

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * <input type="text" value="22"/> | SECURITIES AND EXCHANGE COMMISSION<br>WASHINGTON, D.C. 20549<br>Form 19b-4 | File No.* SR - <input type="text" value="2016"/> - * <input type="text" value="046"/> |
|   |  | Amendment No. (req. for Amendments *) <input type="text"/>                            |

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

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| Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 | Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 |
| Section 806(e)(1) * <input type="checkbox"/>  | Section 806(e)(2) * <input type="checkbox"/>                                   |
| Section 3C(b)(2) * <input type="checkbox"/>   |  |

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| Exhibit 2 Sent As Paper Document <input type="checkbox"/> | Exhibit 3 Sent As Paper Document <input type="checkbox"/> |
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposed Rule Change Relating to Reporting Transactions in U.S. Treasury Securities to the Trade Reporting and Compliance Engine

**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 action.

|              |  |             |   |
|--------------|--|-------------|---|
| First Name * | <input type="text" value="Brant"/>                     | Last Name * | <input type="text" value="Brown"/>          |
| Title *      | <input type="text" value="Associate General Counsel"/> |             |   |
| E-mail *     | <input type="text" value="brant.brown@finra.org"/>     |             |   |
| Telephone *  | <input type="text" value="(202) 728-6927"/>            | 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.

(Title \*)

|      |   |  |
|------|---|--|
| Date | <input type="text" value="12/14/2016"/>       | Senior Vice President and Director of Capital Markets Policy |
| By   | <input type="text" value="Stephanie Dumont"/> | <input type="text" value="Stephanie Dumont"/>                |

(Name \*)

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 EFFF website.

**Form 19b-4 Information \***

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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 \***

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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, security-based swap submission, or advance notice 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**

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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**

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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**

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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**

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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 the Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> 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 6710 to clarify the definitions of “Auction Transaction” and “When-Issued Transaction” for the purposes of reporting transactions in U.S. Treasury Securities to the Trade Reporting and Compliance Engine (“TRACE”).

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

\* \* \* \* \*

**6000. QUOTATION AND TRANSACTION REPORTING FACILITIES**

\* \* \* \* \*

**6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)**

**6710. Definitions**

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) through (ee) No Change.

(ff) “Collateralized Debt Obligation” (“CDO”) means a type of Securitized Product backed by fixed-income assets (such as bonds, receivables on loans, or other debt) or derivatives of these fixed-income assets, structured in multiple classes or tranches with each class or tranche entitled to receive distributions of principal and/or

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

interest in accordance with the requirements adopted for the specific class or tranche. A CDO includes, but is not limited to, a collateralized loan obligation (“CLO”) and a collateralized bond obligation (“CBO”).

([ff]gg) “Auction” means the bidding process by which the U.S. Department of the Treasury sells marketable securities to the public pursuant to Part 356 of Title 31 of the Code of Federal Regulations.

([gg]hh) “Auction Transaction” means [the purchase of] a transaction in which a member is awarded a U.S. Treasury Security in an Auction.

([hh]ii) “When-Issued Transaction” means a transaction in a U.S. Treasury Security that is executed before the [Auction for] issuance of the security.

••• **Supplementary Material:** -----

.01 No Change.

\* \* \* \* \*

**6730. Transaction Reporting**

(a) through (b) No Change.

**(c) Transaction Information To Be Reported**

Each TRACE trade report shall contain the following information:

(1) through (2) No Change.

(3) Price of the transaction (or the elements necessary to calculate price, which are contract amount and accrued interest) or, for When-Issued Transactions in U.S. Treasury Securities executed before the Auction for the security, the yield as required by paragraph (d)(1) of this Rule[below];

(4) through (14) No Change.

**(d) Procedures for Reporting Price, Capacity, Volume**

**(1) Price**

(A) Except as noted in subparagraph (B) [for When-Issued Transactions in U.S. Treasury Securities], for principal transactions, report the price, which must include the mark-up or mark-down. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) For agency transactions, report the price, which must exclude the commission. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) Report the total dollar amount of the commission if one is assessed on the transaction. Notwithstanding the foregoing, a member is not required to include a commission, mark-up or mark-down where one is not assessed on a trade-by-trade basis at the time of the transaction or where the amount is not known at the time the trade report is due. A member must use the “No Remuneration” indicator described in paragraph (d)(4)(F) where a trade report does not reflect either a commission, mark-up or mark-down, except for an inter-dealer transaction, a “List or Fixed Offering Price Transaction,” as defined in Rule 6710(q), or a “Takedown Transaction,” as defined in Rule 6710(r).

(B) For When-Issued Transactions in U.S. Treasury Securities executed before the Auction for the security and conducted on a principal basis, report the yield, which must include the mark-up or mark-down, of the security in lieu of price. For When-Issued Transactions in U.S.

Treasury Securities executed before the Auction for the security and conducted on an agency basis, report the yield, which must exclude the commission, of the security in lieu of price. Report the total dollar amount of the commission.

(2) through (4) No Change.

(e) through (f) No Change.

••• **Supplementary Material:** -----

.01 through .05 No Change.

\* \* \* \* \*

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

At its meeting on July 15, 2016, 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 July 10, 2017.

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

(a) Purpose

On October 18, 2016, the Commission approved a proposed rule change to require FINRA members to report certain transactions in U.S. Treasury Securities to

TRACE.<sup>2</sup> The reporting requirements will be implemented beginning July 10, 2017.<sup>3</sup> As part of the proposed rule change, FINRA adopted three new defined terms to address members' reporting requirements involving transactions in U.S. Treasury Securities that occur on a "when-issued" basis or that occur as part of an auction of U.S. Treasury Securities: "Auction," "Auction Transaction," and "When-Issued Transaction." FINRA is amending the definitions of "Auction Transaction" and "When-Issued Transaction" to clarify the application of those terms, and is amending Rule 6730 to clarify the reporting requirements in light of the changes to the definition of "When-Issued Transaction."<sup>4</sup>

First, FINRA is amending the terminology in the definition of "Auction Transaction" to conform to the regulations applicable to auctions of U.S. Treasury Securities. As adopted, the term "Auction Transaction" is defined as "the purchase of a U.S. Treasury Security in an Auction."<sup>5</sup> Pursuant to the amendments to Rule 6730(e), Auction Transactions are exempt from the TRACE reporting requirements.

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<sup>2</sup> See Securities Exchange Act Release No. 79116 (October 18, 2016), 81 FR 73167 (October 24, 2016) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of File No. SR-FINRA-2016-027).

<sup>3</sup> See Regulatory Notice 16-39 (October 2016).

<sup>4</sup> On September 23, 2016, the Commission approved SR-FINRA-2016-023, which added a definition of "Collateralized Debt Obligation" to Rule 6710 as paragraph (ff). See Securities Exchange Act Release No. 78925 (September 23, 2016), 81 FR 67023 (September 29, 2016) (Order Approving File No. SR-FINRA-2016-023). The proposed rule change also amends the paragraph designations for the definitions of "Auction," "Auction Transaction," and "When-Issued Transaction" as (gg), (hh), and (ii), respectively.

<sup>5</sup> The term "Auction" means "the bidding process by which the U.S. Department of the Treasury sells marketable securities to the public pursuant to Part 356 of Title 31 of the Code of Federal Regulations."

When conducting auctions, the Department of the Treasury accepts bids and determines awards pursuant to the process set forth in the applicable regulations.<sup>6</sup> Securities awarded during the auction process must then be paid for by the issue date established in the announcement for the auction.<sup>7</sup> To incorporate the concept of “awards” and maintain consistency with the applicable Treasury regulations, FINRA is amending the definition of “Auction Transaction” to mean “the transaction in which a member is awarded a U.S. Treasury Security in an Auction.” Consequently, the acquisition of U.S. Treasury Securities on the issue date as a result of a successful bid in an Auction will not be reportable to TRACE by a FINRA member. Any secondary market transactions in the security following the initial acquisition on the issue date will be reportable.

Second, FINRA is amending the definition of “When-Issued Transaction” to conform to more common usage of the term. As adopted, the term “When-Issued Transaction” was defined as “a transaction in a U.S. Treasury Security that is executed before the Auction for the security.” Although “when-issued” trading typically refers to any trading conducted between the announcement of an auction for a U.S. Treasury Security and the issue date, which can often be several days after the auction for the security, FINRA defined the term to extend only until the auction for the security to reflect the change in how transactions are priced before and after the auction (i.e., transactions are generally conducted on a yield basis before the auction and on a price basis after the auction).

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<sup>6</sup> See 31 CFR 356.20 (How does the Treasury determine auction awards?).

<sup>7</sup> See 31 CFR 356.25 (How does the settlement process work?).

To conform the definition in the TRACE rules to more common usage, FINRA is amending the definition of “When-Issued Transaction” to mean “a transaction in a U.S. Treasury Security that is executed before the issuance of the security.” Under the amendment, therefore, the timing of When-Issued Transactions will still commence with the announcement of the Auction, but any transaction in the security subject to the Auction will be considered a “When-Issued Transaction” until the date the security is issued rather than the date the security is auctioned. Members will still be required to report yield, rather than price, for When-Issued Transactions up until the Auction for the security and price following the Auction; however, all When-Issued Transactions, both before and after the Auction up until the issue date, must be reported with the appropriate indicator. Because of the change in definition, FINRA also is amending Rule 6730 to clarify that, although the definition of the term “When-Issued Transaction” is being amended, there are no changes as to how members report price or yield on these transactions.<sup>8</sup>

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be July 10, 2017.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>9</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote

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<sup>8</sup> Similarly, the guidance FINRA has provided on the use of the When-Issued Transaction indicator and reopening transactions does not change as a result of these amendments. See Regulatory Notice 16-39 (October 2016).

<sup>9</sup> 15 U.S.C. 78q-3(b)(6).

just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the amendments will conform the terms in FINRA rules to their more common usage and use of these terms in applicable Treasury regulations. FINRA believes the amended definitions may reduce confusion regarding usage of the terms in the FINRA TRACE rules.

**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. Because the amendments are limited to conforming the terms in FINRA rules to their more common usage and to the use of the terms in applicable Treasury regulations, FINRA believes that amending the definitions may reduce confusion regarding usage of the terms and will not result in any burden on competition.

**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.

**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) or Section 19(b)(7)(D)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act<sup>10</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>11</sup> in that the proposed rule change does not significantly affect the protection of investors or the public interest; does

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<sup>10</sup> 15 U.S.C. 78s(b)(3).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate. As noted above, the amendments in the proposed rule change are narrow in scope and limited to conforming the terms in FINRA's TRACE rules to their more common usage and to the use of the terms in applicable Treasury regulations. FINRA believes the amended definitions may reduce confusion regarding usage of the terms for purposes of the TRACE rules, and although FINRA is amending the definition of the term "When-Issued Transaction," FINRA is not changing the requirements for how members report price or yield on these transactions.

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

Not applicable.

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**11. Exhibits**

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2016-046)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Reporting Transactions in U.S. Treasury Securities to the Trade Reporting and Compliance Engine

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on , 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. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 6710 to clarify the definitions of “Auction Transaction” and “When-Issued Transaction” for the purposes of reporting transactions in U.S. Treasury Securities to the Trade Reporting and Compliance Engine (“TRACE”).

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

\* \* \* \* \*

**6000. QUOTATION AND TRANSACTION REPORTING FACILITIES**

\* \* \* \* \*

**6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)**

**6710. Definitions**

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) through (ee) No Change.

(ff) “Collateralized Debt Obligation” (“CDO”) means a type of Securitized Product backed by fixed-income assets (such as bonds, receivables on loans, or other debt) or derivatives of these fixed-income assets, structured in multiple classes or tranches with each class or tranche entitled to receive distributions of principal and/or interest in accordance with the requirements adopted for the specific class or tranche. A CDO includes, but is not limited to, a collateralized loan obligation (“CLO”) and a collateralized bond obligation (“CBO”).

([ff]gg) “Auction” means the bidding process by which the U.S. Department of the Treasury sells marketable securities to the public pursuant to Part 356 of Title 31 of the Code of Federal Regulations.

([gg]hh) “Auction Transaction” means [the purchase of] a transaction in which a member is awarded a U.S. Treasury Security in an Auction.

([hh]ii) “When-Issued Transaction” means a transaction in a U.S. Treasury Security that is executed before the [Auction for] issuance of the security.

••• **Supplementary Material:** -----

**.01 No Change.**

\* \* \* \* \*

**6730. Transaction Reporting**

**(a) through (b) No Change.**

**(c) Transaction Information To Be Reported**

Each TRACE trade report shall contain the following information:

(1) through (2) No Change.

(3) Price of the transaction (or the elements necessary to calculate price, which are contract amount and accrued interest) or, for When-Issued Transactions in U.S. Treasury Securities executed before the Auction for the security, the yield as required by paragraph (d)(1) of this Rule[below];

(4) through (14) No Change.

**(d) Procedures for Reporting Price, Capacity, Volume**

**(1) Price**

(A) Except as noted in subparagraph (B) [for When-Issued Transactions in U.S. Treasury Securities], for principal transactions, report the price, which must include the mark-up or mark-down. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) For agency transactions, report the price, which must exclude the commission. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) Report the total dollar amount of the commission if one is assessed on the

transaction. Notwithstanding the foregoing, a member is not required to include a commission, mark-up or mark-down where one is not assessed on a trade-by-trade basis at the time of the transaction or where the amount is not known at the time the trade report is due. A member must use the “No Remuneration” indicator described in paragraph (d)(4)(F) where a trade report does not reflect either a commission, mark-up or mark-down, except for an inter-dealer transaction, a “List or Fixed Offering Price Transaction,” as defined in Rule 6710(q), or a “Takedown Transaction,” as defined in Rule 6710(r).

(B) For When-Issued Transactions in U.S. Treasury Securities executed before the Auction for the security and conducted on a principal basis, report the yield, which must include the mark-up or mark-down, of the security in lieu of price. For When-Issued Transactions in U.S. Treasury Securities executed before the Auction for the security and conducted on an agency basis, report the yield, which must exclude the commission, of the security in lieu of price. Report the total dollar amount of the commission.

(2) through (4) No Change.

(e) through (f) No Change.

••• **Supplementary Material:** -----

.01 through .05 No Change.

\* \* \* \* \*

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 October 18, 2016, the Commission approved a proposed rule change to require FINRA members to report certain transactions in U.S. Treasury Securities to TRACE.<sup>4</sup> The reporting requirements will be implemented beginning July 10, 2017.<sup>5</sup> As part of the proposed rule change, FINRA adopted three new defined terms to address members' reporting requirements involving transactions in U.S. Treasury Securities that occur on a "when-issued" basis or that occur as part of an auction of U.S. Treasury Securities: "Auction," "Auction Transaction," and "When-Issued Transaction." FINRA is amending the definitions of "Auction Transaction" and "When-Issued Transaction" to clarify the application of those terms, and is amending Rule 6730 to clarify the reporting requirements in light of the changes to the definition of "When-Issued Transaction."<sup>6</sup>

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<sup>4</sup> See Securities Exchange Act Release No. 79116 (October 18, 2016), 81 FR 73167 (October 24, 2016) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of File No. SR-FINRA-2016-027).

<sup>5</sup> See Regulatory Notice 16-39 (October 2016).

<sup>6</sup> On September 23, 2016, the Commission approved SR-FINRA-2016-023, which added a definition of "Collateralized Debt Obligation" to Rule 6710 as paragraph

First, FINRA is amending the terminology in the definition of “Auction Transaction” to conform to the regulations applicable to auctions of U.S. Treasury Securities. As adopted, the term “Auction Transaction” is defined as “the purchase of a U.S. Treasury Security in an Auction.”<sup>7</sup> Pursuant to the amendments to Rule 6730(e), Auction Transactions are exempt from the TRACE reporting requirements.

When conducting auctions, the Department of the Treasury accepts bids and determines awards pursuant to the process set forth in the applicable regulations.<sup>8</sup> Securities awarded during the auction process must then be paid for by the issue date established in the announcement for the auction.<sup>9</sup> To incorporate the concept of “awards” and maintain consistency with the applicable Treasury regulations, FINRA is amending the definition of “Auction Transaction” to mean “the transaction in which a member is awarded a U.S. Treasury Security in an Auction.” Consequently, the acquisition of U.S. Treasury Securities on the issue date as a result of a successful bid in an Auction will not be reportable to TRACE by a FINRA member. Any secondary market transactions in the security following the initial acquisition on the issue date will be reportable.

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(ff). See Securities Exchange Act Release No. 78925 (September 23, 2016), 81 FR 67023 (September 29, 2016) (Order Approving File No. SR-FINRA-2016-023). The proposed rule change also amends the paragraph designations for the definitions of “Auction,” “Auction Transaction,” and “When-Issued Transaction” as (gg), (hh), and (ii), respectively.

<sup>7</sup> The term “Auction” means “the bidding process by which the U.S. Department of the Treasury sells marketable securities to the public pursuant to Part 356 of Title 31 of the Code of Federal Regulations.”

<sup>8</sup> See 31 CFR 356.20 (How does the Treasury determine auction awards?).

<sup>9</sup> See 31 CFR 356.25 (How does the settlement process work?).

Second, FINRA is amending the definition of “When-Issued Transaction” to conform to more common usage of the term. As adopted, the term “When-Issued Transaction” was defined as “a transaction in a U.S. Treasury Security that is executed before the Auction for the security.” Although “when-issued” trading typically refers to any trading conducted between the announcement of an auction for a U.S. Treasury Security and the issue date, which can often be several days after the auction for the security, FINRA defined the term to extend only until the auction for the security to reflect the change in how transactions are priced before and after the auction (i.e., transactions are generally conducted on a yield basis before the auction and on a price basis after the auction).

To conform the definition in the TRACE rules to more common usage, FINRA is amending the definition of “When-Issued Transaction” to mean “a transaction in a U.S. Treasury Security that is executed before the issuance of the security.” Under the amendment, therefore, the timing of When-Issued Transactions will still commence with the announcement of the Auction, but any transaction in the security subject to the Auction will be considered a “When-Issued Transaction” until the date the security is issued rather than the date the security is auctioned. Members will still be required to report yield, rather than price, for When-Issued Transactions up until the Auction for the security and price following the Auction; however, all When-Issued Transactions, both before and after the Auction up until the issue date, must be reported with the appropriate indicator. Because of the change in definition, FINRA also is amending Rule 6730 to clarify that, although the definition of the term “When-Issued Transaction” is being

amended, there are no changes as to how members report price or yield on these transactions.<sup>10</sup>

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be July 10, 2017.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>11</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the amendments will conform the terms in FINRA rules to their more common usage and use of these terms in applicable Treasury regulations. FINRA believes the amended definitions may reduce confusion regarding usage of the terms in the FINRA TRACE rules.

### 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. Because the amendments are limited to conforming the terms in FINRA rules to their more common usage and to the use of the terms in applicable Treasury regulations, FINRA believes that amending the definitions may reduce confusion regarding usage of the terms and will not result in any burden on competition.

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<sup>10</sup> Similarly, the guidance FINRA has provided on the use of the When-Issued Transaction indicator and reopening transactions does not change as a result of these amendments. See Regulatory Notice 16-39 (October 2016).

<sup>11</sup> 15 U.S.C. 78q-3(b)(6).

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2016-046 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2016-046. 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-2016-046 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.<sup>14</sup>

Robert W. Errett  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).