

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="67"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2011"/> - * <input type="text" value="012"/> Amendment No. (req. for Amendments *) <input type="text"/>
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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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires * <input type="text"/>			<input 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"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

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 * Last Name *
Title *
E-mail *
Telephone * Fax

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)

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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 (required)

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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 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

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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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange 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 the FINRA Rule 6700 Series and FINRA Rule 7730:

(1) in FINRA Rule 6710, to incorporate minor amendments to clarify, simplify or conform the defined terms, “TRACE-Eligible Security,” “Reportable TRACE Transaction,” “Agency Debt Security,” “Asset-Backed Security” and “TRACE System Hours”; to add a defined term, “Securitizer”; and, to delete the defined terms “Sponsor” and “Issuing Entity”;

(2) in FINRA Rule 6730, (A) to revise, renumber and conform the text of parallel reporting provisions in FINRA Rule 6730(a); (B) to incorporate minor amendments regarding the duration and expiration of the pilot program (“Pilot Program”) for reporting Asset-Backed Securities transactions; (C) to consolidate reporting requirements for Asset-Backed Securities transactions that are executed other than during TRACE System Hours; (D) to simplify how settlement is reported for Asset-Backed Securities transactions; (E) to add alternative reporting requirements for Asset-Backed Securities transactions that are collateralized mortgage obligation (“CMO”) or real estate mortgage investment conduit (“REMIC”) transactions that occur prior to the issuance of the CMO or REMIC (“pre-issuance CMOs/REMICs”); and (F) to incorporate other minor technical, conforming or clarifying amendments to the Rule;

¹ 15 U.S.C. 78s(b)(1).

(3) in FINRA Rule 6760, to incorporate requirements that apply to Securitizers of Asset-Backed Securities, alternative notification requirements for pre-issuance CMOs/REMICs and minor technical, conforming or clarifying changes; and

(4) in FINRA Rule 7730, to add the Financial Information eXchange (“FIX”) as a method to report transactions to TRACE, establish a system-related FIX fee, and incorporate a minor technical amendment.

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

The proposed amendments set forth in Exhibit 5 are shown as changes to the FINRA Rule 6700 Series and FINRA Rule 7730 as amended by SR-FINRA-2009-065 (“TRACE ABS filing”), which was approved by the SEC on February 22, 2010.² The TRACE ABS filing is anticipated to become effective on May 16, 2011.³ The proposed rule change amends or supplements the TRACE reporting and other requirements that will apply to Asset-Backed Securities transactions, with certain exceptions regarding minor conforming and other technical proposed amendments.

* * * * *

(b) Not applicable.

(c) Not applicable.

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”) and Regulatory Notice 10-23 (April 2010).

³ See Securities Exchange Act Release No. 63223 (November 1, 2010), 75 FR 68654 (November 8, 2010) (Notice of Filing and Immediate Effectiveness of SR-FINRA-2010-054 to Extend the Implementation Period for SR-FINRA-2009-065); Regulatory Notice 10-55 (October 2010) (establishing May 16, 2011 as the effective date).

2. Procedures of the Self-Regulatory Organization

At its meeting on April 16, 2009, 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 will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date of the proposed rule change will be the date that the proposed rule changes in the TRACE ABS filing become effective, which is currently anticipated to be May 16, 2011.⁴

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

(a) Purpose

On February 22, 2010, the SEC approved the TRACE ABS filing, which amends the FINRA Rule 6700 Series to define Asset-Backed Securities as TRACE-Eligible Securities and to require members to report transactions in such securities to TRACE, and, concomitantly, FINRA Rule 7730, to establish reporting fees for transactions in such securities. The rule amendments in the TRACE ABS filing currently are anticipated to become effective on May 16, 2011.⁵ In the proposed rule change, FINRA proposes additional amendments to the FINRA Rule 6700 Series and FINRA Rule 7730 to prepare for the reporting of Asset-Backed Securities transactions to TRACE.

As discussed in greater detail below, in FINRA Rule 6710, FINRA proposes minor amendments to five defined terms, an additional defined term, "Securitizer," and

⁴ See supra note 3.

⁵ See supra note 3.

the deletion of two defined terms that are no longer necessary. In FINRA Rule 6730, FINRA proposes to: (A) revise, renumber and conform the text of parallel reporting provisions in FINRA Rule 6730(a); (B) incorporate minor amendments regarding the duration and expiration of the Pilot Program for reporting Asset-Backed Securities transactions; (C) consolidate reporting requirements for transactions in Asset-Backed Securities that are executed other than during TRACE System Hours; (D) simplify how settlement is reported for Asset-Backed Securities transactions; and (E) add alternative reporting requirements for Asset-Backed Securities transactions that are pre-issuance CMO/REMIC transactions. FINRA also proposes to add new FINRA Rule 6730(a)(6) to clarify a member's obligation to provide information to FINRA Operations regarding a TRACE-Eligible Security when such security is not in the TRACE system, and to incorporate other minor technical or clarifying amendments to FINRA Rule 6730. In FINRA Rule 6760, FINRA proposes to incorporate requirements that apply to Securitizers of Asset-Backed Securities, alternative notification requirements for pre-issuance CMOs/REMICs, and minor technical, conforming or clarifying changes, and in FINRA Rule 7730, to add FIX as a method to report transactions to TRACE, establish a system-related fee for transactions reported to TRACE via FIX and make a technical amendment.

FINRA Rule 6710

FINRA proposes minor amendments to five defined terms in FINRA Rule 6710, a new defined term, and the deletion of two defined terms that are no longer necessary, as set forth below.

TRACE-Eligible Security. FINRA proposes minor technical amendments to the defined term “TRACE-Eligible Security” in FINRA Rule 6710(a), such as deleting unnecessary numbering.

Asset-Backed Security. FINRA proposes to amend the defined term “Asset-Backed Security” in FINRA Rule 6710(m) to incorporate, in pertinent part, Section 3(a)(77) of the Act,⁶ a definition of asset-backed security added to the Act as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”).⁷ As amended, FINRA Rule 6710(m) would provide:

⁶ 15 U.S.C. 78c(a)(77).

⁷ Pub. L. No. 111-203, 124 Stat. 1376 (2010). “Asset-Backed Security” was added to the Act under Section 941(a) of Title IX of the Dodd-Frank Act. Under Section 3(a)(77)(A) of the Act, the term asset-backed security:

Means a fixed-income or other security collateralized by any type of self-liquidating financial asset (including a loan, a lease, a mortgage, or a secured or unsecured receivable) that allows the holder of the security to receive payments that depend primarily on cash flow from the asset, including –

- (i) A collateralized mortgage obligation;
- (ii) A collateralized debt obligation;
- (iii) A collateralized bond obligation;
- (iv) A collateralized debt obligation of asset-backed securities;
- (v) A collateralized debt obligation of collateralized debt obligations; and
- (vi) A security that the Commission, by rule, determines to be an asset-backed security for purposes of this section; and . . .

The definition of “asset-backed security” in Section 3(a)(77) of the Act (15 U.S.C. 78c(a)(77)) “is broader than the definition of ‘asset-backed security’ in Regulation AB and includes securities typically offered and sold in private transactions.” See Securities Act Release No. 9150 (October 13, 2010), 75 FR 64182, 64183 (October 19, 2010) (File No. S7-26-10: Issuer Review of Assets in Offerings of Asset-Backed Securities); and SEC Regulation AB, Item 1101(c) (17 CFR 229.1101(c)).

“Asset-Backed Security” means a security collateralized by any type of financial asset, such as a loan, a lease, a mortgage, or a secured or unsecured receivable, and includes but is not limited to an asset-backed security as defined in Section 3(a)(77)(A) of the Exchange Act, a synthetic asset-backed security and any residual tranche or interest of any security specified above, which tranche or interest is a debt security for purposes of Rule 6710(a) and the Rule 6700 Series.

The proposed amendment to the term “Asset-Backed Security” clarifies, but does not broaden, the term.

Securitizer. The Dodd-Frank Act also added a definition of “securitizer” in Section 15G(a)(3) of the Act,⁸ which FINRA proposes to incorporate in FINRA Rule 6710 as paragraph (s). In FINRA Rule 6710(s), “Securitizer” would have the same meaning it has in Section 15G(a)(3) of the Act.⁹

Reportable TRACE Transaction; Agency Debt Security. FINRA proposes to use the term “Securitizer,” which is broad and includes sponsors and issuers, among others,¹⁰

⁸ Section 941(b) of Title IX of the Dodd-Frank Act added the definition of “securitizer” to the Act as Section 15G(a)(3) (15 U.S.C. 78o-11(a)(3)).

⁹ 15 U.S.C. 78o-11(a)(3). Section 15G(a)(3) of the Act provides that a securitizer is “(A) an issuer of an asset-backed security; or (B) a person who organizes and initiates an asset-backed securities transaction by selling or transferring assets, either directly or indirectly, including through an affiliate, to the issuer; and . . .”

¹⁰ The Commission has stated that “[W]ith respect to registered transactions and the definitions of transaction parties in Regulation AB, sponsors and depositors both fall within the statutory definition of securitizer.” Securities Exchange Act Release No. 63029 (October 4, 2010), 75 FR 62718, 62720 (October 13, 2010) (File No. S7-24-10: Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act:

in lieu of the defined terms “Sponsor” and “Issuing Entity,” in “Reportable TRACE Transaction” in FINRA Rule 6710(c) and “Agency Debt Security” in FINRA Rule 6710(l), and any other provisions in the FINRA Rule 6700 Series where Sponsor and/or Issuing Entity were used.¹¹

TRACE System Hours. FINRA proposes to conform the time referenced in the defined term “TRACE System Hours” to times stated in the FINRA Rule 6700 Series generally (to include seconds) and also to relocate the defined term from FINRA Rule 6710(bb) to FINRA Rule 6710(t). FINRA Rule 6710(bb) would be deleted.

Sponsor; Issuing Entity. FINRA proposes to delete the defined terms “Sponsor” in FINRA Rule 6710(s) and “Issuing Entity” in FINRA Rule 6710(t), which are no longer necessary with the inclusion of the defined term Securitizer.

FINRA Rule 6730

As noted above, FINRA proposes certain amendments to FINRA Rule 6730 regarding the reporting of Asset-Backed Securities transactions to TRACE, and certain technical amendments, including restructuring and renumbering FINRA Rule 6730(a) and FINRA Rule 6730(a)(1) through (a)(8), to align parallel or similar reporting

Proposed Rule). In addition, the term “securitizer” “is not specifically limited to entities that undertake transactions that are registered under the Securities Act or conducted in reliance upon any particular exemption. Consequently, . . . [securitizer] is intended to apply to any entity or person that issues or organizes an . . . [asset-backed security] as specified in Section 15G(a)(3) of the Exchange Act.” *Id.* The SEC noted that entities included in the definition of securitizer included Government-Sponsored Enterprises (GSEs) such as Fannie Mae, Freddie Mac, and municipal entities. *Id.*

¹¹ In FINRA Rule 6710(c) and FINRA Rule 6710(l), FINRA substitutes the single term, “Securitizer” for “Sponsor” and “Issuing Entity.” See also minor proposed amendments to Rule 6760, discussed infra.

provisions. The proposed restructuring also includes minor technical amendments to conform the text of parallel or similar reporting provisions.¹²

FINRA Rule 6730(a); Proposed Renumbered FINRA Rule 6730(a)(1): Generally Applicable Reporting Requirements. FINRA Rule 6730(a) provides that TRACE-Eligible Securities transactions must be reported within 15 minutes. FINRA Rule 6730(a)(1) through (3) set forth reporting requirements for transactions executed, respectively, on a business day during, after, and before TRACE System Hours, and FINRA Rule 6730(a)(4) states such requirements for transactions executed on a weekend or a holiday.

To restructure FINRA Rule 6730(a) to align parallel or similar reporting provisions, FINRA first proposes minor technical amendments to FINRA Rule 6730(a),¹³ and to reorganize the reporting requirements of general applicability (*i.e.*, applicable to corporate debt and Agency Debt Securities)¹⁴ that are set forth in FINRA Rule 6730(a)(1)

¹² As TRACE has expanded, FINRA Rule 6730 has been amended several times to incorporate additional reporting requirements. Before March 1, 2010, all TRACE-Eligible Securities transactions were subject to a single reporting standard (and three exceptions relating to transactions executed when the TRACE System was not open) (see FINRA Rule 6730(a)(1) and FINRA Rule 6730(a)(2) through (a)(4)). On March 1, 2010, a second set of requirements for reporting List or Fixed Offering Price Transactions and Takedown Transactions became effective (T+1 reporting requirement for most transactions) (see FINRA Rule 6730(a)(5)). See Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (Order Approving File No. SR-FINRA-2009-010). See also Regulatory Notice 09-57 (September 2009).

¹³ The current general requirements set forth in FINRA Rule 6730(a) -- requiring all Parties to a Transaction to report the transaction and for reports to be made within 15 minutes of the Time of Execution (except as otherwise provided) -- would be retained. FINRA proposes to delete the statement that, "Specific trade reporting obligations during a 24-hour cycle are set forth below."

¹⁴ The reporting requirements in proposed renumbered FINRA Rule 6730(a)(1) and subparagraphs (A) through (D) also would apply to primary market transactions

through (a)(4). Amended FINRA Rule 6730(a)(1) would be titled, “Reporting Requirements” and provide: “Except as otherwise specifically provided in paragraph (a)(2) and paragraph (a)(3), transactions in TRACE-Eligible Securities must be reported as provided in this paragraph (a)(1).” FINRA Rule 6730(a)(1) through FINRA Rule 6730(a)(4) would be renumbered as subparagraphs of FINRA Rule 6730(a)(1) and include minor technical and conforming amendments to conform the rule text to similar or parallel provisions in FINRA Rule 6730(a).¹⁵

Proposed Renumbered FINRA Rule 6730(a)(2) - List or Fixed Offering Price Transactions and Takedown Transactions. FINRA Rule 6730(a)(5), containing reporting requirements for List or Fixed Offering Price Transactions and Takedown Transactions, would be renumbered as FINRA Rule 6730(a)(2), and titled “Reporting Requirements – List or Fixed Offering Price Transactions and Takedown Transactions.” FINRA also proposes minor technical and conforming amendments to conform the rule text to similar or parallel provisions in FINRA Rule 6730(a).¹⁶

Proposed Renumbered FINRA Rule 6730(a)(3) - Asset-Backed Securities. FINRA Rule 6730(a)(6), containing reporting requirements for Asset-Backed Securities, would be renumbered as proposed FINRA Rule 6730(a)(3), and titled “Reporting

that do not qualify for T + 1 reporting, consistent with current FINRA Rule 6730(a)(1) through (4).

¹⁵ FINRA Rule 6730(a)(1) – (4) would be renumbered as Rule 6730(a)(1)(A) – (D), respectively.

¹⁶ The rule text would be set forth in two subparagraphs, proposed FINRA Rule 6730(a)(2)(A) and proposed FINRA Rule 6730(a)(2)(B).

Requirements – Asset-Backed Securities Transactions.”¹⁷ FINRA also proposes minor technical and conforming amendments to conform the rule text of renumbered FINRA Rule 6730(a)(3) to similar or parallel provisions in FINRA Rule 6730(a). Finally, current FINRA Rule 6730(a)(7) and current FINRA Rule 6730(a)(8) would be renumbered, respectively, as FINRA Rule 6740(a)(4) and FINRA Rule 6730(a)(5).

Pilot Program. FINRA Rule 6730(a)(6)(A)(ii) (proposed renumbered FINRA Rule 6730(a)(3)(A)(i)) provides for a six-month Pilot Program for reporting transactions in Asset-Backed Securities, which extends the period for a member to timely report such transactions to no later than the next business day (T + 1) at any time during TRACE System Hours.¹⁸ The Pilot Program provides additional time for members to prepare and submit accurate transaction reports for Asset-Backed Securities on a temporary basis.

FINRA proposes a technical amendment to the Pilot Program (proposed renumbered FINRA Rule 6730(a)(3)(A)(i)) providing that the Pilot Program shall expire 180 days (instead of six months) following the commencement of the reporting of Asset-Backed Securities transactions, provided that if the 180th day is not a Friday, the Pilot Program will expire on the Friday next occurring (that the TRACE system is open) after

¹⁷ FINRA Rule 6730(a)(6) would be renumbered as follows: FINRA Rule 6730(a)(6)(A)(i) would be renumbered as FINRA Rule 6730(a)(3)(A)(ii); FINRA Rule 6730(a)(6)(A)(ii) (the Pilot Program) would be renumbered as FINRA Rule 6730(a)(3)(A)(i); and FINRA Rule 6730(a)(6)(B) and FINRA Rule 6730(a)(6)(B)(i) – (ii) would be renumbered as FINRA Rule 6730(a)(3)(B) and FINRA Rule 6730(a)(3)(B)(i) – (ii), respectively. As discussed infra, FINRA proposes to consolidate FINRA Rule 6730(a)(6)(B)(ii) and FINRA Rule 6730(a)(6)(B)(iii) in renumbered FINRA Rule 6730(a)(3)(B)(ii), and delete FINRA Rule 6730(a)(6)(B)(iii).

¹⁸ After the Pilot Program expires, transactions in Asset-Backed Securities must be reported on the date of trade during TRACE System Hours, with certain exceptions. See FINRA Rule 6730(a)(6)(A)(i) (proposed renumbered FINRA Rule 6730(a)(3)(A)(ii)).

the 180th day. FINRA proposes that the Pilot Program expire on a Friday in response to comments requesting that members and vendors be given additional time to incorporate the system changes that must be implemented at the termination of the Pilot Program.¹⁹

Asset-Backed Securities Transactions Executed on Non-Business Day. Currently, trades that are executed on a weekend, holiday or other day when the TRACE system is closed must be reported the next business day (T + 1), designated “as/of,” and are subject to two unique requirements. First, the date of execution reported to TRACE is not the actual date of execution; instead, a member reports the date of execution as the same day (T + 1) that the report must be timely submitted. In addition, the execution time reported must be “12:01:00 a.m. Eastern Time” (“00:01:00”), instead of the actual Time of Execution.²⁰ These adaptations were incorporated when TRACE began because the TRACE system does not recognize any day on which the TRACE system is closed as a valid date of execution, and the two unique requirements permit FINRA to distinguish such non-business day transactions from all other reported transactions.²¹

FINRA has improved the TRACE system, which, for transactions in Asset-Backed Securities, will recognize any calendar day, including days on which the TRACE

¹⁹ As discussed *infra*, the Pilot Program is also incorporated in the proposed reporting requirements applicable to transactions in pre-issuance CMOs/REMICs (see proposed FINRA Rule 6730(a)(3)(C)). The expiration of the Pilot Program will also necessitate modifications of systems and procedures in place to report such transactions.

²⁰ Also, when the reporting method used includes a “special price memo” field, the member must enter the actual date of execution and Time of Execution in the field.

²¹ See, e.g., FINRA Rule 6730(a)(4) (proposed renumbered FINRA Rule 6730(a)(1)(D)), FINRA Rule 6730(a)(5) (proposed renumbered FINRA Rule 6730(a)(2)(B)), and FINRA Rule 6730(a)(6)(B)(iii).

system is not open, as a valid date of execution. Accordingly, FINRA proposes to streamline FINRA Rule 6730(a)(6) (proposed renumbered FINRA Rule 6730(a)(3)) regarding Asset-Backed Securities Transactions, combining the requirements of FINRA Rule 6730(a)(6)(B)(ii) and FINRA Rule 6730(a)(6)(B)(iii) in proposed renumbered FINRA Rule 6730(a)(3)(B)(ii) because, with this system enhancement, the standards for reporting under both provisions are the same, and separate provisions are no longer necessary.²² FINRA Rule 6730(a)(6)(B)(iii) would be deleted.

Settlement. FINRA Rule 6730(d)(4)(B)(ii) currently requires a member to report two items regarding the terms of settlement of an Asset-Backed Securities transaction: (1) the actual date of settlement; and (2) an indicator that the transaction will settle “regular way” (i.e., T + 3 or in conformity with the uniform practices established as “good delivery” for the specific Asset-Backed Security), or one indicating that the transaction will not be settled “regular way.”

FINRA proposes to retain the requirement to report the actual date of settlement and delete the requirement to report the indicator, which will simplify the reporting of settlement in connection with Asset-Backed Securities transactions.

Pre-Issuance CMO/REMIC Transactions. FINRA proposes to supplement the rules requiring members to report Asset-Backed Securities in FINRA Rule 6730(a)(6) (proposed renumbered FINRA Rule 6730(a)(3)) to include alternative reporting

²² Proposed renumbered FINRA Rule 6730(a)(3)(B)(ii) would provide that any transaction in an Asset-Backed Security that is executed on a Saturday, Sunday, a federal or religious holiday or other day on which the TRACE system is not open, or executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported not later than the next business day during TRACE System Hours, designated “as/of” and include the date of execution.

requirements for pre-issuance CMO/REMIC transactions. Proposed FINRA Rule 6730(a)(3)(C)(i) provides that a pre-issuance CMO/REMIC transaction must be reported, during the Pilot Program, the earlier of: (i) the business day following the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours, or (ii) the business day following the date of issuance of the security during TRACE System Hours. As provided in proposed FINRA Rule 6730(a)(3)(C)(ii), after the Pilot Program expires, such pre-issuance CMO/REMIC transactions must be reported the earlier of (i) the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours (unless such identifier is assigned after 1:00:00 p.m. Eastern Time, and in such case, such transactions must be reported no later than the next business day during TRACE System Hours), or (ii) the date of issuance of the security during TRACE System Hours.²³

The alternative reporting requirements in proposed FINRA Rule 6730(a)(3)(C) differ from current TRACE reporting requirements and those that will apply generally to Asset-Backed Securities transactions in that, for pre-issuance CMO/REMIC transactions, the reporting period begins (or is triggered) on the date of issuance of the security (or, if earlier, the date the security is assigned an appropriate identifier), instead of the date and time of the member's execution of the transaction. FINRA proposes this alternative approach because although pre-issuance CMO/REMIC transactions occur frequently, in many cases, a CUSIP or other identifier is not yet assigned or is difficult to assign (or

²³ Under proposed FINRA Rule 6730(a)(3)(C)(i) and proposed FINRA Rule 6730(a)(3)(C)(ii), any transaction that is reported other than on the date of execution must be designated "as/of" and include the date of execution.

cannot be assigned), because certain aspects of the collateral and structure of the CMO or REMIC are not finalized at the time of such transactions, and will not be finalized until shortly before the CMO or REMIC is actually issued. CMO and REMIC transactions that are not pre-issuance CMO/REMIC transactions – i.e., those executed on or after the date of issuance of the security -- must be reported in compliance with FINRA Rule 6730(a)(6)(A) and (B) (proposed renumbered FINRA Rules 6730(a)(3)(A) and (B)) and may not be reported under the alternative reporting provisions (proposed FINRA Rule 6730(a)(3)(C)(i) and proposed FINRA Rule 6730(a)(3)(C)(ii)).

Other FINRA Rule 6730 Amendments. FINRA proposes to amend FINRA Rule 6730 to state explicitly in new paragraph (a)(6) that when a member is a Party to a Transaction and makes a good faith determination that a transaction involves a TRACE-Eligible Security, if the TRACE-Eligible Security is not entered in the TRACE system, the member must promptly provide FINRA Operations the information required under FINRA Rule 6760(b) and thereafter report. The proposed amendment will incorporate in FINRA Rule 6730(a)(6) previous guidance regarding members' obligations to take all the steps necessary to report a transaction to TRACE, including providing notification to FINRA Operations when circumstances so require.

FINRA also proposes minor technical amendments to FINRA Rule 6730(a) regarding reporting transactions executed on weekends, federal or religious holidays, or other days on which the TRACE system does not operate. FINRA Rule 6730(a) provisions would be amended to refer to transactions executed on “a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any

time during that day” (instead of transactions executed on “a Saturday, a Sunday or a federal or religious holiday on which the TRACE system is closed”).²⁴

FINRA Rule 6760

FINRA Rule 6760 requires a member that is a managing underwriter in an initial offering of a TRACE-Eligible Security (or, if a managing underwriter is not appointed, members that are underwriters or initial purchasers) to notify FINRA Operations of a new TRACE-Eligible Security. For Asset-Backed Securities, a member Sponsor or a member Issuing Entity must provide notice. The notice must include certain information that clearly identifies the security, which FINRA uses to confirm information in the TRACE System or add the security to the TRACE system. Generally, the notice must be provided to FINRA Operations prior to the execution of the first transaction in the offering.

FINRA proposes to amend FINRA Rule 6760 to incorporate requirements that apply to Securitizers of Asset-Backed Securities (and delete those applicable to Sponsors and Issuing Entities), to add alternative notification requirements for pre-issuance CMOs/REMICs and make other minor technical, conforming or clarifying changes.

In FINRA Rule 6760(a), FINRA Rule 6760(a)(1) would be amended such that, for Asset-Backed Securities, a member that is a Securitizer (instead of a member Sponsor or a member Issuing Entity) would be a managing underwriter for purposes of the Rule and required to provide notice under the Rule. References to Sponsors and Issuing Entities would be deleted. FINRA also proposes to amend FINRA Rule 6760(a)(2) to

²⁴ See proposed amendments to FINRA Rule 6730(a)(4) (proposed renumbered Rule 6730(a)(1)(D)), FINRA Rule 6730(a)(5) (proposed renumbered Rule 6730(a)(2)(B)), FINRA Rule 6730(a)(6)(B)(ii) (proposed renumbered Rule 6730(a)(3)(B)(ii)) and FINRA Rule 6730(a)(8) (proposed renumbered Rule 6730(a)(5)).

provide that FINRA will specify the method of communication or media that a member must use to provide the information to FINRA Operations under FINRA Rule 6760, and to delete the requirement to provide such information by facsimile or e-mail. The proposed amendment to FINRA Rule 6760(a)(2) will provide FINRA the flexibility, as technology advances and systems change, to change quickly the method or media a member may use to comply with FINRA Rule 6760.

In FINRA Rule 6760(b), FINRA proposes that when a Securitizer provides notice regarding an Asset-Backed Security, all Securitizers (instead of the Issuing Entity and the Sponsor) must be named in the notice.²⁵ Also, FINRA proposes to transfer the requirement that a member make a good faith determination of TRACE eligibility before providing notice about a security to FINRA Operations from FINRA Rule 6760(b) to FINRA Rule 6760(a)(1), and the deadline for providing timely notice, and the exceptions thereto, from FINRA Rule 6760(b) to proposed FINRA Rule 6760(c).

Proposed FINRA Rule 6760(c) would set forth the deadline for providing notice, and the exceptions thereto. The current provisions regarding the deadline for providing notice and the exceptions would be set forth in proposed FINRA Rule 6760(c)(1). In proposed FINRA Rule 6760(c)(2), FINRA would provide alternative notice requirements for Asset-Backed Securities that are CMOs or REMICs in which pre-issuance transactions will occur. As discussed above, proposed alternative reporting requirements for pre-issuance CMO/REMIC transactions provide that reporting deadlines will be calculated by reference to the earlier of the date of issuance (or, during the Pilot Program,

²⁵ FINRA notes that only a Securitizer that is also a FINRA member is required to provide notice under FINRA Rule 6760(a)(1), but all Securitizers, including non-member Securitizers, must be identified in the notice under FINRA Rule 6760(b).

the following day) or date of assignment of a CUSIP or another appropriate identifier (or, during the Pilot Program, the following day) due to the delays in the final structuring and issuance of such CMOs and REMICs.²⁶ For the same reasons, FINRA proposes alternative notification requirements regarding CMOs and REMICs in which pre-issuance transactions will occur. Under proposed FINRA Rule 6760(c)(2), a member that is required to provide notice to FINRA Operations of such CMOs or REMICs must do so promptly on the date of issuance or other event that establishes the reference date that determines when a reporting period begins under proposed FINRA Rule 6730(a)(3)(C)(i), which applies during the Pilot Program, or, after the expiration of the Pilot Program, under proposed FINRA Rule 6730(a)(3)(C)(ii).

FINRA also proposes to incorporate technical and clarifying amendments to FINRA Rule 6760, including changes related to the restructuring of FINRA Rule 6760(a) and (b) and the addition of proposed FINRA Rule 6760(c).

FINRA Rule 7730

FINRA Rule 7730 sets forth fees applicable to reporting transactions to TRACE and purchasing TRACE data. FINRA proposes minor amendments to two provisions.

Under FINRA Rule 7730(a), members may report transactions in TRACE-Eligible Securities to TRACE using: (1) a TRACE web browser; (2) a Computer-to-Computer Interface (“CTCI”) (whether or not dedicated exclusively to TRACE); or (3) a third-party reporting intermediary, and incur system-related fees based upon the method selected. A member pays a system fee of \$25 per month, per firm to report transactions in TRACE-Eligible Securities via CTCI as provided in FINRA Rule 7730(a)(2). FINRA

²⁶ See proposed FINRA Rule 6730(a)(3)(C)(i) and proposed FINRA Rule 6730(a)(3)(C)(ii).

proposes to amend FINRA Rule 7730(a), FINRA Rule 7730(a)(2) and the fee chart in Rule 7730 to add FIX as another method for reporting transactions in TRACE-Eligible Securities. FINRA proposes that the FIX line, like CTCI, would not be required to be dedicated exclusively to TRACE, and the system-related fee for reporting via FIX, like CTCI, would be \$25 per month, per firm. FINRA also proposes minor, conforming, non-substantive amendments to FINRA Rule 7730(a).

In addition, FINRA proposes to correct a technical error regarding reporting fees in FINRA Rule 7730(b)(1) and the fee chart. FINRA Rule 7730(b)(1) and the fee chart set forth three tiers of reporting fees. Currently, both provide that the middle tier reporting fee applies to trades “between \$200,001 and \$999,999 par value” (which are charged a reporting fee of \$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000)). FINRA proposes to correct the middle tier reporting fee to correctly state that such middle tier reporting fee is applicable to “trades over \$200,000 and up to and including \$999,999.99 par value.”

Finally, FINRA has received questions regarding the Factor that will be used to calculate a reporting fee for a transaction in an Asset-Backed Security that will be assessed based on the Remaining Principal Balance of the security. The Remaining Principal Balance will be calculated using the Factor submitted by the member, if the member is required to report a Factor under FINRA Rule 6730(d)(2), and, in fact, does report such Factor, or if no Factor is reported, using the Factor that FINRA has adopted and incorporated in the TRACE system, which will be the Factor that FINRA has identified as the most current Factor publicly available for such Asset-Backed Security at the Time of Execution. Also, FINRA will not recalculate reporting fee amounts due to

FINRA for Asset-Backed Securities transactions after FINRA has identified the appropriate Factor for the specified Asset-Backed Security and calculated the fee based on such Factor.

As noted in Item 2 of this filing, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date of the proposed rule change will be the date that the proposed rule changes in the TRACE ABS filing become effective, which is currently anticipated to be May 16, 2011.²⁷

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,²⁸ 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 proposed rule change will facilitate more timely and accurate reporting of transactions in Asset-Backed Securities to TRACE, and enhance FINRA's surveillance of the debt market in connection with Asset-Backed Securities transactions for the protection of investors and in furtherance of the public interest.

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.

²⁷ See supra note 3.

²⁸ 15 U.S.C. 78q-3(b)(6).

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**

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.²⁹

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

Not applicable.

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.

²⁹ 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2011-012)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to FINRA Rule 6700 Series and FINRA Rule 7730 Relating to TRACE Reporting of Asset-Backed Securities

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² 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. 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 the FINRA Rule 6700 Series and FINRA Rule 7730:

(1) in FINRA Rule 6710, to incorporate minor amendments to clarify, simplify or conform the defined terms, “TRACE-Eligible Security,” “Reportable TRACE Transaction,” “Agency Debt Security,” “Asset-Backed Security” and “TRACE System Hours”; to add a defined term, “Securitizer”; and, to delete the defined terms “Sponsor” and “Issuing Entity”;

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(2) in FINRA Rule 6730, (A) to revise, renumber and conform the text of parallel reporting provisions in FINRA Rule 6730(a); (B) to incorporate minor amendments regarding the duration and expiration of the pilot program (“Pilot Program”) for reporting Asset-Backed Securities transactions; (C) to consolidate reporting requirements for Asset-Backed Securities transactions that are executed other than during TRACE System Hours; (D) to simplify how settlement is reported for Asset-Backed Securities transactions; (E) to add alternative reporting requirements for Asset-Backed Securities transactions that are collateralized mortgage obligation (“CMO”) or real estate mortgage investment conduit (“REMIC”) transactions that occur prior to the issuance of the CMO or REMIC (“pre-issuance CMOs/REMICs”); and (F) to incorporate other minor technical, conforming or clarifying amendments to the Rule;

(3) in FINRA Rule 6760, to incorporate requirements that apply to Securitizers of Asset-Backed Securities, alternative notification requirements for pre-issuance CMOs/REMICs and minor technical, conforming or clarifying changes; and

(4) in FINRA Rule 7730, to add the Financial Information eXchange (“FIX”) as a method to report transactions to TRACE, establish a system-related FIX fee, and incorporate a minor technical amendment.

The text of the proposed rule change is available on FINRA’s Web site at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

The proposed amendments set forth in Exhibit 5 are shown as changes to the FINRA Rule 6700 Series and FINRA Rule 7730 as amended by SR-FINRA-2009-065

(“TRACE ABS filing”), which was approved by the SEC on February 22, 2010.³ The TRACE ABS filing is anticipated to become effective on May 16, 2011.⁴ The proposed rule change amends or supplements the TRACE reporting and other requirements that will apply to Asset-Backed Securities transactions, with certain exceptions regarding minor conforming and other technical proposed amendments.

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 February 22, 2010, the SEC approved the TRACE ABS filing, which amends the FINRA Rule 6700 Series to define Asset-Backed Securities as TRACE-Eligible Securities and to require members to report transactions in such securities to TRACE, and, concomitantly, FINRA Rule 7730, to establish reporting fees for transactions in such

³ 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”) and Regulatory Notice 10-23 (April 2010).

⁴ See Securities Exchange Act Release No. 63223 (November 1, 2010), 75 FR 68654 (November 8, 2010) (Notice of Filing and Immediate Effectiveness of SR-FINRA-2010-054 to Extend the Implementation Period for SR-FINRA-2009-065); Regulatory Notice 10-55 (October 2010) (establishing May 16, 2011 as the effective date).

securities. The rule amendments in the TRACE ABS filing currently are anticipated to become effective on May 16, 2011.⁵ In the proposed rule change, FINRA proposes additional amendments to the FINRA Rule 6700 Series and FINRA Rule 7730 to prepare for the reporting of Asset-Backed Securities transactions to TRACE.

As discussed in greater detail below, in FINRA Rule 6710, FINRA proposes minor amendments to five defined terms, an additional defined term, “Securitizer,” and the deletion of two defined terms that are no longer necessary. In FINRA Rule 6730, FINRA proposes to: (A) revise, renumber and conform the text of parallel reporting provisions in FINRA Rule 6730(a); (B) incorporate minor amendments regarding the duration and expiration of the Pilot Program for reporting Asset-Backed Securities transactions; (C) consolidate reporting requirements for transactions in Asset-Backed Securities that are executed other than during TRACE System Hours; (D) simplify how settlement is reported for Asset-Backed Securities transactions; and (E) add alternative reporting requirements for Asset-Backed Securities transactions that are pre-issuance CMO/REMIC transactions. FINRA also proposes to add new FINRA Rule 6730(a)(6) to clarify a member’s obligation to provide information to FINRA Operations regarding a TRACE-Eligible Security when such security is not in the TRACE system, and to incorporate other minor technical or clarifying amendments to FINRA Rule 6730. In FINRA Rule 6760, FINRA proposes to incorporate requirements that apply to Securitizers of Asset-Backed Securities, alternative notification requirements for pre-issuance CMOs/REMICs, and minor technical, conforming or clarifying changes, and in FINRA Rule 7730, to add FIX as a method to report transactions to TRACE, establish a

⁵ See supra note 4.

system-related fee for transactions reported to TRACE via FIX and make a technical amendment.

FINRA Rule 6710

FINRA proposes minor amendments to five defined terms in FINRA Rule 6710, a new defined term, and the deletion of two defined terms that are no longer necessary, as set forth below.

TRACE-Eligible Security. FINRA proposes minor technical amendments to the defined term “TRACE-Eligible Security” in FINRA Rule 6710(a), such as deleting unnecessary numbering.

Asset-Backed Security. FINRA proposes to amend the defined term “Asset-Backed Security” in FINRA Rule 6710(m) to incorporate, in pertinent part, Section 3(a)(77) of the Act,⁶ a definition of asset-backed security added to the Act as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”).⁷ As amended, FINRA Rule 6710(m) would provide:

⁶ 15 U.S.C. 78c(a)(77).

⁷ Pub. L. No. 111-203, 124 Stat. 1376 (2010). “Asset-Backed Security” was added to the Act under Section 941(a) of Title IX of the Dodd-Frank Act. Under Section 3(a)(77)(A) of the Act, the term asset-backed security:

Means a fixed-income or other security collateralized by any type of self-liquidating financial asset (including a loan, a lease, a mortgage, or a secured or unsecured receivable) that allows the holder of the security to receive payments that depend primarily on cash flow from the asset, including –

- (i) A collateralized mortgage obligation;
- (ii) A collateralized debt obligation;
- (iii) A collateralized bond obligation;
- (iv) A collateralized debt obligation of asset-backed securities;

“Asset-Backed Security” means a security collateralized by any type of financial asset, such as a loan, a lease, a mortgage, or a secured or unsecured receivable, and includes but is not limited to an asset-backed security as defined in Section 3(a)(77)(A) of the Exchange Act, a synthetic asset-backed security and any residual tranche or interest of any security specified above, which tranche or interest is a debt security for purposes of Rule 6710(a) and the Rule 6700 Series.

The proposed amendment to the term “Asset-Backed Security” clarifies, but does not broaden, the term.

Securitizer. The Dodd-Frank Act also added a definition of “securitizer” in Section 15G(a)(3) of the Act,⁸ which FINRA proposes to incorporate in FINRA Rule

(v) A collateralized debt obligation of collateralized debt obligations; and

(vi) A security that the Commission, by rule, determines to be an asset-backed security for purposes of this section; and . . .

The definition of “asset-backed security” in Section 3(a)(77) of the Act (15 U.S.C. 78c(a)(77)) “is broader than the definition of ‘asset-backed security’ in Regulation AB and includes securities typically offered and sold in private transactions.” See Securities Act Release No. 9150 (October 13, 2010), 75 FR 64182, 64183 (October 19, 2010) (File No. S7-26-10: Issuer Review of Assets in Offerings of Asset-Backed Securities); and SEC Regulation AB, Item 1101(c) (17 CFR 229.1101(c)).

⁸ Section 941(b) of Title IX of the Dodd-Frank Act added the definition of “securitizer” to the Act as Section 15G(a)(3) (15 U.S.C. 78g-11(a)(3)).

6710 as paragraph (s). In FINRA Rule 6710(s), “Securitizer” would have the same meaning it has in Section 15G(a)(3) of the Act.⁹

Reportable TRACE Transaction; Agency Debt Security. FINRA proposes to use the term “Securitizer,” which is broad and includes sponsors and issuers, among others,¹⁰ in lieu of the defined terms “Sponsor” and “Issuing Entity,” in “Reportable TRACE Transaction” in FINRA Rule 6710(c) and “Agency Debt Security” in FINRA Rule 6710(l), and any other provisions in the FINRA Rule 6700 Series where Sponsor and/or Issuing Entity were used.¹¹

TRACE System Hours. FINRA proposes to conform the time referenced in the defined term “TRACE System Hours” to times stated in the FINRA Rule 6700 Series

⁹ 15 U.S.C. 78o-11(a)(3). Section 15G(a)(3) of the Act provides that a securitizer is “(A) an issuer of an asset-backed security; or (B) a person who organizes and initiates an asset-backed securities transaction by selling or transferring assets, either directly or indirectly, including through an affiliate, to the issuer; and . . .”

¹⁰ The Commission has stated that “[W]ith respect to registered transactions and the definitions of transaction parties in Regulation AB, sponsors and depositors both fall within the statutory definition of securitizer.” Securities Exchange Act Release No. 63029 (October 4, 2010), 75 FR 62718, 62720 (October 13, 2010) (File No. S7-24-10: Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act: Proposed Rule). In addition, the term “securitizer” “is not specifically limited to entities that undertake transactions that are registered under the Securities Act or conducted in reliance upon any particular exemption. Consequently, . . . [securitizer] is intended to apply to any entity or person that issues or organizes an . . . [asset-backed security] as specified in Section 15G(a)(3) of the Exchange Act.” *Id.* The SEC noted that entities included in the definition of securitizer included Government-Sponsored Enterprises (GSEs) such as Fannie Mae, Freddie Mac, and municipal entities. *Id.*

¹¹ In FINRA Rule 6710(c) and FINRA Rule 6710(l), FINRA substitutes the single term, “Securitizer” for “Sponsor” and “Issuing Entity.” See also minor proposed amendments to Rule 6760, discussed infra.

generally (to include seconds) and also to relocate the defined term from FINRA Rule 6710(bb) to FINRA Rule 6710(t). FINRA Rule 6710(bb) would be deleted.

Sponsor; Issuing Entity. FINRA proposes to delete the defined terms “Sponsor” in FINRA Rule 6710(s) and “Issuing Entity” in FINRA Rule 6710(t), which are no longer necessary with the inclusion of the defined term Securitizer.

FINRA Rule 6730

As noted above, FINRA proposes certain amendments to FINRA Rule 6730 regarding the reporting of Asset-Backed Securities transactions to TRACE, and certain technical amendments, including restructuring and renumbering FINRA Rule 6730(a) and FINRA Rule 6730(a)(1) through (a)(8), to align parallel or similar reporting provisions. The proposed restructuring also includes minor technical amendments to conform the text of parallel or similar reporting provisions.¹²

FINRA Rule 6730(a); Proposed Renumbered FINRA Rule 6730(a)(1): Generally Applicable Reporting Requirements. FINRA Rule 6730(a) provides that TRACE-Eligible Securities transactions must be reported within 15 minutes. FINRA Rule 6730(a)(1) through (3) set forth reporting requirements for transactions executed, respectively, on a business day during, after, and before TRACE System Hours, and

¹² As TRACE has expanded, FINRA Rule 6730 has been amended several times to incorporate additional reporting requirements. Before March 1, 2010, all TRACE-Eligible Securities transactions were subject to a single reporting standard (and three exceptions relating to transactions executed when the TRACE System was not open) (see FINRA Rule 6730(a)(1) and FINRA Rule 6730(a)(2) through (a)(4)). On March 1, 2010, a second set of requirements for reporting List or Fixed Offering Price Transactions and Takedown Transactions became effective (T+1 reporting requirement for most transactions) (see FINRA Rule 6730(a)(5)). See Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (Order Approving File No. SR-FINRA-2009-010). See also Regulatory Notice 09-57 (September 2009).

FINRA Rule 6730(a)(4) states such requirements for transactions executed on a weekend or a holiday.

To restructure FINRA Rule 6730(a) to align parallel or similar reporting provisions, FINRA first proposes minor technical amendments to FINRA Rule 6730(a),¹³ and to reorganize the reporting requirements of general applicability (*i.e.*, applicable to corporate debt and Agency Debt Securities)¹⁴ that are set forth in FINRA Rule 6730(a)(1) through (a)(4). Amended FINRA Rule 6730(a)(1) would be titled, “Reporting Requirements” and provide: “Except as otherwise specifically provided in paragraph (a)(2) and paragraph (a)(3), transactions in TRACE-Eligible Securities must be reported as provided in this paragraph (a)(1).” FINRA Rule 6730(a)(1) through FINRA Rule 6730(a)(4) would be renumbered as subparagraphs of FINRA Rule 6730(a)(1) and include minor technical and conforming amendments to conform the rule text to similar or parallel provisions in FINRA Rule 6730(a).¹⁵

Proposed Renumbered FINRA Rule 6730(a)(2) - List or Fixed Offering Price Transactions and Takedown Transactions. FINRA Rule 6730(a)(5), containing reporting requirements for List or Fixed Offering Price Transactions and Takedown Transactions,

¹³ The current general requirements set forth in FINRA Rule 6730(a) -- requiring all Parties to a Transaction to report the transaction and for reports to be made within 15 minutes of the Time of Execution (except as otherwise provided) -- would be retained. FINRA proposes to delete the statement that, “Specific trade reporting obligations during a 24-hour cycle are set forth below.”

¹⁴ The reporting requirements in proposed renumbered FINRA Rule 6730(a)(1) and subparagraphs (A) through (D) also would apply to primary market transactions that do not qualify for T + 1 reporting, consistent with current FINRA Rule 6730(a)(1) through (4).

¹⁵ FINRA Rule 6730(a)(1) – (4) would be renumbered as Rule 6730(a)(1)(A) – (D), respectively.

would be renumbered as FINRA Rule 6730(a)(2), and titled “Reporting Requirements – List or Fixed Offering Price Transactions and Takedown Transactions.” FINRA also proposes minor technical and conforming amendments to conform the rule text to similar or parallel provisions in FINRA Rule 6730(a).¹⁶

Proposed Renumbered FINRA Rule 6730(a)(3) - Asset-Backed Securities.

FINRA Rule 6730(a)(6), containing reporting requirements for Asset-Backed Securities, would be renumbered as proposed FINRA Rule 6730(a)(3), and titled “Reporting Requirements – Asset-Backed Securities Transactions.”¹⁷ FINRA also proposes minor technical and conforming amendments to conform the rule text of renumbered FINRA Rule 6730(a)(3) to similar or parallel provisions in FINRA Rule 6730(a). Finally, current FINRA Rule 6730(a)(7) and current FINRA Rule 6730(a)(8) would be renumbered, respectively, as FINRA Rule 6740(a)(4) and FINRA Rule 6730(a)(5).

Pilot Program. FINRA Rule 6730(a)(6)(A)(ii) (proposed renumbered FINRA Rule 6730(a)(3)(A)(i)) provides for a six-month Pilot Program for reporting transactions in Asset-Backed Securities, which extends the period for a member to timely report such transactions to no later than the next business day (T + 1) at any time during TRACE

¹⁶ The rule text would be set forth in two subparagraphs, proposed FINRA Rule 6730(a)(2)(A) and proposed FINRA Rule 6730(a)(2)(B).

¹⁷ FINRA Rule 6730(a)(6) would be renumbered as follows: FINRA Rule 6730(a)(6)(A)(i) would be renumbered as FINRA Rule 6730(a)(3)(A)(ii); FINRA Rule 6730(a)(6)(A)(ii) (the Pilot Program) would be renumbered as FINRA Rule 6730(a)(3)(A)(i); and FINRA Rule 6730(a)(6)(B) and FINRA Rule 6730(a)(6)(B)(i) – (ii) would be renumbered as FINRA Rule 6730(a)(3)(B) and FINRA Rule 6730(a)(3)(B)(i) – (ii), respectively. As discussed *infra*, FINRA proposes to consolidate FINRA Rule 6730(a)(6)(B)(ii) and FINRA Rule 6730(a)(6)(B)(iii) in renumbered FINRA Rule 6730(a)(3)(B)(ii), and delete FINRA Rule 6730(a)(6)(B)(iii).

System Hours.¹⁸ The Pilot Program provides additional time for members to prepare and submit accurate transaction reports for Asset-Backed Securities on a temporary basis.

FINRA proposes a technical amendment to the Pilot Program (proposed renumbered FINRA Rule 6730(a)(3)(A)(i)) providing that the Pilot Program shall expire 180 days (instead of six months) following the commencement of the reporting of Asset-Backed Securities transactions, provided that if the 180th day is not a Friday, the Pilot Program will expire on the Friday next occurring (that the TRACE system is open) after the 180th day. FINRA proposes that the Pilot Program expire on a Friday in response to comments requesting that members and vendors be given additional time to incorporate the system changes that must be implemented at the termination of the Pilot Program.¹⁹

Asset-Backed Securities Transactions Executed on Non-Business Day. Currently, trades that are executed on a weekend, holiday or other day when the TRACE system is closed must be reported the next business day (T + 1), designated “as/of,” and are subject to two unique requirements. First, the date of execution reported to TRACE is not the actual date of execution; instead, a member reports the date of execution as the same day (T + 1) that the report must be timely submitted. In addition, the execution time reported must be “12:01:00 a.m. Eastern Time” (“00:01:00”), instead of the actual Time of

¹⁸ After the Pilot Program expires, transactions in Asset-Backed Securities must be reported on the date of trade during TRACE System Hours, with certain exceptions. See FINRA Rule 6730(a)(6)(A)(i) (proposed renumbered FINRA Rule 6730(a)(3)(A)(ii)).

¹⁹ As discussed *infra*, the Pilot Program is also incorporated in the proposed reporting requirements applicable to transactions in pre-issuance CMOs/REMICs (see proposed FINRA Rule 6730(a)(3)(C)). The expiration of the Pilot Program will also necessitate modifications of systems and procedures in place to report such transactions.

Execution.²⁰ These adaptations were incorporated when TRACE began because the TRACE system does not recognize any day on which the TRACE system is closed as a valid date of execution, and the two unique requirements permit FINRA to distinguish such non-business day transactions from all other reported transactions.²¹

FINRA has improved the TRACE system, which, for transactions in Asset-Backed Securities, will recognize any calendar day, including days on which the TRACE system is not open, as a valid date of execution. Accordingly, FINRA proposes to streamline FINRA Rule 6730(a)(6) (proposed renumbered FINRA Rule 6730(a)(3)) regarding Asset-Backed Securities Transactions, combining the requirements of FINRA Rule 6730(a)(6)(B)(ii) and FINRA Rule 6730(a)(6)(B)(iii) in proposed renumbered FINRA Rule 6730(a)(3)(B)(ii) because, with this system enhancement, the standards for reporting under both provisions are the same, and separate provisions are no longer necessary.²² FINRA Rule 6730(a)(6)(B)(iii) would be deleted.

Settlement. FINRA Rule 6730(d)(4)(B)(ii) currently requires a member to report two items regarding the terms of settlement of an Asset-Backed Securities transaction:

²⁰ Also, when the reporting method used includes a “special price memo” field, the member must enter the actual date of execution and Time of Execution in the field.

²¹ See, e.g., FINRA Rule 6730(a)(4) (proposed renumbered FINRA Rule 6730(a)(1)(D)), FINRA Rule 6730(a)(5) (proposed renumbered FINRA Rule 6730(a)(2)(B)), and FINRA Rule 6730(a)(6)(B)(iii).

²² Proposed renumbered FINRA Rule 6730(a)(3)(B)(ii) would provide that any transaction in an Asset-Backed Security that is executed on a Saturday, Sunday, a federal or religious holiday or other day on which the TRACE system is not open, or executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported not later than the next business day during TRACE System Hours, designated “as/of” and include the date of execution.

(1) the actual date of settlement; and (2) an indicator that the transaction will settle “regular way” (i.e., T + 3 or in conformity with the uniform practices established as “good delivery” for the specific Asset-Backed Security), or one indicating that the transaction will not be settled “regular way.”

FINRA proposes to retain the requirement to report the actual date of settlement and delete the requirement to report the indicator, which will simplify the reporting of settlement in connection with Asset-Backed Securities transactions.

Pre-Issuance CMO/REMIC Transactions. FINRA proposes to supplement the rules requiring members to report Asset-Backed Securities in FINRA Rule 6730(a)(6) (proposed renumbered FINRA Rule 6730(a)(3)) to include alternative reporting requirements for pre-issuance CMO/REMIC transactions. Proposed FINRA Rule 6730(a)(3)(C)(i) provides that a pre-issuance CMO/REMIC transaction must be reported, during the Pilot Program, the earlier of: (i) the business day following the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours, or (ii) the business day following the date of issuance of the security during TRACE System Hours. As provided in proposed FINRA Rule 6730(a)(3)(C)(ii), after the Pilot Program expires, such pre-issuance CMO/REMIC transactions must be reported the earlier of (i) the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours (unless such identifier is assigned after 1:00:00 p.m. Eastern Time, and in such case, such transactions must be reported no later than the next business day during

TRACE System Hours), or (ii) the date of issuance of the security during TRACE System Hours.²³

The alternative reporting requirements in proposed FINRA Rule 6730(a)(3)(C) differ from current TRACE reporting requirements and those that will apply generally to Asset-Backed Securities transactions in that, for pre-issuance CMO/REMIC transactions, the reporting period begins (or is triggered) on the date of issuance of the security (or, if earlier, the date the security is assigned an appropriate identifier), instead of the date and time of the member's execution of the transaction. FINRA proposes this alternative approach because although pre-issuance CMO/REMIC transactions occur frequently, in many cases, a CUSIP or other identifier is not yet assigned or is difficult to assign (or cannot be assigned), because certain aspects of the collateral and structure of the CMO or REMIC are not finalized at the time of such transactions, and will not be finalized until shortly before the CMO or REMIC is actually issued. CMO and REMIC transactions that are not pre-issuance CMO/REMIC transactions – i.e., those executed on or after the date of issuance of the security -- must be reported in compliance with FINRA Rule 6730(a)(6)(A) and (B) (proposed renumbered FINRA Rules 6730(a)(3)(A) and (B)) and may not be reported under the alternative reporting provisions (proposed FINRA Rule 6730(a)(3)(C)(i) and proposed FINRA Rule 6730(a)(3)(C)(ii)).

Other FINRA Rule 6730 Amendments. FINRA proposes to amend FINRA Rule 6730 to state explicitly in new paragraph (a)(6) that when a member is a Party to a Transaction and makes a good faith determination that a transaction involves a TRACE-

²³ Under proposed FINRA Rule 6730(a)(3)(C)(i) and proposed FINRA Rule 6730(a)(3)(C)(ii), any transaction that is reported other than on the date of execution must be designated “as/of” and include the date of execution.

Eligible Security, if the TRACE-Eligible Security is not entered in the TRACE system, the member must promptly provide FINRA Operations the information required under FINRA Rule 6760(b) and thereafter report. The proposed amendment will incorporate in FINRA Rule 6730(a)(6) previous guidance regarding members' obligations to take all the steps necessary to report a transaction to TRACE, including providing notification to FINRA Operations when circumstances so require.

FINRA also proposes minor technical amendments to FINRA Rule 6730(a) regarding reporting transactions executed on weekends, federal or religious holidays, or other days on which the TRACE system does not operate. FINRA Rule 6730(a) provisions would be amended to refer to transactions executed on "a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day" (instead of transactions executed on "a Saturday, a Sunday or a federal or religious holiday on which the TRACE system is closed").²⁴

FINRA Rule 6760

FINRA Rule 6760 requires a member that is a managing underwriter in an initial offering of a TRACE-Eligible Security (or, if a managing underwriter is not appointed, members that are underwriters or initial purchasers) to notify FINRA Operations of a new TRACE-Eligible Security. For Asset-Backed Securities, a member Sponsor or a member Issuing Entity must provide notice. The notice must include certain information that clearly identifies the security, which FINRA uses to confirm information in the TRACE

²⁴ See proposed amendments to FINRA Rule 6730(a)(4) (proposed renumbered Rule 6730(a)(1)(D)), FINRA Rule 6730(a)(5) (proposed renumbered Rule 6730(a)(2)(B)), FINRA Rule 6730(a)(6)(B)(ii) (proposed renumbered Rule 6730(a)(3)(B)(ii)) and FINRA Rule 6730(a)(8) (proposed renumbered Rule 6730(a)(5)).

System or add the security to the TRACE system. Generally, the notice must be provided to FINRA Operations prior to the execution of the first transaction in the offering.

FINRA proposes to amend FINRA Rule 6760 to incorporate requirements that apply to Securitizers of Asset-Backed Securities (and delete those applicable to Sponsors and Issuing Entities), to add alternative notification requirements for pre-issuance CMOs/REMICs and make other minor technical, conforming or clarifying changes.

In FINRA Rule 6760(a), FINRA Rule 6760(a)(1) would be amended such that, for Asset-Backed Securities, a member that is a Securitizer (instead of a member Sponsor or a member Issuing Entity) would be a managing underwriter for purposes of the Rule and required to provide notice under the Rule. References to Sponsors and Issuing Entities would be deleted. FINRA also proposes to amend FINRA Rule 6760(a)(2) to provide that FINRA will specify the method of communication or media that a member must use to provide the information to FINRA Operations under FINRA Rule 6760, and to delete the requirement to provide such information by facsimile or e-mail. The proposed amendment to FINRA Rule 6760(a)(2) will provide FINRA the flexibility, as technology advances and systems change, to change quickly the method or media a member may use to comply with FINRA Rule 6760.

In FINRA Rule 6760(b), FINRA proposes that when a Securitizer provides notice regarding an Asset-Backed Security, all Securitizers (instead of the Issuing Entity and the Sponsor) must be named in the notice.²⁵ Also, FINRA proposes to transfer the requirement that a member make a good faith determination of TRACE eligibility before

²⁵ FINRA notes that only a Securitizer that is also a FINRA member is required to provide notice under FINRA Rule 6760(a)(1), but all Securitizers, including non-member Securitizers, must be identified in the notice under FINRA Rule 6760(b).

providing notice about a security to FINRA Operations from FINRA Rule 6760(b) to FINRA Rule 6760(a)(1), and the deadline for providing timely notice, and the exceptions thereto, from FINRA Rule 6760(b) to proposed FINRA Rule 6760(c).

Proposed FINRA Rule 6760(c) would set forth the deadline for providing notice, and the exceptions thereto. The current provisions regarding the deadline for providing notice and the exceptions would be set forth in proposed FINRA Rule 6760(c)(1). In proposed FINRA Rule 6760(c)(2), FINRA would provide alternative notice requirements for Asset-Backed Securities that are CMOs or REMICs in which pre-issuance transactions will occur. As discussed above, proposed alternative reporting requirements for pre-issuance CMO/REMIC transactions provide that reporting deadlines will be calculated by reference to the earlier of the date of issuance (or, during the Pilot Program, the following day) or date of assignment of a CUSIP or another appropriate identifier (or, during the Pilot Program, the following day) due to the delays in the final structuring and issuance of such CMOs and REMICs.²⁶ For the same reasons, FINRA proposes alternative notification requirements regarding CMOs and REMICs in which pre-issuance transactions will occur. Under proposed FINRA Rule 6760(c)(2), a member that is required to provide notice to FINRA Operations of such CMOs or REMICs must do so promptly on the date of issuance or other event that establishes the reference date that determines when a reporting period begins under proposed FINRA Rule 6730(a)(3)(C)(i), which applies during the Pilot Program, or, after the expiration of the Pilot Program, under proposed FINRA Rule 6730(a)(3)(C)(ii).

²⁶ See proposed FINRA Rule 6730(a)(3)(C)(i) and proposed FINRA Rule 6730(a)(3)(C)(ii).

FINRA also proposes to incorporate technical and clarifying amendments to FINRA Rule 6760, including changes related to the restructuring of FINRA Rule 6760(a) and (b) and the addition of proposed FINRA Rule 6760(c).

FINRA Rule 7730

FINRA Rule 7730 sets forth fees applicable to reporting transactions to TRACE and purchasing TRACE data. FINRA proposes minor amendments to two provisions.

Under FINRA Rule 7730(a), members may report transactions in TRACE-Eligible Securities to TRACE using: (1) a TRACE web browser; (2) a Computer-to-Computer Interface (“CTCI”) (whether or not dedicated exclusively to TRACE); or (3) a third-party reporting intermediary, and incur system-related fees based upon the method selected. A member pays a system fee of \$25 per month, per firm to report transactions in TRACE-Eligible Securities via CTCI as provided in FINRA Rule 7730(a)(2). FINRA proposes to amend FINRA Rule 7730(a), FINRA Rule 7730(a)(2) and the fee chart in Rule 7730 to add FIX as another method for reporting transactions in TRACE-Eligible Securities. FINRA proposes that the FIX line, like CTCI, would not be required to be dedicated exclusively to TRACE, and the system-related fee for reporting via FIX, like CTCI, would be \$25 per month, per firm. FINRA also proposes minor, conforming, non-substantive amendments to FINRA Rule 7730(a).

In addition, FINRA proposes to correct a technical error regarding reporting fees in FINRA Rule 7730(b)(1) and the fee chart. FINRA Rule 7730(b)(1) and the fee chart set forth three tiers of reporting fees. Currently, both provide that the middle tier reporting fee applies to trades “between \$200,001 and \$999,999 par value” (which are charged a reporting fee of \$0.000002375 times the par value of the transaction (i.e.,

\$0.002375/\$1000)). FINRA proposes to correct the middle tier reporting fee to correctly state that such middle tier reporting fee is applicable to “trades over \$200,000 and up to and including \$999,999.99 par value.”

Finally, FINRA has received questions regarding the Factor that will be used to calculate a reporting fee for a transaction in an Asset-Backed Security that will be assessed based on the Remaining Principal Balance of the security. The Remaining Principal Balance will be calculated using the Factor submitted by the member, if the member is required to report a Factor under FINRA Rule 6730(d)(2), and, in fact, does report such Factor, or if no Factor is reported, using the Factor that FINRA has adopted and incorporated in the TRACE system, which will be the Factor that FINRA has identified as the most current Factor publicly available for such Asset-Backed Security at the Time of Execution. Also, FINRA will not recalculate reporting fee amounts due to FINRA for Asset-Backed Securities transactions after FINRA has identified the appropriate Factor for the specified Asset-Backed Security and calculated the fee based on such Factor.

FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date of the proposed rule change will be the date that the proposed rule changes in the TRACE ABS filing become effective, which is currently anticipated to be May 16, 2011.²⁷

²⁷ See supra note 4.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,²⁸ 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 proposed rule change will facilitate more timely and accurate reporting of transactions in Asset-Backed Securities to TRACE, and enhance FINRA's surveillance of the debt market in connection with Asset-Backed Securities transactions for the protection of investors and in furtherance of the public interest.

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

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

²⁸ 15 U.S.C. 78o-3(b)(6).

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2011-012 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-2011-012. 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 Web site (<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 Web site 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-2011-012 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.²⁹

Elizabeth M. Murphy
Secretary

²⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

* * * * *

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) “TRACE-Eligible Security” means a debt security that is United States (“U.S.”) dollar-denominated and issued by a U.S. or foreign private issuer, and, if a “restricted security” as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n). “TRACE-Eligible Security” does not include a debt security that is: [(1) I] issued by a foreign sovereign, [or is] a U.S. Treasury Security as defined in paragraph (p)[;], or [(2) A] a Money Market Instrument as defined in paragraph (o).

(b) No Change.

(c) “Reportable TRACE Transaction” means any transaction in a TRACE-Eligible Security except: (1) a transaction that is not reported as specified in Rule 6730(e); and (2) a sale from an issuer to an underwriter(s) or initial purchaser(s) as part of an offering, except a sale of an Agency Pass-Through Mortgage-Backed Security as

defined in paragraph (v) from [an Issuing Entity as defined in paragraph (t) or a Sponsor] a Securitizer as defined in paragraph (s) to any purchaser.

(d) 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). The term excludes a U.S. Treasury Security as defined in paragraph (p) and an Asset-Backed Security as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the [Sponsor]Securitizer as defined in paragraph (s) (or similar person), [or Issuing Entity as defined in paragraph (t) (or similar person),] or the guarantor of the Asset-Backed Security.

(m) “Asset-Backed Security” means a security collateralized by any type of financial asset, such as a loan, a lease, a mortgage, or a secured or unsecured receivable, [loans, leases, mortgages, or secured or unsecured receivables,] and includes but is not limited to an asset-backed security as defined in Section 3(a)(77)(A) of the Exchange Act, [used in SEC Regulation AB, Item 1101(c), a mortgage-backed security, a collateralized mortgage obligation,] a synthetic asset-backed security, [a collateralized debt obligation, a collateralized bond obligation, a collateralized debt obligation of Asset-Backed Securities or a collateralized debt obligation of collateralized debt obligations, including] and any residual tranche or interest of any security specified above, which tranche or interest is a debt security for purposes of Rule 6710(a) and the Rule 6700 Series [such instruments].

(n) through (r) No Change.

(s) “Securitizer” has the same meaning as defined in Section 15G(a)(3) of the Exchange Act. [“Sponsor” has the same meaning as defined in SEC Regulation AB, Item 1101(l).]

(t) “TRACE System Hours” means the hours the TRACE system is open, which are 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA. [“Issuing Entity” has the same meaning as defined in SEC Regulation AB, Item 1101(f).]

(u) through (aa) No Change.

[(bb) “TRACE System Hours” means the hours the TRACE system is open, which are 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.]

* * * * *

6730. Transaction Reporting

(a) When and How Transactions Are Reported

Each member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member must report a transaction [information] in a TRACE-Eligible Security within 15 minutes of the Time of Execution, except as otherwise specifically provided below, or the transaction report will be “late.” [The] A member must transmit the report to TRACE during TRACE System Hours. [Specific trade reporting obligations during a 24-hour cycle are set forth below.]

(1) Reporting Requirements

Except as otherwise specifically provided in paragraph (a)(2) and paragraph (a)(3), transactions in TRACE-Eligible Securities must be reported as provided in this paragraph (a)(1).

(1)A) Transactions Executed During TRACE System Hours

Transactions in TRACE-Eligible Securities executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 15 minutes of the Time of Execution. [If a transaction is] Exception: Transactions executed on a business day less than 15 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 15 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated “as/of” and include the date of execution. [, a member may report the transaction the next business day within 15 minutes after the TRACE system opens. If reporting the next business day, the member must indicate “as/of” and provide the actual transaction date.]

(1)B) Transactions Executed At or After 6:30:00 P.M.

Through 11:59:59 P.M. Eastern Time

Transactions in TRACE-Eligible Securities executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported the next business day (T + 1), [within] no later than 15 minutes after the TRACE system opens, designated “as/of” and include

the date of execution. [The member must indicate “as/of” and provide the actual transaction date.]

(~~3~~C) Transactions Executed At or After 12:00:00 A.M. Through 7:59:59 A.M. Eastern Time

Transactions in TRACE-Eligible Securities executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than [within] 15 minutes after the TRACE system opens.

(~~4~~D) Transactions Executed on a Non-Business Day

Transactions in TRACE-Eligible Securities executed on a Saturday, a Sunday, [or] a federal or religious holiday or other day on which the TRACE system is not open [closed,] at any time during that day (determined using Eastern Time)[,] must be reported the next business day (T + 1) no later than [within] 15 minutes after the TRACE system opens.

The transaction must be reported as follows: the reported [date of] execution date must be T + 1 [the first business day] (the same day the report must be made); the reported execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); [and] the modifier, “special price,” must be selected; and, [In addition,] the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the member must enter the actual date of execution and Time of Execution in the field.

([5]2) Reporting Requirements - List or Fixed Offering Price

Transactions and Takedown Transactions

(A) A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day (T + 1) during TRACE System Hours[.] and [If a member reports the transaction] if reported on T + 1, designated “as/of” and include the date of execution. [the member must indicate “as/of” and provide the actual transaction date.]

(B) [If a] List or Fixed Offering Price Transactions or [a] Takedown Transactions, other than such transactions in Asset-Backed Securities, [is] executed on a Saturday, a Sunday, [or] a federal or religious holiday or other day on which the TRACE system is not open, [closed,] at any time during that day (determined using Eastern Time)[, a member must report] must be reported the next business day (T + 1) at any time during TRACE System Hours. The transaction must be reported as follows: the reported [date of] execution date must be T + 1 [the first business day] (the same day the report must be made); the reported execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); [and] the modifier, “special price,” must be selected; and[. In addition,] the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the

member must enter the actual date of execution and Time of Execution in the field.

[(6)3] Reporting Requirements - Asset-Backed Securities

Transactions

(A) (i) During a pilot program (Pilot Program), which shall expire on [insert date that is 180 days following the effective date of transaction reporting in Asset-Backed Securities (provided that if the 180th day is not a Friday, insert date of the Friday next occurring (that the TRACE system is open) after the 180th day)], transactions in Asset-Backed Securities executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day (T + 1) during TRACE System Hours, and, if reported on T + 1, designated “as/of” and include the date of execution, except as provided in paragraph (a)(3)(C).

(ii) [A] T[t]ransactions in [an] Asset-Backed Securit[y]ies executed on a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours, except as provided in [sub]paragraphs [(A)(ii) during the pilot program] (a)(3)(A)(i) (the Pilot Program) and (a)(3)(C).

[(ii) For a pilot program which shall expire on [Six months from the effective date], a transaction in an Asset-Backed Security

that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day during TRACE System Hours, and, if the next business day, indicate “as/of” and provide the actual transaction date.]

(B) Except [during the pilot program] as provided in paragraphs (a)(3)(A)(i) (the Pilot Program) and (a)(3)(C), [as provided in subparagraph (A)(ii), if a] transactions in [an] Asset-Backed Securit[y]ies [is] executed on:

(i) a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes[, a member may report the transaction] must be reported no later than the next business day (T + 1) [at any time] during TRACE System Hours, and, if reported on T + 1, designated “as/of” and include the date of execution. [the next business day, indicate “as/of” and provide the actual transaction date.]

(ii) a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time, or a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) [a member must report the transaction] must be reported the next business day (T + 1) [at any time] during TRACE System Hours, designated “as/of” and include the date of

execution. [indicate “as/of” and provide the actual transaction date.]

[(iii) a Saturday, a Sunday, or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE System Hours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); and the modifier, “special price,” must be selected. In addition, the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the member must enter the actual date and Time of Execution in the field.]

(C) (i) During the Pilot Program in paragraph (a)(3)(A)(i), transactions in Asset-Backed Securities that are collateralized mortgage obligations (CMOs) or real estate mortgage investment conduits (REMICs) that are executed before the issuance of the security must be reported the earlier of:

a. the business day following the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours, or

b. the business day following the date of issuance of the security during TRACE System Hours.

In either case, if the transaction is reported other than on the date of execution, the transaction report must be designated “as/of” and include the date of execution.

(ii) After the expiration of the Pilot Program in paragraph (a)(3)(A)(i), such transactions must be reported the earlier of:

a. the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours (unless such identifier is assigned after 1:00:00 p.m. Eastern Time, and in such case, such transactions must be reported no later than the next business day during TRACE System Hours), or

b. the date of issuance of the security during TRACE System Hours.

In either case, if the transaction is reported other than on the date of execution, the transaction report must be designated “as/of” and include the date of execution.

([7]4) Members have an ongoing obligation to report transaction information promptly, accurately, and completely. The member may employ an agent for the purpose of submitting transaction information. However, the primary responsibility for the timely, accurate, and complete reporting of

transaction information remains the non-delegable duty of the member obligated to report the transaction.

([8]5) A member may be required to report as soon as practicable to the Market Regulation Department on a paper form, the transaction information required under Rule 6730 if electronic submission into TRACE is not possible. Transactions that can be reported into TRACE, including transactions executed on a Saturday, a Sunday, [or] a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time), [as provided in paragraphs (a)(4), (a)(5) and (a)(6) above,] and transactions that can be submitted on the trade date or [on] a subsequent date on an “as/of” basis[,] shall not be reported on a paper form.

(6) If a member that is a Party to a Transaction makes a good faith determination that a transaction involves a TRACE-Eligible Security, the member must report the transaction as provided in this Rule, and if the TRACE-Eligible Security is not entered in the TRACE system, the member must promptly notify and provide FINRA Operations the information required under Rule 6760(b) prior to reporting the transaction.

(b) through (c) No Change.

(d) Procedures for Reporting Price, Capacity, Volume

(1) No Change.

(2) Size (Volume)

Except for Asset-Backed Securities, report the actual number of bonds traded, with \$1,000 par value equal to 1 bond. If a bond has a par value of less

than \$1,000 (“baby bond”) or the par value is not an even multiple of \$1,000, report the fractional portion of \$1,000 in decimals. For amortizing Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, report the original face value of such security and the Factor the member used to execute the transaction, if such Factor is not the most current Factor publicly [publically] available at the Time of Execution. For Asset-Backed Securities that do not amortize, report the total par value of the transaction.

(3) No Change.

(4) Modifiers; Indicators

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

(A) No Change.

(B) Settlement Modifiers

(i) No Change.

(ii) For transactions in Asset-Backed Securities, report the actual settlement date of the transaction, [and an indicator that:]

[a. the transaction will settle “regular way” (i.e., T + 3 or in conformity with the uniform practices established as “good delivery” for the type of Asset-Backed Security traded); or]

[b. the transaction will not settle “regular way” (i.e., not T + 3 or not in conformity with the uniform

practices established as “good delivery” for the type of
Asset-Backed Security traded).]

(C) through (E) No Change.

(e) through (f) No Change.

* * * * *

6760. Obligation To Provide Notice

(a) Members Required to Provide [Information and] Notice

(1) [In order to] To facilitate trade reporting and dissemination of transactions in TRACE-Eligible Securities, a member that is a [the] managing underwriter [, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser,] of a distribution or offering (“offering”), other than [excluding] a secondary [distribution or] offering, of [a debt security that, upon issuance will be] a TRACE-Eligible Security [(“new issue”),] must obtain information and provide notice [information] to FINRA Operations as set forth in this Rule. [required below. For purposes of this Rule, a member that is a Sponsor or an Issuing Entity of an Asset-Backed Security shall be treated as a managing underwriter.] If a managing underwriter [(or a lead initial purchaser)] is not designated, [appointed by the issuer,] an underwriter[, or, if there are no underwriters, an initial purchaser] must provide such notice. [the information required under this Rule.] In offerings where managing underwriters and/or underwriters are not designated, the lead initial purchaser must provide such notice, and if there is no lead initial purchaser, an initial purchaser must provide such notice. [If a managing underwriter (or a lead initial purchaser) is not

appointed, and there are multiple underwriters (or initial purchasers), the underwriters (or initial purchasers) may submit a single notice] If more than one person is obligated to provide notice (e.g., multiple underwriters), such persons may submit jointly a single notice containing the required information to FINRA Operations. A member that is an underwriter or a Securitizer of an Asset-Backed Security is a managing underwriter for purposes of this Rule. A member that is required to provide notice must make a good faith determination that the security is a TRACE-Eligible Security before providing such notice.

(2) [The information must be provided by facsimile or e-mail.] The information must be provided using the method of communication or media specified by FINRA.

(b) Information Required [Notices]

[For such new issues, the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser] The notice must [provide to FINRA Operations] contain the following information: (1) the CUSIP number or if a CUSIP number is not available, a similar numeric identifier (e.g., a mortgage pool number) [or a FINRA symbol (assigned by FINRA upon request)]; (2) the issuer name, or, for an Asset-Backed Security, the names of the Securitized [Issuing Entity and the Sponsor]; (3) the coupon rate; (4) the maturity; (5) whether Securities Act Rule 144A applies; (6) the time that the new issue is priced, and, if different, the time that the first transaction in the [distribution or] offering is executed; (7) a brief description of the issue (e.g., senior subordinated note, senior note); and, (8) such other information FINRA deems necessary to properly implement the reporting and dissemination of a

TRACE-Eligible Security, or if any of items (2) through (8) has not been determined or a CUSIP number (or a similar numeric identifier [or a FINRA symbol] as referenced above) [will] is not [be] assigned or is not available when notice must be given, such other information [as] that FINRA deems necessary and is sufficient to identify the security accurately.

(c) When Required [The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must obtain the CUSIP number (or a similar numeric identifier or a FINRA symbol as referenced above) and provide it and the information listed as (2) through (8)] A notice required under this Rule must be provided to FINRA Operations prior to the execution of the first transaction of [in] the [distribution or] offering, except as provided below. [For distributions or]

(1) If an offering[s] of a security [new issues that are] is priced and commences on the same business day between 9:30:00 a.m. Eastern Time and 4:00:00 p.m. Eastern Time, [the] a person [or persons] that is required to provide notice [information to FINRA Operations] must provide to FINRA Operations as much of the information set forth in paragraph (b) [above] that is available prior to the execution of the first transaction of [in] the [distribution or] offering, which must be sufficient to identify the security accurately, and such other information that FINRA deems necessary and provide all other information required under [this Rule] paragraph (b) within 15 minutes of the Time of Execution of the first transaction[in such distribution or offering].

(2) If one or more transactions in a collateralized mortgage obligation (CMO) or a real estate mortgage investment conduit (REMIC) are effected prior to the issuance of the security and are subject to Rule 6730(a)(3)(C), a member that is required to provide notice to FINRA Operations regarding such CMO or REMIC must do so promptly on the date of issuance or other event that establishes the reference date that determines when a reporting period begins under Rule 6730(a)(3)(C).

[The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must make a good faith determination that the security is a TRACE-Eligible Security before submitting the information to FINRA Operations.]

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

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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-	Market Data: BTDS Professional Real-Time Data Display — \$60/month

<p>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> <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>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 Remaining Principal Balance (or the equivalent) at the Time of Execution of the transaction.)</p> <p>Trades <u>over \$200,000 and up to and including \$999,999.99</u> [between \$200,001 and \$999,999] 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>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 of such Data Set(s) on any number of interrogation or display devices.</p>
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	<p>Trades of \$1,000,000 par value or more —</p> <p>\$2.375/trade. (See note above regarding certain Asset-Backed Securities.)</p>	
<p>CTCI/<u>FIX</u>/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>\$3/trade</p>	<p>Market Data: Vendor Real-Time Data Feed —</p>

		<p>\$400/month per Data Set of Real-Time TRACE transaction data for such Data Set(s) for qualifying Tax-Exempt Organizations.</p>
		<p>Market Data: BTDS Non-Professional Real-Time Data Display — No charge.</p>
		<p>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.</p>
		<p>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>
		<p>Historic TRACE Data: Fee — \$2,000/calendar year per</p>

		<p>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 year (or part thereof) within a single Data Set of Historic TRACE Data per each recipient of re-distributed data; maximum fee per Data</p>

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

(a) System Related Fees

A member may choose among the following options to report transactions in TRACE-Eligible Securities to FINRA pursuant to the Rule 6700 Series: [There are three methods by which a member may report corporate bond transactions in TRACE-Eligible Securities that are reportable to FINRA pursuant to the Rule 6700 Series. A member may choose among the following methods to report data to FINRA:] (1) a TRACE web browser; (2) a Computer-to-Computer Interface (“CTCI”) or a Financial Information eXchange (“FIX”) line (either a line [one] dedicated solely to TRACE or a multi-purpose line); or (3) a third-party reporting intermediary. Fees will be charged based on the reporting method[ology] selected by the member.

(1) No Change.

(2) CTCI or FIX [Computer-to-Computer Interface] Access

The charge to be paid by a member that elects to report TRACE data to FINRA via a CTCI or a FIX line shall be \$25 per month, per firm, regardless of whether the line is or is not dedicated exclusively for TRACE.¹

(3) 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) 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. Except as set forth in subparagraph (B) below, trades up to and including \$200,000 par value will be charged a \$0.475 fee per trade; trades over \$200,000 and up to and including \$999,999.99 [between \$200,001 par value and \$999,999] par value will be charged a fee of \$0.000002375 times the par value of the transaction (i.e., \$0.002375 per \$1000) per trade; and trades of \$1,000,000 par value or more will be charged a fee of \$2.375 per trade.

(B) through (C) No Change.

(2) through (3) No Change.

(c) through (f) No Change.

¹ Charges that may be imposed by third parties, such as CTCI or FIX line providers, are not included in these fees.

² No Change.

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