SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change To Allow FINRA To Publish or Distribute Aggregated Transaction Information and Statistics on U.S. Treasury Securities

December 20, 2019.

I. Introduction

On November 12, 2019, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b–4 thereunder, a proposed rule change.2 The Commission received no comment letters on the proposed rule change.3 The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association.4 In particular, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act.5

III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association. In particular, the Commission finds that the proposed rule change will become effective on the date of Commission approval.7

Material .01 to FINRA Rule 6750 provides that, notwithstanding FINRA Rule 6750(c), FINRA may publish or distribute aggregated transaction information and statistics on non-disseminated TRACE-Eligible Securities other than U.S. Treasury Securities at no charge, unless FINRA submits a rule filing to the Commission imposing a fee for such data.

FINRA has proposed to amend Supplementary Material .01 to FINRA Rule 6750 to provide that FINRA may publish or distribute weekly aggregated individual information and statistics on non-disseminated TRACE-Eligible Securities that are U.S. Treasury Securities. Pursuant to the proposed rule change, the aggregated U.S. Treasury Securities data would not be published or distributed by individual security, except for aggregated data that includes on-the-run U.S. Treasury Securities that may have had only one on-the-run security during the aggregated period. In addition, the aggregated data would not identify individual market participants or transactions. FINRA has proposed to provide the aggregated data on U.S. Treasury Securities at no charge, unless FINRA first establishes a fee for such data by submitting an appropriate rule filing, as is the case with the aggregated data for TRACE-Eligible Securities that are not U.S. Treasury Securities.

FINRA has stated that the proposed rule change will become effective on the date of Commission approval.7

4 FINRA Rule 6710(a) defines a "TRACE-Eligible Security" as a debt security that is U.S. dollar-denominated and in: (1) issued by a U.S. or foreign private issuer, and, if a "restricted security" as defined in Securities Act of 1933 Rule 144(a)(3), sold pursuant to Securities Act of 1933 Rule 144A; (2) issued or guaranteed by an Agency, as defined in FINRA Rule 6710(k) or a Government-Sponsored Enterprise as defined in FINRA Rule 6710(n); or (3) a U.S. Treasury Security, as defined in FINRA Rule 6710(p). "TRACE-Eligible Security" does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument, as defined in FINRA Rule 6710(o).
5 "U.S. Treasury Security" means a security, other than a savings bond, issued by the U.S. Department of the Treasury ("Treasury Department") to fund the operations of the federal government or to retire such outstanding securities. The term also includes separate principal and interest components of a U.S. Treasury Security that have been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program operated by the Treasury Department. See FINRA Rule 6710(p).
6 In the Notice, FINRA stated that it intends to publish weekly volume information aggregated by U.S. Treasury Security subtype (e.g., Bills, Floating Rate Notes, Treasury Inflation-Protected Securities, and Nominal Coupons). FINRA further stated that the volume information may be grouped within dealer-to-customer, ATS and dealer-to-dealer, remaining years to maturity, or other categories. See Notice, 84 FR at 64148.
7 See id.

8 In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78j(b)(6).

Eduardo A. Aleman, Deputy Secretary.

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which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that the proposal will benefit investors and market participants by facilitating greater transparency in the U.S. Treasury Security market by making publicly available aggregate trading volume for transactions in U.S. Treasury Securities that are reported to TRACE. The Commission believes that the proposal is reasonably designed to preserve the confidentiality of individual market participants and transactions. The Commission also notes that the proposed rule change would not impose any new cost on FINRA members, because any aggregate statistics that are published or distributed by FINRA pursuant to this rule change would be derived from information that members are already required to report to TRACE.

Pursuant to Section 19(b)(5) of the Act, the Commission consulted with and considered the views of the Treasury Department in determining to approve the proposed rule change. The Treasury Department indicated its support for the proposal. Pursuant to Section 19(b)(6) of the Act, the Commission has considered the sufficiency and appropriateness of existing laws and rules applicable to government securities brokers, government securities dealers, and their associated persons in approving the proposal. Currently there is not available, to the public or otherwise, a comprehensive source of aggregated volume data that reflects all major segments of the market for U.S. Treasury Securities. The proposed rule change would promote transparency in the market for U.S. Treasury Securities by enabling FINRA to publish or distribute certain aggregate information regarding transactions in U.S. Treasury Securities that are reported to TRACE.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR–FINRA–2019–028) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

J. Matthew DeLesDernier,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Interpretation and Policy .01 of Rule 2.4 To Allow the Exchange To Provide Annual Notification to Individual Members That Are Subject to Paragraph (b) of Rule 2.4

December 23, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), and Rule 19b–4 thereunder, notice is hereby given that on December 20, 2019, Cboe EDGA Exchange, Inc. (the “Exchange” or “EDGA”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act and Rule 19b–4(f)(6) thereunder. 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

The Exchange proposes to amend Interpretation and Policy .01 of Rule 2.4 to allow the Exchange to provide annual notification to individual Members that are subject to paragraph (b) of Rule 2.4, which requires certain Members to connect to the Exchange’s backup systems and participate in functional and performance testing based on the prior calendar quarter’s volume on the Exchange.

The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/equities/regulation/rule_filings/edga/), at the Exchange’s Office of the Secretary, 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, the Exchange 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. The Exchange 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

The Exchange proposes to amend Interpretation and Policy .01 of Rule 2.4 to allow the Exchange to provide annual notification to individual Members that are subject to paragraph (b) of Rule 2.4, which requires certain Members to connect to the Exchange’s backup systems and participate in functional and performance testing based on the prior calendar quarter’s volume on the Exchange.

As background, Regulation Systems Compliance and Integrity (“Regulation SCI”) applies to certain self-regulatory organizations (including the Exchange), alternative trading systems (“ATSs”), plan processors, and exempt clearing agencies (collectively, “SCI entities”). Specifically, Rule 1004 of Regulation SCI states that each SCI entity shall establish standards for the designation of Members that are necessary for the maintenance of fair and orderly markets in the event of the activation of the business continuity and disaster recovery plans, designate such Members in scheduled functional and performance testing of the operation of such plans no less than once every 12 months, and coordinate the testing of