

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 - 2012 - * 016

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 * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Rule

Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 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 Relating to Exemption from Reporting Obligation under Trade Reporting and Compliance Engine ("TRACE") Trade Reporting Rules for Certain Alternative Trading Systems

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		
Telephone *	(202) 728-8985	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 02/28/2012

By Stephanie Dumont
(Name *)Senior Vice President and Director Of 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 EFFS website.

Form 19b-4 Information (required)

Add Remove View

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

Exhibit 1 - Notice of Proposed Rule Change (required)

Add Remove View

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

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

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

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt new Rule 6731 to provide FINRA with authority to exempt a member alternative trading system (“ATS”) that meets the specified criteria from the trade reporting obligation under the Rule 6700 Series. In addition, FINRA is proposing a conforming change to Rule 9610 to specify that FINRA has exemptive authority under proposed Rule 6731.

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

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE

* * * * *

6731. Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

(a) Pursuant to the Rule 9600 Series, the staff for good cause shown after taking into consideration all relevant factors, may exempt, upon application and subject to specified terms and conditions, a member alternative trading system (“ATS”) from the

¹ 15 U.S.C. 78s(b)(1).

trade reporting obligation under Rule 6730, if such exemption is consistent with the protection of investors and the public interest. The staff will grant an exemption only if all of the following criteria are satisfied:

(1) Trades are between ATS subscribers that are both FINRA members.

(2) The ATS demonstrates that:

(A) The member subscribers are fully disclosed to one another at all times on the ATS;

(B) The system does not permit automatic execution, and a member subscriber must take affirmative steps beyond the submission of an order to agree to a trade with another member subscriber;

(C) The trade does not pass through any ATS account, and the ATS does not in any way hold itself out to be a party to the trade; and

(D) The ATS does not exchange TRACE-Eligible Securities or funds on behalf of the member subscribers, take either side of the trade for clearing or settlement purposes, including, but not limited to, at DTC or otherwise, or in any other way insert itself into the trade.

(3) The ATS and the member subscribers acknowledge and agree in writing that the ATS shall not be deemed a party to the trade for purposes of trade reporting and that trades shall be reported by each member subscriber that satisfies the definition of "Party to a Transaction" under Rule 6710.

(4) The ATS agrees to provide to FINRA on a monthly basis, or such other basis as prescribed by FINRA, data relating to the volume of trades by security executed by the ATS's member subscribers using the ATS's system, and

the ATS acknowledges that failure to report such data to FINRA, in addition to constituting a violation of FINRA rules, will result in revocation of any exemption granted pursuant to this Rule.

(b) Where FINRA has granted an exemption under this Rule, trades shall be reported to FINRA in accordance with Rule 6730 by each member subscriber that satisfies the definition of “Party to a Transaction” under Rule 6710(e).

* * * * *

9000. CODE OF PROCEDURE

* * * * *

9600. PROCEDURES FOR EXEMPTIONS

9610. Application

(a) Where to File

A member seeking exemptive relief as permitted under NASD Rules 1021, 1050, 1070, 2210, 2320, 2340, 3010(b)(2), 3020, or 3150, or Rules 2114, 2310, 2359, 2360, 4210, 4311, 4320, 5110, 5121, 5122, 5130, 6183, 6625, 6731, 7470, 8211, 8213, 11870, or 11900, or Municipal Securities Rulemaking Board Rule G-37 shall file a written application with the appropriate department or staff of FINRA.

(b) through (c) No Change.

* * * * *

(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 on the date of filing.

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

(a) Purpose

A member that is a “Party to a Transaction” as defined in FINRA Rule 6710(e) in a transaction in a TRACE-Eligible Security must report the trade to TRACE under Rule 6730(a).² “Party to a Transaction” is defined as “an introducing broker-dealer, if any, an executing broker-dealer, or a customer.”³ An ATS, which term includes electronic communications networks, is a Party to a Transaction and has a trade reporting obligation when a transaction in a TRACE-Eligible Security is executed through the ATS.⁴

² See Rule 6730(a). In transactions between members, each member must report the trade, and for transactions between a member and a customer, the member must report the trade.

³ Under Rule 6710(e), “customer” includes a broker-dealer that is not a FINRA member.

⁴ See www.finra.org/Industry/Compliance/MarketTransparency/TRACE/FAQ/P125244#reporting (FAQ: **Who reports trades executed through electronic trading systems that are themselves broker-dealers?** All FINRA members that are

FINRA is proposing to adopt new Rule 6731 to provide FINRA with authority to exempt, upon application and subject to specified terms and conditions, a member ATS from the obligation to report a transaction in a TRACE-Eligible Security under certain limited circumstances. FINRA will only grant an exemption where all of the conditions set forth in the proposed rule are satisfied.

First, trades must be between ATS subscribers that are both FINRA members. For any trades between non-members, or a FINRA member and a customer (which includes a broker-dealer that is not a FINRA member), the exemption will not apply, and the ATS will have a trade reporting obligation under Rule 6730.

The ATS also must demonstrate that it meets the following criteria. First, the member subscribers must be fully disclosed to one another at all times on the ATS. Second, although the system brings together the orders of buyers and sellers and uses established, non-discretionary methods under which such orders interact with each other, the system does not permit automatic execution. A member subscriber must take affirmative steps beyond the submission of an order to agree to a trade with another member subscriber. Third, the trade does not pass through any ATS account, and the ATS does not in any way hold itself out to be a party to the specific trade. Fourth, the ATS does not exchange TRACE-Eligible Securities or funds on behalf of the member subscribers, take either side of the trade for clearing or settlement purposes, including, but not limited to, at DTC or otherwise, or in any other way insert itself into the trade.

“parties to a transaction” have a trade reporting obligation under TRACE Rules. Where two FINRA members effect/execute a transaction through an electronic trading system that is registered as a broker-dealer, both members, as well as the electronic trading system would have a trade reporting obligation).

In addition, the ATS and the member subscribers must acknowledge and agree in writing that the ATS shall not be deemed a party to the specific trade for purposes of trade reporting and that trades shall be reported by each member subscriber that satisfies the definition of “Party to a Transaction” under Rule 6710. An ATS that is granted an exemption must obtain such written agreements from all of its member subscribers prior to relying on the exemption.⁵

Finally, the ATS must agree to provide to FINRA on a monthly basis, or such other basis as prescribed by FINRA, data relating to the volume of trades in TRACE-Eligible Securities executed by the ATS’s member subscribers using the ATS’s system (e.g., number of trades, number of bonds (or notes, etc.) traded and total settlement value for each TRACE-Eligible Security traded). Importantly, although an ATS exempted under the proposed rule will not have trade reporting obligations under FINRA rules, the trading occurring through the ATS is still considered volume of the ATS for purposes of, among other things, the recordkeeping requirements of Rule 302 of SEC Regulation ATS⁶ and determining whether the ATS triggers the Fair Access requirements under Rule 301(b)(5) of Regulation ATS or the Capacity, Integrity and Security of Automated Systems requirements of Rule 301(b)(6) of Regulation ATS, as applicable. The ATS also must acknowledge that failure to report such data to FINRA, in addition to constituting a

⁵ FINRA reminds members of their books and records obligations under FINRA rules, the Exchange Act and applicable Exchange Act rules. Thus, any ATS that is granted an exemption under the proposed rule change would be required to retain the written agreements and be able to produce them to FINRA upon request.

⁶ 17 CFR 242.300–303.

violation of FINRA rules, will result in revocation of any exemption granted pursuant to the proposed rule change.

Where an exemption is granted, the ATS will not be deemed a Party to a Transaction for purposes of FINRA trade reporting rules and will not be identified in trade reports submitted to FINRA. As expressly stated in the proposed rule, the trade must be reported to FINRA by the member subscribers that also are Parties to a Transaction under Rule 6710(e).⁷ For example, FINRA member BD1 displays a quote through ATS X and member BD2 routes an order to BD1 for the price and size of BD1's quote using a messaging system provided by ATS X. BD1 does not subsequently re-route the order and executes the trade. Assuming that ATS X meets all of the criteria set forth in the proposed rule and has been granted an exemption by FINRA, it will not be deemed a Party to the Transaction for trade reporting purposes and should not be identified as such in the trade report submitted to FINRA. In this example, BD1 and BD2 would each have a reporting obligation under Rule 6730.

FINRA believes that the proposed rule change will reduce potential confusion and possible misreporting by clearly identifying the member with the trade reporting obligation in this instance. FINRA believes that an ATS that satisfies all conditions of the proposed rule change has a more limited involvement in the trade execution than the member subscribers and therefore the proposed exemption is appropriate in this narrow

⁷ FINRA notes that where an ATS has been granted an exemption under the proposed rule, the member subscribers will be assessed the Trading Activity Fee under FINRA By-Laws, Schedule A, § 1. The ATS will not be assessed such fees.

instance. FINRA expects that a large majority of ATSS will not qualify for the exemption, and the proposed rule change will not result in a change to their reporting.

FINRA also is proposing a conforming change to Rule 9610 to add proposed Rule 6731 to the list of rules pursuant to which FINRA has exemptive authority.

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 on the date of filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁸ which requires, among other things, that FINRA rules 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 will reduce potential confusion and possible misreporting and enhance market transparency by clearly identifying the member with the trade reporting obligation under Rule 6730.

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.

⁸ 15 U.S.C. 78q-3(b)(6).

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 Act⁹ and paragraph (f)(6) of Rule 19b-4 thereunder,¹⁰ 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).¹¹ FINRA believes that such waiver is appropriate because the proposed rule change is based upon FINRA Rules 6183 and 6625, which were subject to notice and comment and approval by the SEC.¹² Waiver of the 30-day operative delay would permit FINRA to consider and exempt a member ATS that meets the specified criteria for an exemption under proposed Rule 6731 and Rules 6183 and 6625

⁹ 15 U.S.C. 78s(b)(3).

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² See Securities Exchange Act Release No. 65695 (November 4, 2011), 76 FR 70190 (November 10, 2011) (Approval Order; File No. SR-FINRA-2011-051).

concurrently. In accordance with Rule 19b-4(f)(6),¹³ FINRA submitted 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.¹⁴

FINRA proposes to make the proposed rule change operative on the date of filing.

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).

¹⁴ 17 CRF 240.19b-4(f)(6)(iii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2012-016)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating Exemption from Reporting Obligation under Trade Reporting and Compliance Engine (“TRACE”) Reporting Rules for Certain Alternative Trading Systems

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____, _____, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I 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 new Rule 6731 to provide FINRA with authority to exempt a member alternative trading system (“ATS”) that meets the specified criteria from the trade reporting obligation under the Rule 6700 Series. In addition, FINRA is

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

proposing a conforming change to Rule 9610 to specify that FINRA has exemptive authority under proposed Rule 6731.

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

A member that is a "Party to a Transaction" as defined in FINRA Rule 6710(e) in a transaction in a TRACE-Eligible Security must report the trade to TRACE under Rule 6730(a).⁴ "Party to a Transaction" is defined as "an introducing broker-dealer, if any, an executing broker-dealer, or a customer."⁵ An ATS, which term includes electronic

⁴ See Rule 6730(a). In transactions between members, each member must report the trade, and for transactions between a member and a customer, the member must report the trade.

⁵ Under Rule 6710(e), "customer" includes a broker-dealer that is not a FINRA member.

communications networks, is a Party to a Transaction and has a trade reporting obligation when a transaction in a TRACE-Eligible Security is executed through the ATS.⁶

FINRA is proposing to adopt new Rule 6731 to provide FINRA with authority to exempt, upon application and subject to specified terms and conditions, a member ATS from the obligation to report a transaction in a TRACE-Eligible Security under certain limited circumstances. FINRA will only grant an exemption where all of the conditions set forth in the proposed rule are satisfied.

First, trades must be between ATS subscribers that are both FINRA members. For any trades between non-members, or a FINRA member and a customer (which includes a broker-dealer that is not a FINRA member), the exemption will not apply, and the ATS will have a trade reporting obligation under Rule 6730.

The ATS also must demonstrate that it meets the following criteria. First, the member subscribers must be fully disclosed to one another at all times on the ATS. Second, although the system brings together the orders of buyers and sellers and uses established, non-discretionary methods under which such orders interact with each other, the system does not permit automatic execution. A member subscriber must take affirmative steps beyond the submission of an order to agree to a trade with another member subscriber. Third, the trade does not pass through any ATS account, and the ATS does not in any way hold itself out to be a party to the specific trade. Fourth, the

⁶ See www.finra.org/Industry/Compliance/MarketTransparency/TRACE/FAQ/P125244#reporting (FAQ: **Who reports trades executed through electronic trading systems that are themselves broker-dealers?** All FINRA members that are "parties to a transaction" have a trade reporting obligation under TRACE Rules. Where two FINRA members effect/execute a transaction through an electronic trading system that is registered as a broker-dealer, both members, as well as the electronic trading system would have a trade reporting obligation).

ATS does not exchange TRACE-Eligible Securities or funds on behalf of the member subscribers, take either side of the trade for clearing or settlement purposes, including, but not limited to, at DTC or otherwise, or in any other way insert itself into the trade.

In addition, the ATS and the member subscribers must acknowledge and agree in writing that the ATS shall not be deemed a party to the specific trade for purposes of trade reporting and that trades shall be reported by each member subscriber that satisfies the definition of “Party to a Transaction” under Rule 6710. An ATS that is granted an exemption must obtain such written agreements from all of its member subscribers prior to relying on the exemption.⁷

Finally, the ATS must agree to provide to FINRA on a monthly basis, or such other basis as prescribed by FINRA, data relating to the volume of trades in TRACE-Eligible Securities executed by the ATS’s member subscribers using the ATS’s system (e.g., number of trades, number of bonds (or notes, etc.) traded and total settlement value for each TRACE-Eligible Security traded). Importantly, although an ATS exempted under the proposed rule will not have trade reporting obligations under FINRA rules, the trading occurring through the ATS is still considered volume of the ATS for purposes of, among other things, the recordkeeping requirements of Rule 302 of SEC Regulation ATS⁸ and determining whether the ATS triggers the Fair Access requirements under Rule 301(b)(5) of Regulation ATS or the Capacity, Integrity and Security of Automated

⁷ FINRA reminds members of their books and records obligations under FINRA rules, the Exchange Act and applicable Exchange Act rules. Thus, any ATS that is granted an exemption under the proposed rule change would be required to retain the written agreements and be able to produce them to FINRA upon request.

⁸ 17 CFR 242.300–303.

Systems requirements of Rule 301(b)(6) of Regulation ATS, as applicable. The ATS also must acknowledge that failure to report such data to FINRA, in addition to constituting a violation of FINRA rules, will result in revocation of any exemption granted pursuant to the proposed rule change.

Where an exemption is granted, the ATS will not be deemed a Party to a Transaction for purposes of FINRA trade reporting rules and will not be identified in trade reports submitted to FINRA. As expressly stated in the proposed rule, the trade must be reported to FINRA by the member subscribers that also are Parties to a Transaction under Rule 6710(e).⁹ For example, FINRA member BD1 displays a quote through ATS X and member BD2 routes an order to BD1 for the price and size of BD1's quote using a messaging system provided by ATS X. BD1 does not subsequently re-route the order and executes the trade. Assuming that ATS X meets all of the criteria set forth in the proposed rule and has been granted an exemption by FINRA, it will not be deemed a Party to the Transaction for trade reporting purposes and should not be identified as such in the trade report submitted to FINRA. In this example, BD1 and BD2 would each have a reporting obligation under Rule 6730.

FINRA believes that the proposed rule change will reduce potential confusion and possible misreporting by clearly identifying the member with the trade reporting obligation in this instance. FINRA believes that an ATS that satisfies all conditions of the proposed rule change has a more limited involvement in the trade execution than the member subscribers and therefore the proposed exemption is appropriate in this narrow

⁹ FINRA notes that where an ATS has been granted an exemption under the proposed rule, the member subscribers will be assessed the Trading Activity Fee under FINRA By-Laws, Schedule A, § 1. The ATS will not be assessed such fees.

instance. FINRA expects that a large majority of ATSSs will not qualify for the exemption, and the proposed rule change will not result in a change to their reporting.

FINRA also is proposing a conforming change to Rule 9610 to add proposed Rule 6731 to the list of rules pursuant to which FINRA has exemptive authority.

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 on the date of filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁰ which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will reduce potential confusion and possible misreporting and enhance market transparency by clearly identifying the member with the trade reporting obligation under Rule 6730.

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.

¹⁰ 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 Act¹¹ and Rule 19b-4(f)(6) thereunder.¹²

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 FINRA believes that such waiver is appropriate because the proposed rule change is based upon FINRA Rules 6183 and 6625, which were subject to notice and comment and approval by the SEC.¹⁴ Waiver of the 30-day operative delay would permit FINRA to consider and exempt a member ATS that meets the specified criteria for an exemption under proposed Rule 6731 and Rules 6183 and 6625 concurrently. In accordance with Rule 19b-4(f)(6),¹⁵ FINRA submitted 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

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

¹³ 17 CFR 240.19b-4(f)(6)(iii).

¹⁴ See Securities Exchange Act Release No. 65695 (November 4, 2011), 76 FR 70190 (November 10, 2011) (Approval Order; File No. SR-FINRA-2011-051).

¹⁵ 17 CFR 240.19b-4(f)(6).

time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.¹⁶

FINRA proposes to make the proposed rule change operative on the date of filing.

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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2012-016 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.

¹⁶ 17 CRF 240.19b-4(f)(6)(iii).

All submissions should refer to File Number SR-FINRA-2012-016. 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-2012-016 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).