

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 29	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2011 - * 061	Amendment No. (req. for Amendments *)
Proposed Rule Change by Financial Industry Regulatory Authority Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
			Rule	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).				
Proposed Rule Change to Expand the Exception Relating to Transfers of Proprietary Securities Positions in Connection with Certain Corporate Control Transactions				
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 *	Lisa		Last Name *	Horrigan
Title *	Associate General Counsel			
E-mail *	lisa.horrigan@finra.org			
Telephone *	(202) 728-8190	Fax	(202) 728-8264	
Signature Pursuant to the requirements of the Securities Exchange Act of 1934, has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.				
Date	10/14/2011			
By	Stephanie Dumont		Senior Vice President and Director of Capital Markets Policy	
		(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.			Stephanie Dumont,	

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 trade reporting rules to expand the scope of the existing exception for over-the-counter (“OTC”) transfers of proprietary positions in debt and equity securities effected in connection with certain corporate control transactions.

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

The proposed rule change has been approved by the General Counsel of FINRA (or his officer designee) pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness and has requested waiver of the 30-day operative delay. FINRA is proposing to make the proposed rule change operative immediately upon filing.

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

(a) Purpose

FINRA trade reporting rules require that OTC transactions in debt and equity securities be reported to FINRA unless they qualify for an express exception under the rules. For purposes of the trade reporting rules, a “trade” or “transaction” entails a

¹ 15 U.S.C. 78s(b)(1).

change of beneficial ownership of securities between parties (e.g., a purchase or sale of securities) in which a FINRA member participates.² As a general matter, when members report OTC trades, FINRA facilitates the public dissemination of the trade information and/or assesses regulatory transaction fees under Section 3 of Schedule A to the FINRA By-Laws (“Section 3”)³ and the Trading Activity Fee (“TAF”).⁴ Certain transactions and transfers are not reported to FINRA at all (e.g., trades executed and reported through an exchange and transfers made pursuant to an asset purchase agreement that has been approved by a bankruptcy court), while other transactions must be reported to FINRA for regulatory transaction fee assessment purposes only (e.g., away from the market sales).⁵ Members must have policies and procedures and internal controls in place to determine whether a transaction qualifies for an exception under the rules.

Under FINRA trade reporting rules,⁶ there is an exception for transfers of

² See Trade Reporting Frequently Asked Questions, FAQ 100.4, available at www.finra.org/Industry/Regulation/Guidance/P038942.

³ Pursuant to Section 31 of the Act, FINRA and the national securities exchanges are required to pay transaction fees and assessments to the SEC that are designed to recover the costs related to the government’s supervision and regulation of the securities markets and securities professionals. FINRA obtains its Section 31 fees and assessments from its membership in accordance with Section 3.

⁴ The TAF is one of the member regulatory fees FINRA uses to fund its member regulation activities, market regulation activities, financial monitoring and policymaking, rulemaking and enforcement activities. Among others, the TAF is assessed for the sale of all exchange registered securities wherever executed and OTC equity securities. See FINRA By-Laws, Schedule A, § 1(b)(1).

⁵ See Rules 6282(i) (Alternative Display Facility), 6380A(e) (FINRA/Nasdaq Trade Reporting Facility), 6380B(e) (FINRA/NYSE Trade Reporting Facility) 6622(e) (OTC Reporting Facility), and 6730(e) and 6750 (Trade Reporting and Compliance Engine).

⁶ See Rules 6282(i)(2) and 7130(c); 6380A(e)(2) and 7230A(g); 6380B(e)(2) and 7230B(f); 6622(e)(2) and 7330(g); and Rule 6750(b).

proprietary securities positions between a member and another member or non-member broker-dealer where the transfer (1) is effected in connection with a merger of one broker-dealer with the other broker-dealer or a direct or indirect acquisition of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company and (2) is not in furtherance of a trading or investment strategy. Members are not required to report such transfers for publication purposes, but must report them to FINRA for purposes of assessing applicable regulatory transaction fees pursuant to Section 3 and the TAF. Additionally, members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

FINRA is proposing to expand the scope of this exception to apply to any transfer of proprietary securities positions where the transfer (1) is effected in connection with a merger or direct or indirect acquisition and (2) is not in furtherance of a trading or investment strategy. Thus, the exception would no longer be limited to transfers between a member and another member or non-member broker-dealer effected in connection with a merger or acquisition involving the member or its parent company. However, for purposes of this exception, the distinguishing factor will continue to be whether the transfer is being effected as part of the corporate control transaction rather than being driven by a trading or investment strategy.

For example, a member's parent company acquires a foreign financial institution, and as part of the corporate control transaction, the foreign financial institution's proprietary positions are transferred to the member. Under the proposed rule change, the transfer would not be reported for public dissemination purposes, but would be reported

to FINRA for regulatory purposes. By way of further example, a member's parent company acquires two new subsidiaries, both of which are U.S. non-broker-dealer financial institutions, and as part of the corporate control transaction, the proprietary positions of one subsidiary are transferred to the other subsidiary. Both of the subsidiaries have custodial accounts at the member, and the member facilitates the transfer. Under the proposed rule change, the transfer would not be reported for public dissemination purposes, but would be reported to FINRA for regulatory purposes.

FINRA believes that the policy reasons behind the existing exception support expanding the scope of the exception as proposed herein. While such transfers are "trades" or "transactions" because they result in a change of beneficial ownership, they are unlike the typical securities transaction in that they are not driven by a trading or investment strategy (e.g., a desire to exit a position or lock in a profit) relating to a particular security position. Additionally, the securities being transferred typically are assigned a value, such as the closing price of the security on a date certain, solely for purposes of effectuating the transfer. As such, FINRA believes that public dissemination of such transfers would not provide meaningful price discovery information to the market. To the contrary, dissemination could confuse investors and other market participants, particularly where the positions being transferred are substantial. Public dissemination of significant and perhaps unusual trading activity could give the false impression of investor interest, market participant transactions and significant price discovery activities, and the volume reports could skew a variety of trading activity indicators.

FINRA notes that the other provisions of the existing exception will remain

unchanged under the proposed rule change. Specifically, members will continue to be required to provide FINRA at least three business days advance written notice of their intent to rely on this exception, including the basis for their determination that the transfer meets the terms of the exception. They also will continue to be required to report the transfers (for regulatory and not publication purposes) on the same day as the ultimate transfer of the positions on their books and records (unless later reporting is warranted under specific circumstances).⁷

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness and has requested waiver of the 30-day operative delay. FINRA is proposing to make the proposed rule change operative immediately upon filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁸ 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 clarify members' trade reporting obligations, enhance the utility of market information and protect investors and other market participants by ensuring that transfers that do not contribute to market price discovery and could confuse market participants are not disseminated.

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

FINRA does not believe that the proposed rule change will result in any burden

⁷ See supra note 6; see also Regulatory Notice 09-21 (April 2009).

⁸ 15 U.S.C. 78o-3(b)(6).

on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

6. **Extension of Time Period for Commission Action**

Not applicable.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act⁹ and paragraph (f)(6) of Rule 19b-4 thereunder,¹⁰ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate. In addition, FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, as specified in Rule 19b-4(f)(6)(iii) under the Act.¹¹

FINRA requests that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing, as set forth in Rule 19b-4(f)(6)(iii),¹² to allow the trade reporting exception to apply to the broader

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² 17 CFR 240.19b-4(f)(6)(iii).

range of transfers as soon as possible for the benefit of the marketplace and the investing public. FINRA proposes to make the proposed rule change operative immediately upon filing.

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2011-061)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Expand the Exception Relating to Transfers of Proprietary Securities Positions in Connection with Certain Corporate Control Transactions

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 and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

FINRA is proposing to amend FINRA trade reporting rules to expand the scope of the existing exception for over-the-counter (“OTC”) transfers of proprietary positions in debt and equity securities effected in connection with certain corporate control transactions.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

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

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

FINRA trade reporting rules require that OTC transactions in debt and equity securities be reported to FINRA unless they qualify for an express exception under the rules. For purposes of the trade reporting rules, a "trade" or "transaction" entails a change of beneficial ownership of securities between parties (e.g., a purchase or sale of securities) in which a FINRA member participates.⁴ As a general matter, when members report OTC trades, FINRA facilitates the public dissemination of the trade information and/or assesses regulatory transaction fees under Section 3 of Schedule A to the FINRA By-Laws ("Section 3")⁵ and the Trading Activity Fee ("TAF").⁶ Certain transactions and

⁴ See Trade Reporting Frequently Asked Questions, FAQ 100.4, available at www.finra.org/Industry/Regulation/Guidance/P038942.

⁵ Pursuant to Section 31 of the Act, FINRA and the national securities exchanges are required to pay transaction fees and assessments to the SEC that are designed to recover the costs related to the government's supervision and regulation of the

transfers are not reported to FINRA at all (e.g., trades executed and reported through an exchange and transfers made pursuant to an asset purchase agreement that has been approved by a bankruptcy court), while other transactions must be reported to FINRA for regulatory transaction fee assessment purposes only (e.g., away from the market sales).⁷ Members must have policies and procedures and internal controls in place to determine whether a transaction qualifies for an exception under the rules.

Under FINRA trade reporting rules,⁸ there is an exception for transfers of proprietary securities positions between a member and another member or non-member broker-dealer where the transfer (1) is effected in connection with a merger of one broker-dealer with the other broker-dealer or a direct or indirect acquisition of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company and (2) is not in furtherance of a trading or investment strategy. Members are not required to report such transfers for publication purposes, but must report them to FINRA for purposes of assessing applicable regulatory transaction fees pursuant to Section 3 and the TAF. Additionally, members must provide FINRA at least three business days advance

securities markets and securities professionals. FINRA obtains its Section 31 fees and assessments from its membership in accordance with Section 3.

⁶ The TAF is one of the member regulatory fees FINRA uses to fund its member regulation activities, market regulation activities, financial monitoring and policymaking, rulemaking and enforcement activities. Among others, the TAF is assessed for the sale of all exchange registered securities wherever executed and OTC equity securities. See FINRA By-Laws, Schedule A, § 1(b)(1).

⁷ See Rules 6282(i) (Alternative Display Facility), 6380A(e) (FINRA/Nasdaq Trade Reporting Facility), 6380B(e) (FINRA/NYSE Trade Reporting Facility) 6622(e) (OTC Reporting Facility), and 6730(e) and 6750 (Trade Reporting and Compliance Engine).

⁸ See Rules 6282(i)(2) and 7130(c); 6380A(e)(2) and 7230A(g); 6380B(e)(2) and 7230B(f); 6622(e)(2) and 7330(g); and Rule 6750(b).

written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

FINRA is proposing to expand the scope of this exception to apply to any transfer of proprietary securities positions where the transfer (1) is effected in connection with a merger or direct or indirect acquisition and (2) is not in furtherance of a trading or investment strategy. Thus, the exception would no longer be limited to transfers between a member and another member or non-member broker-dealer effected in connection with a merger or acquisition involving the member or its parent company. However, for purposes of this exception, the distinguishing factor will continue to be whether the transfer is being effected as part of the corporate control transaction rather than being driven by a trading or investment strategy.

For example, a member's parent company acquires a foreign financial institution, and as part of the corporate control transaction, the foreign financial institution's proprietary positions are transferred to the member. Under the proposed rule change, the transfer would not be reported for public dissemination purposes, but would be reported to FINRA for regulatory purposes. By way of further example, a member's parent company acquires two new subsidiaries, both of which are U.S. non-broker-dealer financial institutions, and as part of the corporate control transaction, the proprietary positions of one subsidiary are transferred to the other subsidiary. Both of the subsidiaries have custodial accounts at the member, and the member facilitates the transfer. Under the proposed rule change, the transfer would not be reported for public dissemination purposes, but would be reported to FINRA for regulatory purposes.

FINRA believes that the policy reasons behind the existing exception support

expanding the scope of the exception as proposed herein. While such transfers are “trades” or “transactions” because they result in a change of beneficial ownership, they are unlike the typical securities transaction in that they are not driven by a trading or investment strategy (e.g., a desire to exit a position or lock in a profit) relating to a particular security position. Additionally, the securities being transferred typically are assigned a value, such as the closing price of the security on a date certain, solely for purposes of effectuating the transfer. As such, FINRA believes that public dissemination of such transfers would not provide meaningful price discovery information to the market. To the contrary, dissemination could confuse investors and other market participants, particularly where the positions being transferred are substantial. Public dissemination of significant and perhaps unusual trading activity could give the false impression of investor interest, market participant transactions and significant price discovery activities, and the volume reports could skew a variety of trading activity indicators.

FINRA notes that the other provisions of the existing exception will remain unchanged under the proposed rule change. Specifically, members will continue to be required to provide FINRA at least three business days advance written notice of their intent to rely on this exception, including the basis for their determination that the transfer meets the terms of the exception. They also will continue to be required to report the transfers (for regulatory and not publication purposes) on the same day as the ultimate transfer of the positions on their books and records (unless later reporting is warranted under specific circumstances).⁹

⁹ See supra note 8; see also Regulatory Notice 09-21 (April 2009).

FINRA has filed the proposed rule change for immediate effectiveness and has requested waiver of the 30-day operative delay. FINRA is proposing to make the proposed rule change operative immediately upon filing.

2. **Statutory Basis**

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁰ 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 clarify members' trade reporting obligations, enhance the utility of market information and protect investors and other market participants by ensuring that transfers that do not contribute to market price discovery and could confuse market participants are not disseminated.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on

¹⁰ 15 U.S.C. 78o-3(b)(6).

competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹²

FINRA has requested that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing, as set forth in Rule 19b-4(f)(6)(iii),¹³ to allow the trade reporting exception to apply to the broader range of transfers as soon as possible for the benefit of the marketplace and the investing public. FINRA proposes to make the proposed rule change operative immediately upon filing.

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

IV. Solicitation of Comments

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

Electronic Comments:

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

¹³ 17 CFR 240.19b-4(f)(6)(iii).

- 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-2011-061 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-2011-061. 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-2011-061 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.¹⁴

Elizabeth M. Murphy

Secretary

¹⁴ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Exhibit 5 shows the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

6000. QUOTATION AND TRANSACTION REPORTING FACILITIES

* * * * *

6200. ALTERNATIVE DISPLAY FACILITY

* * * * *

6282. Transactions Reported by Members to TRACS

(a) through (h) No Change.

(i) Reporting Requirements For Certain Transactions and Transfers of Securities

(1) No Change.

(2) The following shall not be reported to TRACS for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under Rule 7130(c):

(A) through (B) No Change.

(C) transfers of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (1) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company] and (2) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days

advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

(j) No Change.

6300. TRADE REPORTING FACILITIES

6300A. FINRA/NASDAQ TRADE REPORTING FACILITY

* * * * *

6380A. Transaction Reporting

(a) through (d) No Change.

(e) Reporting Requirements For Certain Transactions and Transfers of Securities

(1) No Change.

(2) The following shall not be reported to the FINRA/Nasdaq Trade Reporting Facility for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under Rule 7230A(g):

(A) through (B) No Change.

(C) transfers of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (1) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company] and (2) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days

advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

(f) through (h) No Change.

6300B. FINRA/NYSE TRADE REPORTING FACILITY

* * * * *

6380B. Transaction Reporting

(a) through (d) No Change.

(e) Reporting Requirements For Certain Transactions and Transfers of Securities

(1) No Change.

(2) The following shall not be reported to the FINRA/NYSE Trade Reporting Facility for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under Rule 7230B(f):

(A) through (B) No Change.

(C) transfers of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (1) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company] and (2) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the

basis for their determination that the transfer meets the terms of the exception.

(f) through (h) No Change.

* * * * *

6600. OTC REPORTING FACILITY

* * * * *

6620. Reporting Transactions in OTC Equity Securities and Restricted Equity Securities

* * * * *

6622. Transaction Reporting

(a) through (d) No Change.

(e) Reporting Requirements For Certain Transactions and Transfers of Securities

(1) No Change.

(2) The following shall not be reported to the OTC Reporting Facility for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under Rule 7330(g):

(A) through (B) No Change.

(C) Transfers of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (1) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's

parent company] and (2) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

(f) through (h) No Change.

••• Supplementary Material: -----

.01 No Change.

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6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

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6750. Dissemination of Transaction Information

(a) No Change.

(b) Transaction Information Not Disseminated

FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is:

(1) No Change.

(2) a transfer of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (A) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company] and (B) is not in furtherance of a trading or investment strategy. Such transfers shall be reported in the manner

prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances;

(3) through (4) No Change.

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**7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS,
AND FACILITY CHARGES**

7100. ALTERNATIVE DISPLAY FACILITY/TRACS

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7130. Trade Report Input

(a) through (b) No Change.

**(c) Reporting Certain Transactions for Purposes of Regulatory Transaction
Fee Assessment**

The following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the FINRA By-Laws shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Transactions must be submitted to TRACS by 6:30 p.m. Eastern Time (or the end of the TRACS reporting session that is in effect at that time). Transactions may be entered as clearing or non-clearing.

(1) through (2) No Change.

(3) Transfers of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (A) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company] and (B) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances.

(d) No Change.

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7200. TRADE REPORTING FACILITIES

7200A. FINRA/NASDAQ TRADE REPORTING FACILITY

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7230A. Trade Report Input

(a) through (f) No Change.

(g) Reporting Certain Transactions for Purposes of Regulatory Transaction

Fee Assessment

The following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the FINRA By-Laws shall be reported in

the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Transactions must be submitted to the System by 8:00 p.m. Eastern Time (or the end of the System reporting session that is in effect at that time). Transactions may be entered as clearing or non-clearing.

(1) through (2) No Change.

(3) Transfers of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (A) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company] and (B) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances.

(h) through (i) No Change.

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7200B. FINRA/NYSE TRADE REPORTING FACILITY

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7230B. Trade Report Input

(a) through (e) No Change.

(f) Reporting Certain Transactions for Purposes of Regulatory Transaction

Fee Assessment

The following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the FINRA By-Laws shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Transactions must be submitted to the System by 8:00 p.m. Eastern Time (or the end of the System reporting session that is in effect at that time). Transactions may be entered as clearing or non-clearing.

(1) through (2) No Change.

(3) Transfers of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (A) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company] and (B) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances.

(g) through (h) No Change.

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7300. OTC REPORTING FACILITY

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7330. Trade Report Input

(a) through (f) No Change.

(g) Reporting Certain Transactions for Purposes of Regulatory Transaction

Fee Assessment

The following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the FINRA By-Laws shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Transactions must be submitted to the System by 8:00 p.m. Eastern Time (or the end of the System reporting session that is in effect at that time). Transactions may be entered as clearing or non-clearing.

(1) through (2) No Change.

(3) Transfers of proprietary securities positions [between a member and another member or non-member broker-dealer] where the transfer (A) is effected in connection with a merger [of one broker-dealer with the other broker-dealer] or [a] direct or indirect acquisition [of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company] and (B) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is

warranted under specific circumstances.

(h) through (i) No Change.

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