

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2011 - * 033

Amendment No. (req. for Amendments *)

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

Initial * ☒ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☒ Section 19(b)(3)(B) * ☐

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☒ 19b-4(f)(6)

Pilot ☐ Extension of Time Period
 for Commission Action * ☐ Date Expires *

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, required when Initial is checked *).

Proposed Rule Change to Adopt FINRA Rule 0180 (Application of Rules to Security-Based Swaps)

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 * Adam Last Name * Arkel
 Title * Assistant General Counsel
 E-mail * adam.arkel@finra.org
 Telephone * (202) 728-6961 Fax (202) 728-8264

Signature

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

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

Date 07/08/2011

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 EDFS website.

Form 19b-4 Information (required)

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

Exhibit 1 - Notice of Proposed Rule Change (required)

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

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

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Exhibit Sent As Paper Document

☐

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

☐

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt FINRA Rule 0180 (Application of Rules to Security-Based Swaps). The proposed rule change would, with certain exceptions, temporarily limit the application of FINRA rules with respect to security-based swaps.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

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

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, such that FINRA can implement the proposed rule change immediately. The implementation date of the proposed rule change will be the date of filing. The proposed rule change will expire by its terms on January 17, 2012. FINRA will amend the expiration date of the proposed rule in subsequent filings as necessary such that the expiration

¹ 15 U.S.C. 78s(b)(1).

date will be coterminous with the termination of relevant provisions of the SEC's Exemptive Release, as defined herein.

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

(a) Purpose

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"),² Title VII of which established a comprehensive new regulatory framework for swaps and security-based swaps. The new legislation was intended among other things to enhance the authority of regulators to implement new rules designed to reduce risk, increase transparency, and promote market integrity with respect to such products. Generally, the Dodd-Frank Act provides that the Commodity Futures Trading Commission ("CFTC") will regulate "swaps" and the SEC will regulate "security-based swaps."³ The Dodd-Frank Act contemplates certain self-regulatory organization responsibilities in this area as well.⁴

Title VII of the Dodd-Frank Act generally becomes effective on July 16, 2011 (360 days after the enactment of the Dodd-Frank Act, *i.e.* the "Effective Date"), unless a provision requires

² Pub. L. No. 111-203, 124 Stat. 1376 (2010).

³ The terms "swap" and "security-based swap" are defined in Sections 721 and 761 of the Dodd-Frank Act. The Commission and the CFTC jointly have proposed to further define these terms. See Securities Exchange Act Release No. 64372 (Apr. 29, 2011), 76 FR 29818 (May 23, 2011) (Further Definition of "Swap," "Security-Based Swap," and "Security-Based Swap Agreement"; Mixed Swaps; Security-Based Swap Agreement Recordkeeping); Securities Exchange Act Release No. 63452 (Dec. 7, 2010), 75 FR 80174 (Dec. 21, 2010) (Further Definition of "Swap Dealer," "Security-Based Swap Dealer," "Major Swap Participant," "Major Security-Based Swap Participant" and "Eligible Contract Participant").

⁴ See, *e.g.*, Sections 712 and 763 of the Dodd-Frank Act.

a rulemaking.⁵ The Commission has recently taken a number of actions in furtherance of Title VII, including the issuance of a release to provide guidance in connection with the effectiveness of SEA provisions related to security-based swaps added by subtitle B of Title VII (which generally creates, and relates to, the regulatory regime for security-based swaps), and to provide temporary exemptions in connection with certain of those provisions.⁶ In addition, the Commission has recently acted to address a change to an existing definition in the Act resulting from the effectiveness of the Title VII amendments.⁷ Specifically, as of the July 16 Effective Date, the Act's definition of "security" will expressly encompass security-based swaps.⁸ In making this change, Congress intended for security-based swaps to be treated as securities under the Act and the underlying rules and regulations. Nonetheless, this expansion of the general scope of the Act raises certain complex issues of interpretation, including issues as to the application of those provisions to registered broker-dealers. Absent additional time to analyze those issues, and to consider whether to provide interpretive or operational guidance, these changes may lead to unnecessary market uncertainty.

⁵ The Dodd-Frank Act provides that if a Title VII provision requires a rulemaking, the provision will go into effect "not less than" 60 days after the publication of the related final rule or on July 16, 2011, whichever is later. See Sections 754 and 774 of the Dodd-Frank Act.

⁶ See, e.g., Securities Exchange Act Release No. 64678 (June 15, 2011), 76 FR 36287 (June 22, 2011) (Compliance Dates Release).

⁷ See Securities Exchange Act Release No. 64795 (July 1, 2011) (Order Granting Temporary Exemptions) (the "Exemptive Release").

⁸ See SEA Section 3(a)(10) (15 U.S.C. 78c(a)(10)), as revised by Section 761 of the Dodd-Frank Act.

FINRA notes that the Act's definition of "security" has similar implications for numerous provisions under FINRA rules.⁹ FINRA notes that, pending the final implementation of new rules and guidance that would provide greater regulatory clarity in relation to security-based swap activities, it is in the public interest to propose a rule that would provide relief from certain FINRA requirements so as to help avoid undue market disruptions resulting from the change to the definition of "security" under the Act. In its Exemptive Release, the Commission determined that it is appropriate to provide market participants with additional time to consider the potential impact on their businesses and the interpretive questions raised, and to provide the Commission with any related requests for guidance or relief, along with the underlying analysis.

In its Exemptive Release, the Commission noted that the relief it is granting is targeted and does not include, for instance, relief from the Act's antifraud and anti-manipulation provisions. FINRA notes that proposed new FINRA Rule 0180 is similarly targeted. Specifically, proposed FINRA Rule 0180(a) provides that FINRA rules shall not apply to members' activities and positions with respect to security-based swaps, except for: FINRA Rule 2010; FINRA Rule 2020; FINRA Rule 3310; and FINRA Rule 4240. Paragraph (b) of the proposed rule provides that the following rules apply to members' activities and positions with respect to security-based swaps only to the extent they would have applied as of July 15, 2011:

⁹ The current FINRA rulebook consists of: (1) FINRA Rules; (2) NASD Rules; and (3) rules incorporated from NYSE ("Incorporated NYSE Rules") (together, the NASD Rules and Incorporated NYSE Rules are referred to as the "Transitional Rulebook"). While the NASD Rules generally apply to all FINRA members, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE ("Dual Members"). The FINRA Rules apply to all FINRA members, unless such rules have a more limited application by their terms. For more information about the rulebook consolidation process, see Information Notice, March 12, 2008 (Rulebook Consolidation Process).

NASD Rule 3110 and all successor FINRA Rules to such NASD Rule;¹⁰ the FINRA Rule 4500 Series; and the FINRA Rule 4100 Series. Paragraph (c) provides that the following rules apply as necessary to effectuate members' compliance with paragraphs (a) and (b) of the rule: the FINRA Rule 0100 Series; the NASD Rule 1000 Series and all successor FINRA Rules to such NASD Rule Series; the FINRA Rule 1000 and 1100 Series; NASD Rules 3010 and 3012 and IM-3010-1 and all successor FINRA Rules to such NASD Rules and Interpretive Material; FINRA Rule 3130; the FINRA Rule 8000 Series; and the FINRA Rule 9000 Series. Paragraph (d) of the proposed rule provides that the rule will expire on January 17, 2012. Lastly, proposed FINRA Rule 0180.01 provides that, for purposes of the rule, "security-based swap" shall be as defined pursuant to SEA Section 3(a)(68)¹¹ and the rules and guidance of the SEC or its staff.

FINRA notes that, though the proposed rule change suspends on a temporary basis certain member conduct rules that may otherwise apply to members' activities and positions with respect to security-based swaps, conduct of a serious nature that would call into question the principles underlying such rules may be addressed by FINRA under FINRA Rules 2010 and 2020.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, such that FINRA can implement the proposed rule change immediately. The implementation date of the proposed rule change will be the date of filing. The proposed rule change will expire by its terms on January 17, 2012. FINRA will amend the expiration date of the proposed rule in subsequent filings as

¹⁰ The SEC recently approved the adoption of certain consolidated FINRA rules governing books and records, which will become effective on December 5, 2011. See Regulatory Notice 11-19 (April 2011).

¹¹ 15 U.S.C. 78c(a)(68).

necessary such that the expiration date will be coterminous with the termination of relevant provisions of the SEC's Exemptive Release, as defined herein.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹² which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change would further the purposes of the Act because, consistent with the goals set forth by the Commission when it issued the Exemptive Release, the proposed rule change will help to avoid undue market disruption resulting from the change to the definition of "security" under the Act.

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.

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.¹³

¹² 15 U.S.C. 78o-3(b)(6).

¹³ 15 U.S.C. 78s(b)(2).

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act¹⁴ and paragraph (f)(6) of Rule 19b-4 thereunder,¹⁵ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

FINRA requests that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii),¹⁶ to help avoid undue market interruption resulting from the change to the definition of “security” under the Act.

FINRA requests that the Commission waive the five-day pre-filing notice requirement specified in Rule 19b-4(f)(6)(iii) under the Act.¹⁷ FINRA proposes to make the proposed rule change operative on the date of filing.

¹⁴ 15 U.S.C. 78s(b)(3).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6)(iii).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

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

Not applicable.

9. **Exhibits**

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

Exhibit 5. Text of proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2011-033)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt FINRA Rule 0180 (Application of Rules to Security-Based Swaps)

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”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

FINRA is proposing to adopt FINRA Rule 0180 (Application of Rules to Security-Based Swaps). The proposed rule change would, with certain exceptions, temporarily limit the application of FINRA rules with respect to security-based swaps.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

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

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

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

1. Purpose

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"),⁴ Title VII of which established a comprehensive new regulatory framework for swaps and security-based swaps. The new legislation was intended among other things to enhance the authority of regulators to implement new rules designed to reduce risk, increase transparency, and promote market integrity with respect to such products. Generally, the Dodd-Frank Act provides that the Commodity Futures Trading Commission ("CFTC") will regulate "swaps" and the SEC will regulate "security-based

⁴ Pub. L. No. 111-203, 124 Stat. 1376 (2010).

swaps.”⁵ The Dodd-Frank Act contemplates certain self-regulatory organization responsibilities in this area as well.⁶

Title VII of the Dodd-Frank Act generally becomes effective on July 16, 2011 (360 days after the enactment of the Dodd-Frank Act, *i.e.* the “Effective Date”), unless a provision requires a rulemaking.⁷ The Commission has recently taken a number of actions in furtherance of Title VII, including the issuance of a release to provide guidance in connection with the effectiveness of SEA provisions related to security-based swaps added by subtitle B of Title VII (which generally creates, and relates to, the regulatory regime for security-based swaps), and to provide temporary exemptions in connection with certain of those provisions.⁸ In addition, the Commission has recently acted to address a change to an existing definition in the Act resulting from the effectiveness of the Title VII amendments.⁹ Specifically, as of the July 16 Effective

⁵ The terms “swap” and “security-based swap” are defined in Sections 721 and 761 of the Dodd-Frank Act. The Commission and the CFTC jointly have proposed to further define these terms. See Securities Exchange Act Release No. 64372 (Apr. 29, 2011), 76 FR 29818 (May 23, 2011) (Further Definition of “Swap,” “Security-Based Swap,” and “Security-Based Swap Agreement”; Mixed Swaps; Security-Based Swap Agreement Recordkeeping); Securities Exchange Act Release No. 63452 (Dec. 7, 2010), 75 FR 80174 (Dec. 21, 2010) (Further Definition of “Swap Dealer,” “Security-Based Swap Dealer,” “Major Swap Participant,” “Major Security-Based Swap Participant” and “Eligible Contract Participant”).

⁶ See, e.g., Sections 712 and 763 of the Dodd-Frank Act.

⁷ The Dodd-Frank Act provides that if a Title VII provision requires a rulemaking, the provision will go into effect “not less than” 60 days after the publication of the related final rule or on July 16, 2011, whichever is later. See Sections 754 and 774 of the Dodd-Frank Act.

⁸ See, e.g., Securities Exchange Act Release No. 64678 (June 15, 2011), 76 FR 36287 (June 22, 2011) (Compliance Dates Release).

⁹ See Securities Exchange Act Release No. 64795 (July 1, 2011) (Order Granting Temporary Exemptions) (the “Exemptive Release”).

Date, the Act's definition of "security" will expressly encompass security-based swaps.¹⁰ In making this change, Congress intended for security-based swaps to be treated as securities under the Act and the underlying rules and regulations. Nonetheless, this expansion of the general scope of the Act raises certain complex issues of interpretation, including issues as to the application of those provisions to registered broker-dealers. Absent additional time to analyze those issues, and to consider whether to provide interpretive or operational guidance, these changes may lead to unnecessary market uncertainty.

FINRA notes that the Act's definition of "security" has similar implications for numerous provisions under FINRA rules.¹¹ FINRA notes that, pending the final implementation of new rules and guidance that would provide greater regulatory clarity in relation to security-based swap activities, it is in the public interest to propose a rule that would provide relief from certain FINRA requirements so as to help avoid undue market disruptions resulting from the change to the definition of "security" under the Act. In its Exemptive Release, the Commission determined that it is appropriate to provide market participants with additional time to consider the potential impact on their businesses and the interpretive questions raised, and to provide the Commission with any related requests for guidance or relief, along with the underlying analysis.

¹⁰ See SEA Section 3(a)(10) (15 U.S.C. 78c(a)(10)), as revised by Section 761 of the Dodd-Frank Act.

¹¹ The current FINRA rulebook consists of: (1) FINRA Rules; (2) NASD Rules; and (3) rules incorporated from NYSE ("Incorporated NYSE Rules") (together, the NASD Rules and Incorporated NYSE Rules are referred to as the "Transitional Rulebook"). While the NASD Rules generally apply to all FINRA members, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE ("Dual Members"). The FINRA Rules apply to all FINRA members, unless such rules have a more limited application by their terms. For more information about the rulebook consolidation process, see Information Notice, March 12, 2008 (Rulebook Consolidation Process).

In its Exemptive Release, the Commission noted that the relief it is granting is targeted and does not include, for instance, relief from the Act's antifraud and anti-manipulation provisions. FINRA notes that proposed new FINRA Rule 0180 is similarly targeted. Specifically, proposed FINRA Rule 0180(a) provides that FINRA rules shall not apply to members' activities and positions with respect to security-based swaps, except for: FINRA Rule 2010; FINRA Rule 2020; FINRA Rule 3310; and FINRA Rule 4240. Paragraph (b) of the proposed rule provides that the following rules apply to members' activities and positions with respect to security-based swaps only to the extent they would have applied as of July 15, 2011: NASD Rule 3110 and all successor FINRA Rules to such NASD Rule;¹² the FINRA Rule 4500 Series; and the FINRA Rule 4100 Series. Paragraph (c) provides that the following rules apply as necessary to effectuate members' compliance with paragraphs (a) and (b) of the rule: the FINRA Rule 0100 Series; the NASD Rule 1000 Series and all successor FINRA Rules to such NASD Rule Series; the FINRA Rule 1000 and 1100 Series; NASD Rules 3010 and 3012 and IM-3010-1 and all successor FINRA Rules to such NASD Rules and Interpretive Material; FINRA Rule 3130; the FINRA Rule 8000 Series; and the FINRA Rule 9000 Series. Paragraph (d) of the proposed rule provides that the rule will expire on January 17, 2012. Lastly, proposed FINRA Rule 0180.01 provides that, for purposes of the rule, "security-based swap" shall be as defined pursuant to SEA Section 3(a)(68)¹³ and the rules and guidance of the SEC or its staff.

FINRA notes that, though the proposed rule change suspends on a temporary basis certain member conduct rules that may otherwise apply to members' activities and positions with

¹² The SEC recently approved the adoption of certain consolidated FINRA rules governing books and records, which will become effective on December 5, 2011. See Regulatory Notice 11-19 (April 2011).

¹³ 15 U.S.C. 78c(a)(68).

respect to security-based swaps, conduct of a serious nature that would call into question the principles underlying such rules may be addressed by FINRA under FINRA Rules 2010 and 2020.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, such that FINRA can implement the proposed rule change immediately. The implementation date of the proposed rule change will be the date of filing. The proposed rule change will expire by its terms on January 17, 2012. FINRA will amend the expiration date of the proposed rule in subsequent filings as necessary such that the expiration date will be coterminous with the termination of relevant provisions of the SEC's Exemptive Release, as defined herein.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁴ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change would further the purposes of the Act because, consistent with the goals set forth by the Commission when it issued the Exemptive Release, the proposed rule change will help to avoid undue market disruption resulting from the change to the definition of "security" under the Act.

¹⁴ 15 U.S.C. 78o-3(b)(6).

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁵ and Rule 19b-4(f)(6) thereunder.¹⁶

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

IV. Solicitation of Comments

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

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(6).

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-2011-033 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2011-033. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-

FINRA-2011-033 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Elizabeth M. Murphy

Secretary

¹⁷ 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.

* * * * *

0100. GENERAL STANDARDS

* * * * *

0180. Application of Rules to Security-Based Swaps

(a) The Rules shall not apply to members' activities and positions with respect to security-based swaps, except for the following:

- (1) FINRA Rule 2010;
- (2) FINRA Rule 2020;
- (3) FINRA Rule 3310; and
- (4) FINRA Rule 4240.

(b) The following Rules shall apply to members' activities and positions with respect to security-based swaps only to the extent they would have applied as of July 15, 2011:

- (1) NASD Rule 3110 and all successor FINRA Rules to such NASD Rule;
- (2) the FINRA Rule 4500 Series; and
- (3) the FINRA Rule 4100 Series.

(c) The following Rules shall apply as necessary to effectuate members' compliance with paragraphs (a) and (b) of this Rule:

- (1) the FINRA Rule 0100 Series;

(2) the NASD Rule 1000 Series and all successor FINRA Rules to such NASD Rule Series;

(3) the FINRA Rule 1000 and 1100 Series;

(4) NASD Rules 3010 and 3012 and IM-3010-1 and all successor FINRA Rules to such NASD Rules and Interpretive Material;

(5) FINRA Rule 3130;

(6) the FINRA Rule 8000 Series; and

(7) the FINRA Rule 9000 Series.

(d) This Rule shall expire on January 17, 2012.

• • • Supplementary Material: -----

.01 Definition of Security-Based Swaps. For purposes of this Rule, “security-based swap” shall be as defined pursuant to Exchange Act Section 3(a)(68) and the rules and guidance of the SEC or its staff.

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