

## SECURITIES AND EXCHANGE COMMISSION

17 CFR Chapter II

[Release Nos. 33-10660; 34-86302; 39-2527; IA-5284; IC-33543; File No. S7-10-19]

### List of Rules to be Reviewed Pursuant to the Regulatory Flexibility Act

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Publication of list of rules scheduled for review.

**SUMMARY:** The Securities and Exchange Commission is publishing a list of rules to be reviewed pursuant to Section 610 of the Regulatory Flexibility Act. The list is published to provide the public with notice that these rules are scheduled for review by the agency and to invite public comment on whether the rules should be continued without change, or should be amended or rescinded to minimize any significant economic impact of the rules upon a substantial number of small entities.

**DATES:** Comments should be submitted by [insert date 30 days after publication in the *Federal Register*].

**ADDRESSES:** Comments may be submitted by any of the following methods:

*Electronic Comments:*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/other.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number S7-10-19 on the subject line.

*Paper Comments:*

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

All submissions should refer to File No. S7-10-19. This file number should be included on the subject line if e-mail is used. To help us 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/other.shtml>). Comments also are 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. 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.

**FOR FURTHER INFORMATION CONTACT:** Leila Bham, Office of the General Counsel, 202-551-5532.

**SUPPLEMENTARY INFORMATION:** The Regulatory Flexibility Act ("RFA"), codified at 5 U.S.C. 601-612, requires an agency to review its rules that have a significant economic impact upon a substantial number of small entities within ten years of the publication of such rules as final rules. 5 U.S.C. 610(a). The purpose of the review is "to determine whether such rules should be continued without change, or should be amended or rescinded . . . to minimize any significant economic impact of the rules upon a substantial number of such small entities." 5 U.S.C. 610(a). The RFA sets forth specific considerations that must be addressed in the review of each rule:

- the continued need for the rule;
- the nature of complaints or comments received concerning the rule from the public;
- the complexity of the rule;

- the extent to which the rule overlaps, duplicates or conflicts with other federal rules, and, to the extent feasible, with state and local governmental rules; and
- the length of time since the rule has been evaluated or the degree to which technology, economic conditions, or other factors have changed in the area affected by the rule. 5 U.S.C. 610(c).

The Securities and Exchange Commission, as a matter of policy, reviews all final rules that it published for notice and comment to assess not only their continued compliance with the RFA, but also to assess generally their continued utility. When the Commission implemented the RFA in 1981, it stated that it “intend[ed] to conduct a broader review [than that required by the RFA], with a view to identifying those rules in need of modification or even rescission.” Securities Act Release No. 6302 (Mar. 20, 1981), 46 FR 19251 (Mar. 30, 1981). The list below is therefore broader than that required by the RFA, and may include rules that do not have a significant economic impact on a substantial number of small entities (but excludes such rules that are minor amendments to previously adopted rules or rules that are ministerial, procedural, or technical in nature). Where the Commission has previously made a determination of a rule’s impact on small businesses, the determination is noted on the list.

The Commission particularly solicits public comment on whether the rules listed below affect small businesses in new or different ways than when they were first adopted. The rules and forms listed below are scheduled for review by staff of the Commission.

Title: **Risk Management Controls for Brokers or Dealers with Market Access**

Citation: 17 CFR 240.15c3-5

Authority: 15 U.S.C. 78b, 78c(b), 78k-1, 78o, 78q(a) and (b), and 78w(a)

Description: The Commission adopted a new rule under the Securities Exchange Act of 1934 (“Exchange Act”) to require broker-dealers with market access to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage financial, regulatory, and other risks of this business activity. These risk management controls and supervisory procedures are required to be under the direct and exclusive control of the broker-dealer subject to the obligations (subject to certain limited exceptions). In addition, these risk management controls and supervisory procedures must be reviewed for effectiveness on at least an annual basis, and the broker-dealer’s Chief Executive Officer (or equivalent officer) must certify, on an annual basis, that the broker-dealer’s controls and procedures comply with the requirements of the rule.

Prior RFA Analysis: A Final Regulatory Flexibility Analysis was prepared in accordance with 5 U.S.C. 604 in conjunction with the Commission’s adoption of Release No. 34-63241 (November 3, 2010). In the adopting release, the Commission considered comments received on the Initial Regulatory Flexibility Analysis included in the proposing release, Release No. 34-61379 (January 19, 2010).

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Title: **Facilitating Shareholder Director Nominations**

Citation: 17 CFR 200.82a, 17 CFR 232.13, 17 CFR 240.13a-11, 17 CFR 240.13d-1, 17 CFR 240.13d-102, 17 CFR 240.14a-2, 17 CFR 240.14a-4, 17 CFR 240.14a-5, 17 CFR 240.14a-6, 17 CFR 240.14a-8, 17 CFR 240.14a-9, 17 CFR 240.14a-11, 17 CFR 240.14a-12, 17 CFR 240.14a-18, 17 CFR 240.14a-101, 17 CFR 240.14n-1 through 14n-3, 17 CFR 240.14n-101, 17 CFR 240.15d-11, and 17 CFR 249.308

Authority: 15 U.S.C. 78c(b), 78m, 78n, 78o, 78w(a), 78mm, 80a-10, 80a-20(a), and 80a-37, and sections 971(a) and (b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Description: The Commission adopted changes to the federal proxy rules to facilitate the effective exercise of shareholders’ traditional state law rights to nominate and elect directors to company boards of directors. The rules

require that specified disclosures be made concerning nominating shareholders or groups and their nominees. In addition, the rules provide that companies must include in their proxy materials, under certain circumstances, shareholder proposals that seek to establish a procedure in the company's governing documents for the inclusion of one or more shareholder director nominees in the company's proxy materials. The Commission also adopted related changes to certain of its other rules and regulations, including the existing solicitation exemptions from its proxy rules and the beneficial ownership reporting requirements.<sup>1</sup>

Prior RFA Analysis: A Final Regulatory Flexibility Analysis was prepared in accordance with 5 U.S.C. 604 in conjunction with the Commission's adoption of Release No. 33-9136 (Aug. 25, 2010). The Commission solicited comment on the Initial Regulatory Flexibility Analysis included in the proposing release, Release No. 33-9046 (June 10, 2009), but received no comments on that analysis. However, the adopting release considered other comments received that addressed aspects of the proposed rule that could potentially affect small entities.

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Title: **Amendments to Form ADV**

Citation: 17 CFR 275.203-1, 17 CFR 275.204-1, 17 CFR 275.204-2, 17 CFR 275.204-3, and 17 CFR 279.1

Authority: 15 U.S.C. 80b-3(c)(1), 80b-4, 80b-6(4), 80b-11(a), 77s(a), 78w(a), 78bb(e)(2), 77sss(a), and 78a-37(a)

Description: The Commission adopted amendments to Part 2 of Form ADV, and related rules under the Investment Advisers Act of 1940 ("Investment Advisers Act"), to require investment advisers registered with the Commission to provide new and prospective clients with a brochure and brochure supplements written in plain English. These amendments were designed to provide new and prospective advisory clients with clearly written, meaningful, current disclosure of the business practices, conflicts of interest, and background of the investment adviser and its advisory personnel. Advisers must file their brochures with the Commission electronically and the brochures are made available to the public through

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<sup>1</sup> 17 CFR.240.14a-11 ("Rule 14a-11") was also adopted in this release. It would have required, under certain circumstances, a company's proxy materials to provide shareholders with information about, and the ability to vote for, a shareholder's, or group of shareholders', nominees for director. On July 22, 2011, the United States Court of Appeals for the D.C. Circuit issued an order vacating Rule 14a-11 and on September 14, 2011, the Court issued its mandate. The Court's order did not affect the amendment to Rule 14a-8, which was not challenged in the litigation, or the related rules and amendments adopted concurrently with Rule 14a-11 and the amendment to Rule 14a-8.

the Commission's website. The Commission also withdrew the Advisers Act rule requiring advisers to disclose certain disciplinary and financial information.

Prior RFA Analysis: A Final Regulatory Flexibility Analysis was prepared in accordance with 5 U.S.C. 604 in conjunction with the Commission's adoption of Release No. IA-3060 (July 28, 2010). The Commission solicited comment on the Initial Regulatory Flexibility Analysis included in the proposing release, Release No. IA-2711 (Mar. 3, 2008), but received no comments on that analysis. However, the adopting release considered other comments received that addressed aspects of the proposed rule that could potentially affect small entities.

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Title: **Political Contributions by Certain Investment Advisers**

Citation: 17 CFR 275.204-2, 17 CFR 275.206(4)-3, and 17 CFR 275.206(4)-5

Authority: 15 U.S.C. 80b-4, 80b-6(4), and 80b-11(a)

Description: The Commission adopted a new rule under the Investment Advisers Act that prohibits an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. The rule also prohibits an adviser from providing or agreeing to provide, directly or indirectly, payment to any third party for a solicitation of advisory business from any government entity on behalf of such adviser, unless such third parties are registered broker-dealers or registered investment advisers, in each case themselves subject to pay to play restrictions. Additionally, the rule prevents an adviser from soliciting from others, or coordinating, contributions to certain elected officials or candidates or payments to political parties where the adviser is providing or seeking government business. The amendments require a registered adviser to maintain certain records of the political contributions made by the adviser or certain of its executives or employees. The rule and rule amendments address "pay to play" practices by investment advisers.

Prior RFA Analysis: A Final Regulatory Flexibility Analysis was prepared in accordance with 5 U.S.C. 604 in conjunction with the Commission's adoption of Release No. IA-3043 (July 1, 2010). In the adopting release, the Commission considered comments received on the Initial Regulatory Flexibility Analysis included in the proposing release, Release No. IA- 2910 (Aug. 3, 2009).

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Title: **Amendment to Municipal Securities Disclosure**

Citation: 17 CFR 240.15c2-12

Authority: 15 U.S.C. 78b, 78c(b), 78j, 78o(c), 78o-4, and 78w(a)(1)

Description: The Commission adopted amendments to Rule 15c2-12 under the Exchange Act relating to municipal securities disclosure. The amendments revised certain requirements regarding the information that the broker, dealer, or municipal securities dealer acting as an underwriter in a primary offering of municipal securities must reasonably determine that an issuer of municipal securities or an obligated person has undertaken, in a written agreement or contract for the benefit of holders of the issuer's municipal securities, to provide to the Municipal Securities Rulemaking Board ("MSRB"). Specifically, the amendments require a broker, dealer, or municipal securities dealer to reasonably determine that the issuer or obligated person has agreed to provide notice of specified events in a timely manner not in excess of ten business days after the event's occurrence; amend the list of events for which notice is to be provided; and modify the events that are subject to a materiality determination before triggering a requirement to provide notice to the MSRB. In addition, the amendments revised an exemption from the Rule for certain offerings of municipal securities with put features. The release also provides interpretive guidance intended to assist municipal securities brokers, dealers, and municipal securities dealers in meeting their obligations under the antifraud provisions of the federal securities laws.

Prior RFA Analysis: A Final Regulatory Flexibility Analysis was prepared in accordance with 5 U.S.C. 604 in conjunction with the Commission's adoption of Release No. 34-62184A (May 27, 2010). In the adopting release, the Commission considered comments received on the Initial Regulatory Flexibility Analysis included in the proposing release, Release No. 34-60332 (July 24, 2009).

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Title: **Amendments to Regulation SHO**

Citation: 17 CFR 242.200(g) and 17 CFR 242.201

Authority: 15 U.S.C. 78b, 78c(b), 78(f), 78i(h), 78j, 78k-1, 78o, 78o-3, 78q, 78s, 78w(a), and 78mm

Description: The Commission adopted amendments to Regulation SHO under the Exchange Act, in particular a short sale-related circuit breaker that, if

triggered, imposes a restriction on the prices at which securities may be sold short (“short sale price test” or “short sale price test restriction”). Specifically, the Rule requires that a trading center establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a short sale order of a covered security at a price that is less than or equal to the current national best bid if the price of that covered security decreases by 10% or more from the covered security’s closing price as determined by the listing market for the covered security as of the end of regular trading hours on the prior day. In addition, the Rule requires that the trading center establish, maintain, and enforce written policies and procedures reasonably designed to impose this short sale price test restriction for the remainder of the day and the following day when a national best bid for the covered security is calculated and disseminated on a current and continuing basis by a plan processor pursuant to an effective national market system plan. In addition, the Commission amended Regulation SHO to provide that a broker-dealer may mark certain qualifying sell orders “short exempt.” In particular, if the broker-dealer chooses to rely on its own determination that it is submitting the short sale order to the trading center at a price that is above the current national best bid at the time of submission or to rely on an exception specified in the Rule, it must mark the order as “short exempt.” This “short exempt” marking requirement aids surveillance by self-regulatory organizations and the Commission for compliance with the provisions of Rule 201 of Regulation SHO.

Prior RFA Analysis: A Final Regulatory Flexibility Analysis was prepared in accordance with 5 U.S.C. 604 in conjunction with the Commission’s adoption of Release No. 34-61595 (Feb. 26, 2010). In the adopting release, the Commission considered comments received on the Initial Regulatory Flexibility Analysis included in the proposing release, Release No. 34-59748 (April 10, 2009).

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Title: **Money Market Fund Reform**

Citation: 17 CFR 270.2a-7, 17 CFR 270.17a-9, 17 CFR 270.22e-3, 17 CFR 270.30b1-6T, 17 CFR 270.30b1-7, and 17 CFR 274.201

Authority: 15 U.S.C. 80a-6(c), 80a-8(b), 80a-22(c), 80a-22(e), 80a-29(b), 80a-30(a), and 80a-37(a)

Description: The Commission adopted amendments to certain rules that govern money market funds under the Investment Company Act of 1940. The amendments tightened the risk-limiting conditions of rule 2a-7 by, among other things, requiring funds to maintain a portion of their portfolios in instruments that can be readily converted to cash, reducing the maximum weighted average maturity of portfolio holdings, and improving the

quality of portfolio securities; requiring money market funds to report their portfolio holdings monthly to the Commission; and permitting a money market fund that has “broken the buck” (i.e., re-priced its securities below \$1.00 per share), or is at imminent risk of breaking the buck, to suspend redemptions to allow for the orderly liquidation of fund assets. The amendments were designed to make money market funds more resilient to certain short-term market risks, and to provide greater protections for investors in a money market fund that is unable to maintain a stable net asset value per share.

Prior RFA Analysis: Pursuant to 5 U.S.C. 605(b) of the Regulatory Flexibility Act, the Commission certified that the rule would not have a significant economic impact on a substantial number of small entities. This certification was incorporated into the proposing release, Release No. IC-28807 (June 30, 2009). As stated in the adopting release, Release No. IC-29132 (Feb. 23, 2010), the Commission received no comments concerning the impact on small entities or the Regulatory Flexibility Act certification.

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Title: **Amendments to Rules Requiring Internet Availability of Proxy Materials**

Citation: 17 CFR 240.14a-16 and 17 CFR 230.498

Authority: 15 U.S.C. 77f, 77g, 77j, 77s, 78c(b), 78m, 78n, 78o, 78w(a), 80a-8, 80a-20(a), 80a-24(a), 80a-29, and 80a-37

Description: The Commission adopted amendments to rules under the Exchange Act and the Securities Act of 1933 to clarify and provide additional flexibility regarding the format of the Notice of Internet Availability of Proxy Materials that is sent to shareholders and to permit issuers and other soliciting persons to better communicate with shareholders by including explanatory materials regarding the reasons for the use of the notice and access proxy rules and the process of receiving and reviewing proxy materials and voting pursuant to the notice and access proxy rules. The amendments also revised the timeframe for delivering a notice to shareholders when a soliciting person other than the issuer relies on the notice and access proxy rules and permit mutual funds to accompany the Notice with a summary prospectus.

Prior RFA Analysis: A Final Regulatory Flexibility Analysis was prepared in accordance with 5 U.S.C. 603 in conjunction with the Commission’s adoption of Release No. 33-9108 (Feb. 22, 2010). The Commission solicited comment on the Initial Regulatory Flexibility Analysis included in the proposing release,

Release No. 33-9073 (Oct. 14, 2009), but, as stated in the adopting release, received no comments on that analysis.

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- Title: **Shareholder Approval of Executive Compensation of TARP Recipients**
- Citation: 17 CFR 240.14a-6, 17 CFR 240.14a-20, and 17 CFR 240.14a-101
- Authority: 12 U.S.C. 5221(e), and 15 U.S.C. 78n(a) and 78w(a)
- Description: The Commission adopted amendments to the proxy rules under the Exchange Act to set forth certain requirements for U.S. registrants subject to Section 111(e) of the Emergency Economic Stabilization Act of 2008 (“EESA”). Section 111(e) of EESA requires companies that have received financial assistance under the Troubled Asset Relief Program (“TARP”) to permit a separate shareholder advisory vote to approve the compensation of executives, as disclosed pursuant to the compensation disclosure rules of the Commission, during the period in which any obligation arising from financial assistance provided under the TARP remains outstanding. The amendments were intended to help implement this requirement by specifying and clarifying it in the context of the federal proxy rules.
- Prior RFA Analysis: Pursuant to 5 U.S.C. 605(b) of the Regulatory Flexibility Act, the Commission certified that the proposed amendment to the federal proxy rules would not have a significant economic impact on a substantial number of small entities. This certification was incorporated into the proposing release, Release No. 34-60218 (July 1, 2009). As stated in the adopting release, Release No. 34-61335 (January 12, 2010), the Commission received no comments concerning the impact on small entities or the Regulatory Flexibility Act certification.

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By the Commission.

July 3, 2019

Vanessa A. Countryman  
Secretary

