

## OMB APPROVAL

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Page 1 of \* 19

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 Form 19b-4

File No.\* SR - 2018 - \* 020

Amendment No. (req. for Amendments \*)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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) \*

☐

Section 806(e)(2) \*

☐

Section 3C(b)(2) \*

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Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



### Description

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

Proposed Rule Change to Amend FINRA Rule 6710 to Modify the Definition of "Agency Debt Security"

### 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 \* Cara Last Name \* Rosen  
 Title \* Counsel  
 E-mail \* cara.rosen@finra.org  
 Telephone \* (202) 728-8852 Fax (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 05/17/2018

By Stephanie M. Dumont

(Name \*)

Senior Vice President and Director of Capital Markets Policy

Stephanie Dumont,

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 EFFT 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 \***

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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

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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

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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**

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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 expand the definition of “Agency Debt Security.”

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

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

At its meeting on May 10, 2018, 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. FINRA has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

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

(a) Purpose

FINRA requires members to report to the Trade Reporting and Compliance Engine (“TRACE”) transactions in Agency Debt Securities,<sup>2</sup> which includes those debt

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

<sup>2</sup> “Agency Debt Security” generally includes a debt security (i) issued or guaranteed by an Agency as defined in Rule 6710(k); or (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in Rule 6710(n). Rule 6710(n) provides that “Government-Sponsored Enterprise” has the same meaning as defined in 2 U.S.C. 622(8).

securities issued or guaranteed by a Government-Sponsored Enterprise (“GSE”). Fannie Mae (“Fannie”) and Freddie Mac (“Freddie”), both of which are GSEs, announced changes relating to the issuance structure of their credit risk transfer securities (“CRTs”).<sup>3</sup> Currently, Fannie and Freddie issue CRTs as direct debt obligations, and therefore CRTs fall within the definition of “Agency Debt Security” for purposes of TRACE data categorization and dissemination. FINRA understands that under the new issuance structure, CRTs will be issued by a Fannie- or Freddie-sponsored trust rather than directly by Fannie or Freddie, and proceeds from the sale of the CRTs will be placed in a trust account and managed by a third-party trustee. As a result of CRTs being issued by a trust sponsored by a GSE instead of directly issued by a GSE, CRTs would no longer fall within the technical definition of “Agency Debt Security” and would be considered corporate debt for TRACE data and dissemination purposes. This outcome would be problematic for TRACE subscribers consuming data related to CRTs because transactions in CRTs would no longer be disseminated as part of the Agency Debt data set. In addition, the TRACE system would apply the corporate, rather than Agency, debt transaction size dissemination cap for unrated securities, specifically a \$1 million dissemination cap for unrated corporate debt versus \$5 million for unrated Agency Debt Securities. Thus, classifying CRTs as corporate debt would decrease transparency as to the actual size of the transaction given that unrated corporate debt is disseminated with the \$1, rather than \$5, million dissemination cap.

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<sup>3</sup> Fannie and Freddie introduced their respective CRT programs in 2013. CRTs are linked to an underlying loan pool selected and acquired by the GSE and the credit and prepayment performance of the underlying loans determines the performance of the CRTs.

FINRA believes that the new issuance structure for CRTs will not materially change the characteristics of the CRTs to warrant altered treatment for purposes of TRACE categorization and dissemination. While a trust will be issuing the CRTs, FINRA understands that Fannie and Freddie will retain a material net economic interest<sup>4</sup> in the reference tranches associated with the CRTs issued under the new structure and will enter into a credit protection agreement with the trust, including agreeing to pay any shortfall between the investment earnings on the collateral held by the trust and the one-month LIBOR. Thus, FINRA is proposing to amend Rule 6710(l) to expand the definition of “Agency Debt Security” to include debt issued by a trust or other entity established or sponsored by a GSE for the purpose of issuing debt securities, where the GSE provides the collateral to the entity or retains a material net economic interest in the securities issued by the entity. This proposed rule would allow CRTs to continue to fall within the definition of “Agency Debt Security” for TRACE purposes and would address any similar future modifications by Fannie and Freddie to other programs.<sup>5</sup> FINRA believes that this would benefit investors by ensuring the continued application of the \$5 million dissemination cap for unrated Agency Debt Securities, instead of the \$1 million dissemination cap for unrated corporate debt. Additionally, continuing to classify CRTs

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<sup>4</sup> See, e.g., Fannie Mae, Prospectus, Connecticut Avenue Securities, Series 2018-C03 Notes Due October 2030, <http://www.fanniemae.com/resources/file/credit-risk/pdf/connave-2018-c03-prospectus.pdf>; see also, e.g., Freddie Mac, Offering Circular, Seasoned Credit Risk Transfer Trust, Series 2017-3, [http://www.freddiemac.com/seasonedloanofferings/docs/SCRT\\_2017-3\\_OC%20Final.pdf](http://www.freddiemac.com/seasonedloanofferings/docs/SCRT_2017-3_OC%20Final.pdf).

<sup>5</sup> FINRA has discussed the proposed rule change with Fannie and Freddie, both of which support the continued inclusion of CRTs within the definition of “Agency Debt Security.”

issued under the new issuance structure as Agency Debt Securities would avoid confusion by ensuring that subscribers of the Agency Debt data set continue to receive transaction information on CRTs. Finally, FINRA does not believe that the modification in issuance structure will materially change the characteristics of the CRTs for purposes of TRACE dissemination and, therefore, FINRA does not believe that classifying CRTs as corporate debt solely because of the new issuance structure is warranted.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. FINRA has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>6</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. The proposed rule change would prevent investor confusion by providing that CRTs continue to fall within the definition of “Agency Debt Security” for TRACE purposes. In addition, subscribers of the Agency Debt data set would continue to receive transaction information on CRTs, and investors would continue to see CRTs disseminated pursuant to the protocols applicable to Agency Debt Securities that provide a comparatively higher level of transparency as to the actual size of the transaction. As noted above, FINRA does not believe that the new issuance structure will materially

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

change the characteristics of CRTs sufficient to warrant different treatment for TRACE purposes, and believes that the proposal is in the best interest of investors in that it would reduce confusion regarding the appropriate categorization of CRTs.

**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. FINRA does not anticipate that the proposed rule change will lead to any material costs or benefits to members, as it does not affect the TRACE reporting requirements that are applicable today. The proposed rule change would simply allow FINRA to continue classifying the CRTs as Agency Debt Securities for data categorization and dissemination purposes.

**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>7</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>8</sup> in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not

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<sup>7</sup> 15 U.S.C. 78s(b)(3).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

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.

FINRA requests that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii),<sup>9</sup> so that FINRA can implement the rule change prior to Fannie or Freddie issuing CRTs pursuant to the new issuance structure. Based on conversations with Fannie and Freddie, FINRA understands that the first CRTs will be issued under the new structure imminently. Therefore, allowing FINRA to implement the proposed rule change prior to the issuance of CRTs under the new structure would benefit investors by ensuring a more appropriate and less confusing classification of CRTs. In accordance with Rule 19b-4(f)(6),<sup>10</sup> FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.<sup>11</sup>

FINRA believes that the proposal to expand the definition of “Agency Debt Security” does not significantly affect the protection of investors or the public interest in that it would accommodate a change in the issuance structure in GSE securities by Fannie and Freddie.

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<sup>9</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

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



**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 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2018-020)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rule 6710 to Modify the Definition of “Agency Debt Security”

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. 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 6710 to modify the definition of “Agency Debt Security.”

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.

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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).

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

FINRA requires members to report to the Trade Reporting and Compliance Engine ("TRACE") transactions in Agency Debt Securities,<sup>4</sup> which includes those debt securities issued or guaranteed by a Government-Sponsored Enterprise ("GSE"). Fannie Mae ("Fannie") and Freddie Mac ("Freddie"), both of which are GSEs, announced changes relating to the issuance structure of their credit risk transfer securities ("CRTs").<sup>5</sup> Currently, Fannie and Freddie issue CRTs as direct debt obligations, and therefore CRTs fall within the definition of "Agency Debt Security" for purposes of TRACE data categorization and dissemination. FINRA understands that under the new issuance structure, CRTs will be issued by a Fannie- or Freddie-sponsored trust rather than directly

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<sup>4</sup> "Agency Debt Security" generally includes a debt security (i) issued or guaranteed by an Agency as defined in Rule 6710(k); or (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in Rule 6710(n). Rule 6710(n) provides that "Government-Sponsored Enterprise" has the same meaning as defined in 2 U.S.C. 622(8).

<sup>5</sup> Fannie and Freddie introduced their respective CRT programs in 2013. CRTs are linked to an underlying loan pool selected and acquired by the GSE and the credit and prepayment performance of the underlying loans determines the performance of the CRTs.

by Fannie or Freddie, and proceeds from the sale of the CRTs will be placed in a trust account and managed by a third-party trustee. As a result of CRTs being issued by a trust sponsored by a GSE instead of directly issued by a GSE, CRTs would no longer fall within the technical definition of “Agency Debt Security” and would be considered corporate debt for TRACE data and dissemination purposes. This outcome would be problematic for TRACE subscribers consuming data related to CRTs because transactions in CRTs would no longer be disseminated as part of the Agency Debt data set. In addition, the TRACE system would apply the corporate, rather than Agency, debt transaction size dissemination cap for unrated securities, specifically a \$1 million dissemination cap for unrated corporate debt versus \$5 million for unrated Agency Debt Securities. Thus, classifying CRTs as corporate debt would decrease transparency as to the actual size of the transaction given that unrated corporate debt is disseminated with the \$1, rather than \$5, million dissemination cap.

FINRA believes that the new issuance structure for CRTs will not materially change the characteristics of the CRTs to warrant altered treatment for purposes of TRACE categorization and dissemination. While a trust will be issuing the CRTs, FINRA understands that Fannie and Freddie will retain a material net economic interest<sup>6</sup> in the reference tranches associated with the CRTs issued under the new structure and will enter into a credit protection agreement with the trust, including agreeing to pay any shortfall between the investment earnings on the collateral held by the trust and the one-

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<sup>6</sup> See, e.g., Fannie Mae, Prospectus, Connecticut Avenue Securities, Series 2018-C03 Notes Due October 2030, <http://www.fanniemae.com/resources/file/credit-risk/pdf/connave-2018-c03-prospectus.pdf>; see also, e.g., Freddie Mac, Offering Circular, Seasoned Credit Risk Transfer Trust, Series 2017-3, [http://www.freddiemac.com/seasonedloanofferings/docs/SCRT\\_2017-3\\_OC%20Final.pdf](http://www.freddiemac.com/seasonedloanofferings/docs/SCRT_2017-3_OC%20Final.pdf).

month LIBOR. Thus, FINRA is proposing to amend Rule 6710(l) to expand the definition of “Agency Debt Security” to include debt issued by a trust or other entity established or sponsored by a GSE for the purpose of issuing debt securities, where the GSE provides the collateral to the entity or retains a material net economic interest in the securities issued by the entity. This proposed rule would allow CRTs to continue to fall within the definition of “Agency Debt Security” for TRACE purposes and would address any similar future modifications by Fannie and Freddie to other programs.<sup>7</sup> FINRA believes that this would benefit investors by ensuring the continued application of the \$5 million dissemination cap for unrated Agency Debt Securities, instead of the \$1 million dissemination cap for unrated corporate debt. Additionally, continuing to classify CRTs issued under the new issuance structure as Agency Debt Securities would avoid confusion by ensuring that subscribers of the Agency Debt data set continue to receive transaction information on CRTs. Finally, FINRA does not believe that the modification in issuance structure will materially change the characteristics of the CRTs for purposes of TRACE dissemination and, therefore, FINRA does not believe that classifying CRTs as corporate debt solely because of the new issuance structure is warranted.

FINRA has filed the proposed rule change for immediate effectiveness. FINRA has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

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<sup>7</sup> FINRA has discussed the proposed rule change with Fannie and Freddie, both of which support the continued inclusion of CRTs within the definition of “Agency Debt Security.”

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>8</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. The proposed rule change would prevent investor confusion by providing that CRTs continue to fall within the definition of “Agency Debt Security” for TRACE purposes. In addition, subscribers of the Agency Debt data set would continue to receive transaction information on CRTs, and investors would continue to see CRTs disseminated pursuant to the protocols applicable to Agency Debt Securities that provide a comparatively higher level of transparency as to the actual size of the transaction. As noted above, FINRA does not believe that the new issuance structure will materially change the characteristics of CRTs sufficient to warrant different treatment for TRACE purposes, and believes that the proposal is in the best interest of investors in that it would reduce confusion regarding the appropriate categorization of CRTs.

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. FINRA does not anticipate that the proposed rule change will lead to any material costs or benefits to members, as it does not affect the TRACE reporting requirements that are applicable today. The proposed rule change would simply allow FINRA to continue

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<sup>8</sup> 15 U.S.C. 78o-3(b)(6).

classifying the CRTs as Agency Debt Securities for data categorization and dissemination purposes.

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>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</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:

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2018-020 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-2018-020. 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. Persons submitting comments are cautioned that we do not redact or edit personal



identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2018-020 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>11</sup>

Robert W. Errett  
Deputy Secretary

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<sup>11</sup> 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.

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### 6000. QUOTATION, ORDER, AND TRANSACTION REPORTING FACILITIES

\* \* \* \* \*

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

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#### 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 (k) No Change.

(l) “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); [or] (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n); or (iii) issued by a trust or other entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. The term excludes a U.S. Treasury Security as defined in paragraph (p) and a Securitized Product as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the Securitizer as defined in paragraph (s) (or similar person), or the guarantor of the Securitized Product.

(m) through (ii) No Change.

• • • **Supplementary Material:** -----

No Change.

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