

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="24"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2011"/> - * <input type="text" value="056"/>	Amendment No. (req. for Amendments *) <input type="text"/>
---	--	---	--

Proposed Rule Change by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="text"/> Date Expires * <input type="text"/>			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
---	---

Description
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend Rule 7730 Regarding TRACE Reporting Fees For Transactions in Agency Pass-Through Mortgage-Backed Securities Traded "To Be Announced"

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * <input type="text" value="Sharon"/>	Last Name * <input type="text" value="Zackula"/>
Title * <input type="text" value="Associate Vice President and Associate General Counsel"/>	
E-mail * <input type="text" value="sharon.zackula@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8985"/>	Fax <input type="text" value="(202) 728-8264"/>

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date

By Senior Vice President and Deputy General Counsel

(Name *)

(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information (required)

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change (required)

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA Rule 7730 to establish a transaction reporting fee of \$1.50 per transaction for a TRACE-Eligible Security that is an Agency Pass-Through Mortgage-Backed Security traded “to be announced” and to incorporate minor technical amendments.

The text of the proposed rule change is attached as Exhibit 5.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on September 22, 2011, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be November 1, 2011.

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

(a) Purpose

¹ 15 U.S.C. 78s(b)(1).

On May 16, 2011, amendments to the FINRA Rule 6700 Series (the TRACE rules) and Rule 7730 (TRACE fees) became effective.² The amendments defined Asset-Backed Securities (“ABS”) as TRACE-Eligible Securities and extended TRACE reporting requirements to transactions in ABS in the TRACE rules.³ In addition, the TRACE reporting fees in effect for transactions in corporate bonds and Agency Debt Securities were extended to transactions in ABS in Rule 7730.⁴

As a result, currently the reporting fee for transactions in ABS, including Agency Pass-Through Mortgage-Backed Securities (“Agency Pass-Through MBS”) traded to-be-announced (“TBA”),⁵ is based upon a sliding scale and ranges from \$0.475 to \$2.375 per

² See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (order approving File No. SR-FINRA-2009-065) (“TRACE ABS filing”); Securities Exchange Act Release No. 64364 (April 28, 2011), 76 FR 25385 (May 4, 2011) (order approving File No. SR-FINRA-2011-012) (“supplemental TRACE ABS filing”); Regulatory Notice 10-55 (October 2010) (establishing May 16, 2011 as the effective date for the TRACE ABS filing); and Regulatory Notice 11-20 (May 2011) (establishing May 16, 2011 as the effective date for the supplemental TRACE ABS filing).

³ “Asset-Backed Security” and “TRACE-Eligible Security” are defined in, respectively, Rule 6710(m) and Rule 6710(a).

⁴ “Agency Debt Security” is defined in Rule 6710(l).

⁵ As provided in Rule 6710(v), “Agency Pass-Through Mortgage-Backed Security” means

a mortgage-backed security issued by an Agency or a Government-Sponsored Enterprise, for which the timely payment of principal and interest is guaranteed by an Agency or a Government-Sponsored Enterprise, representing ownership interests in a pool or pools of residential mortgage loans with the security structured to “pass through” the principal and interest payments made by the mortgagees to the owners of the pool(s) on a pro rata basis.

“Agency” and “Government-Sponsored Enterprise” (“GSE”) are defined in, respectively, Rule 6710(k) and Rule 6710(n).

transaction depending upon the size (volume) of the reported transaction.⁶ Most ABS transactions, including Agency Pass-Through MBS traded TBA (“TBA transactions”), are in excess of \$1,000,000 par value (or, in the case of certain ABS, in excess of \$1,000,000 as measured by the original face value or Remaining Principal Balance of the security, as applicable).⁷ Thus, for most ABS transactions, the highest reporting fee, \$2.375 per transaction, applies.

FINRA proposes to amend the transaction reporting fee in Rule 7730 applicable to TBA transactions. Specifically, FINRA proposes to charge a member a flat fee of \$1.50 per TBA transaction in lieu of the current reporting fee that is based upon a sliding

As provided in Rule 6710(u), “TBA” means

“to be announced” and refers to a transaction in an Agency Pass-Through Mortgage-Backed Security . . . where the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program representing a pool (or pools) of mortgages (that are not specified by unique pool number).

In a transaction traded TBA, the parties agree on a price for delivering a given volume of Agency Pass-Through MBS at a specified future date.

⁶ As set forth in Rule 7730(b)(1)(A), for trades up to and including \$200,000 par value, the reporting fee is \$0.475 per trade; for trades over \$200,000 and up to and including \$999,999.99 par value, the reporting fee is \$0.000002375 times par value (i.e., \$0.002375 per \$1000 par value) per trade; and for trades of \$1,000,000 par value or more, the reporting fee is \$2.375 per trade. (Trade reporting and other TRACE fees are also summarized in a fee chart in Rule 7730.)

⁷ For some ABS transactions, including TBA transactions, par value is not the correct term to describe the size (volume) of a transaction. When calculating reporting fees for transactions in such securities, Rule 7730(b)(1)(B) provides that the size (volume) of a transaction is the lesser of the original face value or the Remaining Principal Balance. “Remaining Principal Balance” and “Time of Execution” are defined in, respectively, Rule 6710(aa) and Rule 6710(d).

scale depending on the size (volume) of the transaction.⁸

Agency Pass-Through MBS are the most liquid sector among all ABS, and transactions in Agency Pass-Through MBS are a significant share of the volume of all ABS transactions. Many Agency Pass-Through MBS are TBA transactions. The proposed amendment to Rule 7730 to modify the reporting fee from multiple rates based upon transaction size (volume) to a flat rate of \$1.50 per transaction for TBA transactions regardless of transaction size (volume) would reduce the reporting fee for approximately 95 percent of all TBA transactions.⁹ In addition, the proposed fee reduction would substantially reduce reporting fees that members pay in connection with ABS transactions in general, as TBA transactions account for approximately 85 percent of the total volume (size) traded in ABS and approximately 51 percent of all ABS transactions.¹⁰

⁸ The proposed TBA transaction fee would be set forth in Rule 7730(b)(1)(B). FINRA also proposes three minor technical amendments to Rule 7730(b)(1). The provision regarding the sliding scale, which determines a reporting fee based on the size (volume) of a transaction, would be incorporated in Rule 7730(b)(1)(B) and deleted in Rule 7730(b)(1)(A). The provision indicating that, for ABS where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, the size (volume) of a transaction is the lesser of the original face value or the Remaining Principal Balance would be incorporated in Rule 7730(b)(1)(A) and deleted in Rule 7730(b)(1)(B). In addition, the final sentence of current Rule 7730(b)(1)(B) would be deleted.

⁹ A review of ABS transaction data reported to TRACE between May 16, 2011 and July 31, 2011, indicates that more than 95 percent of all TBA transactions are larger than \$1 million and, thus, are billed at the rate of \$2.375 per transaction. Reducing the reporting fee to a flat fee of \$1.50 per transaction will raise fees on approximately five percent of TBA transactions, and lower fees on approximately 95 percent of such transactions.

¹⁰ A review of ABS transaction data reported to TRACE between May 16, 2011 and July 31, 2011, showed that TBAs trade in a liquid market. The average daily volume of TBA transactions is approximately \$219 billion. The average daily number of trades is slightly more than 7,000. The average daily volume of TBA

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be November 1, 2011.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,¹¹ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls. FINRA believes that the proposed amendment, which will establish a flat fee per transaction for reporting TBA transactions regardless of the size (volume) of the TBA transaction, is a reasonable and fair adjustment to TRACE reporting fees in that, currently, for TBA transactions, members are subject to the highest TRACE reporting fee for almost all such transactions, and the proposed amendment will reduce the reporting fee for 95 percent of such transactions, and will result in a more equitable allocation among members for ABS reporting fees.

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

transactions is approximately ten times the average daily volume of all corporate bonds.

¹¹ 15 U.S.C. 78q-3(b)(5).

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act¹² and paragraph (f)(2) of Rule 19b-4 thereunder,¹³ in that the proposed rule change is establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization. FINRA proposes to amend a TRACE trade reporting fee, which applies solely to members reporting TBA transactions and will reduce the fee payable for reporting such transactions for approximately 95 percent of all such transactions reported.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of proposed rule change.

¹² 15 U.S.C. 78s(b)(3)(A)(ii).

¹³ 17 CFR 240.19b-4(f)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2011-056)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 7730 Regarding TRACE Reporting Fees For Transactions in Agency Pass-Through Mortgage-Backed Securities Traded “To Be Announced”

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 [leave space] , 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 and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. 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 Rule 7730 to establish a transaction reporting fee of \$1.50 per transaction for a TRACE-Eligible Security that is an Agency

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

Pass-Through Mortgage-Backed Security traded “to be announced” and to incorporate minor technical amendments.

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

On May 16, 2011, amendments to the FINRA Rule 6700 Series (the TRACE rules) and Rule 7730 (TRACE fees) became effective.⁵ The amendments defined Asset-Backed Securities (“ABS”) as TRACE-Eligible Securities and extended TRACE

⁵ See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (order approving File No. SR-FINRA-2009-065) (“TRACE ABS filing”); Securities Exchange Act Release No. 64364 (April 28, 2011), 76 FR 25385 (May 4, 2011) (order approving File No. SR-FINRA-2011-012) (“supplemental TRACE ABS filing”); Regulatory Notice 10-55 (October 2010) (establishing May 16, 2011 as the effective date for the TRACE ABS filing); and Regulatory Notice 11-20 (May 2011) (establishing May 16, 2011 as the effective date for the supplemental TRACE ABS filing).

reporting requirements to transactions in ABS in the TRACE rules.⁶ In addition, the TRACE reporting fees in effect for transactions in corporate bonds and Agency Debt Securities were extended to transactions in ABS in Rule 7730.⁷

As a result, currently the reporting fee for transactions in ABS, including Agency Pass-Through Mortgage-Backed Securities (“Agency Pass-Through MBS”) traded to-be-announced (“TBA”),⁸ is based upon a sliding scale and ranges from \$0.475 to \$2.375 per

⁶ “Asset-Backed Security” and “TRACE-Eligible Security” are defined in, respectively, Rule 6710(m) and Rule 6710(a).

⁷ “Agency Debt Security” is defined in Rule 6710(l).

⁸ As provided in Rule 6710(v), “Agency Pass-Through Mortgage-Backed Security” means

a mortgage-backed security issued by an Agency or a Government-Sponsored Enterprise, for which the timely payment of principal and interest is guaranteed by an Agency or a Government-Sponsored Enterprise, representing ownership interests in a pool or pools of residential mortgage loans with the security structured to “pass through” the principal and interest payments made by the mortgagees to the owners of the pool(s) on a pro rata basis.

“Agency” and “Government-Sponsored Enterprise” (“GSE”) are defined in, respectively, Rule 6710(k) and Rule 6710(n).

As provided in Rule 6710(u), “TBA” means

“to be announced” and refers to a transaction in an Agency Pass-Through Mortgage-Backed Security . . . where the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program representing a pool (or pools) of mortgages (that are not specified by unique pool number).

In a transaction traded TBA, the parties agree on a price for delivering a given volume of Agency Pass-Through MBS at a specified future date.

transaction depending upon the size (volume) of the reported transaction.⁹ Most ABS transactions, including Agency Pass-Through MBS traded TBA (“TBA transactions”), are in excess of \$1,000,000 par value (or, in the case of certain ABS, in excess of \$1,000,000 as measured by the original face value or Remaining Principal Balance of the security, as applicable).¹⁰ Thus, for most ABS transactions, the highest reporting fee, \$2.375 per transaction, applies.

FINRA proposes to amend the transaction reporting fee in Rule 7730 applicable to TBA transactions. Specifically, FINRA proposes to charge a member a flat fee of \$1.50 per TBA transaction in lieu of the current reporting fee that is based upon a sliding scale depending on the size (volume) of the transaction.¹¹

Agency Pass-Through MBS are the most liquid sector among all ABS, and

⁹ As set forth in Rule 7730(b)(1)(A), for trades up to and including \$200,000 par value, the reporting fee is \$0.475 per trade; for trades over \$200,000 and up to and including \$999,999.99 par value, the reporting fee is \$0.000002375 times par value (i.e., \$0.002375 per \$1000 par value) per trade; and for trades of \$1,000,000 par value or more, the reporting fee is \$2.375 per trade. (Trade reporting and other TRACE fees are also summarized in a fee chart in Rule 7730.)

¹⁰ For some ABS transactions, including TBA transactions, par value is not the correct term to describe the size (volume) of a transaction. When calculating reporting fees for transactions in such securities, Rule 7730(b)(1)(B) provides that the size (volume) of a transaction is the lesser of the original face value or the Remaining Principal Balance. “Remaining Principal Balance” and “Time of Execution” are defined in, respectively, Rule 6710(aa) and Rule 6710(d).

¹¹ The proposed TBA transaction fee would be set forth in Rule 7730(b)(1)(B). FINRA also proposes three minor technical amendments to Rule 7730(b)(1). The provision regarding the sliding scale, which determines a reporting fee based on the size (volume) of a transaction, would be incorporated in Rule 7730(b)(1)(B) and deleted in Rule 7730(b)(1)(A). The provision indicating that, for ABS where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, the size (volume) of a transaction is the lesser of the original face value or the Remaining Principal Balance would be incorporated in Rule 7730(b)(1)(A) and deleted in Rule 7730(b)(1)(B). In addition, the final sentence of current Rule 7730(b)(1)(B) would be deleted.

transactions in Agency Pass-Through MBS are a significant share of the volume of all ABS transactions. Many Agency Pass-Through MBS are TBA transactions. The proposed amendment to Rule 7730 to modify the reporting fee from multiple rates based upon transaction size (volume) to a flat rate of \$1.50 per transaction for TBA transactions regardless of transaction size (volume) would reduce the reporting fee for approximately 95 percent of all TBA transactions.¹² In addition, the proposed fee reduction would substantially reduce reporting fees that members pay in connection with ABS transactions in general, as TBA transactions account for approximately 85 percent of the total volume (size) traded in ABS and approximately 51 percent of all ABS transactions.¹³

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be November 1, 2011.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,¹⁴ which requires, among other things, that FINRA rules

¹² A review of ABS transaction data reported to TRACE between May 16, 2011 and July 31, 2011, indicates that more than 95 percent of all TBA transactions are larger than \$1 million and, thus, are billed at the rate of \$2.375 per transaction. Reducing the reporting fee to a flat fee of \$1.50 per transaction will raise fees on approximately five percent of TBA transactions, and lower fees on approximately 95 percent of such transactions.

¹³ A review of ABS transaction data reported to TRACE between May 16, 2011 and July 31, 2011, showed that TBAs trade in a liquid market. The average daily volume of TBA transactions is approximately \$219 billion. The average daily number of trades is slightly more than 7,000. The average daily volume of TBA transactions is approximately ten times the average daily volume of all corporate bonds.

¹⁴ 15 U.S.C. 78o-3(b)(5).

provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls. FINRA believes that the proposed amendment, which will establish a flat fee per transaction for reporting TBA transactions regardless of the size (volume) of the TBA transaction, is a reasonable and fair adjustment to TRACE reporting fees in that, currently, for TBA transactions, members are subject to the highest TRACE reporting fee for almost all such transactions, and the proposed amendment will reduce the reporting fee for 95 percent of such transactions, and will result in a more equitable allocation among members for ABS reporting fees.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁵ and paragraph (f)(2) of Rule 19b-4 thereunder.¹⁶ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(2).

appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2011-056 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2011-056. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2011-056 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Elizabeth M. Murphy

Secretary

¹⁷ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES

* * * * *

7730. Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine (“TRACE”):

System Fees	Transaction Reporting Fees	Data Fees
Level I Trade Report Only Web Browser Access — \$20/month per user ID	Trades up to and including \$200,000 par value — \$0.475/trade. (For Asset- Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, size (volume) is the lesser of original face value or	Market Data: BTDS Professional Real-Time Data Display — \$60/month per terminal per Data Set of Real-Time TRACE transaction data, or a flat fee of \$7,500/month per Data Set of Real-Time TRACE transaction data, entitling Professionals to make unlimited internal use
Level II Full Service Web Browser Access — Subscription for a single user ID or the first user ID — \$50/month (includes one Data Set); \$80/month (includes two Data Sets)		

<p>Subscription for additional user IDs — \$80/month per user ID (includes one Data Set); \$140/month per user ID (includes two Data Sets)</p>	<p>Remaining Principal Balance (or the equivalent) at the Time of Execution of the transaction.)</p> <p>Trades over \$200,000 and up to and including \$999,999.99 par value — \$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000). (See note above regarding certain Asset-Backed Securities.)</p> <p>Trades of \$1,000,000 par value or more — \$2.375/trade. (See note above regarding certain Asset-Backed Securities.)</p> <p><u>All transactions in Asset-Backed Securities that are</u></p>	<p>of such Data Set(s) on any number of interrogation or display devices.</p>
--	---	---

	<p><u>Agency Pass-Through</u></p> <p><u>Mortgage-Backed</u></p> <p><u>Securities traded to be</u></p> <p><u>announced (“TBA”)</u></p> <p><u>(“TBA transactions”) —</u></p> <p><u>\$1.50/trade.</u></p>	
<p>CTCI/FIX/Third Party —</p> <p>\$25/month/per firm</p>	<p>Cancel/Correct —</p> <p>\$1.50/trade</p>	<p>Market Data: Vendor Real-Time Data Feed —</p> <p>\$1,500/month per Data Set of Real-Time TRACE transaction data for receipt of continuous Real-Time TRACE transaction data in such Data Sets, except for qualifying Tax-Exempt Organizations, or</p> <p>\$250/month per Data Set of Snapshot Real-Time TRACE transaction data for daily receipt of such Data Set(s).</p>
	<p>“As/of” Trade Late —</p>	<p>Market Data: Vendor Real-</p>

	\$3/trade	Time Data Feed — \$400/month per Data Set of Real-Time TRACE transaction data for such Data Set(s) for qualifying Tax-Exempt Organizations.
		Market Data: BTDS Non-Professional Real-Time Data Display — No charge.
		Historic TRACE Data: Set-Up Fee — a single fee of \$2,000 for development and set-up to receive Historic TRACE Data, except for qualifying Tax-Exempt Organizations.
		Historic TRACE Data: Set-Up Fee — a single fee of \$1,000 for development and set-up to receive Historic TRACE Data for qualifying Tax-Exempt

		Organizations.
		<p>Historic TRACE Data: Fee — \$2,000/calendar year per Data Set for receipt of Historic TRACE Data, except for qualifying Tax-Exempt Organizations. The 2003 Historic Corporate Bond Data Set also includes the 2002 Historic Corporate Bond Data Set. The data is enabled for internal use and internal and/or external desktop display distribution. Bulk re-distribution of data is not permitted.</p>
		<p>Historic TRACE Data: Bulk Re-Distribution Fee — except for qualifying Tax-Exempt Organizations, \$1/CUSIP per calendar</p>

		<p>year (or part thereof) within a single Data Set of Historic TRACE Data per each recipient of re-distributed data; maximum fee per Data Set of \$1,000/calendar year (or part thereof) per each recipient of re-distributed data.</p>
		<p>Historic TRACE Data: Bulk Re-Distribution Fee — for qualifying Tax-Exempt Organizations, \$500/calendar year per Data Set for receipt of Historic TRACE Data. The 2003 Historic Corporate Bond Data Set also includes the 2002 Historic Corporate Bond Data Set. The data is enabled for internal use and internal</p>

		<p>and/or external desktop display. Bulk re-distribution of data is permitted with certain restrictions.</p>
--	--	--

(a) No Change.

(b) Transaction Reporting Fees

For each transaction in a TRACE-Eligible Security that is reportable to FINRA pursuant to the Rule 6700 Series, the following charges shall be assessed against each member responsible for reporting the transaction:

(1) Trade Reporting Fee

(A) Except for a transaction in an Asset-Backed Security, as defined in Rule 6710(m), that is an Agency Pass-Through Mortgage-Backed Security, as defined in Rule 6710(v), traded to be announced (“TBA”), as defined in Rule 6710(u) (“TBA transaction”), [A] a member shall be charged a Trade Reporting Fee based upon a sliding scale ranging from \$0.475 to \$2.375 per transaction based on the size of the reported transaction. For Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, the size (volume) of a transaction is the lesser of the original face value or the Remaining Principal Balance, as defined in Rule 6710(aa).

(B) [Except as set forth in subparagraph (B) below,] Except for TBA transactions, [trades]transactions up to and including \$200,000 par value will be charged a \$0.475 fee per [trade]transaction; [trades] transactions over \$200,000 and up to and including \$999,999.99 par value will be charged a fee of \$0.000002375 times the par value of the transaction (i.e., \$0.002375 per \$1,000) per [trade]transaction; and [trades]transactions of \$1,000,000 par value or more will be charged a fee of \$2.375 per [trade]transaction. TBA transactions will be charged a trade reporting fee of \$1.50 per transaction.

[(B) For Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, the size (volume) of a transaction is the lesser of the original face value or the Remaining Principal Balance. A member shall be charged a trade reporting fee based upon the sliding scale as set forth in subparagraph (A) above.]

(C) No Change.

(2) through (3) No Change.

(c) through (f) No Change.

¹ No Change.

² No Change.