

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 - * 068

Amendment No. (req. for Amendments *)

Proposed Rule Change by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934Initial * ☒ 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)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☒ 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, required when Initial is checked *).

Proposed Rule Change to amend FINRA Rule 6121.01 (Trading Pauses) to Exclude Rights and Warrants from the Trading Pause Pilot

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 * Racquel Last Name * Russell
Title * Assistant General Counsel
E-mail * racquel.russell@finra.org
Telephone * (202) 728-8363 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 11/21/2011

By Stephanie Dumont
(Name *)Senior Vice President and Director Capital Markets
Policy

(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.

Stephanie Dumont,

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”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend FINRA Rule 6121.01 (Trading Pauses) to exclude all rights and warrants from the trading pause pilot.

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

* * * * *

6000. QUOTATION AND TRANSACTION REPORTING FACILITIES

6100. QUOTING AND TRADING IN NMS STOCKS

* * * * *

6121. Trading Halts Due to Extraordinary Market Volatility

Pursuant to the procedures set forth in Rule 6120(b), FINRA shall halt all trading otherwise than on an exchange in any NMS stock, as defined in Rule 600(b)(47) of SEC Regulation NMS, if other major securities markets initiate market-wide trading halts in response to their rules or extraordinary market conditions or if otherwise directed by the Securities and Exchange Commission.

• • • Supplementary Material: -----

.01 Trading Pauses

(a) No Change.

¹ 15 U.S.C. 78s(b)(1).

(b) The provisions of Supplementary Material .01 of this Rule shall be in effect during a pilot set to end on January 31, 2012. During the pilot, the provisions in paragraph (a) above shall be in effect with respect to all NMS stocks, other than rights and warrants, covered by the trading pause pilot rules of a primary listing market.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on December 3, 2007, the FINRA Board of Governors authorized the filing of the proposed rule change with the Commission relating to coordination of circuit breakers with exchanges. 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 Commission waive the requirement that the proposed rule change not become operative for 30 days after the date of filing to avoid further triggers of trading pauses in rights and warrants, thereby avoiding potential confusion caused by such pauses.

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

(a) Purpose

FINRA proposes to amend FINRA Rule 6121.01 (Trading Pauses) to exclude all rights and warrants from the trading pause pilot. The Commission approved FINRA Rule 6121.01 on a pilot basis on June 10, 2010 to provide for trading pauses in individual

securities due to extraordinary market volatility (“Trading Pause Pilot”).² The pilot was developed and implemented as a market-wide initiative by FINRA and other self-regulatory organizations (“SROs”) in consultation with Commission staff. Initially, the pilot covered only the securities included in the S&P 500[®] Index (“S&P 500”) (“Phase I securities”). FINRA and the other SROs subsequently expanded the Trading Pause Pilot to add the securities included in the Russell 1000[®] Index and a specified list of exchange traded products (“Phase II securities”).³ FINRA and the other SROs have stated in previous filings that they would continue to review whether and when to add securities to the pilot and whether the parameters of the pilot should be adjusted for different securities.⁴

On June 23, 2011, the Commission approved proposed amendments by FINRA and the other SROs to expand the Trading Pause Pilot to include all remaining NMS stocks (“Phase III securities”), which included rights and warrants.⁵ With respect to the Phase III securities, the SRO rules⁶ apply wider percentage price moves for triggering a

² See Securities Exchange Act Release No. 62251 (June 10, 2010), 75 FR 34183 (June 16, 2010) (Order Approving File No. SR-FINRA-2010-025).

³ See Securities Exchange Act Release No. 62883 (September 10, 2010), 75 FR 56608 (September 16, 2010) (Order Approving File No. SR-FINRA-2010-033).

⁴ See e.g., Securities Exchange Act Release No. 62416 (June 30, 2010), 75 FR 39069 (July 7, 2010) (Notice of Filing of File No. SR-FINRA-2010-033).

⁵ See Securities Exchange Act Release No. 64735 (June 23, 2011), 76 FR 38243 (June 29, 2011) (Order Approving File No. SR-FINRA-2011-023). This amendment became effective on August 8, 2011.

⁶ FINRA’s trading pause rule does not include specific trigger percentages, but rather provides that FINRA will halt trading otherwise than on an exchange in a security if a primary listing market has issued an individual stock trading pause under its rules.

trading pause than apply to the Phase I or Phase II securities.⁷

The trading pauses triggered since the adoption of the Trading Pause Pilot have been analyzed and over 25% of trading pauses have occurred in rights and warrants. Further, the SROs have experienced a significant increase in trading pauses involving rights and warrants since the inclusion of the Phase III securities, with such pauses representing as much as 52% of all trading pauses occurring through the end of August 2011 on one exchange. Rights and warrants trade on equity exchanges, but are closely related to call options.⁸ Like options, the price of rights and warrants are affected by the price of the underlying stock as well as other factors, particularly the volatility of the stock. Consequently, the price of rights and warrants may move more dramatically than the price of the underlying stock, even when the rights and warrants (and the underlying stock) are trading in an orderly manner. This difference in trading behavior may result in a scenario whereby the rights and warrants trigger, and are subject to, a trading pause, even while the underlying stock continues to trade. This can be particularly true of lower-priced rights and warrants. Accordingly, FINRA, in consultation with the other SROs, is proposing to exclude rights and warrants from the trading pause pilot of Rule 6121.01.

⁷ For example, under amended NASDAQ Rule 4120(a)(11), a pause is triggered by a 30% or more price move in a Phase III Security priced at \$1.00 or higher, and by a 50% or more price move to such a security priced less than \$1.00. The price of a security is based on the closing price on the previous trading day or, if no closing price exists, the last sale reported to the consolidated tape on the previous trading day.

⁸ Rights and warrants entitle owners to purchase shares of stock at predetermined prices subject to timing and various other conditions.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the requirement that the proposed rule change not become operative for 30 days after the date of filing to avoid further triggers of trading pauses in rights and warrants, thereby avoiding the potential confusion caused by such pauses.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁹ 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 meets these requirements because it is consistent with the trading pause rules of the primary listing markets and refines the trading pause pilot to exclude certain securities that are prone to triggering pauses because of their unique characteristics. Given the fact that the price of rights and warrants may move more dramatically than the prices of the underlying stocks to which they are related, even when both are trading in an orderly manner, FINRA questions the benefit of applying the trading pause pilot to such securities. FINRA also believes that the proposed rule change promotes uniformity across markets concerning decisions to pause trading in a security when there are significant price movements.

⁹ 15 U.S.C. 78o-3(b)(6).

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

Not applicable.

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 Act¹⁰ and paragraph (f)(6) of Rule 19b-4 thereunder,¹¹ 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 has provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.¹²

¹⁰ 15 U.S.C. 78s(b)(3).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

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)¹³ to avoid further triggers of trading pauses in rights and warrants, thereby avoiding the potential confusion caused by such pauses. Because similar rule filings are being proposed by the other SROs, FINRA believes that removing rights and warrants from the trading pause pilot will uniformly eliminate pauses in such securities, which are prone to triggering the rule because of their unique nature. As such, FINRA believes that implementation of the proposal should not be delayed.

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.

¹³ 17 CFR 240.19b-4(f)(6)(iii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2011-068)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to amend FINRA Rule 6121.01 (Trading Pauses) to Exclude Rights and Warrants from the Trading Pause Pilot

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“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 amend Supplementary Material .01 (Trading Pauses) to FINRA Rule 6121 (Trading Halts Due to Extraordinary Market Volatility) to exclude all rights and warrants from the trading pause pilot.

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

FINRA proposes to amend FINRA Rule 6121.01 (Trading Pauses) to exclude all rights and warrants from the trading pause pilot. The Commission approved FINRA Rule 6121.01 on a pilot basis on June 10, 2010 to provide for trading pauses in individual securities due to extraordinary market volatility ("Trading Pause Pilot").⁴ The pilot was developed and implemented as a market-wide initiative by FINRA and other self-regulatory organizations ("SROs") in consultation with Commission staff. Initially, the pilot covered only the securities included in the S&P 500[®] Index ("S&P 500") ("Phase I securities"). FINRA and the other SROs subsequently expanded the Trading Pause Pilot to add the securities included in the Russell 1000[®] Index and a specified list of exchange

⁴ See Securities Exchange Act Release No. 62251 (June 10, 2010), 75 FR 34183 (June 16, 2010) (Order Approving File No. SR-FINRA-2010-025).

traded products (“Phase II securities”).⁵ FINRA and the other SROs have stated in previous filings that they would continue to review whether and when to add securities to the pilot and whether the parameters of the pilot should be adjusted for different securities.⁶

On June 23, 2011, the Commission approved proposed amendments by FINRA and the other SROs to expand the Trading Pause Pilot to include all remaining NMS stocks (“Phase III securities”), which included rights and warrants.⁷ With respect to the Phase III securities, the SRO rules⁸ apply wider percentage price moves for triggering a trading pause than apply to the Phase I or Phase II securities.⁹

The trading pauses triggered since the adoption of the Trading Pause Pilot have been analyzed and over 25% of trading pauses have occurred in rights and warrants. Further, the SROs have experienced a significant increase in trading pauses involving

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⁶ See e.g., Securities Exchange Act Release No. 62416 (June 30, 2010), 75 FR 39069 (July 7, 2010) (Notice of Filing of File No. SR-FINRA-2010-033).

⁷ See Securities Exchange Act Release No. 64735 (June 23, 2011), 76 FR 38243 (June 29, 2011) (Order Approving File No. SR-FINRA-2011-023). This amendment became effective on August 8, 2011.

⁸ FINRA’s trading pause rule does not include specific trigger percentages, but rather provides that FINRA will halt trading otherwise than on an exchange in a security if a primary listing market has issued an individual stock trading pause under its rules.

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rights and warrants since the inclusion of the Phase III securities, with such pauses representing as much as 52% of all trading pauses occurring through the end of August 2011 on one exchange. Rights and warrants trade on equity exchanges, but are closely related to call options.¹⁰ Like options, the price of rights and warrants are affected by the price of the underlying stock as well as other factors, particularly the volatility of the stock. Consequently, the price of rights and warrants may move more dramatically than the price of the underlying stock, even when the rights and warrants (and the underlying stock) are trading in an orderly manner. This difference in trading behavior may result in a scenario whereby the rights and warrants trigger, and are subject to, a trading pause, even while the underlying stock continues to trade. This can be particularly true of lower-priced rights and warrants. Accordingly, FINRA, in consultation with the other SROs, is proposing to exclude rights and warrants from the trading pause pilot of Rule 6121.01.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the requirement that the proposed rule change not become operative for 30 days after the date of filing to avoid further triggers of trading pauses in rights and warrants, thereby avoiding the potential confusion caused by such pauses.

¹⁰ Rights and warrants entitle owners to purchase shares of stock at predetermined prices subject to timing and various other conditions.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹¹ 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 meets these requirements because it is consistent with the trading pause rules of the primary listing markets and refines the trading pause pilot to exclude certain securities that are prone to triggering pauses because of their unique characteristics. Given the fact that the price of rights and warrants may move more dramatically than the prices of the underlying stocks to which they are related, even when both are trading in an orderly manner, FINRA questions the benefit of applying the trading pause pilot to such securities. FINRA also believes that the proposed rule change promotes uniformity across markets concerning decisions to pause trading in a security when there are significant price movements.

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.

¹¹ 15 U.S.C. 78o-3(b)(6).

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 Act¹² and Rule 19b-4(f)(6) thereunder.¹³

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:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2011-068 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-2011-068. 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-2011-068 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.¹⁴

Elizabeth M. Murphy

Secretary

¹⁴ 17 CFR 200.30-3(a)(12).