the proceeding, pursuant to 39 U.S.C. 505 (Public Representative). Section II also establishes comment deadline(s) pertaining to each request.

The public portions of the Postal Service's request(s) can be accessed via the Commission's website (*http://www.prc.gov*). Non-public portions of the Postal Service's request(s), if any, can be accessed through compliance with the requirements of 39 CFR 3007.301.[1]

The Commission invites comments on whether the Postal Service's request(s) in the captioned docket(s) are consistent with the policies of title 39. For request(s) that the Postal Service states concern market dominant product(s), applicable statutory and regulatory requirements include 39 U.S.C. 3622, 39 U.S.C. 3642, 39 CFR part 3010, and 39 CFR part 3020, subpart B. For request(s) that the Postal Service states concern competitive product(s), applicable statutory and regulatory requirements include 39 U.S.C. 3632, 39 U.S.C. 3633, 39 U.S.C. 3642, 39 CFR part 3015, and 39 CFR part 3020, subpart B. Comment deadline(s) for each request appear in section II.

II. Docketed Proceeding(s)

1. *Docket No(s).:* MC2020–28 and CP2020–26; *Filing Title:* USPS Request to Add Priority Mail Contract 561 to Competitive Product List and Notice of Filing Materials Under Seal; *Filing Acceptance Date:* November 15, 2019; *Filing Authority:* 39 U.S.C. 3642, 39 CFR 3020.30 *et seq.,* and 39 CFR 3015.5; *Public Representative:* Christopher C. Mohr; *Comments Due:* November 25, 2019.

This Notice will be published in the **Federal Register**.

Darcie S. Tokioka,

Acting Secretary.

[FR Doc. 2019–25294 Filed 11–21–19; 8:45 am]

BILLING CODE 7710–FW–P

[1] *See* Docket No. RM2018–3, Order Adopting Final Rules Relating to Non-Public Information, June 27, 2018, Attachment A at 19–22 (Order No. 4679).

POSTAL SERVICE

Product Change—Parcel Select Negotiated Service Agreement

AGENCY: Postal Service™.

ACTION: Notice.

SUMMARY: The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule's Competitive Products List.

DATES: *Date of required notice:* November 22, 2019.

FOR FURTHER INFORMATION CONTACT: Sean Robinson, 202–268–8405.

SUPPLEMENTARY INFORMATION: The United States Postal Service® hereby gives notice that, pursuant to 39 U.S.C. 3642 and 3632(b)(3), on November 18, 2019, it filed with the Postal Regulatory Commission a *USPS Request to Add Parcel Select Contract 35 to Competitive Product List.* Documents are available at *www.prc.gov,* Docket Nos. MC2020–30, CP2020–28.

Sean Robinson,

Attorney, Corporate and Postal Business Law.

[FR Doc. 2019–25383 Filed 11–21–19; 8:45 am]

BILLING CODE 7710–12–P

POSTAL SERVICE

Product Change—Priority Mail Negotiated Service Agreement

AGENCY: Postal Service™.

ACTION: Notice.

SUMMARY: The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule's Competitive Products List.

DATES: *Date of required notice:* November 22, 2019.

FOR FURTHER INFORMATION CONTACT: Sean Robinson, 202–268–8405.

SUPPLEMENTARY INFORMATION: The United States Postal Service® hereby gives notice that, pursuant to 39 U.S.C. 3642 and 3632(b)(3), on November 18, 2019, it filed with the Postal Regulatory Commission a *USPS Request to Add Priority Mail Contract 562 to Competitive Product List.* Documents are available at *www.prc.gov,* Docket Nos. MC2020–31, CP2020–29.

Sean Robinson,

Attorney, Corporate and Postal Business Law.

[FR Doc. 2019–25323 Filed 11–21–19; 8:45 am]

BILLING CODE 7710–12–P

POSTAL SERVICE

Product Change—Priority Mail and First-Class Package Service Negotiated Service Agreement

AGENCY: Postal Service™.

ACTION: Notice.

SUMMARY: The Postal Service gives notice of filing a request with the Postal Regulatory Commission to add a domestic shipping services contract to the list of Negotiated Service Agreements in the Mail Classification Schedule's Competitive Products List.

DATES: *Date of required notice:* November 22, 2019.

FOR FURTHER INFORMATION CONTACT: Sean Robinson, 202–268–8405.

SUPPLEMENTARY INFORMATION: The United States Postal Service® hereby gives notice that, pursuant to 39 U.S.C. 3642 and 3632(b)(3), on November 18, 2019, it filed with the Postal Regulatory Commission a *USPS Request to Add Priority Mail & First-Class Package Service Contract 128 to Competitive Product List.* Documents are available at *www.prc.gov,* Docket Nos. MC2020–29, CP2020–27.

Sean Robinson,

Attorney, Corporate and Postal Business Law.

[FR Doc. 2019–25321 Filed 11–21–19; 8:45 am]

BILLING CODE 7710–12–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87559; File No. SR–NASDAQ–2019–090]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing of a Proposed Rule Change To Adopt Nasdaq Rule 5704 and Other Related Amendments

November 18, 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 November 8, 2019, The Nasdaq Stock Market LLC (''Nasdaq'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the 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 proposes to adopt new Nasdaq Rule 5704 to list and trade shares of securities issued by an exchange-traded fund as defined herein, as well as amendments to Nasdaq Rule 4120 (Limit Up-Limit Down Plan and Trading Halts) and Nasdaq Rule 5615 (Exemptions from Certain Corporate Governance Requirements), and to discontinue the quarterly reports currently required with respect to Managed Fund Shares under Nasdaq Rule 5735(b).

The Exchange requests that the Commission approve the proposed rule change on an accelerated basis so that it may become operative as soon as practicable, particularly given that Rule 6c–11 under the Investment Company Act of 1940, as amended, becomes effective on December 23, 2019.

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.

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

[2] 17 CFR 240.19b–4.

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

1. Purpose

The Exchange proposes Nasdaq Rule 5704 to establish generic listing standards that permit the listing and trading of shares (''Exchange Traded Fund Shares'') of exchange-traded funds (''ETFs'' as defined below) that meet the criteria established by the Commissions in its adoption of Rule 6c–11[3] (''Rule 6c–11'') under the Investment Company Act of 1940, as amended (''1940 Act''), to operate without obtaining an exemptive order from the SEC under the 1940 Act.[4] This will help to accomplish the SEC's goal in adopting Rule 6c–11 to allow such ETFs to come directly to market without the cost and delay of obtaining exemptive relief while still protecting the interests of investors and other market participants. Rule 6c–11 will provide exemptions applicable to both index-based and transparent actively managed ETFs. Rule 6c–11 will enhance the regulatory framework through streamlining existing procedures and reducing the costs and time frames associated with bringing ETFs to market. This, in turn, will also serve to enhance competition among ETF issuers and ultimately reduce investor costs.[5]

Nasdaq believes that the proposed generic listing rules for Exchange Traded Fund Shares, described below, will facilitate efficient procedures for ETFs that are permitted to operate in reliance on Rule 6c–11. The Exchange also believes that proposed Nasdaq Rule 5704 is consistent with, and will further, the Commission's goals in adopting Rule 6c–11. Exchange Traded Fund Shares that are permitted to operate in reliance on Rule 6c–11 will be permitted to be listed and traded on the Exchange without a prior Commission approval order or notice of effectiveness pursuant to Section 19(b) of the Act. This will significantly reduce the time frame and costs associated with bringing Exchange Traded Fund Shares to market, which, in turn, will promote competition among issuers of Exchange Traded Fund Shares, to the benefit of investors.

The Exchange also proposes to amend Nasdaq Rule 4120 (Limit Up-Limit Down Plan and Trading Halts) and Nasdaq Rule 5615 (Exemptions from Certain Corporate Governance Requirements), and to discontinue the quarterly reports currently required with respect to Managed Fund Shares under Nasdaq Rule 5735(b).

Proposed Nasdaq Rule 5704 will enable ETFs, whether index-based or actively managed, to qualify for listing and trading on the Exchange both on an initial and continued basis by meeting and maintaining compliance with the criteria set forth in Rule 6c–11.[6] The specific provisions of proposed Nasdaq Rule 5704 are presented below, as well as amendments to Nasdaq Rule 4120 (Limit Up-Limit Down Plan and Trading Halts) and Nasdaq Rule 5615 (Exemptions from Certain Corporate Governance Requirements), which would be necessitated by adoption of the proposed rule. Additionally, the proposed rule change to discontinue the quarterly reports currently required with respect to Managed Fund Shares under Nasdaq Rule 5735(b) is also discussed below.

Proposed Nasdaq Rule 5704

Proposed Definitions. Proposed Nasdaq Rule 5704(a)(1)(A), which defines the term ''Derivative Securities Product'' to mean a security that meets the definition of ''derivative securities product'' in Rule 19b–4(e) under the Act. Proposed Nasdaq Rule 5704(a)(1)(B) defines the term ''Exchange Traded Fund'' (''ETF'') as having the same meaning as the term ''exchange-traded fund'' is defined in

[3] Specifically, Rule 6c–11 applies to open-end funds that (i) issue and redeem creation units to and from authorized participants in exchange for a basket of securities and other assets (and any cash balancing amount), and (ii) whose shares are listed on a national securities exchange and trade at market-determined prices. Rule 6c–11 does not apply to leveraged, inverse, non-transparent, share classes, or exchange-traded funds structured as unit investment trusts.

[4] *See* Release Nos. 33–10695; IC–33646; File No. S7–15–18 (Exchange-Traded Funds) (September 25, 2019), 84 FR 57162 (October 24, 2019) (''Adopting Release'').

[5] The SEC said in the Adopting Release that Rule 6c–11 ''will modernize the regulatory framework for ETFs to reflect our more than two decades of experience with these investment products. The rule is designed to further important Commission objectives, including establishing a consistent, transparent, and efficient regulatory framework for ETFs and facilitating greater competition and innovation among ETFs.'' *See* Adopting Release at 57163. The SEC also said that in reference to the impact of Rule 6c–11 that: ''We believe rule 6c–11 will establish a regulatory framework that: (1) Reduces the expense and delay currently associated with forming and operating certain ETFs unable to rely on existing orders; and (2) creates a level playing field for ETFs that can rely on the rule. As such, the rule will enable increased product competition among certain ETF providers, which can lead to lower fees for investors, encourage financial innovation, and increase investor choice in the ETF market.'' *See* Adopting Release at 57204.

[6] Rule 6c–11 becomes effective on December 23, 2019. Subject to approval of this proposed rule change, Exchange Traded Fund Shares that are permitted to operate in reliance on Rule 6c–11 will be eligible for listing and trading on Nasdaq under proposed Nasdaq Rule 5704 after that date.

Rule 6c–11.[7] In the case of an Exchange Traded Fund that is not currently listed on a national securities exchange, the portion of the definition found in Rule 6c–11 requiring such listing will become applicable if the Exchange Traded Fund is listed on a national securities exchange.

Proposed Nasdaq Rule 5704(a)(1)(C) defines the term ''Exchange Traded Fund Share'' as having the same meaning as the term is defined as having in Rule 6c–11.[8]

Proposed Nasdaq Rule 5704(a)(1)(D) defines the term ''Reporting Authority'' in respect of a particular series of Exchange Traded Fund Share means Nasdaq, a wholly-owned subsidiary of Nasdaq, or an institution or reporting service designated by Nasdaq or its subsidiary as the official source for calculating and reporting information relating to such series, including, but not limited to, any current index or portfolio value; the current value of the portfolio of any securities required to be deposited in connection with issuance of Exchange Traded Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of Exchange Traded Fund Shares, net asset value, and other information relating to the issuance, redemption or trading of Exchange Traded Fund Shares. The definition also notes that it does not imply that an institution or reporting service that is the source for calculating and reporting information relating to Exchange Traded Fund Shares must be designated by Nasdaq; the term ''Reporting Authority'' does not refer to an institution or reporting service not so designated.

Initial and Continued Listing. Proposed Nasdaq Rule 5704(b) states that Nasdaq may approve a series of Exchange Traded Fund Shares for listing and trading pursuant to Rule 19b–4(e) under the Act, provided it is eligible to operate in reliance on Rule 6c–11 and is in compliance with the requirements of Rule 6c–11(c) on an initial and continued listing basis.[9] The requirements of Nasdaq Rule 5704 must also be satisfied on an initial and continued listing basis.

Proposed Nasdaq Rule 5704(b)(1) says that for a Derivative Securities Product listed under this rule, it does not need to separately meet either the initial or continued listing requirements of any other Exchange rules. For example, an ETF that satisfies the requirements of Rule 6c–11 and therefore is listed pursuant to proposed Nasdaq Rule 5704 and is also, for example, an Index Fund Share, would not need to separately meet the initial or continued listing requirements of Nasdaq Rule 5705(b).

Proposed Nasdaq Rule 5704(b)(2), [sic] except for paragraph (A) below which only applies on an initial listing basis, such securities must also satisfy the follow criteria on an initial and continued listing basis:

Proposed Nasdaq Rule 5704(b)(2)(A) states that for each series of Exchange Traded Fund Shares, Nasdaq will establish a minimum number of Exchange Traded Fund Shares required to be outstanding at the time of commencement of trading on Nasdaq.

Proposed Nasdaq Rule 5704(b)(2)(B) sets for the requirements regarding index calculation and dissemination that must be satisfied on both an initial and continued listing basis. Proposed Nasdaq Rule 5704(b)(2)(i) [sic] states that if the underlying index is maintained by a broker-dealer or fund advisor, the broker-dealer or fund advisor will erect and maintain a ''fire wall'' around the personnel who have access to information concerning changes and adjustments to the index and the index will be calculated by a third party who is not a broker-dealer or fund advisor. Proposed Nasdaq Rule 5704(b)(2)(ii) [sic] states that any advisory committee, supervisory board, or similar entity that advises a Reporting Authority or that makes decisions on the index composition, methodology and related matters, must implement and maintain, or be subject to, procedures designed to prevent the use and dissemination of material non-public information regarding the applicable index.

Proposed Nasdaq Rule 5704(b)(2)(C) states that regular market session trading will occur between 9:30 a.m. and either 4:00 p.m. or 4:15 p.m. for each series of Exchange Traded Fund Shares, as specified by Nasdaq. In addition, Nasdaq may designate a series of Exchange Traded Fund Shares for trading during a pre-market session beginning at 4:00 a.m. and/or a post-market session ending at 8:00 p.m.

Proposed Nasdaq Rule 5704(b)(2)(D) states that Nasdaq may list and trade a series of Exchange Traded Fund Shares based on one or more foreign or domestic indexes or portfolios. Each series of Exchange Traded Fund Shares based on each particular index or portfolio, or combination thereof, will be designated as a separate series and will be identified by a unique symbol. The components that are included in an index or portfolio on which a series of Exchange Traded Fund Shares is based will be selected by such person, which may be Nasdaq or an agent or wholly-owned subsidiary thereof, as will have authorized use of such index or portfolio. Such index or portfolio may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index or portfolio.

Proposed Nasdaq Rule 5704(b)(2)(E) states that Nasdaq will obtain a representation from the ETF that the net asset value per share for each series of Exchange Traded Fund Shares will be calculated daily and will be made available to all market participants at the same time.

Proposed Nasdaq Rule 5704(b)(3) sets forth the circumstances under which Nasdaq will consider the suspension of trading and removal in, and will initiate delisting proceedings under the Rule

[7] Rule 6c–11(a)(1) defines ''exchange-traded fund'' as a registered open-end management company: (i) That issues (and redeems) creation units to (and from) authorized participants in exchange for a basket and a cash balancing amount if any; and (ii) Whose shares are listed on a national securities exchange and traded at market-determined prices. The terms ''authorized participant,'' ''basket'' and ''creation unit'' are defined in Rule 6c–11(a).

[8] Rule 6c–11(a)(1) defines ''exchange-traded fund share'' as a share of stock issued by an exchange-traded fund.

[9] Rule 6c–11(c) sets forth certain conditions applicable to exchange-traded funds, and specifies the information required to be disclosed prominently on the fund's website free of charge, including the following: (i) Before the opening of regular trading on the primary listing exchange of the exchange-traded fund shares, the estimated cash balancing amount (if any) and the following information (as applicable) for each portfolio holding that will form the basis of the next calculation of current net asset value per share: (A) Ticker symbol; (B) CUSIP or other identifier; (C) Description of holding; (D) Quantity of each security or other asset held; and (E) Percentage weight of the holding in the portfolio; (ii) The exchange-traded fund's current net asset value per share, market price, and premium or discount, each as of the end of the prior business day; (iii) A table showing the number of days the exchange-traded fund's shares traded at a premium or discount during the most recently completed calendar year and the most recently completed calendar quarters since that year (or the life of the exchange-traded fund, if shorter); (iv) A line graph showing exchange-traded fund share premiums or discounts for the most recently completed calendar year and the most recently completed calendar quarters since that year (or the life of the exchange-traded fund, if shorter); (v) The exchange-traded fund's median bid-ask spread, expressed as a percentage rounded to the nearest hundredth (and computed in a manner described in Rule 6c–11(c)(v)(A) through (D)); and (vi) If the exchange-traded fund's premium or discount is greater than 2% for more than seven consecutive trading days, a statement that the exchange-traded fund's premium or discount, as applicable, was greater than 2% and a discussion of the factors that are reasonably believed to have materially contributed to the premium or discount, which must be maintained on the website for at least one year thereafter. Rule 6c–11(c)(4) provides that the exchange-traded fund may not seek, directly or indirectly, to provide investment returns that correspond to the performance of a market index by a specified multiple, or to provide investment returns that have an inverse relationship to the performance of a market index, over a predetermined period of time.

5800 Series of, a series of Exchange Traded Fund Shares. These circumstances will include the following: (i) Proposed Nasdaq Rule 5704(b)(3)(A) states that if the series of Exchange Traded Fund Shares is no longer eligible to operate in reliance on Rule 6c–11 or if any of the other requirements set forth in this rule are not continuously maintained; (ii) Proposed Nasdaq Rule 5704(b)(3)(B) states that if, following the initial twelve month period after commencement of trading on Nasdaq of the series of Exchange Traded Fund Shares, there are fewer than 50 beneficial holders of such series of Exchange Traded Fund Shares; (iii) Proposed Nasdaq Rule 5704(b)(3)(C) states that if the value of the index or portfolio of securities on which the series of Exchange Traded Fund Shares is based is no longer calculated or available or an interruption to the dissemination persists past the trading day in which it occurred or the index or portfolio on which the series of Exchange Traded Fund Shares is based is replaced with a new index or portfolio, unless the new index or portfolio meets the requirements of this Rule 5705(b) for listing either pursuant to Rule 19b–4(e) under the Act (including the filing of a Form 19b–4(e) with the Commission) or by Commission approval of a filing pursuant to Section 19(b) of the Act; (iv) Proposed Nasdaq Rule 5704(c)(3)(D) [sic] states that if Nasdaq files separate proposals under Section 19(b) of the Act, any of the statements or representations regarding (a) the index composition; (b) the description of the portfolio; (c) limitations on portfolio holdings or reference assets; (d) dissemination and availability of the index or intraday indicative values; or (e) the applicability of Nasdaq listing rules specified in such proposals are not continuously maintained as referenced in subsection (h) of this rule; and (v) Proposed Nasdaq Rule 5704(c)(3)(E) [sic] state that if such other event will occur or condition exists which in the opinion of Nasdaq, makes further dealings on Nasdaq inadvisable.

Proposed Nasdaq Rule 5704(c) states that Nasdaq will maintain written surveillance procedures for Exchange Traded Fund Shares.

Proposed Nasdaq Rule 5704(d) states that upon termination of an ETF, Nasdaq requires that each series of Exchange Traded Fund Shares issued in connection with such entity be removed from listing.

Proposed Nasdaq Rule 5704(e) states that Nasdaq requires that members provide to all purchasers of a series of Exchange Traded Fund Shares a written description of the terms and characteristics of such securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, members will include such a written description with any sales material relating to an ETF that is provided to customers or the public. Any other written materials provided by a member to customers or the public making specific reference to an Exchange Traded Fund Shares as an investment vehicle must include a statement in substantially the following form: ''A circular describing the terms and characteristics of [a series of Exchange Traded Fund Shares] has been prepared by the [open-end management investment company name] and is available from your broker or Nasdaq. It is recommended that you obtain and review such circular before purchasing [a series of Exchange Traded Fund Shares]. In addition, upon request you may obtain from your broker a prospectus for [a series of Exchange Traded Fund Shares].''

Additionally, a member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase a series of Exchange Traded Fund Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this rule. Upon request of a customer, a Member shall also provide a prospectus for the particular series of Exchange Traded Fund Shares.

Proposed Nasdaq Rule 5704(f) states that neither Nasdaq, the Reporting Authority, nor any agent of Nasdaq will have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current index or portfolio value, the current value of the portfolio of securities required to be deposited to the open-end management investment company in connection with issuance of a series of Exchange Traded Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of a series of Exchange Traded Fund Shares; net asset value; or other information relating to the purchase, redemption or trading of a series of Exchange Traded Fund Shares, resulting from any negligent act or omission by Nasdaq, the Reporting Authority or any agent of Nasdaq, or any act, condition or cause beyond the reasonable control of Nasdaq, its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in one or more underlying securities.

Proposed Nasdaq Rule 5704(g) states that Nasdaq may approve a series of Exchange Traded Fund Shares for listing and trading pursuant to Rule 19b–4(e) under the Act that is not eligible to operate in reliance on Rule 6c–11 provided the series of Exchange Traded Fund Shares satisfies the requirements of Rule 5705(b) or Rule 5735, as applicable, and the ETF has received an exemptive relief order under the 1940 Act.

Proposed Nasdaq Rule 5704(h) states that Nasdaq may submit a rule filing pursuant to Section 19(b) of the Act to permit the listing and trading of a series of Exchange Traded Fund Shares that is not eligible to operate in reliance on Rule 6c–11 and does not satisfy the requirements of Rule 5705(b) or Rule 5735, as applicable. Any of the statements or representations regarding (a) the index composition; (b) the description of the portfolio; (c) limitations on portfolio holdings or reference assets; (d) dissemination and availability of the index or intraday indicative values; or (e) the applicability of Nasdaq listing rules specified in such proposals constitute continued listing standards.

Proposed Nasdaq Rule 5704(i) states that a Derivative Securities Product that has previously been approved for listing on the Exchange pursuant to the generic listing requirements specified in Rule 5705(b) or Rule 5735(b)(1), or pursuant to a proposed rule change filed and approved or subject to a notice of effectiveness by the Commission, will be deemed to be considered approved for listing under this Rule if such Derivative Securities Product is both (1) permitted to operate in reliance on Rule 6c–11 under the 1940 Act, and (2) the prior exemptive relief under the 1940 Act for such Derivative Securities Product has been rescinded. At such time, the continued listing requirements applicable to such previously-listed Derivative Securities Products will be those specified in paragraph (b) of this Rule. Any requirements for listing as specified in Rule 5705(b) or 5735(b)(1), or an approval order or notice of effectiveness of a separate proposed rule change that differ from the requirements of this Rule will no longer be applicable to such Derivative Securities Products.

Amendments to Nasdaq Rule 4120. Limit Up-Limit Down Plan and Trading Halts

The Exchange proposes to amend Nasdaq Rule 4120 to include Exchange Traded Fund Shares within the definition of ''Derivative Securities Product'' as defined in Nasdaq Rule 4120(b)(4)(A). This will ensure the applicability of trading halts to the trading of Exchange Traded Fund Shares on Nasdaq pursuant to unlisted trading privileges.

Amendments to Nasdaq Rule 5615. Exemptions From Certain Corporate Governance Requirements

The Exchange also proposes to amend the definition of ''Derivative Securities'' in Nasdaq Rule 5615 to incorporate to incorporate Exchange Traded Fund Shares so Rule 5615 and its exemptions from certain corporate governance requirements are applicable to Exchange Traded Fund Shares.

Proposed Discontinuance of Quarterly Reporting Obligation for Managed Fund Shares

On September 23, 2016, the SEC approved Nasdaq Rule 5735(b)(1), adopting generic listing standards for Managed Fund Shares.[10] In proposing that rule, Nasdaq represented that it would provide the Commission staff with a report each calendar quarter about issues of Managed Fund Shares listed under that rule.[11]

Nasdaq believes such quarterly reports are no longer necessary in light of the requirements set forth in Rule 6c–11(d). As a result, the Exchange proposes to discontinue such reporting going forward. Rule 6c–11(d) includes specific ongoing reporting requirements for ETFs, such as written agreements between an authorized participant and a fund allowing purchase or redemption of creation units, information regarding the baskets exchanged with authorized participants, and the identity of authorized participants transacting with a fund.[12] This information will be sufficient for the SEC's examination staff to determine compliance with Rule 6c–11 and the applicable federal securities laws.[13]

Nasdaq believes that the quarterly reports as currently are duplicative of the new Rule 6c–11(d) requirements. To avoid unnecessary overlap and potential inconsistency, as well as to avoid unnecessary, duplicative burdens on authorized participants and their firms in providing and maintaining information regarding creation and redemption activity, the Exchange proposes to discontinue the filing of quarterly reports with respect to Managed Fund Shares under Nasdaq Rule 5735(b).

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[14] in general, and furthers the objectives of Section 6(b)(5) of the Act,[15] in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest because it would facilitate the listing and trading of additional Exchange Traded Fund Shares, which would enhance competition among market participants, to the benefit of investors and the marketplace.

The generic listing rules in proposed Nasdaq Rule 5704, as described above, will facilitate efficient procedures for listing ETFs that are permitted to operate in reliance on Rule 6c–11 and are consistent with and will further the SEC's goals in adopting Rule 6c–11. Additionally, by allowing Exchange Traded Fund Shares to be listed and traded on the Exchange without a prior SEC approval order or notice of effectiveness pursuant to Section 19(b) of the Act, proposed Nasdaq Rule 5704 will significantly reduce the time frame and costs associated with bringing Exchange Traded Fund Shares to market, thereby promoting market competition among issuers of these securities, to the benefit of the investors. Also, the proposed change would fulfill the intended objective of Rule 19b–4(e) under the Act by permitting Exchange Traded Fund Shares that satisfy the proposed listing standards to be listed and traded without separate SEC approval.

With respect to proposed Nasdaq Rule 5704(a)(1)(A), which defines the term ''Derivative Securities Product'' to mean a security that meets the definition of ''derivative securities product'' in Rule 19b–4(e) under the Act will increase the clarity of the Nasdaq rules to the benefit of investors and the marketplace.

With respect to both proposed Nasdaq Rule 5704(a)(1)(B), which defines the term ''Exchange Traded Fund'', and proposed Nasdaq Rule 5704(a)(1)(C), which defines the term ''Exchange Traded Fund Share'', the Exchange believes these definitions will increase the clarity to the benefit of investors and the marketplace. Additionally, these terms mirror the definitions as set forth in Rule 6c–11.[16]

With respect to proposed Nasdaq Rule 5704(a)(1)(D), which defines the term ''Reporting Authority'', the Exchange believes that defining the term generally consistent with how it is defined in Nasdaq Rule 5705[17] and Nasdaq Rule

[10] *See* Exchange Act Release No. 78918 (September 23, 2016), 81 FR 67033 (September 29, 2016) (SR–NASDAQ–2016–104).

[11] *See* Exchange Act Release No. 78616 (August 18, 2016), 81 FR 57968 at 57973 (August 24, 2016) (''the Exchange will provide the Commission staff with a report each calendar quarter that includes the following information for issues of Managed Fund Shares listed during such calendar quarter under Rule 5735(b)(1): (1) Trading symbol and date of listing on the Exchange; (2) the number of active authorized participants and a description of any failure of an issue of Managed Fund Shares or of an authorized participant to deliver shares, cash, or cash and financial instruments in connection with creation or redemption orders; and (3) a description of any failure of an issue of Managed Fund Shares to comply with Nasdaq Rule 5735'').

[12] Rule 6c–11(d), which sets forth recordkeeping requirements applicable to exchange-traded funds, provides that that the exchange-traded fund must maintain and preserve for a period of not less than five years, the first two years in an easily accessible place: (1) All written agreements (or copies thereof) between an authorized participant and the exchange-traded fund or one of its service providers that allows the authorized participant to place orders for the purchase or redemption of creation units; (2) For each basket exchanged with an authorized participant, records setting forth: (i) The ticker symbol, CUSIP or other identifier, description of holding, quantity of each holding, and percentage weight of each holding composing the basket exchanged for creation units; (ii) If applicable, identification of the basket as a custom basket and a record stating that the custom basket complies with policies and procedures that the exchange-traded fund adopted pursuant to paragraph (c)(3) of Rule 6c–11; (iii) Cash balancing amount (if any); and (iv) Identity of authorized participant transacting with the exchange traded fund.

[13] In the Adopting Release, the SEC stated, ''requiring ETFs to maintain records regarding each basket exchanged with authorized participants will provide our examination staff with a basis to understand how baskets are being used by ETFs, particularly with respect to custom baskets. In order to provide our examination staff with detailed information regarding basket composition, however, we have modified rule 6c–11 to require the ticker symbol, CUSIP or other identifier, description of holding, quantity of each holding, and percentage weight of each holding composing the basket exchanged for creation units as part of the basket records, instead of the name and quantities of each position as proposed. We believe that this additional information will better enable our examination staff to evaluate compliance with the rule and other applicable provisions of the federal securities laws.'' *See* Adopting Release at 57195.

[14] 15 U.S.C. 78f(b).

[15] 15 U.S.C. 78f(b)(5).

[16] *See* Adopting Release at 57178 and at 57234, respectively.

[17] *See* Nasdaq Rule 5705(b)(1)(C).

5735 [18] will increase the clarity to the benefit of investors and the marketplace.

With respect to proposed Nasdaq Rule 5704(b), Exchange Traded Fund Shares will be listed and traded on the Exchange subject to the requirement that each series of Exchange Traded Fund Shares is eligible to operate in reliance on Rule 6c–11 [19] and must satisfy the requirements of this Rule on an initial and continued listing basis. This requirement will ensure that Exchange-listed Exchange Traded Fund Shares continue to operate in a manner that fully complies with the portfolio transparency requirements of Rule 6c–11(c). This will also ensure that Exchange Traded Fund Shares listed and traded on the Exchange in accordance with Nasdaq Rule 5704 on an initial and continued listing basis will serve to perfect the mechanisms of, a free and open market and a national market system and, in general, to protect investors and the public interest.

With respect to proposed Nasdaq Rule 5704(b) and subparagraphs (1)–(6) [sic] thereunder (with the exception that subparagraph (1) [sic] only applies on an initial listing basis),[20] the Exchange believes it is to the benefit of investors and the marketplace that Nasdaq may approve an ETF for listing and trading pursuant to Rule 19b–4(e) under the Act. The approval is also contingent on the ETF being eligible to operate in reliance on Rule 6c–11 and satisfies the requirements of the rule on an initial and continued listing basis. Nasdaq will monitor for compliance with the continued listing requirements. If the ETF is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures under proposed Nasdaq Rule 5704(b)(3). The Exchange believes that this will help to prevent fraudulent and manipulative acts and practices.

The Exchange believes this also fulfills the intended objective of Rule 19b–4(e) under the Act by allowing Exchange Traded Fund Shares to be listed and traded without requiring separate Commission approval and this will provide investors with additional investment choices that they may choose to invest in.

With respect to proposed Nasdaq Rule 5704(c), the Exchange will implement written surveillance procedures for Exchange Traded Fund Shares and represents that its surveillance procedures are adequate to properly monitor such trading in all trading sessions and to deter and detect violations of Nasdaq rules. Specifically, the Exchange intends to utilize its existing surveillance procedures applicable to derivative products, which will include Exchange Traded Fund Shares, to monitor trading in the Exchange Traded Fund Shares (additional surveillance processes and procedures are described infra). These surveillance procedures promote just and equitable principles of trade, 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.

With respect to proposed Nasdaq Rule 5704(d), which states that upon termination of an ETF that Nasdaq will remove from listing the Exchange Traded Fund Shares issued in connection with such entity. The Exchange believes that adopting language similar to language already included in Nasdaq Rule 5705(b)(9)(B)f. [sic] and in Nasdaq Rule 5735(d)(2)(E) makes for consistency among Nasdaq's rules and benefits investors and the marketplace by making clear rules that lessen potential confusion.

With respect to proposed Nasdaq Rule 5704(e), which states that Nasdaq requires that members provide to all purchasers of Exchange Traded Fund Shares a written description of the terms and characteristics of such securities and a written description with any sales material relating to an ETF that is provided to customers or the public, the Exchange believes that requiring similar written disclosure to that already required under Nasdaq Rule 5705(b)(2) and Nasdaq Rule 5735(f) makes for consistency among Nasdaq's rules and benefits investors and the marketplace by making clear rules that lessen potential confusion.

With respect to proposed Nasdaq Rule 5704(f), which sets forth the limitation of liability applicable to Nasdaq, the Reporting Authority, or any agent of Nasdaq, the Exchange believes that requiring similar written disclosure to that already required under Nasdaq Rule 5707(b)(11) and Nasdaq Rule 5735(e) makes for consistency among Nasdaq's rules and benefits investors and the marketplace by reducing potential confusion.

With respect to proposed Nasdaq Rule 5704(g), which states that Nasdaq may approve an ETF for listing and trading pursuant to Rule 19b–4(e) under the Act that is not eligible to operate in reliance on Rule 6c–11 provided the ETF satisfies the requirements of Rule 5705(b) or Rule 5735, as applicable, the Exchange believes will benefit of investors and the marketplace by providing them with additional investment products that qualify as Index Fund Shares or Managed Fund Shares that they may choose to invest in.

With respect to proposed Nasdaq Rule 5704(h), which allows Nasdaq to submit a rule filing pursuant to Section 19(b) of the Act to permit the listing and trading of an ETF that is not eligible to operate in reliance on Rule 6c–11 and does not satisfy the requirements of Rule 5705(b) or Rule 5735, as applicable, the Exchange believes will benefit of investors and the marketplace by providing them with innovative additional investment products that do not qualify as Exchange Traded Fund Shares, Index Fund Shares or Managed Fund Shares but that investors and the marketplace may choose to invest in.

With respect to proposed Nasdaq Rule 5704(i), which states that a Derivative Securities Product that has previously been approved for listing on the Exchange pursuant to the generic listing requirements specified in Rule 5705(b) or Rule 5735(b)(1), or pursuant to a proposed rule change filed and approved or subject to a notice of effectiveness by the Commission, will be deemed to be considered approved for listing under this Rule if such Derivative Securities Product is both (1) permitted to operate in reliance on Rule 6c–11 under the 1940 Act, and (2) the prior exemptive relief under the 1940 Act for such Derivative Securities Product has been rescinded, the Exchange believes makes for consistency among Nasdaq's rules and benefits investors and the marketplace by making clear rules that lessen potential confusion. The Exchange believes the rest of proposed Nasdaq Rule 5704(i), which states any requirements for listing as specified in Rule 5705(b) or 5735(b)(1), or an approval order or notice of effectiveness of a separate proposed rule change that differ from the requirements of this Rule will no longer be applicable to such Derivative Securities Products will streamline the listing process for such securities, consistent with the regulatory

[18] *See* Nasdaq Rule 5735(c)(4).

[19] Rule 6c–11(c) sets forth certain conditions applicable to ETFs, including information required to be disclosed on the ETF's website.

[20] Proposed Nasdaq Rule 5704(b)(1)–(6) [sic] covers: (i) Establishing a minimum number of Exchange Traded Fund Shares required to be outstanding at the time of commencement of trading on Nasdaq (only applicable on an initial listing basis); (ii) written surveillance procedures for ETFs; (iii) index calculation and dissemination and ''fire walls'' around the personnel who have access to information concerning changes and adjustments to the index; (iv) regular market session trading; (v) the listing and trading of ETFs based on one or more foreign or domestic indexes or portfolios; and (vi) Nasdaq will obtain a representation from the ETF that the net asset value per share for the ETF will be calculated daily and will be made available to all market participants at the same time.

framework adopted in Rule 6c–11 under the 1940 Act.

The Exchange believes that proposed Nasdaq Rule 5704, as well as amendments to Nasdaq Rules 4120 and 5615 will facilitate the listing and trading of additional types of exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace.

Proposed Nasdaq Rule 5704 and related amendments to other Nasdaq rules are also designed to protect investors and the public interest because Exchange Traded Fund Shares listed and traded pursuant to Rule 5704 and that rely on the conditions and requirements of Rule 6c–11 will continue to be subject to the full panoply of Exchange rules and procedures that currently govern the trading of equity securities on the Exchange.[21]

Nasdaq believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices. The Exchange has in place written surveillance procedures that are adequate to properly monitor trading in the Exchange Traded Fund Shares in all trading sessions and to deter and detect violations of Exchange rules and applicable federal securities laws. The surveillance procedures for monitoring compliance with Rule 6c–11 will be consistent with the manner in which the Exchange conducts its trading surveillance for ETFs. The Exchange will also require that issuers of Exchange Traded Fund Shares listed under the Nasdaq Rule 5704 must notify the Exchange regarding instances of non-compliance. Additionally, the Exchange will require periodic certifications from the issuer that it has maintained compliance with Rule 6c–11. Nasdaq will also check the ETF's website on a periodic basis for the inclusion of proper disclosure in compliance with Rule 6c–11.

The Exchange believes that the proposed rule changes enumerated above that seek to incorporate Rule 6c–11 into Nasdaq's rules will promote just and equitable principles of trade, 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. As the SEC noted in its Adopting Release, Rule 6c–11 may to allow ETFs to operate are in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act,[22] as well as lead to increased capital formation particularly in the form of an increased demand for ETFs.[23]

The Exchange believes that the discontinuance of quarterly reports currently required for Managed Fund Shares under Nasdaq Rule 5735(b) are no longer necessary in light of the requirements of Rule 6c–11(d).[24] promotes just and equitable principles of trade, removes impediments to, and perfects the mechanisms of, a free and open market and a national market system by eliminating a requirement no longer necessary or of benefit to the Commission

As discussed above, Rule 6c–11(d) includes specific ongoing reporting requirements for exchange-traded funds, including written agreements between an authorized participant and a fund allowing purchase or redemption of creation units, information regarding the baskets exchanged with authorized participants, and the identity of authorized participants transacting with a fund. The SEC has stated that the information required by Rule 6c–11(d) will provide the SEC's examination staff with information to determine compliance with Rule 6c–11 and applicable federal securities laws.

As a result, Nasdaq believes it should discontinue the filing of quarterly reports with respect to Managed Fund Shares under Nasdaq Rule 5735(b). This will avoid unnecessary overlap and potential inconsistency between the quarterly reports and the reporting requirements of Rule 6c–11(d). It will also avoid unnecessary, duplicative burdens on authorized participants and their firms in providing and maintaining information regarding creation and redemption activity.

For the above reasons, the Exchange believes that the proposal is consistent with the requirements of Section 6(b)(5) of the Act.

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 not necessary or appropriate in furtherance of the purposes of the Act, as amended. Rather, the Exchange believes that the proposed rule change would facilitate the listing and trading of Exchange Traded Fund Shares and result in a significantly more efficient process surrounding the listing and trading of ETFs, which will enhance competition among market participants, to the benefit of investors and the marketplace.

The Exchange believes that this would reduce the time frame for bringing ETFs to market, thereby reducing the burdens on issuers and other market participants and promoting competition. In turn, the Exchange believes that the proposed change would make the process for listing Exchange Traded Fund Shares more competitive by applying uniform listing standards with respect to Exchange Traded Fund Shares.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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–2019–090 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–NASDAQ–2019–090. 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

[21] *See* note 4 above, Adopting Release at 57171.

[22] *Id.* at 57166.

[23] *Id.* at 57220.

[24] *See* note 12 *supra.*

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 comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NASDAQ–2019–090, and should be submitted on or before December 13, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[25]

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2019–25316 Filed 11–21–19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87557; File No. SR–FINRA–2019–027]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 12000 Series To Expand Options Available to Customers if a Firm or Associated Person Is or Becomes Inactive

November 18, 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 November 5, 2019, Financial Industry Regulatory Authority, Inc. (''FINRA'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. 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

FINRA is proposing to amend FINRA Rules 12100, 12202, 12214, 12309, 12400, 12601, 12702, 12801, and 12900 of the Code of Arbitration Procedure for Customer Disputes (''Customer Code'' or ''Code'') to expand a customer's options to withdraw an arbitration claim if a member or an associated person becomes inactive before a claim is filed or during a pending arbitration. In addition, the proposed amendments would allow customers to amend pleadings, postpone hearings, request default proceedings and receive a refund of filing fees in these situations.

The text of the proposed rule change is available on FINRA's website at *http://www.finra.org,* at the principal office of FINRA 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, FINRA 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. FINRA 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

Background

Most unpaid customer arbitration awards are rendered against firms or individuals whose FINRA registration has been terminated, suspended, cancelled, or revoked, or who have been expelled from FINRA. These firms and individuals are generally referred to as ''inactive,'' and are no longer FINRA members or associated with a FINRA member, although they may continue to operate in another area of the financial services industry where FINRA registration is not required. Firms and individuals can become inactive prior to an arbitration claim being filed, during an arbitration proceeding, or subsequent to an arbitration award, and this status can be caused by FINRA's action, such as when a firm or individual is suspended for failing to pay an award, or by the firm's or individual's own voluntary action.

FINRA has implemented a number of changes to its arbitration program that expand the options available to a customer when dealing with those members or associated persons that are inactive either at the time the claim is filed or at the time of the award. For example, when a customer claimant first files an arbitration claim, FINRA alerts, by letter, the customer claimant if the respondent, whether a member or an associated person, is inactive. FINRA also informs the claimant that awards against such members or associated persons have a much higher incidence of non-payment and that FINRA has limited disciplinary leverage over inactive members or associated persons that fail to pay arbitration awards. Thus, the customer knows before pursuing the claim in arbitration that collection of an award may be more difficult. In addition, upon learning that the member or associated person is inactive, a customer may determine to amend his or her claim to add other respondents from whom the customer may be able to collect should the claim go to award.

Proposed Rule Change

FINRA is proposing to amend the Customer Code[3] to expand further the options available to customers in situations where a firm becomes inactive during a pending arbitration, or where an associated person becomes inactive either before a claim is filed or during a pending arbitration. FINRA is also proposing to amend the Code to allow customers to amend pleadings, postpone hearings, request default proceedings and receive a refund of filing fees if the customer withdraws the claim under these situations.[4]

A. Arbitrating Claims Against Inactive Members and Associated Persons

Currently, under FINRA Rule 12202 (Claims Against Inactive Members), a customer's claim against a firm whose membership is terminated, suspended, cancelled or revoked, or that has been expelled from FINRA, or that is

[25] 17 CFR 200.30–3(a)(12).

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

[2] 17 CFR 240.19b–4.

[3] While unpaid awards occur in intra-industry cases (*i.e.,* disputes between or among members and associated persons), the proposed amendments would apply to customer cases only.

[4] FINRA is also proposing to amend the Code to update cross-references and make other non-substantive, technical changes to rules impacted by the proposed rule change.