

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="27"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2011"/> - * <input type="text" value="053"/>	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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input 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”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA Rule 6730 regarding reporting a transaction in a TRACE-Eligible Security, other than a transaction in an Asset-Backed Security, on a non-business day, and reporting size (volume), commission and settlement, in order for FINRA to consolidate all TRACE-Eligible Securities transaction processing and data management on a single technology platform, the Multi Product Platform (“MPP”).

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

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

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

FINRA 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 will be no later than 180 days following publication of the Regulatory Notice announcing Commission approval.

¹ 15 U.S.C. 78s(b)(1).

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

(a) Purpose

Currently, TRACE-Eligible Securities that are Asset-Backed Securities are processed on FINRA’s enhanced technology platform, MPP.² FINRA proposes certain amendments to the reporting requirements of Rule 6730 of the Trade Reporting and Compliance Engine (TRACE) rules that will permit FINRA to migrate all other TRACE-Eligible Securities to MPP. The proposed amendments are substantially similar to requirements that currently apply to transactions in Asset-Backed Securities, and will simplify reporting a transaction executed on a holiday or a weekend, the size of a transaction, commission, if charged, and settlement.

FINRA believes that the proposed consolidation of all TRACE-Eligible Securities on MPP will improve TRACE reporting and provide several benefits to broker-dealers. First, the MPP program incorporates more current industry standards, conventions and terms, and the proposed amendments to Rule 6730 to incorporate those standards will clarify and simplify the reporting requirements, and reduce reporting errors and costs. For example, when quoting, trading and recording positions in books and records, generally the size (volume) of a transaction or a position is stated as the total par or principal value, which is how size (volume) of a TRACE transaction would be reported on MPP.³ The proposed amendments should reduce the incidences of data “translations” made by a broker-dealer when transaction data is both recorded in internal firm systems

² “TRACE-Eligible Security” and “Asset-Backed Security” are defined in, respectively, Rule 6710(a) and Rule 6710(m).

³ Similarly, the proposed change in Rule 6730 regarding settlement, which would require reporting of the actual date of settlement and delete the use of modifiers that are required currently in many instances, may simplify reporting settlement.

and reported to TRACE, and therefore should reduce operational complexities and reporting errors and fees, improve compliance, and reduce system-related costs. Second, MPP will provide broker-dealers a wider range of options for reporting, most notably providing support for the Financial Information eXchange (“FIX”) protocol. Third, MPP provides enhanced functionality for the management of TRACE data. Broker-dealers will be able to access TRACE-Eligible Securities data with greater ease and more quickly, including obtaining real-time intra-day data changes or additions. Fourth, standardizing most of the reporting requirements for TRACE-Eligible Securities and consolidating all TRACE-Eligible Securities on a single improved platform will allow broker-dealers to maintain one interface for all TRACE reporting, which should permit broker-dealers to reduce the operational complexity of reporting, improve the accuracy overall of their TRACE reporting, and eliminate costs associated with maintaining multiple technology platforms.

The proposed amendments to Rule 6730 regarding reporting a transaction executed on a holiday or a weekend, the size (volume) of a transaction, commission, if charged, and settlement are discussed below. In addition, the proposed rule change includes minor administrative, technical and clarifying changes.

TRACE-Eligible Securities Transactions Executed on a Non-Business Day

Currently, as set forth in Rule 6730(a)(1)(D) and Rule 6730(a)(2)(B), transactions in TRACE-Eligible Securities, except Asset-Backed Securities, that are executed on a weekend, holiday or other day when the TRACE system is not open must be reported the next business day (T + 1), designated “as/of,” and are subject to two unique requirements. First, the date of execution (“Trade Date”) reported to TRACE is not the actual date the trade was executed; instead, a member must report as the Trade Date the day (i.e., T + 1)

that the report must be timely submitted. Second, the execution time reported must be “12:01:00 a.m. Eastern Time” (“00:01:00”), instead of the actual Time of Execution.⁴ The two requirements were established at the inception of TRACE because, at that time, the TRACE system did not recognize any day on which the TRACE system is closed as a valid Trade Date, and the two requirements allow FINRA to distinguish transactions in TRACE-Eligible Securities executed on non-business days from all other reported transactions.

FINRA has enhanced the TRACE system to recognize, for all types of TRACE-Eligible Securities, any calendar date as a valid Trade Date.⁵ Accordingly, FINRA proposes to amend Rule 6730(a)(1)(D) and Rule 6730(a)(2)(B) to delete in both provisions the two unique requirements, which are no longer necessary, and to require members to report transactions executed on non-business days in the same manner that transactions executed after or before TRACE System Hours on business days are reported currently.⁶ FINRA also proposes to combine Rule 6730(a)(1)(B) and Rule 6730(a)(1)(D) as renumbered amended Rule 6730(a)(1)(D), and delete current Rule 6730(a)(1)(B). In addition, FINRA proposes to reorganize the reporting requirements in Rule

⁴ “Time of Execution” is defined in Rule 6710(d). 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 such field.

⁵ Previously, FINRA modified the TRACE system to recognize any calendar date as a valid Trade Date, but only as to transactions in Asset-Backed Securities. (See Securities Exchange Act Release No. 64364 (April 28, 2011), 76 FR 25385 (May 4, 2011) (order approving File No. SR-FINRA-2011-012).) The rule changes became effective on May 16, 2011. (See Regulatory Notice 11-20 (May 2011).)

⁶ “TRACE System Hours” is defined in Rule 6710(t).

6730(a)(1)(A) through Rule 6730(a)(1)(C) in chronological order and to incorporate minor technical changes.⁷

Size (Volume), Commission and Settlement Terms

FINRA also proposes amendments to the technical requirements for reporting the size (volume) of a transaction, the commission, if any, and the settlement of transactions in TRACE-Eligible Securities, other than Asset-Backed Securities.

Currently, FINRA requires members to report the size (volume) of a transaction in a TRACE-Eligible Security, other than an Asset-Backed Security, by reporting the number of bonds.⁸ For example, a sale of corporate bonds or Agency Debt Securities having a par or principal value of \$10,000 is reported as a sale of 10 bonds.⁹ FINRA proposes to amend Rule 6730(c)(2) and Rule 6730(d)(2) to require a member to report the size of such transactions using the total par value or principal value traded, rather than the number of bonds.¹⁰

FINRA proposes a similar change to the reporting of commissions. Under current Rule 6730(c)(11) and Rule 6730(d)(1), in those cases where a commission is charged in a

⁷ The reporting requirements now set forth in Rule 6730(a)(1)(C) will be set forth in Rule 6730(a)(1)(A), and Rule 6730(a)(1)(A) will be renumbered as Rule 6730(a)(1)(B), except the requirement relating to transactions executed less than 15 minutes before the TRACE System closes will be set forth separately as Rule 6730(a)(1)(C).

⁸ See Rule 6730(c)(2) and Rule 6730(d)(2).

⁹ “Agency Debt Security” is defined in Rule 6710(1).

¹⁰ Previously, FINRA adopted similar provisions for reporting the size (volume) of transactions in Asset-Backed Securities that do not amortize. (See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (order approving File No. SR-FINRA-2009-065).) The rule changes became effective on May 16, 2011. (See Regulatory Notice 11-20 (May 2011).)

transaction in a TRACE-Eligible Security, the commission must be reported “stated in points per bond (e.g., for corporate bonds, 1 point equals \$10.00 per bond).”¹¹ FINRA proposes to amend Rule 6730(c)(11) and Rule 6730(d)(1) to require members to report the total dollar amount of the commission, rather than the points per bond.¹²

FINRA also proposes to simplify the requirements for reporting the settlement of a TRACE-Eligible Security transaction. Currently, as provided in Rule 6730(d)(4)(B)(i), if a transaction, other than a transaction in an Asset-Backed Security, will not settle on T + 3, a member must report the settlement using one of three modifiers.¹³ To streamline the requirements regarding settlement, new Rule 6730(c)(12) will require a member simply to report the date of settlement.¹⁴ In addition, FINRA proposes to delete Rule 6730(d)(4)(B), which sets forth the three settlement modifiers that will no longer be used in TRACE reporting, and references to such modifiers in Rule 6730(d)(4)(C). FINRA

¹¹ Rule 6730(d)(1).

¹² Previously, FINRA adopted similar provisions for reporting a commission in a transaction in an Asset-Backed Security. (See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (order approving File No. SR-FINRA-2009-065).) The rule changes became effective on May 16, 2011. (See Regulatory Notice 11-20 (May 2011).)

¹³ Current Rule 6730(c)(12) will be renumbered as Rule 6730(c)(13). If a trade will not settle on T + 3, the three modifiers that are used to indicate the day the transaction will be settled are “.c” (date of execution), “.nd” (T + 1), or “.sNN” (settlement on a date other than the date of execution, T + 1 or T + 3).

¹⁴ Previously, FINRA adopted a similar requirement in connection with transactions in Asset-Backed Securities. (See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (order approving File No. SR-FINRA-2009-065) and Securities Exchange Act Release No. 64364 (April 28, 2011), 76 FR 25385 (May 4, 2011) (order approving File No. SR-FINRA-2011-012)). The rule changes in both rule filings became effective on May 16, 2011. (See Regulatory Notice 11-20 (May 2011).)

also will renumber Rule 6730(d)(4)(C), Rule 6730(d)(4)(D) and Rule 6730(d)(4)(E) accordingly.¹⁵

Finally, FINRA proposes minor technical amendments to Rule 6730(a) through (d), including amendments to Rule 6730(b)(2) and Rule 6730(c)(7) to delete redundant or unnecessary text and Rule 6730(d)(2) to clarify existing text.

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 will be no later than 180 days following publication of the Regulatory Notice announcing Commission approval.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁶ 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 the terms of transactions in TRACE-Eligible Securities 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.

¹⁵ Rule 6730(d)(4)(C), Rule 6730(d)(4)(D) and Rule 6730(d)(4)(E) will be renumbered, respectively, as Rule 6730(d)(4)(B), Rule 6730(d)(4)(C) and Rule 6730(d)(4)(D).

¹⁶ 15 U.S.C. 78o-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.¹⁷

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.

¹⁷ 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

Release No. 34- ; File No. SR-FINRA-2011-053

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change Relating to Amendments to Rule 6730 of the Trade Reporting and Compliance (TRACE) Rules

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , 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 FINRA Rule 6730 regarding reporting a transaction in a TRACE-Eligible Security, other than a transaction in an Asset-Backed Security, on a non-business day, and reporting size (volume), commission and settlement, in order for FINRA to consolidate all TRACE-Eligible Securities transaction processing and data management on a single technology platform, the Multi Product Platform (“MPP”). The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

Currently, TRACE-Eligible Securities that are Asset-Backed Securities are processed on FINRA's enhanced technology platform, MPP.³ FINRA proposes certain amendments to the reporting requirements of Rule 6730 of the Trade Reporting and Compliance Engine (TRACE) rules that will permit FINRA to migrate all other TRACE-Eligible Securities to MPP. The proposed amendments are substantially similar to requirements that currently apply to transactions in Asset-Backed Securities, and will simplify reporting a transaction executed on a holiday or a weekend, the size of a transaction, commission, if charged, and settlement.

FINRA believes that the proposed consolidation of all TRACE-Eligible Securities on MPP will improve TRACE reporting and provide several benefits to broker-dealers. First, the MPP program incorporates more current industry standards, conventions and terms, and the proposed amendments to Rule 6730 to incorporate those standards will

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

clarify and simplify the reporting requirements, and reduce reporting errors and costs. For example, when quoting, trading and recording positions in books and records, generally the size (volume) of a transaction or a position is stated as the total par or principal value, which is how size (volume) of a TRACE transaction would be reported on MPP.⁴ The proposed amendments should reduce the incidences of data “translations” made by a broker-dealer when transaction data is both recorded in internal firm systems and reported to TRACE, and therefore should reduce operational complexities and reporting errors and fees, improve compliance, and reduce system-related costs. Second, MPP will provide broker-dealers a wider range of options for reporting, most notably providing support for the Financial Information eXchange (“FIX”) protocol. Third, MPP provides enhanced functionality for the management of TRACE data. Broker-dealers will be able to access TRACE-Eligible Securities data with greater ease and more quickly, including obtaining real-time intra-day data changes or additions. Fourth, standardizing most of the reporting requirements for TRACE-Eligible Securities and consolidating all TRACE-Eligible Securities on a single improved platform will allow broker-dealers to maintain one interface for all TRACE reporting, which should permit broker-dealers to reduce the operational complexity of reporting, improve the accuracy overall of their TRACE reporting, and eliminate costs associated with maintaining multiple technology platforms.

The proposed amendments to Rule 6730 regarding reporting a transaction executed on a holiday or a weekend, the size (volume) of a transaction, commission, if

⁴ Similarly, the proposed change in Rule 6730 regarding settlement, which would require reporting of the actual date of settlement and delete the use of modifiers that are required currently in many instances, may simplify reporting settlement.

charged, and settlement are discussed below. In addition, the proposed rule change includes minor administrative, technical and clarifying changes.

TRACE-Eligible Securities Transactions Executed on a Non-Business Day

Currently, as set forth in Rule 6730(a)(1)(D) and Rule 6730(a)(2)(B), transactions in TRACE-Eligible Securities, except Asset-Backed Securities, that are executed on a weekend, holiday or other day when the TRACE system is not open must be reported the next business day (T + 1), designated “as/of,” and are subject to two unique requirements. First, the date of execution (“Trade Date”) reported to TRACE is not the actual date the trade was executed; instead, a member must report as the Trade Date the day (i.e., T + 1) that the report must be timely submitted. Second, the execution time reported must be “12:01:00 a.m. Eastern Time” (“00:01:00”), instead of the actual Time of Execution.⁵ The two requirements were established at the inception of TRACE because, at that time, the TRACE system did not recognize any day on which the TRACE system is closed as a valid Trade Date, and the two requirements allow FINRA to distinguish transactions in TRACE-Eligible Securities executed on non-business days from all other reported transactions.

FINRA has enhanced the TRACE system to recognize, for all types of TRACE-Eligible Securities, any calendar date as a valid Trade Date.⁶ Accordingly, FINRA

⁵ “Time of Execution” is defined in Rule 6710(d). 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 such field.

⁶ Previously, FINRA modified the TRACE system to recognize any calendar date as a valid Trade Date, but only as to transactions in Asset-Backed Securities. (See Securities Exchange Act Release No. 64364 (April 28, 2011), 76 FR 25385 (May 4, 2011) (order approving File No. SR-FINRA-2011-012).) The rule changes became effective on May 16, 2011. (See Regulatory Notice 11-20 (May 2011).)

proposes to amend Rule 6730(a)(1)(D) and Rule 6730(a)(2)(B) to delete in both provisions the two unique requirements, which are no longer necessary, and to require members to report transactions executed on non-business days in the same manner that transactions executed after or before TRACE System Hours on business days are reported currently.⁷ FINRA also proposes to combine Rule 6730(a)(1)(B) and Rule 6730(a)(1)(D) as renumbered amended Rule 6730(a)(1)(D), and delete current Rule 6730(a)(1)(B). In addition, FINRA proposes to reorganize the reporting requirements in Rule 6730(a)(1)(A) through Rule 6730(a)(1)(C) in chronological order and to incorporate minor technical changes.⁸

Size (Volume), Commission and Settlement Terms

FINRA also proposes amendments to the technical requirements for reporting the size (volume) of a transaction, the commission, if any, and the settlement of transactions in TRACE-Eligible Securities, other than Asset-Backed Securities.

Currently, FINRA requires members to report the size (volume) of a transaction in a TRACE-Eligible Security, other than an Asset-Backed Security, by reporting the number of bonds.⁹ For example, a sale of corporate bonds or Agency Debt Securities having a par or principal value of \$10,000 is reported as a sale of 10 bonds.¹⁰ FINRA

⁷ “TRACE System Hours” is defined in Rule 6710(t).

⁸ The reporting requirements now set forth in Rule 6730(a)(1)(C) will be set forth in Rule 6730(a)(1)(A), and Rule 6730(a)(1)(A) will be renumbered as Rule 6730(a)(1)(B), except the requirement relating to transactions executed less than 15 minutes before the TRACE System closes will be set forth separately as Rule 6730(a)(1)(C).

⁹ See Rule 6730(c)(2) and Rule 6730(d)(2).

¹⁰ “Agency Debt Security” is defined in Rule 6710(l).

proposes to amend Rule 6730(c)(2) and Rule 6730(d)(2) to require a member to report the size of such transactions using the total par value or principal value traded, rather than the number of bonds.¹¹

FINRA proposes a similar change to the reporting of commissions. Under current Rule 6730(c)(11) and Rule 6730(d)(1), in those cases where a commission is charged in a transaction in a TRACE-Eligible Security, the commission must be reported “stated in points per bond (e.g., for corporate bonds, 1 point equals \$10.00 per bond).”¹² FINRA proposes to amend Rule 6730(c)(11) and Rule 6730(d)(1) to require members to report the total dollar amount of the commission, rather than the points per bond.¹³

FINRA also proposes to simplify the requirements for reporting the settlement of a TRACE-Eligible Security transaction. Currently, as provided in Rule 6730(d)(4)(B)(i), if a transaction, other than a transaction in an Asset-Backed Security, will not settle on T + 3, a member must report the settlement using one of three modifiers.¹⁴ To streamline the requirements regarding settlement, new Rule 6730(c)(12) will require a member

¹¹ Previously, FINRA adopted similar provisions for reporting the size (volume) of transactions in Asset-Backed Securities that do not amortize. (See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (order approving File No. SR-FINRA-2009-065).) The rule changes became effective on May 16, 2011. (See Regulatory Notice 11-20 (May 2011).)

¹² Rule 6730(d)(1).

¹³ Previously, FINRA adopted similar provisions for reporting a commission in a transaction in an Asset-Backed Security. (See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (order approving File No. SR-FINRA-2009-065).) The rule changes became effective on May 16, 2011. (See Regulatory Notice 11-20 (May 2011).)

¹⁴ Current Rule 6730(c)(12) will be renumbered as Rule 6730(c)(13). If a trade will not settle on T + 3, the three modifiers that are used to indicate the day the transaction will be settled are “.c” (date of execution), “.nd” (T + 1), or “.sNN” (settlement on a date other than the date of execution, T + 1 or T + 3).

simply to report the date of settlement.¹⁵ In addition, FINRA proposes to delete Rule 6730(d)(4)(B), which sets forth the three settlement modifiers that will no longer be used in TRACE reporting, and references to such modifiers in Rule 6730(d)(4)(C). FINRA also will renumber Rule 6730(d)(4)(C), Rule 6730(d)(4)(D) and Rule 6730(d)(4)(E) accordingly.¹⁶

Finally, FINRA proposes minor technical amendments to Rule 6730(a) through (d), including amendments to Rule 6730(b)(2) and Rule 6730(c)(7) to delete redundant or unnecessary text and Rule 6730(d)(2) to clarify existing text.

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 will be no later than 180 days following publication of the Regulatory Notice announcing Commission approval.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁷ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote

¹⁵ Previously, FINRA adopted a similar requirement in connection with transactions in Asset-Backed Securities. (See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (order approving File No. SR-FINRA-2009-065) and Securities Exchange Act Release No. 64364 (April 28, 2011), 76 FR 25385 (May 4, 2011) (order approving File No. SR-FINRA-2011-012)). The rule changes in both rule filings became effective on May 16, 2011. (See Regulatory Notice 11-20 (May 2011).)

¹⁶ Rule 6730(d)(4)(C), Rule 6730(d)(4)(D) and Rule 6730(d)(4)(E) will be renumbered, respectively, as Rule 6730(d)(4)(B), Rule 6730(d)(4)(C) and Rule 6730(d)(4)(D).

¹⁷ 15 U.S.C. 78o-3(b)(6).

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 the terms of transactions in TRACE-Eligible Securities 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:

(A) by order approve or disapprove 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-2011-053 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-2011-053. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You

should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2011-053 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.¹⁸

Elizabeth M. Murphy

Secretary

¹⁸ 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.

* * * * *

6000. QUOTATION AND TRANSACTION REPORTING FACILITIES

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

* * * * *

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 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.” A member must transmit the report to TRACE during TRACE System Hours.

(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).

(A) Transactions Executed At or After 12:00:00 A.M.

Through 7:59:59 A.M. Eastern Time

Transactions 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 15 minutes after the TRACE system opens.

(B) 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, except as provided in paragraph (a)(1)(C) below. [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.]

[(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), no later than 15 minutes after the TRACE system opens, designated “as/of” and include the date of execution.]

(C) Transactions Executed Less Than 15 Minutes Before TRACE System Closes [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 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. [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 15 minutes after the TRACE system opens.]

(D) Transactions Executed After TRACE System Hours or on [a] Non-Business Days

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 or 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 (determined using Eastern Time) must be reported the next business day (T + 1), no later than 15 minutes after the TRACE system opens, designated “as/of” and include the date of execution. [The transaction must be reported as follows: the reported execution date must be T + 1 (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”); the modifier, “special price,” must be selected; and, 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.]

(2) Reporting Requirements - List or Fixed Offering Price

Transactions and Takedown Transactions

(A) No Change.

(B) List or Fixed Offering Price Transactions or Takedown Transactions[, other than such transactions in Asset-Backed Securities,]

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 (determined using Eastern Time) 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. [The transaction must be reported as follows: the reported execution date must be T + 1 (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”); the modifier, “special price,” must be selected; and, 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.]

(3) through (6) No Change.

(b) Which Party Reports Transaction

Trade data input obligations are as follows:

(1) No Change.

(2) In transactions involving a member and a non-member, including a customer, the member shall [be required to] submit a trade report to TRACE.

(c) Transaction Information To Be Reported

Each TRACE trade report shall contain the following information:

(1) No Change.

(2) [Number of bonds or, for transactions in certain Asset-Backed Securities, t]The [transaction] size (volume) of the transaction as required by paragraph (d)(2) below;

(3) Price of the transaction (or the elements necessary to calculate price, which are contract amount and accrued interest) as required by paragraph (d)(1) below;

(4) No Change.

(5) Date of Trade Execution (“as/of” trades only);

(6) No Change.

(7) Capacity — Principal or Agent (with riskless principal reported as principal) [as required by paragraph (d) below];

(8) through (10) No Change.

(11) [Stated commission; and]The commission (total dollar amount);

(12) Date of settlement; and

(13) Such trade modifiers as required by either the TRACE rules or the TRACE users guide.

(d) Procedures for Reporting Price, Capacity, Volume

(1) Price

For principal transactions, report the price, which must include the mark-up or mark-down. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) For agency transactions, report the price, which must exclude the commission. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.)

[Except for Asset-Backed Securities, report the commission, stated in points per bond (e.g., for corporate bonds, 1 point equals \$10.00 per bond). For Asset-Backed Securities, r] Report the total dollar amount of the commission.

(2) Size (Volume)

[Except for Asset-Backed Securities, r]Report the total par value or principal value of bonds traded. [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, if a member uses a Factor to execute the transaction that is not the most current Factor publicly available at the Time of Execution, report the Factor used. [the Factor the member used to execute the transaction, if such Factor is not the most current Factor publicly available at the Time of Execution.] For Asset-Backed Securities that do not amortize, report the total par value or principal 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) Except for Asset-Backed Securities transactions, if a transaction will be settled other than on T + 3, select the modifier:]

[a. “.c,” to indicate agreement to settle on the same day the transaction is executed;]

[b. “.nd,” to indicate agreement to settle on the next day; or]

[c. “.sNN,” when a. and b. do not apply, to indicate agreement to settle in a specified number of days (e.g., “.s05” or “.s45”).]

[(ii) For transactions in Asset-Backed Securities, report the actual settlement date of the transaction.]

(B[C]) Weighted Average Price Modifier

If the price of the transaction is determined using a weighted average price method, select the modifier, “.w.” [If one of the settlement modifiers and the weighted average price modifier apply to the transaction, select the modifier, “.w” for weighted average price and do not report the applicable settlement modifier.]

(D) through (E) renumbered as (C) through (D)

(e) through (f) No Change.

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