

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 27	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 013 Amendment No. (req. for Amendments *)
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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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
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"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change to add industry member compliance rules relating to the Consolidated Audit Trail ("CAT") to FINRA's Minor Rule Violation Plan ("MRVP")

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 * Alexander	Last Name * Ellenberg
Title * Associate General Counsel	
E-mail * alexander.ellenberg@finra.org	
Telephone * (202) 728-8152	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 04/29/2020	Senior Vice President and Director of Capital Markets Policy
By Stephanie Dumont	Stephanie Dumont,
(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 *

Add Remove View

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 *

Add Remove View

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

Add Remove View

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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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

Add Remove View

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

Add Remove View

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”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to add industry member compliance rules relating to the Consolidated Audit Trail (“CAT”) to 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

The Chief Legal Officer of FINRA authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

If the Commission approves the proposed rule change, the effective date of the proposed rule change will be the date of approval. FINRA has requested the Commission to find good cause pursuant to Section 19(b)(2) of the Act² for approving the proposed rule change prior to the 30th day after its publication in the Federal Register, to allow the change to take effect in line with the commencement of the first phase of industry member reporting to CAT.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78s(b)(2).

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 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 amend Rule 9217 to make minor violations of the CAT industry member compliance rules in the Rule 6800 Series eligible for disposition under FINRA's MRVP.

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, immediately reportable disciplinary sanctions. The inclusion of a rule in FINRA's MRVP does not minimize the importance of compliance with the 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.³

With this proposed rule change, FINRA would add its CAT industry member compliance rules to its MRVP. FINRA adopted its CAT industry member compliance rules in the Rule 6800 Series to implement the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”). The CAT NMS Plan was filed by the Plan Participants to comply with Rule 613 of Regulation NMS under the Exchange Act,⁴ and each Plan Participant accordingly has adopted the same compliance rules that FINRA has in its Rule 6800 Series. The common compliance rules adopted by each Participant are designed to require industry members to comply with the provisions of the CAT NMS Plan, which broadly calls for industry members to record and report timely and accurate customer, order, and trade information relating to activity in NMS Securities and OTC Equity Securities.

FINRA notes that the CAT industry member compliance rules are highly similar to rules already covered in FINRA’s MRVP. Specifically, the CAT industry member compliance rules in the Rule 6800 Series include rules relating to clock synchronization (Rule 6820), the recording and reporting of order and trade data (Rules 6830, 6840, 6850, 6860, 6870, 6880, and 6893), and recordkeeping (Rule 6890). FINRA’s current MRVP includes the same kinds of audit trail-related rules relating to clock synchronization (Rule

³ See Notice to Members 04-19 (March 2004) (providing guidance on FINRA’s approach to progressive discipline under its MRVP).

⁴ 17 CFR 242.613.

4590), the recording and reporting of order audit trail data (Rules 7440, 7450), and recordkeeping (Rule 4510 Series and SEA Rule 17a-3(a) and 17a-4).

If approved, FINRA plans to employ the MRVP for CAT compliance rules the same way FINRA has for its similar existing audit trail-related rules.⁵ FINRA is also coordinating with other Participants to promote harmonized and consistent enforcement of all the Participants' CAT compliance rules. The Commission recently approved a Rule 17d-2 Plan under which the regulation of CAT compliance rules will be allocated among Participants to reduce regulatory duplication for industry members that are members of more than one Participant ("common members").⁶ Under the Rule 17d-2 Plan, the regulation of CAT compliance rules with respect to common members that are members of FINRA is allocated to FINRA, and this proposed rule change would allow FINRA to consider MRVP dispositions in those cases. Similarly, under the Rule 17d-2 Plan, responsibility for common members of multiple other Participants and not a member of FINRA will be allocated among those other Participants, and FINRA understands the other Participants will submit proposed rule changes to adopt the same MRVP terms contemplated in this filing for their CAT compliance rules. As a result, there will be a coordinated, harmonized approach to CAT compliance rule enforcement across Participants, and it will be consistent with the approach FINRA has long taken for similar audit trail-related rules.

⁵ See Notice to Members 04-19 (March 2004) (providing specific factors used to inform dispositions for violations of OATS reporting rules).

⁶ See Securities Exchange Act Release No. 88366 (March 12, 2020), 85 FR 15238 (March 17, 2020).

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, the effective date of the proposed rule change will be the date of approval. FINRA has requested the Commission to find good cause pursuant to Section 19(b)(2) of the Act⁷ for approving the proposed rule change prior to the 30th day after its publication in the Federal Register, to allow the change to take effect in line with the commencement of the first phase of industry member reporting to CAT.

(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 further believes that the proposed rule change is consistent with the provisions of Section 15A(b)(2) and (b)(7) of the Act,⁹ which requires 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 not warranted 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 15 U.S.C. 78s(b)(2).

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.

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.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.

Regulatory Need

FINRA is proposing to amend Rule 9217 to make minor violations of the CAT industry member compliance rules in the Rule 6800 Series eligible for disposition under FINRA's MRVP, which 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. The purpose of the MRVP is to provide reasonable but meaningful sanctions for minor or technical violation of rules when the conduct at issue does not warrant stronger, immediately reportable disciplinary sanctions. This proposal is intended to allow MRVP dispositions when appropriate in the enforcement of CAT industry member reporting requirements.

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

Economic Baseline

FINRA adopted its CAT industry member compliance rules in the Rule 6800 Series to implement the National Market System Plan Governing the CAT NMS Plan. The CAT NMS Plan was filed by the Plan Participants to comply with Rule 613 of Regulation NMS under the Exchange Act,¹¹ and each Plan Participant accordingly has adopted the same compliance rules that FINRA has in its Rule 6800 Series. As the CAT industry member compliance rules take effect, members must comply with them and FINRA must enforce compliance with them. As discussed above, the CAT industry member compliance rules are highly similar to existing audit trail-related rules already eligible for disposition under FINRA's MRVP.

Economic Impact

The proposed rule will allow FINRA to treat violations of CAT compliance rules the same way FINRA treats violations of its current audit trail-related rules, including OATS. As such, most industry members would be subject to the same regime that exists today for enforcing FINRA's current audit trail-related rules and would not be expected to experience any additional costs or benefits under the proposed rule. The proposed rule may provide benefits, including to FINRA and reporting firms, if MRVP dispositions are eligible to be used when FINRA deems appropriate, as the MRVP gives FINRA additional flexibility to administer its enforcement program in the most effective and efficient manner.

Furthermore, the efforts of all CAT NMS Plan participants to adopt a coordinated, harmonized approach to MRVP treatment for CAT compliance rules will promote

¹¹ 17 CFR 242.613.

consistent treatment for all industry members that trade NMS Securities and OTC Equity Securities.

Alternatives Considered

No alternatives are under consideration.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.¹²

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)

FINRA requests the Commission to find good cause pursuant to Section 19(b)(2) of the Act¹³ for approving the proposed rule change prior to the 30th day after its publication in the Federal Register, to allow the change to take effect in line with the commencement of the first phase of industry member reporting to CAT. FINRA believes accelerated approval will facilitate more efficient, effective, and coordinated enforcement of the CAT compliance rules as the first phase of industry member reporting takes effect, and FINRA believes accelerated approval is appropriate given the proposed rule change is consistent with FINRA's longstanding approach to MRVP dispositions for its similar, existing audit trail-related rules.

¹² 15 U.S.C. 78s(b)(2).

¹³ 15 U.S.C. 78s(b)(2).

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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2020-013)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change to Add FINRA Rule 6800 Series (Consolidated Audit Trail Compliance Rule) to FINRA’s Minor Rule Violation Plan (“MRVP”)

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. For the reasons discussed below, the Commission is granting accelerated approval of the proposed rule change.

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

FINRA is proposing to add industry member compliance rules relating to the Consolidated Audit Trail (“CAT”) to 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 amend Rule 9217 to make minor violations of the CAT industry member compliance rules in the Rule 6800 Series eligible for disposition under FINRA's MRVP.

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, immediately reportable disciplinary sanctions. The inclusion of a rule in FINRA's MRVP does not minimize the importance of compliance with the 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.³

With this proposed rule change, FINRA would add its CAT industry member compliance rules to its MRVP. FINRA adopted its CAT industry member compliance rules in the Rule 6800 Series to implement the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”). The CAT NMS Plan was filed by the Plan Participants to comply with Rule 613 of Regulation NMS under the Exchange Act,⁴ and each Plan Participant accordingly has adopted the same compliance rules that FINRA has in its Rule 6800 Series. The common compliance rules adopted by each Participant are designed to require industry members to comply with the provisions of the CAT NMS Plan, which broadly calls for industry members to record and report timely and accurate customer, order, and trade information relating to activity in NMS Securities and OTC Equity Securities.

FINRA notes that the CAT industry member compliance rules are highly similar to rules already covered in FINRA’s MRVP. Specifically, the CAT industry member compliance rules in the Rule 6800 Series include rules relating to clock synchronization

³ See Notice to Members 04-19 (March 2004) (providing guidance on FINRA’s approach to progressive discipline under its MRVP).

⁴ 17 CFR 242.613.

(Rule 6820), the recording and reporting of order and trade data (Rules 6830, 6840, 6850, 6860, 6870, 6880, and 6893), and recordkeeping (Rule 6890). FINRA's current MRVP includes the same kinds of audit trail-related rules relating to clock synchronization (Rule 4590), the recording and reporting of order audit trail data (Rules 7440, 7450), and recordkeeping (Rule 4510 Series and SEA Rule 17a-3(a) and 17a-4).

If approved, FINRA plans to employ the MRVP for CAT compliance rules the same way FINRA has for its similar existing audit trail-related rules.⁵ FINRA is also coordinating with other Participants to promote harmonized and consistent enforcement of all the Participants' CAT compliance rules. The Commission recently approved a Rule 17d-2 Plan under which the regulation of CAT compliance rules will be allocated among Participants to reduce regulatory duplication for industry members that are members of more than one Participant ("common members").⁶ Under the Rule 17d-2 Plan, the regulation of CAT compliance rules with respect to common members that are members of FINRA is allocated to FINRA, and this proposed rule change would allow FINRA to consider MRVP dispositions in those cases. Similarly, under the Rule 17d-2 Plan, responsibility for common members of multiple other Participants and not a member of FINRA will be allocated among those other Participants, and FINRA understands the other Participants will submit proposed rule changes to adopt the same MRVP terms contemplated in this filing for their CAT compliance rules. As a result, there will be a coordinated, harmonized approach to CAT compliance rule enforcement

⁵ See Notice to Members 04-19 (March 2004) (providing specific factors used to inform dispositions for violations of OATS reporting rules).

⁶ See Securities Exchange Act Release No. 88366 (March 12, 2020), 85 FR 15238 (March 17, 2020).

across Participants, and it will be consistent with the approach FINRA has long taken for similar audit trail-related rules.

If the Commission approves the proposed rule change, the effective date of the proposed rule change will be the date of approval. FINRA has requested the Commission to find good cause pursuant to Section 19(b)(2) of the Act⁷ for approving the proposed rule change prior to the 30th day after its publication in the Federal Register, to allow the change to take effect in line with the commencement of the first phase of industry member reporting to CAT.

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 the provisions of Section 15A(b)(2) and (b)(7) of the Act,⁹ which requires 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 not warranted in view of the minor nature of the particular violation.

⁷ 15 U.S.C. 78s(b)(2).

⁸ 15 U.S.C. 78o-3(b)(6).

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

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.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.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.

Regulatory Need

FINRA is proposing to amend Rule 9217 to make minor violations of the CAT industry member compliance rules in the Rule 6800 Series eligible for disposition under FINRA's MRVP, which 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. The purpose of the MRVP is to provide reasonable but meaningful sanctions for minor or technical violation of rules when the conduct at issue does not warrant stronger, immediately

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

reportable disciplinary sanctions. This proposal is intended to allow MRVP dispositions when appropriate in the enforcement of CAT industry member reporting requirements.

Economic Baseline

FINRA adopted its CAT industry member compliance rules in the Rule 6800 Series to implement the National Market System Plan Governing the CAT NMS Plan. The CAT NMS Plan was filed by the Plan Participants to comply with Rule 613 of Regulation NMS under the Exchange Act,¹¹ and each Plan Participant accordingly has adopted the same compliance rules that FINRA has in its Rule 6800 Series. As the CAT industry member compliance rules take effect, members must comply with them and FINRA must enforce compliance with them. As discussed above, the CAT industry member compliance rules are highly similar to existing audit trail-related rules already eligible for disposition under FINRA's MRVP.

Economic Impact

The proposed rule will allow FINRA to treat violations of CAT compliance rules the same way FINRA treats violations of its current audit trail-related rules, including OATS. As such, most industry members would be subject to the same regime that exists today for enforcing FINRA's current audit trail-related rules and would not be expected to experience any additional costs or benefits under the proposed rule. The proposed rule may provide benefits, including to FINRA and reporting firms, if MRVP dispositions are eligible to be used when FINRA deems appropriate, as the MRVP gives FINRA additional flexibility to administer its enforcement program in the most effective and efficient manner.

¹¹ 17 CFR 242.613.

Furthermore, the efforts of all CAT NMS Plan participants to adopt a coordinated, harmonized approach to MRVP treatment for CAT compliance rules will promote consistent treatment for all industry members that trade NMS Securities and OTC Equity Securities.

Alternatives Considered

No alternatives are under consideration.

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

FINRA has requested that the Commission find good cause pursuant to Section 19(b)(2) of the Act¹² for approving the proposed rule change prior to the 30th day after publication in the Federal Register. The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to FINRA and, in particular, the requirements of Section 15A of the Act and the rules and regulations thereunder. The Commission finds good cause for approving the proposed rule change prior to the 30th day after the date of publication of notice of filing thereof in that accelerated approval will allow the change to take effect in line with the commencement of the first phase of industry member reporting to CAT. The Commission believes accelerated approval will facilitate more efficient, effective, and coordinated enforcement of the CAT compliance rules as the first phase of industry member reporting takes effect, and the Commission believes accelerated approval is

¹² 15 U.S.C. 78s(b)(2).

appropriate given the proposed rule change is consistent with FINRA's longstanding approach to MRVP dispositions for its similar, existing audit trail-related rules.

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

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

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2020-013 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2020-013. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2020-013 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.¹³

Jill M. Peterson
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

* * * * *

9200. DISCIPLINARY PROCEEDINGS

9210. Complaint and Answer

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**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 1210.04 - Failure to timely register.

- Rule 1240 — Failure to comply with the continuing education requirements.

- Rules 2210, 2211, 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 3110 — Failure to maintain adequate written supervisory procedures where the underlying conduct is subject to Rule 9217.

- 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 3170 — Failure to timely file reports pursuant to the Taping Rule.
- Rule 3210 — Failure to obtain consent of employer member, or give notification to executing member.
- 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 4517 — Failure to report, review or update executive representative designation and contact information.
- 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 4590 — Failure to synchronize business clocks used for recording date and time as required by applicable FINRA By-laws and rules.
- Rule 5110(a) — 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, 7260 A, 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 6800 Series – Failure to comply with the Consolidated Audit Trail
- Compliance Rule requirements.
- 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.
 - Failure to provide or update contact information as required by FINRA rules.

- Rule 311T(b)(5) — 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.
- Rules 312T(a), (b) and (c), 313T — Reporting rule violations.
- Rule 312T(i) — Failure to obtain approval rule violations.
- Rule 408T(a) — Requirement that written authorization be obtained for discretionary power in a customer's account.
- Rule 416AT — 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.
- 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-12(c) and (f) — Failure to timely pay annual fee and failure to designate and update electronic mail contact information for communications with MSRB.
- MSRB Rules G-2 and G-3 (b)(ii)(D) and (c)(ii)(D) — Failure to timely register.
- MSRB Rule G-3(i) — 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.

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