

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 45	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2013 - * 033	Amendment No. (req. for Amendments *)
Filing by Financial Industry Regulatory Authority Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934				
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>
			Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input type="checkbox"/>	
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 action (limit 250 characters, required when Initial is checked *). Proposed Rule Change to Amend FINRA Rule 9217 to Include Additional Rule Violations Eligible for Disposition Under FINRA's Minor Rule Violation Plan.				
Contact Information Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action. First Name * Philip Last Name * Shaikun Title * Associate Vice President and Associate General Counsel E-mail * philip.shaikun@finra.org Telephone * (202) 728-8451 Fax (202) 728-8264				
Signature Pursuant to the requirements of the Securities Exchange Act of 1934, has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. (Title *) Date 07/24/2013 Senior Vice President and Deputy General Counsel By Patrice Gliniecki Patrice Gliniecki (Name *) NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.				

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

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 the 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 FINRA Rule 9217 (Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)) to include additional rule violations eligible for disposition under FINRA’s Minor Rule Violation Plan (“MRVP”).

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 July 12, 2012, 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.

The implementation date will be the date of Commission approval.

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

(a) Purpose

FINRA Rule 9216(b) provides procedures for disposition of certain rule violations designated as minor rule violations pursuant to a plan declared effective by the Commission in accordance with Section 19(d)(1) of the Act and Rule 19d-1(c)(2) thereunder. FINRA’s MRVP allows FINRA to impose a fine of up to \$2,500 on any

¹ 15 U.S.C. 78s(b)(1).

member or person associated with a member for a minor violation of an eligible rule. FINRA Rule 9217 sets forth the rules eligible for disposition pursuant to FINRA's MRVP. FINRA is proposing to expand the universe of eligible rules as part of an effort to concentrate regulatory resources on higher risk matters: expanded use of the MRVP could free up resources better allocated to high-risk matters because MRVP settlements typically are handled more efficiently and expeditiously.

The purpose of the MRVP is to provide reasonable but meaningful sanctions for minor or technical violations of rules when the conduct at issue does not warrant stronger, reportable disciplinary sanctions. The inclusion of a rule in FINRA's MRVP does not minimize the importance of compliance with such rule, nor does it preclude FINRA from choosing to pursue violations of eligible rules through an Acceptance, Waiver and Consent ("AWC") or Complaint if the nature of the violations or prior disciplinary history warrants more significant sanctions. Rather, the option to impose an MRVP sanction gives FINRA additional flexibility to administer its enforcement program in the most effective and efficient manner, while still fully meeting FINRA's remedial objectives in addressing violative conduct. For example, MRVP dispositions provide a useful tool for implementing the concept of progressive discipline to remediate misconduct. FINRA will continue to examine and surveil for compliance with eligible rules in a manner consistent with its examination programs and will determine on a case-by-case basis whether disposition pursuant to the MRVP is appropriate.

FINRA conducted a comprehensive review of its rules and examination dispositions to determine the rules it proposes to add to the MRVP. Among other things, FINRA considered (1) rules routinely cited in formal disciplinary actions that are not

currently part of the MRVP; (2) rules cited frequently in informal actions; (3) rules comparable to existing rules in the MRVP; and (4) rules included in other self-regulatory organization MRVPs.

The rules proposed for inclusion in the MRVP broadly can be grouped into several categories.

Filings and Notifications

In general, FINRA believes that isolated failures to comply with rules that require periodic reporting, filings or notifications are appropriate for inclusion in the MRVP. At the same time FINRA recognizes that willful, widespread or repeated failures under such eligible rules may be more appropriate for disposition through an AWC or the filing of a Complaint. FINRA notes that the current MRVP includes several such rules.

Accordingly, the proposed rule change would add the following rules to the MRVP for violations involving late or incomplete notices or filings: FINRA Rule 2251(a) (Forwarding of Proxy and other Issuer-Related Materials) (failure to timely forward proxy and other issuer-related materials); FINRA Rule 4524 (Supplemental FOCUS Information) (failure to timely file or filing of incomplete reports or information); FINRA Rule 5110(b) (Corporate Financing Rule – Underwriting Terms and Arrangements) (failure to timely file or filing of incomplete documents or information); FINRA Rule 5121(b)(2) (Public Offerings of Securities with Conflicts of Interest) (failure to give timely notification of termination or settlement of public offering or failure to file net capital computation); FINRA Rule 5122(b)(2) (Private Placements of Securities Issued by Members) (failure to timely file private placement documents); FINRA Rule 5190 (Notification Requirements for Offering Participants) (failure to give timely notification

of participation in offerings); and FINRA Rule 6760 (Obligation to Provide Notice) (failure to give timely or complete notification concerning offerings of TRACE-Eligible Securities). FINRA believes inclusion of these rules is appropriate, as certain instances of late filings or notifications may constitute minor, technical violations of the applicable rules that can be remediated through the MRVP.

Late Registrations

For many of the same reasons, the proposed rule change also would include in the MRVP the following MSRB and FINRA rules for certain isolated or technical failures to timely register: MSRB Rule G-2 (Standards of Professional Qualification) and MSRB Rule G-3(b)(ii)(D) and(c)(ii)(D) (Classification of Principals and Representatives; Numerical Requirements; Testing; Continuing Education Requirements) (failure to pass qualification examination within 90 days of becoming a principal)² and NASD Rule 1021(d) (Registration Requirements) (failure to pass qualification examination within 90 days of acting in a principal capacity). These provisions permit a municipal securities representative or registered representative, as applicable, to temporarily function in a principal capacity, provided such person registers as a principal and passes the appropriate qualification examination within 90 days of acting in such capacity. Typically, these circumstances occur when a registered principal leaves a firm or has an extended absence. FINRA believes MRV disposition may be appropriate in limited circumstances where a representative assumes principal duties but takes more than 90 days to pass the corresponding qualification examination.

² The proposed rule change includes both MSRB Rule G-2 and G-3 because the two are linked. Rule G-3 states that no broker, dealer or municipal securities dealer “shall be qualified for the purposes of Rule G-2” unless the requirements set forth in Rule G-3 are met. FINRA typically charges a violation of both rules where there is a failure to comply with the requirements of Rule G-3.

Untimely Marking, Transaction Reporting and other Market Rules

The proposed rule change similarly would add to the MRVP late filing and notification requirements related to market regulation. The current FINRA MRVP includes several such market rules, including, for example, FINRA Rule 4560 (failure to timely file reports of short positions); FINRA Rules 6380A, 6622, 6730 (transaction reporting); FINRA Rule 7450 (OATS reporting); and MSRB Rule G-14 (failure to submit reports). Thus, the proposed rule change would include: Rule 605(a)(1) and (3) of SEC Regulation NMS (Disclosure of Order Execution Information) (failure to timely report or provide complete order execution information); Rule 606 of SEC Regulation NMS (Disclosure of Order Routing Information) (failure to timely disclose or provide complete order routing information); FINRA Rule 6181 (Timely Transaction Reporting) (failure to timely report transactions in NMS securities); and FINRA Rule 6623 (Timely Transaction Reporting) (failure to timely report transactions in OTC and restricted equity securities).

The proposed rule change further would make eligible for MRVP disposition other marking and reporting requirements related to trade and audit data: Rule 200(g) of SEC Regulation SHO (Definition of “Short Sale” and Marking Requirements) (failure to accurately mark sell orders of equity securities); FINRA Rule 6182 (Trade Reporting of Short Sales) (failure to accurately mark short sales in NMS stocks); FINRA Rule 6250 (Quote and Order Access Requirements) (failure to comply with quote and order access requirements for FINRA’s Alternative Display Facility); FINRA Rule 6624 (Trade Reporting of Short Sales) (failure to accurately mark short sales in OTC Equity Securities); FINRA Rule 7330 (Trade Report Input) (failure to timely and accurately

input trade reports into the OTC Reporting Facility); and FINRA Rule 7360 (Audit Trail Requirements) (ongoing obligation to input trade reporting requirements in Rule 7330(d) accurately and completely). In addition, the proposed rule change would add three rules governing the FINRA/NYSE Trade Reporting Facility whose counterpart rules regarding the FINRA/NASDAQ Trade Reporting Facility are already subject to MRV treatment: FINRA Rule 6380B (Transaction Reporting); FINRA Rule 7230B (Trade Report Input); and FINRA Rule 7260B (Audit Trail Requirements).

Rules to Achieve Consistency

In addition to the market rules referenced above, FINRA further proposes to add certain rules to the MRVP to achieve consistency with rules that already are part of the plan. Thus, the proposed rule change would add FINRA Rule 1250(a), the Regulatory Element of FINRA's continuing education requirements. The current MRVP includes FINRA Rule 1250(b), the Firm Element provision of the continuing education requirements, and FINRA believes there is no compelling reason to differentiate with respect to the MRVP minor violations of the regulatory element. Similarly, the proposed rule change further would bring consistency to the enforcement of the MSRB Rules by adding to the MRVP MSRB Rule G-3(h) (Classification of Principals and Representatives; Numerical Requirements; Testing; Continuing Education Requirements) (failure to comply with the continuing education requirements) to include in the MRVP both the Firm and Regulatory Elements of the MSRB's equivalent continuing education requirements rule. The proposed rule change also seeks consistency by adding MSRB Rule G-21 (Advertising) to the MRVP, since the FINRA communications with the public counterparts, FINRA Rules 2210, 2212, 2213, 2215, 2216 and NASD Interpretive

Material 2210-2, already are subject to MRVP disposition.

FINRA Rule 9217 currently states that “[f]ailures to provide or update contact information as required by FINRA or NASD rules” may be resolved pursuant to the MRVP. Accordingly, FINRA proposes to add NASD Rule 1150 (Executive Representative) (failure to review and update executive representative designation and contact information) and NASD Rule 1160 (Contact Information Requirements) to the MRVP. For the same reason, FINRA also proposes to add MSRB Rules G-40(a) and (c) (Electronic Mail Contacts), which require each broker, dealer or municipal securities dealer to designate and update electronic mail contact information for communications with the MSRB, and FINRA Rule 4370(f) (Business Continuity and Emergency Contact Information), which requires a member to report to FINRA emergency contact information and to designate emergency contact persons. Rule 4370(f)(2) further requires member to promptly update such information in the event of any material change in accordance with NASD Rule 1160. FINRA also proposes to include in the MRVP other provisions of Rule 4370, which are discussed below.

Recordkeeping

The current MRVP includes violations of FINRA Rule 4510 Series (Books and Records Requirements) for failure to keep and preserve books, accounts, records, memoranda, and correspondence in conformance with all applicable laws, rules and regulations and statements of policy promulgated thereunder, and with FINRA rules. Rule 4511 requires firms to preserve for at least six years those FINRA books and records for which there is no specified period under FINRA rules or applicable Exchange Act rules. Otherwise, the rule mandates compliance with the books and record

requirements under FINRA rules, the Exchange Act and the applicable Exchange Act rules. The proposed rule change would add to the MRVP specific SEC and MSRB rules that require records to be made and preserved: Exchange Act Rule 17a-3(a) (Records to Be Made By Certain Exchange Members, Brokers and Dealers); Exchange Act Rule 17a-4 (Records to Be Preserved By Certain Exchange Members, Brokers and Dealers); MSRB Rule G-8 (Books and Records to Be Made By Brokers, Dealers and Municipal Securities Dealers); and MSRB Rule G-9 (Preservation of Records). FINRA typically charges recordkeeping violations under both FINRA Rule 4511 or MSRB Rule G-9 and the applicable Exchange Act rules. FINRA includes the Exchange Act rules because those rules have greater specificity than the self-regulatory organization rules. In addition, the violation often involves a record specified in the Exchange Act rules, such as an order ticket. Under such circumstances, FINRA believes it appropriate to charge a violation of the specific Exchange Act provision, as well as the more general FINRA rule that requires compliance with the Exchange Act books and records rules.

Supervisory Procedures Regarding MRVP Rules

The current MRVP includes NASD Rule 3010(b) (Supervision; Written Procedures), but only with respect to failures to timely file reports required of a firm subject to the “Taping Rule” – a requirement to, among other things, tape record conversations of its registered persons and file with FINRA periodic reports on supervision of telemarketing activities of its registered persons. The proposed rule change would expand the MRVP to include any violation of NASD Rule 3010(b) (Supervision; Written Procedures) for failure to maintain adequate written supervisory procedures with respect to the provision of a rule that is eligible for MRV disposition.

Thus, for example, FINRA Rules 7440 and 7450 currently are included in FINRA's MRVP and require recording and transmission of Order Audit Trail System ("OATS") data. NASD Rule 3010(b) requires members with such data to have written supervisory procedures reasonably designed to achieve compliance with the OATS rules. The proposed rule change would allow FINRA to resolve as an MRV a failure to maintain adequate written supervisory procedures with respect to compliance with OATS rules, whether or not there is a violation of the OATS rules themselves. The proposed rule change would also include the parallel MSRB Rule G-27 (Supervision) to the same extent. FINRA believes inclusion of these provisions is logically consistent with the purposes of the MRVP: if the potential underlying violation is eligible for MRV disposition, the procedures to require compliance with that rule also should be eligible for such disposition.

Options

FINRA Rule 2360(b)(5) (Reporting of Options Positions) requires, among other things, members to report each account in which a member has an interest that has established an aggregate position of 200 or more option contracts. The proposed rule change makes this rule eligible for disposition under the MRVP for, among other things, technical or manual inputting problems that in the judgment of FINRA do not materially affect the market. FINRA notes that other provisions of FINRA's options reporting rules are eligible for MRVP disposition³ and that options reporting requirements are part of the

³ The MRVP currently covers violations of FINRA Rule 2360(b)(3) regarding position limits, (b)(4) regarding exercise limits and (b)(23) regarding tendering procedures for exercise of options.

MRVP for almost all of the options exchanges,⁴ thus including them in FINRA's plan would promote greater consistency across the markets. The need for such consistency is heightened because FINRA is party to an agreement allocating regulatory responsibility for options reporting rules.⁵

Other Rules

Finally, the proposed rule change would make violations of several other rules eligible for disposition under the MRVP. With respect to each rule, FINRA believes that a minor violation, depending on the circumstances, could appropriately be remediated under the terms of the MRVP without compromising investor protection.

Exchange Act Rule 10b-10 (Confirmation of Transactions) requires broker-dealers to disclose specified information in writing to customers at or before completion of a transaction, including but not limited to information concerning the date and time of the transaction, the number of shares bought or sold, the price or average price of the transaction, the capacity in which the member is acting in connection with the transaction, and the nature of the remuneration received or to be received by the

⁴ See NYSE MKT Rule 590(g) (referencing violations of reporting rules including Rule 906 (Reporting of Options Positions)); NYSE Arca Options Rule 10.12(h)(23); BATS Rule 25.3(b); Nasdaq Options Rule Chapter X, Section 7(d); BX Options Rule Chapter X, Section 7(d); CBOE Rule 17.50(g)(15); C2 Rule Chapter 17 (which incorporates the rules contained in CBOE Chapter XVII); ISE Rule 1614(d)(10).

⁵ See Securities Exchange Act Release No. 68362 (December 5, 2012) 77 FR 73719 (December 11, 2012) (Notice of Filing and Order Approving and Declaring Effective an Amendment to the Plan for the Allocation of Regulatory Responsibilities Among the NYSE MKT LLC, BATS Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, the Chicago Board Options Exchange, Incorporated, the International Securities Exchange LLC, Financial Industry Regulatory Authority, Inc., the NYSE Arca, Inc., The NASDAQ Stock Market LLC, NASDAQ OMX BX, Inc., NASDAQ OMX PHLX, Inc., and Miami International Securities Exchange, LLC concerning options-related market surveillance).

member. FINRA has observed circumstances where members have committed minor violations of the rule by failing to fully or accurately disclose such information. For example, FINRA has seen circumstances where a broker-dealer mistakenly reported the “average price” of a transaction as the “price” or mismarked a principal transaction as an agency transaction. Depending upon the specific facts and circumstances of the transaction, including the sophistication of the customer and the nature of the information that was not disclosed or improperly disclosed, FINRA believes an MRV could be an appropriate disposition.

FINRA Rule 4360(b) (Fidelity Bonds) requires a member to maintain minimum fidelity bond coverage commensurate with its net capital requirements. MSRB Rule G-6 (Fidelity Bonding Requirements) requires a broker, dealer or municipal securities dealer to maintain the minimum fidelity bond coverage that is required by the national securities association with which it is registered. FINRA has observed instances where a member had fidelity bond coverage but less than the required coverage. FINRA believes MRV disposition may be appropriate in such circumstances, depending on the reason for the shortfall and the magnitude and duration of the failure. For example, a modest shortfall in coverage based on a miscalculation of net capital that was quickly discovered and remedied might be appropriate for an MRV disposition.

MSRB Rule G-10 (Delivery of Investor Brochure) requires a broker, dealer or municipal securities dealer to deliver a copy of an investor brochure to a customer promptly after receiving a complaint from the customer. As with other provisions referenced above and those already part of FINRA’s MRVP involving a late filing or delivery, FINRA believes that a failure to timely deliver such brochure may be

appropriate for MRV disposition under certain factual circumstances; e.g., where a violation is not widespread or willful.

FINRA By-Laws Schedule A, Sec. 1(b) (Member Regulatory Fees) assesses on members a Trading Activity Fee for the sale of covered securities. The provision defines covered securities, exempts certain transactions, sets forth fee rates and provides that members shall report the volume of applicable sales in a manner prescribed by FINRA. FINRA has observed that firms sometimes fail to make accurate payment of the Trading Activity Fee based on an inadvertent miscalculation of the fee or failure to apply the fee to the proper universe of trades. FINRA has also observed instances where a firm has inadvertently failed to accurately report the volume of sales of covered securities, thus impacting the proper calculation of the fee. FINRA believes such circumstances may be appropriate for MRVP disposition and therefore has included the By-Law provision in the proposed rule change.

FINRA Rule 2266 (SIPC Information) requires members to provide customers with written notification of the availability of SIPC information at account opening and annually thereafter. FINRA may consider isolated failures to satisfy this requirement without customer harm to be minor in nature and therefore appropriate for an MRV.

FINRA Rules 3160(a)(1), (3), (4) and (5) (Networking Arrangements Between Members and Financial Institutions) set forth standards of conduct for conducting broker-dealer services on or off the premises of a financial institution pursuant to a networking arrangement. These provisions specify: the setting in which a member may conduct broker-dealer services on the premises of a financial institution; the disclosure required to inform the customer that the broker-dealer products sold are not guaranteed or federally

insured; the content requirements of communications with the public; and the requirement to promptly notify the financial institution if any associated person of a member employed by the institution has been terminated for cause. FINRA believes there are several potential factual scenarios where a minor violation could occur under these provisions. For example, Rule 3160(a)(3)(B) requires a member to disclose orally, in addition to written disclosure, that the securities products purchased are not guaranteed or federally insured. FINRA could foresee a circumstance where either written or oral disclosure is provided rather than both and believes an MRV may be appropriate under such facts. FINRA notes that the proposed rule change excludes Rule 3160(a)(2), which sets forth the requirement that a written agreement govern any networking arrangement and include key broker-dealer obligations pursuant to Rule 701 of SEC Regulation R and ensure access to the financial institution's premises by broker-dealer supervisory personnel and regulators from FINRA and the SEC.

FINRA Rules 4370(a), (b), (c) and (e) (Business Continuity Plans and Emergency Contact Information) require a member to create, maintain and update a written business continuity plan and to disclose the elements of the plan to customers at account opening, on its website and upon customer request. The provisions allow for flexibility in the design of the plan but also include a number of minimum elements. While FINRA recognizes the importance of an effective business continuity plan, we also have seen minor violations of the provisions that may not implicate the overall effectiveness of a plan. For example, FINRA has observed instances where members have failed for a short duration to timely update their plans in violation of Rule 4370(b) or failed to address one of the ten elements set forth in Rule 4370(c). FINRA could also envision circumstances

where a member failed to address an existing relationship with another broker dealer in violation of Rule 4370(a) or failed in an isolated circumstance to timely provide disclosure about its business continuity plan after receiving a request from a customer under Rule 4370(e). FINRA believes these examples may be appropriate for MRV disposition. However, FINRA does not believe MRV disposition would be appropriate where a member has no business continuity plan or procedures as required by Rule 4370(a).

FINRA has not proposed to include Rule 4370(d) for MRVP eligibility. That provision requires a member to designate a member of senior management to approve the plan and be responsible for an annual review of it, and FINRA does not foresee any circumstances where a violation of those requirements would be appropriate for MRVP disposition.

FINRA Rule 5121(a) (Public Offerings of Securities with Conflicts of Interest) sets forth requirements for participation in public offerings of a member's securities where a conflict of interest is present. The rule requires prominent disclosure in the prospectus, offering circular or similar document of the nature of the conflict of interest, the name of a qualified independent underwriter that has participated in the preparation of the offering documents and the role and responsibilities of that independent underwriter. FINRA believes that under certain facts, a failure to prominently disclose these items – e.g., disclosing them in smaller font – may constitute a minor violation appropriate for MRVP disposition.

FINRA Rule 7430 (Synchronization of Member Business Clocks) requires members to synchronize their business clocks for the purposes of recording the date and

time of events that must be reported pursuant to FINRA By-Laws and rules. FINRA believes that isolated violations where certain business clocks fall out of synch due to software glitches or other technical reasons may be appropriate to resolve as an MRV, and therefore FINRA has proposed to include the rule in the MRVP.

FINRA reiterates that inclusion of a rule in the MRVP does not mean that all violations of that rule must be treated pursuant to the MRVP. FINRA staff maintains the discretion to handle any violation of such rules through AWCs or Complaints with the full range of applicable sanctions.⁶ Similarly, members and associated persons maintain the right to a hearing, with all the same procedural rights accorded all formal disciplinary proceedings, instead of accepting a Minor Rule Violation.

As noted in Item 2 of this filing, the implementation date will be the date of 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,⁷ 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 further believes that the proposed rule change is consistent with

⁶ FINRA does not intend to develop a formula as to when a matter must be handled pursuant to the MRVP, as opposed to informal action, or when an otherwise eligible MRVP matter would be handled through an AWC or the filing of a complaint. The disposition of any matter will depend on the particular facts and circumstances.

⁷ 15 U.S.C. 78q-3(b)(6).

Sections 15A(b)(2) and (b)(7) of the Act,⁸ which require that FINRA enforce and provide appropriate discipline for violation of FINRA rules and applicable federal securities laws, rules and regulations. FINRA believes that adopting the proposed rule change will strengthen FINRA's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation.

In addition, FINRA's MRVP, as amended by this proposal, provides a fair procedure for disciplining members and persons associated with members, consistent with Sections 15A(b)(8) and 15A(h)(1) of the Act.⁹ The MRVP does not preclude a member or associated person from contesting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding.

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. The proposed rule change will allow for a quicker, more efficient means to resolve minor violations of the eligible rules, potentially lessening the burden on firms in those circumstances where, absent the rule's inclusion in the MRVP, a more resource-intensive formal proceeding might ensue.

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.

⁸ 15 U.S.C. 78o-3(b)(2) and 78o-3(b)(7).

⁹ 15 U.S.C. 78o-3(b)(8) and 78o-3(h)(1).

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.¹⁰

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

Exhibit 5. Text of the proposed rule change.

¹⁰ 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2013-033)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 9217 (Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2))

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 9217 (Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)) to include additional rule violations eligible for disposition under FINRA’s Minor Rule Violation Plan (“MRVP”).

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

FINRA Rule 9216(b) provides procedures for disposition of certain rule violations designated as minor rule violations pursuant to a plan declared effective by the Commission in accordance with Section 19(d)(1) of the Act and Rule 19d-1(c)(2) thereunder. FINRA's MRVP allows FINRA to impose a fine of up to \$2,500 on any member or person associated with a member for a minor violation of an eligible rule. FINRA Rule 9217 sets forth the rules eligible for disposition pursuant to FINRA's MRVP. FINRA is proposing to expand the universe of eligible rules as part of an effort to concentrate regulatory resources on higher risk matters: expanded use of the MRVP could free up resources better allocated to high-risk matters because MRVP settlements typically are handled more efficiently and expeditiously.

The purpose of the MRVP is to provide reasonable but meaningful sanctions for minor or technical violations of rules when the conduct at issue does not warrant stronger, reportable disciplinary sanctions. The inclusion of a rule in FINRA's MRVP does not minimize the importance of compliance with such rule, nor does it preclude

FINRA from choosing to pursue violations of eligible rules through an Acceptance, Waiver and Consent (“AWC”) or Complaint if the nature of the violations or prior disciplinary history warrants more significant sanctions. Rather, the option to impose an MRVP sanction gives FINRA additional flexibility to administer its enforcement program in the most effective and efficient manner, while still fully meeting FINRA’s remedial objectives in addressing violative conduct. For example, MRVP dispositions provide a useful tool for implementing the concept of progressive discipline to remediate misconduct. FINRA will continue to examine and surveil for compliance with eligible rules in a manner consistent with its examination programs and will determine on a case-by-case basis whether disposition pursuant to the MRVP is appropriate.

FINRA conducted a comprehensive review of its rules and examination dispositions to determine the rules it proposes to add to the MRVP. Among other things, FINRA considered (1) rules routinely cited in formal disciplinary actions that are not currently part of the MRVP; (2) rules cited frequently in informal actions; (3) rules comparable to existing rules in the MRVP; and (4) rules included in other self-regulatory organization MRVPs.

The rules proposed for inclusion in the MRVP broadly can be grouped into several categories.

Filings and Notifications

In general, FINRA believes that isolated failures to comply with rules that require periodic reporting, filings or notifications are appropriate for inclusion in the MRVP. At the same time FINRA recognizes that willful, widespread or repeated failures under such eligible rules may be more appropriate for disposition through an AWC or the filing of a

Complaint. FINRA notes that the current MRVP includes several such rules.

Accordingly, the proposed rule change would add the following rules to the MRVP for violations involving late or incomplete notices or filings: FINRA Rule 2251(a) (Forwarding of Proxy and other Issuer-Related Materials) (failure to timely forward proxy and other issuer-related materials); FINRA Rule 4524 (Supplemental FOCUS Information) (failure to timely file or filing of incomplete reports or information); FINRA Rule 5110(b) (Corporate Financing Rule – Underwriting Terms and Arrangements) (failure to timely file or filing of incomplete documents or information); FINRA Rule 5121(b)(2) (Public Offerings of Securities with Conflicts of Interest) (failure to give timely notification of termination or settlement of public offering or failure to file net capital computation); FINRA Rule 5122(b)(2) (Private Placements of Securities Issued by Members) (failure to timely file private placement documents); FINRA Rule 5190 (Notification Requirements for Offering Participants) (failure to give timely notification of participation in offerings); and FINRA Rule 6760 (Obligation to Provide Notice) (failure to give timely or complete notification concerning offerings of TRACE-Eligible Securities). FINRA believes inclusion of these rules is appropriate, as certain instances of late filings or notifications may constitute minor, technical violations of the applicable rules that can be remediated through the MRVP.

Late Registrations

For many of the same reasons, the proposed rule change also would include in the MRVP the following MSRB and FINRA rules for certain isolated or technical failures to timely register: MSRB Rule G-2 (Standards of Professional Qualification) and MSRB Rule G-3(b)(ii)(D) and(c)(ii)(D) (Classification of Principals and Representatives;

Numerical Requirements; Testing; Continuing Education Requirements) (failure to pass qualification examination within 90 days of becoming a principal)³ and NASD Rule 1021(d) (Registration Requirements) (failure to pass qualification examination within 90 days of acting in a principal capacity). These provisions permit a municipal securities representative or registered representative, as applicable, to temporarily function in a principal capacity, provided such person registers as a principal and passes the appropriate qualification examination within 90 days of acting in such capacity.

Typically, these circumstances occur when a registered principal leaves a firm or has an extended absence. FINRA believes MRV disposition may be appropriate in limited circumstances where a representative assumes principal duties but takes more than 90 days to pass the corresponding qualification examination.

Untimely Marking, Transaction Reporting and other Market Rules

The proposed rule change similarly would add to the MRVP late filing and notification requirements related to market regulation. The current FINRA MRVP includes several such market rules, including, for example, FINRA Rule 4560 (failure to timely file reports of short positions); FINRA Rules 6380A, 6622, 6730 (transaction reporting); FINRA Rule 7450 (OATS reporting); and MSRB Rule G-14 (failure to submit reports). Thus, the proposed rule change would include: Rule 605(a)(1) and (3) of SEC Regulation NMS (Disclosure of Order Execution Information) (failure to timely report or provide complete order execution information); Rule 606 of SEC Regulation NMS

³ The proposed rule change includes both MSRB Rule G-2 and G-3 because the two are linked. Rule G-3 states that no broker, dealer or municipal securities dealer “shall be qualified for the purposes of Rule G-2” unless the requirements set forth in Rule G-3 are met. FINRA typically charges a violation of both rules where there is a failure to comply with the requirements of Rule G-3.

(Disclosure of Order Routing Information) (failure to timely disclose or provide complete order routing information); FINRA Rule 6181 (Timely Transaction Reporting) (failure to timely report transactions in NMS securities); and FINRA Rule 6623 (Timely Transaction Reporting) (failure to timely report transactions in OTC and restricted equity securities).

The proposed rule change further would make eligible for MRVP disposition other marking and reporting requirements related to trade and audit data: Rule 200(g) of SEC Regulation SHO (Definition of “Short Sale” and Marking Requirements) (failure to accurately mark sell orders of equity securities); FINRA Rule 6182 (Trade Reporting of Short Sales) (failure to accurately mark short sales in NMS stocks); FINRA Rule 6250 (Quote and Order Access Requirements) (failure to comply with quote and order access requirements for FINRA’s Alternative Display Facility); FINRA Rule 6624 (Trade Reporting of Short Sales) (failure to accurately mark short sales in OTC Equity Securities); FINRA Rule 7330 (Trade Report Input) (failure to timely and accurately input trade reports into the OTC Reporting Facility); and FINRA Rule 7360 (Audit Trail Requirements) (ongoing obligation to input trade reporting requirements in Rule 7330(d) accurately and completely). In addition, the proposed rule change would add three rules governing the FINRA/NYSE Trade Reporting Facility whose counterpart rules regarding the FINRA/NASDAQ Trade Reporting Facility are already subject to MRV treatment: FINRA Rule 6380B (Transaction Reporting); FINRA Rule 7230B (Trade Report Input); and FINRA Rule 7260B (Audit Trail Requirements).

Rules to Achieve Consistency

In addition to the market rules referenced above, FINRA further proposes to add

certain rules to the MRVP to achieve consistency with rules that already are part of the plan. Thus, the proposed rule change would add FINRA Rule 1250(a), the Regulatory Element of FINRA's continuing education requirements. The current MRVP includes FINRA Rule 1250(b), the Firm Element provision of the continuing education requirements, and FINRA believes there is no compelling reason to differentiate with respect to the MRVP minor violations of the regulatory element. Similarly, the proposed rule change further would bring consistency to the enforcement of the MSRB Rules by adding to the MRVP MSRB Rule G-3(h) (Classification of Principals and Representatives; Numerical Requirements; Testing; Continuing Education Requirements) (failure to comply with the continuing education requirements) to include in the MRVP both the Firm and Regulatory Elements of the MSRB's equivalent continuing education requirements rule. The proposed rule change also seeks consistency by adding MSRB Rule G-21 (Advertising) to the MRVP, since the FINRA communications with the public counterparts, FINRA Rules 2210, 2212, 2213, 2215, 2216 and NASD Interpretive Material 2210-2, already are subject to MRVP disposition.

FINRA Rule 9217 currently states that "[f]ailures to provide or update contact information as required by FINRA or NASD rules" may be resolved pursuant to the MRVP. Accordingly, FINRA proposes to add NASD Rule 1150 (Executive Representative) (failure to review and update executive representative designation and contact information) and NASD Rule 1160 (Contact Information Requirements) to the MRVP. For the same reason, FINRA also proposes to add MSRB Rules G-40(a) and (c) (Electronic Mail Contacts), which require each broker, dealer or municipal securities dealer to designate and update electronic mail contact information for communications

with the MSRB, and FINRA Rule 4370(f) (Business Continuity and Emergency Contact Information), which requires a member to report to FINRA emergency contact information and to designate emergency contact persons. Rule 4370(f)(2) further requires member to promptly update such information in the event of any material change in accordance with NASD Rule 1160. FINRA also proposes to include in the MRVP other provisions of Rule 4370, which are discussed below.

Recordkeeping

The current MRVP includes violations of FINRA Rule 4510 Series (Books and Records Requirements) for failure to keep and preserve books, accounts, records, memoranda, and correspondence in conformance with all applicable laws, rules and regulations and statements of policy promulgated thereunder, and with FINRA rules. Rule 4511 requires firms to preserve for at least six years those FINRA books and records for which there is no specified period under FINRA rules or applicable Exchange Act rules. Otherwise, the rule mandates compliance with the books and record requirements under FINRA rules, the Exchange Act and the applicable Exchange Act rules. The proposed rule change would add to the MRVP specific SEC and MSRB rules that require records to be made and preserved: Exchange Act Rule 17a-3(a) (Records to Be Made By Certain Exchange Members, Brokers and Dealers); Exchange Act Rule 17a-4 (Records to Be Preserved By Certain Exchange Members, Brokers and Dealers); MSRB Rule G-8 (Books and Records to Be Made By Brokers, Dealers and Municipal Securities Dealers); and MSRB Rule G-9 (Preservation of Records). FINRA typically charges recordkeeping violations under both FINRA Rule 4511 or MSRB Rule G-9 and the applicable Exchange Act rules. FINRA includes the Exchange Act rules because

those rules have greater specificity than the self-regulatory organization rules. In addition, the violation often involves a record specified in the Exchange Act rules, such as an order ticket. Under such circumstances, FINRA believes it appropriate to charge a violation of the specific Exchange Act provision, as well as the more general FINRA rule that requires compliance with the Exchange Act books and records rules.

Supervisory Procedures Regarding MRVP Rules

The current MRVP includes NASD Rule 3010(b) (Supervision; Written Procedures), but only with respect to failures to timely file reports required of a firm subject to the “Taping Rule” – a requirement to, among other things, tape record conversations of its registered persons and file with FINRA periodic reports on supervision of telemarketing activities of its registered persons. The proposed rule change would expand the MRVP to include any violation of NASD Rule 3010(b) (Supervision; Written Procedures) for failure to maintain adequate written supervisory procedures with respect to the provision of a rule that is eligible for MRV disposition. Thus, for example, FINRA Rules 7440 and 7450 currently are included in FINRA’s MRVP and require recording and transmission of Order Audit Trail System (“OATS”) data. NASD Rule 3010(b) requires members with such data to have written supervisory procedures reasonably designed to achieve compliance with the OATS rules. The proposed rule change would allow FINRA to resolve as an MRV a failure to maintain adequate written supervisory procedures with respect to compliance with OATS rules, whether or not there is a violation of the OATS rules themselves. The proposed rule change would also include the parallel MSRB Rule G-27 (Supervision) to the same extent. FINRA believes inclusion of these provisions is logically consistent with the

purposes of the MRVP: if the potential underlying violation is eligible for MRV disposition, the procedures to require compliance with that rule also should be eligible for such disposition.

Options

FINRA Rule 2360(b)(5) (Reporting of Options Positions) requires, among other things, members to report each account in which a member has an interest that has established an aggregate position of 200 or more option contracts. The proposed rule change makes this rule eligible for disposition under the MRVP for, among other things, technical or manual inputting problems that in the judgment of FINRA do not materially affect the market. FINRA notes that other provisions of FINRA's options reporting rules are eligible for MRVP disposition⁴ and that options reporting requirements are part of the MRVP for almost all of the options exchanges,⁵ thus including them in FINRA's plan would promote greater consistency across the markets. The need for such consistency is heightened because FINRA is party to an agreement allocating regulatory responsibility for options reporting rules.⁶

⁴ The MRVP currently covers violations of FINRA Rule 2360(b)(3) regarding position limits, (b)(4) regarding exercise limits and (b)(23) regarding tendering procedures for exercise of options.

⁵ See NYSE MKT Rule 590(g) (referencing violations of reporting rules including Rule 906 (Reporting of Options Positions)); NYSE Arca Options Rule 10.12(h)(23); BATS Rule 25.3(b); Nasdaq Options Rule Chapter X, Section 7(d); BX Options Rule Chapter X, Section 7(d); CBOE Rule 17.50(g)(15); C2 Rule Chapter 17 (which incorporates the rules contained in CBOE Chapter XVII); ISE Rule 1614(d)(10).

⁶ See Securities Exchange Act Release No. 68362 (December 5, 2012) 77 FR 73719 (December 11, 2012) (Notice of Filing and Order Approving and Declaring Effective an Amendment to the Plan for the Allocation of Regulatory Responsibilities Among the NYSE MKT LLC, BATS Exchange, Inc., BOX

Other Rules

Finally, the proposed rule change would make violations of several other rules eligible for disposition under the MRVP. With respect to each rule, FINRA believes that a minor violation, depending on the circumstances, could appropriately be remediated under the terms of the MRVP without compromising investor protection.

Exchange Act Rule 10b-10 (Confirmation of Transactions) requires broker-dealers to disclose specified information in writing to customers at or before completion of a transaction, including but not limited to information concerning the date and time of the transaction, the number of shares bought or sold, the price or average price of the transaction, the capacity in which the member is acting in connection with the transaction, and the nature of the remuneration received or to be received by the member. FINRA has observed circumstances where members have committed minor violations of the rule by failing to fully or accurately disclose such information. For example, FINRA has seen circumstances where a broker-dealer mistakenly reported the “average price” of a transaction as the “price” or mismarked a principal transaction as an agency transaction. Depending upon the specific facts and circumstances of the transaction, including the sophistication of the customer and the nature of the information that was not disclosed or improperly disclosed, FINRA believes an MRV could be an appropriate disposition.

FINRA Rule 4360(b) (Fidelity Bonds) requires a member to maintain minimum

Options Exchange LLC, C2 Options Exchange, Incorporated, the Chicago Board Options Exchange, Incorporated, the International Securities Exchange LLC, Financial Industry Regulatory Authority, Inc., the NYSE Arca, Inc., The NASDAQ Stock Market LLC, NASDAQ OMX BX, Inc., NASDAQ OMX PHLX, Inc., and Miami International Securities Exchange, LLC concerning options-related market surveillance).

fidelity bond coverage commensurate with its net capital requirements. MSRB Rule G-6 (Fidelity Bonding Requirements) requires a broker, dealer or municipal securities dealer to maintain the minimum fidelity bond coverage that is required by the national securities association with which it is registered. FINRA has observed instances where a member had fidelity bond coverage but less than the required coverage. FINRA believes MRV disposition may be appropriate in such circumstances, depending on the reason for the shortfall and the magnitude and duration of the failure. For example, a modest shortfall in coverage based on a miscalculation of net capital that was quickly discovered and remedied might be appropriate for an MRV disposition.

MSRB Rule G-10 (Delivery of Investor Brochure) requires a broker, dealer or municipal securities dealer to deliver a copy of an investor brochure to a customer promptly after receiving a complaint from the customer. As with other provisions referenced above and those already part of FINRA's MRVP involving a late filing or delivery, FINRA believes that a failure to timely deliver such brochure may be appropriate for MRV disposition under certain factual circumstances; e.g., where a violation is not widespread or willful.

FINRA By-Laws Schedule A, Sec. 1(b) (Member Regulatory Fees) assesses on members a Trading Activity Fee for the sale of covered securities. The provision defines covered securities, exempts certain transactions, sets forth fee rates and provides that members shall report the volume of applicable sales in a manner prescribed by FINRA. FINRA has observed that firms sometimes fail to make accurate payment of the Trading Activity Fee based on an inadvertent miscalculation of the fee or failure to apply the fee to the proper universe of trades. FINRA has also observed instances where a firm has

inadvertently failed to accurately report the volume of sales of covered securities, thus impacting the proper calculation of the fee. FINRA believes such circumstances may be appropriate for MRVP disposition and therefore has included the By-Law provision in the proposed rule change.

FINRA Rule 2266 (SIPC Information) requires members to provide customers with written notification of the availability of SIPC information at account opening and annually thereafter. FINRA may consider isolated failures to satisfy this requirement without customer harm to be minor in nature and therefore appropriate for an MRV.

FINRA Rules 3160(a)(1), (3), (4) and (5) (Networking Arrangements Between Members and Financial Institutions) set forth standards of conduct for conducting broker-dealer services on or off the premises of a financial institution pursuant to a networking arrangement. These provisions specify: the setting in which a member may conduct broker-dealer services on the premises of a financial institution; the disclosure required to inform the customer that the broker-dealer products sold are not guaranteed or federally insured; the content requirements of communications with the public; and the requirement to promptly notify the financial institution if any associated person of a member employed by the institution has been terminated for cause. FINRA believes there are several potential factual scenarios where a minor violation could occur under these provisions. For example, Rule 3160(a)(3)(B) requires a member to disclose orally, in addition to written disclosure, that the securities products purchased are not guaranteed or federally insured. FINRA could foresee a circumstance where either written or oral disclosure is provided rather than both and believes an MRV may be appropriate under such facts. FINRA notes that the proposed rule change excludes Rule 3160(a)(2), which

sets forth the requirement that a written agreement govern any networking arrangement and include key broker-dealer obligations pursuant to Rule 701 of SEC Regulation R and ensure access to the financial institution's premises by broker-dealer supervisory personnel and regulators from FINRA and the SEC.

FINRA Rules 4370(a), (b), (c) and (e) (Business Continuity Plans and Emergency Contact Information) require a member to create, maintain and update a written business continuity plan and to disclose the elements of the plan to customers at account opening, on its website and upon customer request. The provisions allow for flexibility in the design of the plan but also include a number of minimum elements. While FINRA recognizes the importance of an effective business continuity plan, we also have seen minor violations of the provisions that may not implicate the overall effectiveness of a plan. For example, FINRA has observed instances where members have failed for a short duration to timely update their plans in violation of Rule 4370(b) or failed to address one of the ten elements set forth in Rule 4370(c). FINRA could also envision circumstances where a member failed to address an existing relationship with another broker dealer in violation of Rule 4370(a) or failed in an isolated circumstance to timely provide disclosure about its business continuity plan after receiving a request from a customer under Rule 4370(e). FINRA believes these examples may be appropriate for MRV disposition. However, FINRA does not believe MRV disposition would be appropriate where a member has no business continuity plan or procedures as required by Rule 4370(a).

FINRA has not proposed to include Rule 4370(d) for MRVP eligibility. That provision requires a member to designate a member of senior management to approve the

plan and be responsible for an annual review of it, and FINRA does not foresee any circumstances where a violation of those requirements would be appropriate for MRVP disposition.

FINRA Rule 5121(a) (Public Offerings of Securities with Conflicts of Interest) sets forth requirements for participation in public offerings of a member's securities where a conflict of interest is present. The rule requires prominent disclosure in the prospectus, offering circular or similar document of the nature of the conflict of interest, the name of a qualified independent underwriter that has participated in the preparation of the offering documents and the role and responsibilities of that independent underwriter. FINRA believes that under certain facts, a failure to prominently disclose these items – e.g., disclosing them in smaller font – may constitute a minor violation appropriate for MRVP disposition.

FINRA Rule 7430 (Synchronization of Member Business Clocks) requires members to synchronize their business clocks for the purposes of recording the date and time of events that must be reported pursuant to FINRA By-Laws and rules. FINRA believes that isolated violations where certain business clocks fall out of synch due to software glitches or other technical reasons may be appropriate to resolve as an MRV, and therefore FINRA has proposed to include the rule in the MRVP.

FINRA reiterates that inclusion of a rule in the MRVP does not mean that all violations of that rule must be treated pursuant to the MRVP. FINRA staff maintains the discretion to handle any violation of such rules through AWCs or Complaints with the

full range of applicable sanctions.⁷ Similarly, members and associated persons maintain the right to a hearing, with all the same procedural rights accorded all formal disciplinary proceedings, instead of accepting a Minor Rule Violation.

The implementation date will be the date of 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,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 further believes that the proposed rule change is consistent with Sections 15A(b)(2) and (b)(7) of the Act,⁹ which require that FINRA enforce and provide appropriate discipline for violation of FINRA rules and applicable federal securities laws, rules and regulations. FINRA believes that adopting the proposed rule change will strengthen FINRA's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation.

In addition, FINRA's MRVP, as amended by this proposal, provides a fair procedure for disciplining members and persons associated with members, consistent

⁷ FINRA does not intend to develop a formula as to when a matter must be handled pursuant to the MRVP, as opposed to informal action, or when an otherwise eligible MRVP matter would be handled through an AWC or the filing of a complaint. The disposition of any matter will depend on the particular facts and circumstances.

⁸ 15 U.S.C. 78o-3(b)(6).

⁹ 15 U.S.C. 78o-3(b)(2) and 78o-3(b)(7).

with Sections 15A(b)(8) and 15A(h)(1) of the Act.¹⁰ The MRVP does not preclude a member or associated person from contesting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding.

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. The proposed rule change will allow for a quicker, more efficient means to resolve minor violations of the eligible rules, potentially lessening the burden on firms in those circumstances where, absent the rule's inclusion in the MRVP, a more resource-intensive formal proceeding might ensue.

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.

¹⁰ 15 U.S.C. 78q-3(b)(8) and 78q-3(h)(1).

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-2013-033 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-2013-033. 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-2013-033 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.¹¹

Elizabeth M. Murphy
Secretary

¹¹ 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.

* * * * *

9200. DISCIPLINARY PROCEEDINGS

9210. Complaint and Answer

* * * * *

9217. Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-

1(c)(2)

Any member of FINRA that is also a member of the New York Stock Exchange LLC ("NYSE") ("Dual Member") (including any persons affiliated with such member) may be subject to a fine under Rule 9216(b) with respect to any rule or By-Law provision listed in this Rule that applies to such member or person. However, any Dual Member that was not also a member of NASD as of July 30, 2007 and that does not engage in any activities that otherwise would require it to be a FINRA member (and its affiliated persons that are not otherwise subject to NASD rules) shall only be subject to a fine under Rule 9216(b) with respect to the following rules or By-Law provisions listed in this Rule: any FINRA By-Law or Schedule to the By-Laws, FINRA rule, SEA rule, or NYSE rule.

Any member of FINRA that is not also a member of the NYSE (and its associated persons that are not otherwise subject to NYSE rules) may be subject to a fine under Rule 9216(b) with respect to any rule or By-Laws provision listed in this Rule, with the exception of the NYSE rules.

- Article IV of the FINRA By-Laws — Failure to timely submit amendments to Form BD.

- Article V of the FINRA By-Laws — Failure to timely submit amendments to Form U4.
- Article V of the FINRA By-Laws — Failure to timely submit amendments to Form U5.
- Schedule A. Sec. 1(b) of the FINRA By-Laws — Failure to make accurate payment of

Trading Activity Fee.

- Rule 1250 — Failure to comply with the [Firm Element of the] continuing education requirements.

- Rules 2210, 2212, 2213, 2215, and 2216 – Communications with the public.
- Rule 2220 — Options Communications.

- Rule 2251(a) — Failure to timely forward proxy and other issuer-related materials.

- Rule 2266 — Failure to provide written notification of availability of SIPC information at account opening or annually thereafter.

- Rule 2360(b)(3) and (b)(4) — Failure to comply with options position and exercise limits.

- Rule 2360(b)(5) — Failure to report options positions.

- Rule 2360(b)(23) — Failure to comply with contrary exercise advice procedures.

- Rule 3160(a)(1), (3), (4) and (5) — Standards of conduct for conducting broker-dealer services on or off the premises of a financial institution pursuant to a networking arrangement, but excluding the networking agreement requirements.

- Rule 4311(b) — Failure to obtain approval of carrying agreement.

- Rule 4360(b) — Failure to maintain adequate fidelity bond coverage.

- Rule 4370(a), (b), (c), (e) and (f) — Requirements to create, maintain and update a written business continuity plan and disclosure of such to customers.
- Rule 4510 Series — Failure to keep and preserve books, accounts, records, memoranda, and correspondence in conformance with all applicable laws, rules, regulations and statements of policy promulgated thereunder, and with FINRA rules.
- Rule 4521(d) — Failure to submit reports of cash and margin account balances.
- Rule 4524 — Failure to timely file or filing of incomplete reports or information.
- Rule 4530 — Failure to timely file reports.
- Rule 4560 — Failure to timely file reports of short positions on Form NS-1.
- Rule 5110(b) — Failure to timely file or filing of incomplete documents or information.
- Rule 5121(a) — Failure to prominently disclose conflict of interest.
- Rule 5121(b)(2) — Failure to give timely notification of termination or settlement of public offering, or failure to file net capital computation.
- Rule 5122(b)(2) — Failure to timely file private placement documents.
- Rule 5190 — Failure to give timely notification of participation in offerings.
- Rules 6282, 6380A, 6380B, 6550, 6622, 6730, 7130, 7160, 7230A, 7230B, [and] 7260A, 7260B, 7330, and 7360 — Transaction reporting in equity and debt securities.
- Rules 6181 and 6623 — Failure to timely report transactions in NMS, OTC and restricted equity securities.
- Rules 6182 and 6624 — Failure to accurately mark short sale transactions in NMS and OTC equity securities.

- Rule 6250 — Failure to comply with quote and order access requirements for FINRA's

Alternative Display Facility.

- Rule 6760 — Failure to give timely or complete notification concerning offerings of

TRACE-Eligible Securities.

- Rule 7430 — Failure to synchronize business clocks used for recording date and time

as required by applicable FINRA By-laws and rules.

- Rules 7440 and 7450 — Failure to submit data in accordance with the Order Audit

Trail System ("OATS").

- Rules 8211 and 8213 — Failure to submit trading data as requested.

- Rule 11870 — Failure to abide by Customer Account Transfer Contracts.

- NASD Rules 1021(d) — Failure to timely register.

- NASD Rule 1150 — Failure to review and update executive representative designation

and contact information.

- NASD Rule 1160 — Failure to report or update contact information.

- NASD IM-2210-2 — Communications with the public.

- NASD Rule 3010 — Failure to maintain adequate written supervisory procedures

where the underlying conduct is subject to Rule 9217.

- NASD Rule 3010(b)(2) — Failure to timely file reports pursuant to the Taping Rule.

- Failure to provide or update contact information as required by FINRA or NASD rules.

- SEA Rules 17a-3(a) and 17a-4 — Record retention rule violations.

- SEA Rule 10b-10 — Confirmation of Transactions.

- SEA Rule 17a-5 — Failure to timely file FOCUS reports and annual audit reports.

- SEA Rule 17a-10 — Failure to timely file Schedule I.

- Rule 200(g) of SEC Regulation SHO— Failure to accurately mark sell orders of equity securities.

- Rule 602(b)(5) of SEC Regulation NMS — Failure to properly update published quotations in certain Electronic Communication Networks ("ECNs").

- Rule 604 of SEC Regulation NMS — Failure to properly display limit orders.

- Rule 605(a)(1) and (3) of SEC Regulation NMS — Failure to timely report or provide complete order execution information.

- Rule 606 of SEC Regulation NMS — Failure to timely disclose or provide complete order routing information.

- MSRB Rule A-14 — Failure to timely pay annual fee.

- MSRB Rules G-2 and G-3 (b)(ii)(D) and (c)(ii)(D) — Failure to timely register.

- MSRB Rule G-3(h) — Failure to comply with the continuing education requirements.

- MSRB Rule G-6 — Failure to maintain adequate fidelity bond coverage.

- MSRB Rules G-8 and G-9 — Record retention rule violations.

- MSRB Rule G-10(a) — Failure to deliver investor brochure to customers promptly.

- MSRB Rule G-12 — Failure to abide by uniform practice rules.

- MSRB Rule G-14 — Failure to submit reports.

- MSRB Rule G-21 — Advertising.

- MSRB Rule G-27(c) — Failure to maintain adequate written supervisory procedures where the underlying conduct is subject to Rule 9217.

- MSRB Rule G-32 — Failure to timely submit reports.

- MSRB Rule G-37 — Failure to timely submit reports for political contributions.

- MSRB Rule G-38 — Failure to timely submit reports detailing consultant activities.

• MSRB Rule G-40(a) and (c) — Failure to designate and update electronic mail contact information for communications with MSRB.

• NYSE Rules 312(a), (b) [&]and (c), 313, 345.12, 345.17, and 351 — Reporting rule violations.

• NYSE Rules 312(i), 342(c), and 342.10 — Failure to obtain approval rule violations.

• NYSE Rules 342(b), (d) [&]and 342.13, 311(b)(5), and 344 — Failure of a member organization to have individuals responsible and qualified for the positions of Financial Principal, Operations Principal, Compliance Official, Branch Office Manager and Supervisory Analyst.

• NYSE Rule 343 — Requirements relating to member organization office sharing arrangements.

• NYSE Rule 345(a) — Failure of a member organization to have individuals responsible and qualified for the positions of Securities Lending Supervisor and Securities Trader Supervisor.

• NYSE Rules 345.11, and 472(c) — Record retention rule violations.

• NYSE Rule 401A — Failure to acknowledge customer complaint within 15 business days.

• NYSE Rule 407 — Requirements for transactions of employees of the Exchange, members or member organizations.

• NYSE Rule 407A — Reporting and notification requirements for members.

• NYSE Rule 408(a) — Requirement that written authorization be obtained for discretionary power in a customer's account.

- NYSE Rule 416A — Failure to promptly provide or promptly update required membership profile information through the Electronic Filing Platform ("EFP"), or failure to electronically certify that required membership profile information is complete and accurate.