

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 Form 19b-4

File No. SR - 2009 - 065
 Amendment No. 1

Proposed Rule Change by Financial Industry Regulatory Authority
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial ☐	Amendment ☒	Withdrawal ☐	Section 19(b)(2) ☒	Section 19(b)(3)(A) ☐	Section 19(b)(3)(B) ☐
			Rule		
Pilot ☐	Extension of Time Period for Commission Action ☐	Date Expires 	☐ 19b-4(f)(1) ☐ 19b-4(f)(2) ☐ 19b-4(f)(3)	☐ 19b-4(f)(4) ☐ 19b-4(f)(5) ☐ 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Sharon Last Name Zackula
 Title Associate Vice President and Associate General Counsel
 E-mail sharon.zackula@finra.org
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Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 01/19/2010

By Marc Menchel

(Name)

Executive Vice President and General Counsel

(Title)

NOTE: Clicking the button at right will digitally sign and lock
 this form. A digital signature is as legally binding as a physical
 signature, and once signed, this form cannot be changed.

Marc Menchel, marc.menchel@finra.org

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 2 - Notices, Written Comments, Transcripts, Other Communications

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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

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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

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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

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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

Add

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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.

October 1, 2009, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) proposed rule change SR-FINRA-2009-065 to amend the FINRA Rule 6700 Series to: (1) expand TRACE to include Asset-Backed Securities as defined in Rule 6710(m) as TRACE-Eligible Securities; (2) require members to report transactions in Asset-Backed Securities to TRACE (but not to disseminate information on such transactions); and (3) incorporate technical and clarifying changes to the Rule 6700 Series. FINRA also proposed to amend FINRA Rule 7730 regarding reporting fees for transactions in Asset-Backed Securities. The proposed rule change was published for notice and comment in the Federal Register.¹ FINRA responded to the comments on December 22, 2009.²

FINRA is filing this Partial Amendment No. 1 to propose amendments that generally are in response to the comments received from commenters or SEC staff, with certain exceptions. The proposed amendments: (1) extend the proposed period to report a transaction in an Asset-Backed Security to T + 1 under a six-month pilot program in Rule 6730(a)(6); (2) modify requirements regarding reporting commissions, factors and settlement terms in Rule 6730(d); (3) exclude from the definitions of List or Fixed Offering Price Transaction in Rule 6710(q) and Takedown Transaction in Rule 6710(r) any transaction in an Asset-Backed Security; (4) include as an Asset-Backed Security a residual tranche of an Asset-Backed Security in Rule 6710(m); (5) delete references to uniform practices established as “good delivery” in the defined terms “TBA” in Rule 6710(u) and “Stipulation Transaction” in Rule 6710(y); (6) amend the defined term “Factor” in Rule 6710(w); (7) make minor technical or clarifying changes to several other defined terms in Rule 6710; (8) incorporate other minor, clarifying or technical revisions to the Rule 6700 Series and Rule 7730; and (9) incorporate changes to the discussion of the proposed rule change in Form 19b-4 and Exhibit 1 as originally filed.

Attached hereto are Exhibit 4 and Exhibit 5, which are marked to show the changes proposed to the rule text in this Partial Amendment No. 1. In the initial filing, Exhibit 5 included rule text from SR-FINRA-2009-010 that amended the Rule 6700 Series (except Rule 6740) and Rule 7730, was approved by the SEC on September 28, 2009, and will become effective on March 1, 2010.³ In this Partial Amendment No. 1, Exhibit 4 and Exhibit 5 again include the rule text from SR-FINRA-2009-010 and also

¹ See Securities Exchange Act Release No. 60860 (October 21, 2009), 74 FR 55600 (October 28, 2009) (Notice of Filing of File No. SR-FINRA-2009-065).

² See Letter to Elizabeth M. Murphy, Secretary, SEC, from Sharon Zackula Associate Vice President and Associate General Counsel, FINRA, dated December 22, 2009 (FINRA Response to Comments Regarding File No. SR-FINRA-2009-065).

³ See Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (Order Approving SR-FINRA-2009-010); see also Regulatory Notice 09-57 (September 2009) (the rule text becomes effective March 1, 2010).

the rule text from SR-FINRA-2007-006 that amended Rule 7730 further and was approved by the SEC on November 16, 2009 (after FINRA filed SR-FINRA-2009-065).⁴ If the SEC approves SR-FINRA-2009-065, as amended, FINRA undertakes to not make such amendments to the Rule 6700 Series and Rule 7730 effective until after the rule amendments in SR-FINRA-2009-010 and SR-FINRA-2007-006 have become effective.

Proposed Amendments

T + 1 Reporting for Asset-Backed Security Transactions

In SR-FINRA-2009-065 as originally filed, FINRA proposed to require members to report transactions in Asset-Backed Securities on the date of trade during TRACE System Hours, with certain exceptions for transactions executed after 5:00 p.m. on a business day, and on non-business days.⁵ As part of FINRA's commitment to work with the industry to ensure effective and efficient implementation of the expansion of TRACE and in recognition of the complexities of reporting certain Asset-Backed Securities transactions, in this Partial Amendment No. 1, FINRA proposes to amend Rule 6730(a)(6)(A) to extend the reporting period for Asset-Backed Securities transactions to no later than T + 1 during TRACE System Hours. However, the T + 1 reporting period is proposed as a pilot program that will expire automatically after six months. FINRA also proposes that upon expiration, the reporting requirement revert to the period originally proposed, which will require members that execute transactions in Asset-Backed Securities by or before 5:00:00 p.m. on a business day when the TRACE System is open to report such transactions no later than the trade date during TRACE System Hours. FINRA also proposes minor technical amendments to Rules 6730(a)(6)(A) and (B).

Amendments to Reporting Fields

Commissions. Rule 6730(d)(1) currently requires a member to report a commission stated in points per bond. The assumption underlying the provision -- that one bond has a par or principal value of \$1,000 -- is not true for many Asset-Backed Securities. In this Partial Amendment No. 1, FINRA proposes to amend Rule 6730(d)(1)

⁴ See Securities Exchange Act Release No. 61012 (November 16, 2009), 74 FR 61189 (November 23, 2009) (Order Approving SR-FINRA-2007-006). FINRA will publish a Regulatory Notice announcing the effective date of the rule text, which effective date shall be a day shortly following the effective date of SR-FINRA-2009-010.

⁵ TRACE System Hours are 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA. See Rule 6730(a) and proposed Rule 6710(bb).

The exceptions for Asset-Backed Securities transactions executed late in the day and on non-business days are set forth in proposed Rule 6730(a)(6)(B).

to require members to input the total dollar amount of a commission when reporting a transaction in an Asset-Backed Security, and related minor clarifying amendments.

Size/Volume and Factor. FINRA proposes to amend the manner in which a member reports the size (or volume) of, and the information regarding the Factor used for pricing a transaction in an Asset-Backed Security under Rule 6730(d)(2). As initially proposed, Rule 6730(d)(2) would require a member to report the specific Factor that the member uses to price and execute a transaction (for those types of Asset-Backed Securities that are priced using a Factor). In response to comments, in this Partial Amendment No. 1, FINRA proposes to modify Rule 6730(d)(2) to require a member to report the Factor only if the Factor used to execute the transaction is not the most current Factor that is publicly available for the security. FINRA also proposes to add a sentence to clarify a member's reporting obligation for Asset-Backed Securities that are not priced using a Factor. FINRA believes that the proposed modifications will increase the accuracy of the trade reporting of transactions in Asset-Backed Securities involving factors and will eliminate certain reporting and compliance burdens.

Settlement. In the initial filing, FINRA proposed amendments regarding reporting the days to settlement in Rule 6730(d)(4)(B). Regarding transactions in Asset-Backed Securities, FINRA proposed that: (1) for a transaction in an Agency Pass-Through Mortgage-Backed Security, no settlement-related indicator or modifier stating the number of days to settlement would be required in the transaction report if the settlement would be done in conformity with the uniform practices established as "good delivery" for such transactions on the next occurring monthly settlement date for such securities; and (2) for all other Asset-Backed Securities transactions, including transactions in Agency Pass-Through Mortgage-Backed Securities transactions not included in (1) above, members would report the number of days to settlement (e.g., ".s45," for a settlement scheduled to occur 45 days following execution). In response to comments, in this Partial Amendment No. 1, FINRA proposes to amend Rule 6730(d)(4)(B), adding subparagraphs (i) and (ii) and, in subparagraph (ii), requiring members to report, for all transactions in Asset-Backed Securities, the actual date of settlement (e.g., March 17, 2010) and indicate if the transaction will settle: (i) "regular way" (i.e., T + 3 or in conformity with the uniform practices established as "good delivery" for the type of Asset-Backed Security traded); or (ii) not "regular way" (i.e., not T + 3 or not in conformity with the uniform practices established as "good delivery" for the type of Asset-Backed Security traded).⁶ FINRA also proposes to renumber the subparagraphs and incorporate other minor technical or clarifying amendments in Rule 6730(d)(4)(B).

⁶ In the initial filing, FINRA also proposed a technical revision to substitute the term "T + 3" for the term "regular way" in Rule 6730(d)(4)(B), which is retained in proposed subparagraph (i) of Rule 6730(d)(4)(B) regarding the settlement of transactions in TRACE-Eligible Securities other than Asset-Backed Securities.

New Issue Transactions and Asset-Backed Securities

In the initial filing, FINRA proposed that the extended reporting periods in Rule 6730(a)(5) for primary market transactions that are List or Fixed Offering Price Transactions or Takedown Transactions not apply to a new issue transaction in one type of Asset-Backed Security -- an Agency Pass-Through Mortgage-Backed Security. FINRA also proposed that the fee relief for reporting List or Fixed Offering Price Transactions and Takedown Transactions provided in Rule 7730(b)(1)(C) not apply to members reporting transactions in Agency Pass-Through Mortgage-Backed Securities under proposed Rule 7730(b)(1)(D).

FINRA has determined that neither Rule 6730(a)(5) nor the fee relief in Rule 7730(b) should apply to new issue Asset-Backed Securities transactions generally, and in this Partial Amendment No. 1, proposes to amend the rules referenced above and two defined terms accordingly. Specifically, FINRA proposes to delete the proposed final sentence in Rule 6730(a)(5) and proposed Rule 7730(b)(1)(D) described above (that address only Agency Pass-Through Mortgage-Backed Securities). In addition, FINRA proposes to amend the definitions of “List or Fixed Offering Price Transaction” and “Takedown Transaction” in Rule 6710(q) and Rule 6710(r), respectively, to exclude from such defined terms transactions in any type of Asset-Backed Security. For example, revised Rule 6710(q) will provide, in pertinent part: “‘List or Fixed Offering Price Transaction’ means a primary market sale transaction sold on the first day of trading of a security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter” Effectively, in this Partial Amendment No. 1, FINRA proposes that all types of Asset-Backed Securities may not be reported pursuant to the more liberal reporting provisions of Rule 6730(a)(5). Notwithstanding, the proposed deletion under Rule 6730(a)(5) will not impact members’ reporting at implementation because, at that time and for a period of six months, as discussed above, FINRA also proposes that all transactions in Asset-Backed Securities be subject to a T + 1 reporting period, which is the same reporting period in place in Rule 6730(a)(5). However, the proposed deletion of proposed Rule 7730(b)(1)(D) means that members will be required to pay reporting fees under Rule 7730(b)(1) and Rule 7730(b)(2) for all primary market transactions in Asset-Backed Securities. In addition to the amendments to Rule 6710(q) and Rule 6710(r) discussed above, FINRA proposes minor technical amendments to such defined terms.

Other Amendments to Rule Text; Form 19b-4 and Exhibit 1

Defined Terms. FINRA proposes to amend various defined terms and proposed defined terms, and, with respect to certain terms, the discussion of such defined terms in the original filing.

Asset-Backed Security; Sponsor and Issuing Entity. In the initial filing, FINRA proposed non-substantive amendments to the definition of Asset-Backed Security in Rule 6710(m). In this Partial Amendment No. 1, FINRA proposes to amend Rule 6710(m) to clarify that any residual tranche of an Asset-Backed Security is an Asset-Backed Security. In addition, FINRA proposes to delete the terms: (i) “Securities Act Regulation

AB” and substitute the term “SEC Regulation AB”; and (ii) “Section” (referring to subparts of SEC Regulation AB) and substitute the term “Item,” as such terms occur in Rule 6710(m), the definitions of “Sponsor” and “Issuing Entity” in Rule 6710(s) and Rule 6710(t), respectively, and Form 19b-4 and Exhibit 1 as originally filed.⁷

TBA. FINRA proposes to simplify and shorten the proposed defined term “TBA” in Rule 6710(u) and to make identical changes where the definition is quoted in Form 19b-4 and Exhibit 1 in note 13 on page 14 and in note 14 on page 40. Also, FINRA proposes to make related changes to the discussion of the defined term in Form 19b-4 and Exhibit 1. FINRA proposes to amend the term TBA to read as follows:

(u) “TBA” means “to be announced” and refers to a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program representing a pool (or pools) of mortgages (that are not specified by unique pool number).

In the related discussion on pages 13, 14 and 40, FINRA proposes, in the sentence beginning “‘TBA’ stands for ‘to be announced’ and refers to a transaction” to: (i) delete “i.e.” and substitute “e.g.”; (ii) delete the phrase “and clearance and settlement in conformity with the uniform practices established as ‘good delivery’ on a standard pre-announced settlement date for such instruments”; and (iii) make other minor conforming changes. The amended sentence will read as follows:

“TBA” stands for “to be announced” and refers to a transaction in an Agency Pass-Through Mortgage-Backed Security, as defined in proposed Rule 6710(v) and discussed in the following paragraph, where the parties agree to specific terms (e.g., face amount of the security, coupon, maturity, the Agency or GSE under which the mortgage pools will be issued or guaranteed and price), but do not identify the specific pool(s) of mortgages that will be delivered on settlement date.

Stipulation Transaction. FINRA proposes to amend the defined term, “Stipulation Transaction” in Rule 6710(y) to delete the condition relating to the settlement of transactions not in conformity with certain uniform practices established as “good delivery,” because, with the condition, the defined term does not include certain

⁷ See e.g., pp. 8 (including n.8), 10, 12, 13 (including n.11 and n.12), 34 (including n.9), 37, 39 (including n.12) and 40 n.13.

transactions that are commonly considered “Stipulation Transactions.” Specifically, FINRA proposes to amend the defined term to read as follows:

(y) “Stipulation Transaction” means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where, at the Time of Execution, the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program that represents a pool (or pools) of mortgages, at a specified price, and the parties stipulate that the pool or pools to be delivered meet certain conditions.

In addition, in the discussion of a Stipulation Transaction on pages 16, 17 and 43 of the original filing, FINRA proposes to delete the previous version of the definition that is quoted in the discussion and substitute the proposed revised definition as set forth above.

Factor. FINRA also proposes to amend the defined term “Factor” in Rule 6710(w) and the original filing at pages 15 and 42 where the defined term is restated. As amended, the defined term will read as follows:

(w) “Factor” means the decimal value representing the proportion of the outstanding principal value or remaining face amount of a pool of assets underlying a security to the original principal value or face amount of such assets.

In addition, FINRA proposes related modifications to the discussion of the term “Factor” in the original rule filing to: (i) delete note 14 on page 16 and note 15 on page 42; and (ii) at the same pages, modify the sentence, which begins with the words, “In a transaction in an Asset-Backed Security that is backed by mortgages,” to read as follows: “In a transaction in an Asset-Backed Security that is backed by mortgages or other assets that are self-amortizing, under proposed amendments to Rule 6730(d)(2), discussed infra, a member will be required to report a Factor in a transaction in an Asset-Backed Security that is priced using a Factor, but only if the Factor used to execute the transaction is not the most current Factor that is publicly available for the security.”

Reportable TRACE Transaction. Finally, FINRA proposes technical clarifications to the defined term, “Reportable TRACE Transaction,” in Rule 6710(c), which, as amended, will read as follows:

(c) “Reportable TRACE Transaction” means any transaction in a TRACE-Eligible Security except: (1) a transaction that is not reported as specified in Rule 6730(e); and (2) a sale from an issuer to an underwriter(s) or initial purchaser(s) as part of an offering, except a sale of an

Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) from an Issuing Entity as defined in paragraph (t) or a Sponsor as defined in paragraph (s) to any purchaser.

FINRA also proposes related changes to the discussion of the defined term and the amendments proposed in the original filing on pages 11, 12, 37 and 38. Under the caption Reportable TRACE Transaction, FINRA proposes to delete the current second paragraph and substitute the following paragraph. (The amendments include a proposed revision to the sentence -- “However, due in part to the TBA process, and their status as exempt securities . . . in traditional private offerings (or a traditional public offering).” -- the addition of a footnote at the end of the sentence, and the renumbering of all subsequent footnotes.)

FINRA’s proposed amendment to Rule 6710(c) clarifies the treatment of sales from an issuer when primary market transaction reporting is required, which will begin for TRACE-Eligible Securities in 2010. However, with respect to Agency Pass-Through Mortgage-Backed Securities, FINRA proposes that such sales from an issuer (*i.e.*, an Issuing Entity or a Sponsor) be treated differently. FINRA believes that such transactions should be “Reportable TRACE Transactions” and not be subject to the exception set forth in clause (2) of the proposed amended term due to the particular origination process, including the manner in which Agency Pass-Through Mortgage-Backed Securities are sold initially. In most cases, the origination of a TRACE-Eligible Security involves an offering where an issuer sells securities to one or more underwriters or initial purchasers that then resell such securities. However, due in part to the to-be-announced (“TBA”) process, and their status as exempt securities, Agency Pass-Through Mortgage-Backed Securities generally are not sold in traditional private offerings (or a traditional public offering).^[Note No. ___]

[Note No. ___] The term “TBA” is defined in proposed Rule 6710(u).

Other Minor Amendments. In this Partial Amendment No. 1, FINRA also incorporates minor amendments, including amendments to delete typographical errors, renumber subparagraphs, and conform the rule text to the conventions of the FINRA Rulebook, to the Rule 6700 Series and Rule 7730, including amendments to Rule 6730(a)(5), Rule 6760(b) and Rule 7730(b), which are marked in attached Exhibit 4 and Exhibit 5.

Amendments to the Initial Filing in Form 19b-4 and/or Exhibit 1. FINRA proposes amendments to Form 19b-4 and Exhibit 1 of the proposed rule change in addition to the proposed amendments set forth above. (The changes do not affect the proposed rule text and are not set forth in Exhibit 4 and Exhibit 5.) First, on pages 3 and 30, FINRA proposes, in paragraph (1), to renumber current (D) as (E) and to add, as new (D), a clause stating that FINRA is incorporating minor amendments to the defined term “Asset-Backed Security” in Rule 6710(m). As amended by this Partial Amendment No. 1, the paragraph will read as follows:

(1) in Rule 6710, to amend the defined term: (A) “TRACE-Eligible Security” to include Asset-Backed Securities; and to make certain technical changes in Rule 6710(a); (B) “Reportable TRACE Transaction” to include specific requirements regarding certain Asset-Backed Securities in Rule 6710(c); (C) “Agency Debt Security” to incorporate proposed defined terms in Rule 6710(l); (D) “Asset-Backed Security” to incorporate minor amendments in Rule 6710(m); and (E) “TRACE System Hours” to transfer the defined term from Rule 6730(a) to Rule 6710(bb);

Second, on page 5, note 2 and page 32, note 3, FINRA proposes to include citations to certain SEC orders following the first sentence of the note. Also, in the second sentence, FINRA proposes to delete the phrase “subject to rulemaking under Section 19(b)(1)” and substitute the phrase “subject to the filing of a proposed rule change with the Commission under Section 19(b)(1).” As amended by this Partial Amendment No. 1, page 5, note 2 and page 32, note 3 will read as follows:

FINRA used this approach previously when it implemented dissemination in phases for various types of corporate bonds. See Securities Exchange Act Release No. 43873 (January 23, 2001), 66 FR 8131 (January 29, 2001) (Order Approving File No. SR-NASD-99-65); Securities Exchange Act Release No. 47302 (January 31, 2003), 68 FR 6233 (February 6, 2003) (Order Approving File No. SR-NASD-2002-174); Securities Exchange Act Release No. 47566 (March 25, 2003), 68 FR 15490 (March 31, 2003) (Notice of Filing and Immediate Effectiveness of File No. SR-NASD-2003-041); Securities Exchange Act Release No. 50317 (September 3, 2004), 69 FR 55202 (September 13, 2004) (Order Approving File No. SR-NASD-2004-094); Securities Exchange Act Release No. 50558 (October 18, 2004), 69 FR 62312 (October 25, 2004) (Notice of Filing and Immediate Effectiveness of File No. SR-NASD-2004-148); Securities Exchange Act Release

No. 53031 (December 28, 2005), 71 FR 634 (January 5, 2006) (Order Approving File No. SR-NASD-2005-120). Similarly, any proposal to adopt dissemination protocols for Asset-Backed Securities will be subject to the filing of a proposed rule change with the Commission under Section 19(b)(1) of the Act, 15 U.S.C. 78s(b)(1).

Third, FINRA proposes to correct typographical errors in FINRA's quotation of SEC Regulation AB, Item 1101(c) (defining "asset-backed security") on pages 8 and 9, note 8 and pages 34 and 35, note 9, including underlining those terms which are italicized in the definition. Specifically, FINRA proposes:

- (i) in paragraph (1), to delete the single quotations setting off the term "Asset-backed security" and to underline the term;
- (ii) in paragraph (2), the second line, to underline the term "asset-backed security";
- (iii) in paragraph (2)(ii), the second line, to delete the word "owing" and substitute the word "owning";
- (iv) in paragraph (3), the third line, to underline the term "asset-backed security";
- (v) in paragraph (3)(i), to underline the caption and eliminate the initial capitalization of the word, "Trusts," and, in the third line, to delete the word "insurances" and substitute the word "issuances";
- (vi) in paragraph (3)(ii), to underline the caption and eliminate the initial capitalization of the word "Periods," and, in the penultimate line, to delete the word "insurance" and substitute the word "issuance"; and
- (vii) in paragraph (3)(iii), to underline the caption and eliminate the initial capitalization of the word, "Periods."

In addition, FINRA proposes to insert the following at the end of the quoted provision: "(The instructions to the definitions are omitted intentionally.)"

Fourth, on pages 13 and 39, FINRA proposes to revise the sentence -- "The Sponsor of an Asset-Backed Bond is generally not the issuer." -- by deleting the term, "Asset-Backed Bond," and substituting the term "Asset-Backed Security."

Fifth, on pages 20 and 47, in the second paragraph of the discussion labeled, "Size (Volume)," FINRA proposes to delete the sentence, "The Remaining Principal Balance is calculated by multiplying the original face value by a Factor."

EXHIBIT 4

Exhibit 4 shows the changes in this Partial Amendment No. 1 to SR-FINRA-2009-065, with the proposed changes in the original filing shown as if adopted. Proposed new language in this Partial Amendment No. 1 appears underlined; proposed deletions appear in [brackets].

The text in this Exhibit 4 and Exhibit 5 is modified to reflect recent amendments to the Rule 6700 Series and Rule 7730. See Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (Order Approving File No. SR-FINRA-2009-010); see also Securities Exchange Act Release No. 61012 (November 16, 2009), 74 FR 61189 (November 23, 2009) (Order Approving File No. SR-FINRA-2007-006). The amendments to the Rule 6700 Series and Rule 7730 in SR-FINRA-2009-010 and SR-FINRA-2007-006 must become effective before the amendments proposed in this SR-FINRA-2009-065, as amended, may become effective.

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

6710. Definitions

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) through (b) No Change.

(c) “Reportable TRACE Transaction” means any transaction in a TRACE-Eligible Security except: (1) a transaction that is not reported as specified in Rule 6730(e);[,] and (2) a sale from an issuer to an underwriter(s) or initial purchaser(s) as part of an offering, except a [an initial] sale of an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) from an Issuing Entity as defined in paragraph (t) or a Sponsor as defined in paragraph (s) to any purchaser.

(d) through (l) No Change.

(m) “Asset-Backed Security” means a security collateralized by any type of

financial asset, such as loans, leases, mortgages, or secured or unsecured receivables, and includes but is not limited to an asset-backed security as used in [Securities Act]SEC Regulation AB, [Section]Item 1101(c), a mortgage-backed security, a collateralized mortgage obligation, a synthetic asset-backed security, a collateralized debt obligation, a collateralized bond obligation, a collateralized debt obligation of Asset-Backed Securities or a collateralized debt obligation of collateralized debt obligations, including any residual tranche of such instruments.

(n) through (p) No Change.

(q) “List or Fixed Offering Price Transaction” means a primary market sale transaction sold on the first day of trading of a [new issue:] security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price.

(r) “Takedown Transaction” means a primary market sale transaction sold on the first day of trading of a [new issue:] security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser or syndicate manager to a syndicate or selling group member at a discount from the published or stated fixed offering price.

(s) “Sponsor” has the same meaning as defined in [Securities Act]SEC

Regulation AB, Item 1101(l).

(t) “Issuing Entity” has the same meaning as defined in [Securities Act]SEC
Regulation AB, Item 1101(f).

(u) “TBA” means “to be announced” and refers to a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program representing a pool (or pools) of mortgages (that are not specified by unique pool number). [, at a specified price, and the parties will clear and settle the transaction in conformity with the uniform practices established as “good delivery” for such transactions and will not impose any special conditions or stipulations.]

(v) No Change.

(w) “Factor” means the decimal value representing the proportion of the outstanding principal value or remaining face amount of a [security to its] pool of assets underlying a security to the original principal value or original face amount of such assets.

(x) No Change.

(y) “Stipulation Transaction” means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where, at the Time of Execution, the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program that represents a pool (or pools)

of mortgages, at a specified price, and the parties stipulate that the pool or pools to be delivered meet certain conditions, [that preclude settlement of the transaction in conformity with the uniform practices established as “good delivery” for an Agency Pass-Through Mortgage-Backed Security effected TBA.]

(z) through (bb) No Change.

* * * * *

6730. Transaction Reporting

(a) When and How Transactions are Reported

Each member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member must report transaction information within 15 minutes of the Time of Execution, except as otherwise provided below, or the transaction report will be “late.” The member must transmit the report to TRACE during TRACE System Hours. Specific trade reporting obligations during a 24-hour cycle are set forth below.

(1) through (4) No Change.

(5) Reporting List or Fixed Offering Price Transactions and Takedowns

A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no[t] later than T + 1 during TRACE System Hours. If a member reports the transaction on T + 1, the member must indicate “as/of” and provide the actual transaction date. If a List or Fixed Offering Price or a Takedown Transaction is executed on a Saturday, a Sunday or a federal or religious holiday on which the TRACE system is closed, at any time

during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE System Hours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); and the modifier, “special price,” must be selected. In addition, the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the member must enter the actual date and Time of Execution in the field. [This paragraph (a)(5) shall not apply to a transaction in an Agency Pass-Through Mortgage-Backed Security.]

(6) Reporting Asset-Backed Securities Transactions

(A) (i) A transaction in an Asset-Backed Security executed on a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours, except as provided in subparagraph (A)(ii) during the pilot program.

(ii) For a pilot program which shall expire on [six months from the effective date], a transaction in an Asset-Backed Security that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day during TRACE System Hours, and, if the next business day, indicate “as/of” and provide the actual transaction date.

(B) Except during the pilot program as provided in subparagraph

(A)(ii), [I]if a transaction in an Asset-Backed Security is executed on:

(i) a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes, a member may report the transaction no later than the next business day at any time during TRACE System Hours, and, if the next business day, indicate “as/of” and provide the actual transaction date.

(ii) a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time, a member must report the transaction the next business day at any time during TRACE System Hours, indicate “as/of” and provide the actual transaction date.

(iii) No Change.

(7) through (8) No Change.

(b) through (c) No Change.

(d) Procedures for Reporting Price, Capacity, Volume

(1) Price

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

Except for Asset-Backed Securities[Then], report the commission, stated in points

per bond (e.g., for corporate bonds, 1 point equals \$10.00 per bond). For Asset-Backed Securities, report the total dollar amount of the commission.

(2) Size (Volume)

Except for Asset-Backed Securities [where par value is not used to determine the size (volume) of a transaction], report the actual number of bonds traded, with \$1,000 par value equal to 1 bond. If a bond has a par value of less than \$1,000 (“baby bond”) or the par value is not an even multiple of \$1,000, report the fractional portion of \$1,000 in decimals. For amortizing Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, report the original face value of such security and the Factor the member used to execute the transaction, if such Factor is not the most current Factor that is publicly available at the Time of Execution. For Asset-Backed Securities that do not amortize, report the total par value of the transaction.

(3) No Change.

(4) Modifiers; Indicators

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

(A) No Change.

(B) Settlement Modifiers

(i) Except for Asset-Backed Securities transactions, [I]if a
transaction [(other than a transaction in an Agency Pass-Through
Mortgage-Backed Security)] will be settled other than on T + 3,
[or a transaction in an Agency Pass-Through Mortgage-Backed

Security will be settled other than in conformity with the uniform practices established as “good delivery” for such transactions on the next occurring monthly date announced for settlement of such securities,] select the modifier:

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

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

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

(ii) For transactions in Asset-Backed Securities, report the actual settlement date of the transaction and an indicator that:[, including an Agency Pass-Through Mortgage-Backed Security if the parties will settle the transaction other than]

a. the transaction will settle “regular way” (i.e., T + 3 or in conformity with the uniform practices established as “good delivery” for the type of Asset-Backed Security traded); or [Agency Pass-Through Mortgage-Backed Security on the next occurring monthly date announced for settlement of such security).]

b. the transaction will not settle “regular way” (i.e.,

not T + 3 or not in conformity with the uniform practices established as “good delivery” for the type of Asset-Backed Security traded).

(C) through (E) No Change.

(e) through (f) No Change.

* * * * *

6760. Obligation To Provide Notice

(a) No Change.

(b) Notices

For such new issues, the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must provide to FINRA Operations: (1) the CUSIP number or if a CUSIP number is not available, a similar numeric identifier (e.g., a mortgage pool number) or a FINRA symbol (assigned by FINRA upon request); (2) the issuer name, or, for an Asset-Backed Security, the names of the Issuing Entity and the Sponsor; (3) the coupon rate; (4) the maturity; (5) whether Securities Act Rule 144A applies; (6) the time that the new issue is priced, and, if different, the time that the first transaction in the distribution or offering is executed; (7) a brief description of the issue (e.g., senior subordinated note, senior note); and, (8) such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-Eligible Security, or if any of items (2) through (8) has not been determined or a CUSIP number (or a similar numeric identifier or a FINRA symbol as referenced above) will not be assigned or is not available when notice must be given, such other information as FINRA deems necessary. The managing underwriter, or if a

managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must obtain the CUSIP number (or a similar numeric identifier or a FINRA symbol as referenced above) [or] and provide it and the information listed as (2) through (8) prior to the execution of the first transaction in the distribution or offering. For distributions or offerings of new issues that are priced and commence on the same business day between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time, the person or persons required to provide information to FINRA Operations must provide as much of the information set forth above that is available prior to the execution of the first transaction in the distribution or offering and all other information required under this Rule within 15 minutes of the Time of Execution of the first transaction in such distribution or offering. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must make a good faith determination that the security is a TRACE-Eligible Security before submitting the information to FINRA Operations.

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7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES

* * * * *

7730. Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine (“TRACE”):

System Fees	Transaction Reporting Fees	Data Fees
Level I Trade Report Only	Trades up to and including	Market Data: BTDS

Web Browser Access — \$20/month per user ID Level II Full Service Web Browser Access — Subscription for a single user ID or the first user ID - \$50/month (includes one Data Set); \$80/month (includes two Data Sets) Subscription for additional user IDs - \$80/month per user ID (includes one Data Set); \$140/month per user ID (includes two Data Sets)	\$200,000 par value — \$0.475/trade. (For Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, size (volume) is the lesser of original face value or Remaining Principal Balance (or the equivalent) at the Time of Execution of the transaction.) Trades between \$200,001 and \$999,999 par value — \$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000). (See note above regarding certain Asset-Backed Securities.)	Professional Real-Time Data Display — \$60/month per terminal per Data Set of Real-Time TRACE transaction data, or a flat fee of \$7,500/month per Data Set of Real-Time TRACE transaction data, entitling Professionals to make unlimited internal use of such Data Set(s) on any number of interrogation or display devices.
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	Trades of \$1,000,000 par value or more — \$2.375/trade. (See note above regarding certain Asset-Backed Securities.)	
CTCI/Third Party — \$25/month/per firm	Cancel/Correct — \$1.50/trade	Market Data: Vendor Real-Time Data Feed — \$1,500/month per Data Set of Real-Time TRACE transaction data for receipt of continuous Real-Time TRACE transaction data in such Data Sets, except for qualifying Tax-Exempt Organizations, or \$250/month per Data Set of Snapshot Real-Time TRACE transaction data for daily receipt of such Data Set(s).
	“As/of” Trade Late – \$3/trade	Market Data: Vendor Real-Time Data Feed — \$400/month per Data Set of

		Real-Time TRACE transaction data for such Data Set(s) for qualifying Tax-Exempt Organizations.
		Market Data: BTDS Non- Professional Real-Time Data Display — No charge.
		Historic TRACE Data: Set- Up Fee - a single fee of \$2,000 for development and set-up to receive Historic TRACE Data, except for qualifying Tax-Exempt Organizations.
		Historic TRACE Data: Set-Up Fee - a single fee of \$1,000 for development and set-up to receive Historic TRACE Data for qualifying Tax-Exempt Organizations.
		Historic TRACE Data: Fee - \$2,000/calendar year per Data Set for receipt of

		Historic TRACE Data, except for qualifying Tax-Exempt Organizations. The 2003 Historic Corporate Bond Data Set also includes the 2002 Historic Corporate Bond Data Set. The data is enabled for internal use and internal and/or external desktop display distribution. Bulk re-distribution of data is not permitted.
		Historic TRACE Data: Bulk Re-Distribution Fee – except for qualifying Tax-Exempt Organizations, \$1/CUSIP per calendar year (or part thereof) within a single Data Set of Historic TRACE Data per each recipient of re-distributed data; maximum fee per Data Set of \$1,000/calendar year

		(or part thereof) per each recipient of re-distributed data.
		Historic TRACE Data: Bulk Re-Distribution Fee – for qualifying Tax-Exempt Organizations, \$500/calendar year per Data Set for receipt of Historic TRACE Data. The 2003 Historic Corporate Bond Data Set also includes the 2002 Historic Corporate Bond Data Set. The data is enabled for internal use and internal and/or external desktop display. Bulk re-distribution of data is permitted with certain restrictions.

(a) No Change.

(b) Transaction Reporting Fees

For each transaction in a TRACE-Eligible Security that is reportable to FINRA

pursuant to the Rule 6700 Series, the following charges shall be assessed against each member responsible for reporting the transaction:

(1) Trade Reporting Fee

(A) A member shall be charged a Trade Reporting Fee based upon a sliding scale ranging from \$0.475 to \$2.375 per transaction based on the size of the reported transaction. Except as set forth in subparagraph (B) below, trades up to and including \$200,000 par value will be charged a \$0.475 fee per trade; trades between \$200,001 par value and \$999,999 par value will be charged a fee of \$0.000002375 times the par value of the transaction (i.e., \$0.002375 per \$1,000) per trade; and trades of \$1,000,000 par value or more will be charged a fee of \$2.375 per trade.

(B) through (C) No Change.

[(D) For purposes of Rule 7730(b), a transaction in an Agency Pass-Through Mortgage-Backed Security is not considered a List or Fixed Offering Price Transaction or a Takedown Transaction.]

(2) through (3) No Change.

(c) through (f) No Change.

* * * * *

EXHIBIT 5

Exhibit 5 shows the text of the proposed rule change. Proposed new language appears underlined; proposed deletions appear in [brackets].

The text in Exhibit 4 and this Exhibit 5 is modified to reflect recent amendments to the Rule 6700 Series and Rule 7730. See Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (Order Approving File No. SR-FINRA-2009-010); see also Securities Exchange Act Release No. 61012 (November 16, 2009), 74 FR 61189 (November 23, 2009) (Order Approving File No. SR-FINRA-2007-006). The amendments to the Rule 6700 Series and Rule 7730 in SR-FINRA-2009-010 and SR-FINRA-2007-006 must become effective before the amendments proposed in this SR-FINRA-2009-065, as amended, may become effective.

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

6710. Definitions

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) “TRACE-Eligible Security” means a debt security that is United States (“U.S.”) dollar-denominated and issued by a U.S. or foreign private issuer, and, if a “restricted security” as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n). “TRACE-Eligible Security” does not include a debt security that is:

(1) Issued by a foreign sovereign or is a U.S. Treasury Security as defined in paragraph (p); or

(2) A Money Market Instrument as defined in paragraph (o);]; or]

[(3) An Asset-Backed Security as defined in paragraph (m).]

(b) No Change.

(c) “Reportable TRACE Transaction” means any transaction in a TRACE-Eligible Security except: (1) a transaction[s] that [are]is not reported as specified in Rule 6730(e); and (2) a sale from an issuer to an underwriter(s) or initial purchaser(s) as part of an offering, except a sale of an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) from an Issuing Entity as defined in paragraph (t) or a Sponsor as defined in paragraph (s) to any purchaser.

(d) through (k) No Change.

(l) “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); or (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n). The term excludes a U.S. Treasury Security as defined in paragraph (p) and an Asset-Backed Security as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the S[s]ponsor as defined in paragraph (s) (or similar person) or Issuing Entity as defined in paragraph (t) (or similar person), [of the trust or other entity that issues the Asset-Backed Security,] or [is] the guarantor of the Asset-Backed Security.

(m) “Asset-Backed Security” means a security collateralized by any type of financial asset, such as loans, leases, mortgages, or secured or unsecured receivables, and includes but is not limited to an asset-backed security as used in [Securities Act]SEC Regulation AB, [Section]Item 1101(c), a mortgage-backed security, a collateralized mortgage obligation, a synthetic asset-backed security, [or any instrument involving or based on the securitization of mortgages or other credits or assets, including but not

limited to] a collateralized debt obligation, a collateralized bond obligation, a collateralized debt obligation of A[a]sset-B[b]acked S[s]ecurities or a collateralized debt obligation of collateralized debt obligations, including any residual tranche of such instruments.

(n) through (p) No Change.

(q) “List or Fixed Offering Price Transaction” means a primary market sale transaction sold on the first day of trading of a [new issue:] security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price.

(r) “Takedown Transaction” means a primary market sale transaction sold on the first day of trading of a [new issue:] security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser or syndicate manager to a syndicate or selling group member at a discount from the published or stated fixed offering price.

(s) “Sponsor” has the same meaning as defined in SEC Regulation AB, Item 1101(l).

(t) “Issuing Entity” has the same meaning as defined in SEC Regulation AB, Item 1101(f).

(u) “TBA” means “to be announced” and refers to a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program representing a pool (or pools) of mortgages (that are not specified by unique pool number).

(v) “Agency Pass-Through Mortgage-Backed Security” means a mortgage-backed security issued by an Agency or a Government-Sponsored Enterprise, for which the timely payment of principal and interest is guaranteed by an Agency or a Government-Sponsored Enterprise, representing ownership interests in a pool or pools of residential mortgage loans with the security structured to “pass through” the principal and interest payments made by the mortgagees to the owners of the pool(s) on a pro rata basis.

(w) “Factor” means the decimal value representing the proportion of the outstanding principal value or remaining face amount of a pool of assets underlying a security to the original principal value or original face amount of such assets.

(x) “Specified Pool Transaction” means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) requiring the delivery at settlement of one or more pools of mortgages that, at the Time of Execution, are identified by their unique pool identification numbers and original principal value.

(y) “Stipulation Transaction” means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where, at the Time of Execution, the parties agree that the seller will deliver to the buyer an Agency Pass-Through

Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program that represents a pool (or pools) of mortgages, at a specified price, and the parties stipulate that the pool or pools to be delivered meet certain conditions.

(z) “Dollar Roll” means a simultaneous sale and purchase of an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) for different settlement dates, where the initial seller agrees to take delivery, upon settlement of the re-purchase transaction, of the same or substantially similar securities.

(aa) “Remaining Principal Balance” or “RPB” means, for an Asset-Backed Security backed by a pool of mortgages or other assets that are self-amortizing, the total unpaid principal balance of all such mortgages, or the equivalent remaining value of such self-amortizing assets held in the asset pool, at a specific time, such as the Time of Execution.

(bb) “TRACE System Hours” means the hours the TRACE system is open, which are 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.

6720. Participation in TRACE

(a) No Change.

(b) Participant Obligations in TRACE

Upon execution and receipt by FINRA of the TRACE Participant application agreement, a TRACE Participant may commence input of trade information in TRACE-Eligible Securities. TRACE Participants may access the service via a FINRA-approved facility during [the hours of operation] TRACE System Hours.

6730. Transaction Reporting

(a) When and How Transactions are Reported

Each member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member must report transaction information within 15 minutes of the Time of Execution, except as otherwise provided below, or the transaction report will be “late.” The member must transmit the report to TRACE during TRACE System Hours. [the hours the TRACE system is open, which are 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time, unless otherwise announced by FINRA (“TRACE system hours”).] Specific trade reporting obligations during a 24-hour cycle are set forth below.

(1) Transactions Executed During TRACE System Hours

Transactions in TRACE-Eligible Securities executed on a business day at or after 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 15 minutes of the Time of Execution. If a transaction is executed on a business day less than 15 minutes before 6:30 p.m. Eastern Time, a member may report the transaction the next business day within 15 minutes after the TRACE system opens. If reporting the next business day, the member must indicate “as/of” and provide the actual transaction date.

(2) through (4) No Change.

(5) Reporting List or Fixed Offering Price Transactions and Takedown Transactions

A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00:00 a.m. Eastern Time through

11:59:59 p.m. Eastern Time must be reported no[t] later than T + 1 during TRACE S[s]ystem H[h]ours. If a member reports the transaction on T + 1, the member must indicate “as/of” and provide the actual transaction date. If a List or Fixed Offering Price or a Takedown Transaction is executed on a Saturday, a Sunday or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE S[s]ystem H[h]ours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); and the modifier, “special price,” must be selected. In addition, the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the member must enter the actual date and Time of Execution in the field.

(6) Reporting Asset-Backed Securities Transactions

(A) (i) A transaction in an Asset-Backed Security executed on a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours, except as provided in subparagraph (A)(ii) during the pilot program.

(ii) For a pilot program which shall expire on [six months from the effective date], a transaction in an Asset-Backed Security that is executed on a business day at or after 12:00:00 a.m.

Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day during TRACE System Hours, and, if the next business day, indicate “as/of” and provide the actual transaction date.

(B) Except during the pilot program as provided in subparagraph

(A)(ii), if a transaction in an Asset-Backed Security is executed on:

(i) a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes, a member may report the transaction no later than the next business day at any time during TRACE System Hours, and, if the next business day, indicate “as/of” and provide the actual transaction date.

(ii) a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time, a member must report the transaction the next business day at any time during TRACE System Hours, indicate “as/of” and provide the actual transaction date.

(iii) a Saturday, a Sunday, or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE System Hours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be “12:01:00 a.m. Eastern Time”

(stated in military time as “00:01:00”); and the modifier, “special price,” must be selected. In addition, the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the member must enter the actual date and Time of Execution in the field.

[(6)7] Members have an ongoing obligation to report transaction information promptly, accurately, and completely. The member may employ an agent for the purpose of submitting transaction information. However, the primary responsibility for the timely, accurate, and complete reporting of transaction information remains the non-delegable duty of the member obligated to report the transaction.

[(7)8] A member may be required to report as soon as practicable to the Market Regulation Department on a paper form, the transaction information required under Rule 6730 if electronic submission into TRACE is not possible. Transactions that can be reported into TRACE, including transactions executed on a Saturday, a Sunday or a federal or religious holiday as provided in paragraphs (a)(4), [and paragraph] (a)(5) and (a)(6) above, and transactions that can be submitted on the trade date or on a subsequent date on an “as/of” basis, shall not be reported on a paper form.

(b) No Change.

(c) Transaction Information To Be Reported

Each TRACE trade report shall contain the following information:

(1) CUSIP number or if a CUSIP number is not available at the Time of Execution, a similar numeric identifier (e.g., a mortgage pool number) or a FINRA symbol;

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

(3) through (7) No Change.

(8) Time of Execution [trade execution];

(9) through (12) No Change.

(d) Procedures for Reporting Price, Capacity, Volume

(1) Price

For principal transactions, report the price, which must include the mark-up or mark-down. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) For agency transactions, report the price, which must exclude the commission. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) Except for Asset-Backed Securities[Then], report the commission, stated in points per bond (e.g., for corporate bonds, [with] 1 point equals [to] \$10.00 per bond). For Asset-Backed Securities, report the total dollar amount of the commission.

(2) Size (Volume)

Except for Asset-Backed Securities, [For agency and principal transactions,] report the actual number of bonds traded, with \$1,000 par value equal to 1 bond. If a bond has a par value of less than \$1,000 (“baby bond”) or the par value is not an even multiple of \$1,000, report the fractional portion of

\$1,000 in decimals. For amortizing Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, report the original face value of such security and the Factor the member used to execute the transaction, if such Factor is not the most current Factor publically available at the Time of Execution. For Asset-Backed Securities that do not amortize, report the total par value of the transaction.

(3) Crosses

For in-house cross transactions, a member must report two transactions, which are the member's purchase transaction and the member's sale transaction.

(4) Modifiers; Indicators

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

(A) No Change.

(B) Settlement Modifiers

(i) Except for Asset-Backed Securities transactions, if a transaction will be settled other than on T + 3, select the modifier:

a. ".c," to indicate agreement to settle on the same day the transaction is executed;

b. ".nd," to indicate agreement to settle on the next day; or

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

(ii) For transactions in Asset-Backed Securities, report the actual settlement date of the transaction and an indicator that:

a. the transaction will settle “regular way” (i.e., T + 3 or in conformity with the uniform practices established as “good delivery” for the type of Asset-Backed Security traded); or

b. the transaction will not settle “regular way” (i.e., not T + 3 or not in conformity with the uniform practices established as “good delivery” for the type of Asset-Backed Security traded). [If a transaction is to be settled other than the regular way, report the settlement terms by selecting the appropriate modifier. If the parties agree to settlement on the same day the transaction is executed (i.e., cash settlement), select the modifier, “.c.” If a trade will be settled the next day, select the modifier, “.nd.” If a trade will be settled other than on the date of trade, the next day, or T+3, select the modifier, “.sNN,” and enter the appropriate number of days (e.g., if a trade will be settled in 5 business days, the reporting party will enter “.s05” in the data field).]

(C) through (D) No Change.

(E) Asset-Backed Security Indicators

Select the indicator:

(i) “.O,” if the transaction is a Specified Pool Transaction;

(ii) “.N,” if the transaction is a Stipulation Transaction;

(iii) “.D,” if the transaction is a Dollar Roll;

or

(iv) “.L,” if the transaction is a Dollar Roll and a

Stipulation Transaction.

(e) Reporting Requirements [F]for Certain Transactions and Transfers of Securities

The following shall not be reported:

(1) through (6) No Change.

(f) No Change.

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6750. Dissemination of Transaction Information

(a) No Change.

(b) Transaction Information Not Disseminated

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

(1) No Change.

(2) a transfer of proprietary securities positions between a member and another member or non-member broker-dealer where the transfer (A) is effected in connection with a merger of one broker-dealer with the other broker-dealer or a direct or indirect acquisition of one broker-dealer by the other broker-dealer or the other broker-dealer’s parent company and (B) is not in furtherance of a trading or

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

(3) a List or Fixed Offering Price Transaction or a Takedown Transaction;
or.]

(4) an Asset-Backed Security.

6760. Obligation To Provide Notice

(a) Members Required to Provide Information and Notice

(1) In order to facilitate trade reporting and dissemination of transactions in TRACE-Eligible Securities, a member that is the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser, of a distribution or offering, excluding a secondary distribution or offering, of a debt security that, upon issuance will be a TRACE-Eligible Security (“new issue”), must obtain and provide information to FINRA Operations as required below. For purposes of this Rule, a member that is a Sponsor or an Issuing Entity of an Asset-Backed Security shall be treated as a managing underwriter. If a managing underwriter (or a lead initial purchaser) is not appointed by the issuer, an underwriter, or, if there are no underwriters, an

initial purchaser must provide the information required under this Rule. If a managing underwriter (or a lead initial purchaser) is not appointed, and there are multiple underwriters (or initial purchasers), the underwriters (or initial purchasers) may submit a single notice containing the required information to FINRA Operations.

(2) No Change.

(b) Notices

For such new issues, the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must provide to FINRA Operations: (1) the CUSIP number or if a CUSIP number is not available, a similar numeric identifier (e.g., a mortgage pool number) or a FINRA symbol ([or, a TRACE symbol, which is] assigned by FINRA upon request); (2) the issuer name, or, for an Asset-Backed Security, the names of the Issuing Entity and the Sponsor; (3) the coupon rate; (4) the maturity; (5) whether Securities Act Rule 144A applies; (6) the time that the new issue is priced, and, if different, the time that the first transaction in the distribution or offering is executed; (7) a brief description of the issue (e.g., senior subordinated note, senior note); and, (8) such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-Eligible Security, or if any of items (2) through (8) has not been determined or a CUSIP number (or a similar numeric identifier or a FINRA symbol as referenced above) will not be assigned or is not available when notice must be given, such other information as FINRA deems necessary. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must obtain the CUSIP number (or a

similar numeric identifier or a FINRA symbol as referenced above) [or a similar numeric identifier)] and provide it and the information listed as (2) through (8) prior to the execution of the first transaction in the distribution or offering. For distributions or offerings of new issues that are priced and commence on the same business day between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time, the person or persons required to provide information to FINRA Operations must provide as much of the information set forth above that is available prior to the execution of the first transaction in the distribution or offering and all other information required under this Rule within 15 minutes of the Time of Execution of the first transaction in such distribution or offering. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must make a good faith determination that the security is a TRACE-Eligible Security before submitting the information to FINRA Operations.

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7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES

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7730. Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine (“TRACE”):

System Fees	Transaction Reporting Fees	Data Fees
Level I Trade Report Only	Trades up to and including	Market Data: BTDS
Web Browser Access —	\$200,000 par value —	Professional Real-Time

\$20/month per user ID Level II Full Service Web Browser Access — Subscription for a single user ID or the first user ID - \$50/month (includes one Data Set); \$80/month (includes two Data Sets) Subscription for additional user IDs - \$80/month per user ID (includes one Data Set); \$140/month per user ID (includes two Data Sets)	<u>\$0.475/trade,[:]</u> (For Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, size (volume) is the lesser of original face value or Remaining Principal Balance (or the equivalent) at the Time of Execution of the transaction.) Trades between \$200,001 and \$999,999 par value — \$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000),[:] (See note above regarding certain Asset-Backed Securities.) Trades of \$1,000,000 par	Data Display — \$60/month per terminal per Data Set of Real-Time TRACE transaction data, or a flat fee of \$7,500/month per Data Set of Real-Time TRACE transaction data, entitling Professionals to make unlimited internal use of such Data Set(s) on any number of interrogation or display devices.
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	value or more — \$2.375/trade. <u>(See note above regarding certain Asset-Backed Securities.)</u>	
CTCI/Third Party — \$25/month/per firm	Cancel/Correct — \$1.50/trade	Market Data: Vendor Real-Time Data Feed — \$1,500/month per Data Set of Real-Time TRACE transaction data for receipt of continuous Real-Time TRACE transaction data in such Data Sets, except for qualifying Tax-Exempt Organizations, or \$250/month per Data Set of Snapshot Real-Time TRACE transaction data for daily receipt of such Data Set(s).
	“As/of” Trade Late – \$3/trade	Market Data: Vendor Real-Time Data Feed — \$400/month per Data Set of Real-Time TRACE

		transaction data for such Data Set(s) for qualifying Tax-Exempt Organizations.
		Market Data: BTDS Non-Professional Real-Time Data Display — No charge.
		Historic TRACE Data: Set-Up Fee - a single fee of \$2,000 for development and set-up to receive Historic TRACE Data, except for qualifying Tax-Exempt Organizations.
		Historic TRACE Data: Set-Up Fee - a single fee of \$1,000 for development and set-up to receive Historic TRACE Data for qualifying Tax-Exempt Organizations.
		Historic TRACE Data: Fee - \$2,000/calendar year per Data Set for receipt of Historic TRACE Data,

		except for qualifying Tax-Exempt Organizations. The 2003 Historic Corporate Bond Data Set also includes the 2002 Historic Corporate Bond Data Set. The data is enabled for internal use and internal and/or external desktop display distribution. Bulk re-distribution of data is not permitted.
		Historic TRACE Data: Bulk Re-Distribution Fee – except for qualifying Tax-Exempt Organizations, \$1/CUSIP per calendar year (or part thereof) within a single Data Set of Historic TRACE Data per each recipient of re-distributed data; maximum fee per Data Set of \$1,000/calendar year (or part thereof) per each

		recipient of re-distributed data.
		Historic TRACE Data: Bulk Re-Distribution Fee – for qualifying Tax-Exempt Organizations, \$500/calendar year per Data Set for receipt of Historic TRACE Data. The 2003 Historic Corporate Bond Data Set also includes the 2002 Historic Corporate Bond Data Set. The data is enabled for internal use and internal and/or external desktop display. Bulk re-distribution of data is permitted with certain restrictions.

(a) No Change.

(b) Transaction Reporting Fees

For each transaction in a TRACE-Eligible Security that is reportable to FINRA pursuant to the Rule 6700 Series, the following charges shall be assessed against each member responsible for reporting the transaction:

(1) Trade Reporting Fee

(A) A member shall be charged a Trade Reporting Fee based upon a sliding scale ranging from \$0.475 to \$2.375 per transaction based on the size of the reported transaction. Except as set forth in subparagraph (B) below, [T]rades up to and including \$200,000 par value will be charged a \$0.475 fee per trade; trades between \$200,001 par value and \$999,999 par value will be charged a fee of \$0.000002375 times the par value of the transaction (i.e., \$0.002375 per \$1,000) per trade; and trades of \$1,000,000 par value or more will be charged a fee of \$2.375 per trade.

(B) For Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, the size (volume) of a transaction is the lesser of the original face value or the Remaining Principal Balance. A member shall be charged a trade reporting fee based upon the sliding scale as set forth in subparagraph (A) above.

(C) A member that is required to report a List or Fixed Offering Price Transaction or a Takedown Transaction shall not be charged the fees in [this sub]paragraphs (b)(1)(A) and (B) for such transactions.

(2) through (3) No Change.

(c) through **(f)** No Change.

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