

any new, unique or substantive issues. The proposed rule change eliminates some requirements that Trading Permit Holders otherwise would have to satisfy to take advantage of the “no-knowledge” exception; however, the Exchange believes that the amended information barrier requirements bring the rule further in line with the customer protection rule requirements of other self-regulatory organizations. In addition, the Exchange believes the information barriers, as amended, will be sufficiently adequate to allow Trading Permit Holders to avail themselves of the “no-knowledge” exception. The Exchange also believes that the additional requirement to maintain records of orders that rely on the “no-knowledge” exception is consistent with requirements already imposed on market participants and thus will not impose any additional burdens on Trading Permit Holders.

The Commission believes that the waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because the proposed rule will harmonize the Exchange’s customer order protection rules with the rules of other self-regulatory organizations,¹⁷ and that the requirements that the Exchange’s rules impose on Trading Permit Holders will continue to ensure that customer orders are afforded sufficient protection. Therefore, the Commission designates the proposal operative upon filing.¹⁸

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act.

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 email to rule-comments@sec.gov. Please include File

Number SR-CBOE-2013-074 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-CBOE-2013-074. This file number should be included on the subject line if email 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 Web site (<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 Web site viewing and printing in the Commission’s Public Reference Room on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of CBOE. 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-CBOE-2013-074, and should be submitted on or before August 15, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Kevin M. O’Neill,

Deputy Secretary.

[FR Doc. 2013-17862 Filed 7-24-13; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70009; File No. SR-FINRA-2013-029]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to the Dissemination of Transactions in TRACE-Eligible Securities That Are Effected Pursuant to Securities Act Rule 144A

July 19, 2013.

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 July 17, 2013, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

FINRA is proposing to amend: (1) FINRA Rule 6750 and the Trade Reporting and Compliance Engine (“TRACE”) dissemination protocols regarding the dissemination of transactions in TRACE-Eligible Securities that are effected pursuant to Rule 144A ³ under the Securities Act of 1933 ⁴ (“Rule 144A transactions”); (2) FINRA Rule 7730 to establish real-time and historic data sets for Rule 144A transaction data; and (3) FINRA Rule 7730 to clarify the definition of Historic TRACE Data, to clarify other provisions therein and incorporate other technical amendments.⁵

The text of the proposed rule change is available on FINRA’s Web site 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 230.144A.

⁴ 15 U.S.C. 77a *et seq.* (hereinafter “Securities Act”).

⁵ The terms TRACE-Eligible Security and Historic TRACE Data are defined in FINRA Rule 6710(a) and FINRA Rule 7730(f)(4), respectively.

¹⁷ See supra note 11.

¹⁸ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁹ 17 CFR 200.30-3(a)(12).

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 amendments to the FINRA rules and TRACE dissemination protocols to provide greater transparency in Rule 144A transactions.⁶ FINRA proposes to amend FINRA Rule 6750 to provide for the dissemination of Rule 144A transactions, provided the asset type (e.g., corporate bonds) currently is subject to dissemination under FINRA Rule 6750. FINRA also proposes to amend the dissemination protocols to extend the dissemination caps currently applicable to the non-Rule 144A transactions in such asset type (e.g., non-Rule 144A corporate bond transactions) to Rule 144A transactions in such securities. In addition, FINRA proposes to amend FINRA Rule 7730 to establish a data set for real-time Rule 144A transaction data and a second data set for historic Rule 144A transaction data, to amend the definition of Historic TRACE Data to reference the three data sets currently included therein and the proposed fourth data set, and to make other clarifying and technical amendments.

Rule 144A Transactions

Securities Act Rule 144A⁷ provides a safe harbor from the registration requirements of the Securities Act for the resale of unregistered securities to qualified institutional buyers ("QIBs").⁸ Rule 144A transactions, as defined herein, have been reported to FINRA

⁶ The discussion in the proposed rule change to modify the FINRA Rule 6700 Series and Rule 7730 and in *Regulatory Notice* 12-39 (September 2012) (FINRA's request for comments regarding the dissemination of Rule 144A transactions) is limited to "Rule 144A transactions" as defined herein (i.e., in securities that are TRACE-Eligible Securities that are effected pursuant to Securities Act Rule 144A (17 CFR 230.144A)). (See also, *infra*, note 20 and Item C below regarding *Regulatory Notice* 12-39 (September 2012).) Equity securities transactions effected pursuant to Securities Act Rule 144A (17 CFR 230.144A) are not reported to TRACE and are not the subject of this proposed rule change.

⁷ 17 CFR 230.144A.

⁸ Qualified institutional buyer is defined in Securities Act Rule 144A(a)(1). See 17 CFR 230.144A(a)(1).

since TRACE inception on July 1, 2002.⁹ However, such Rule 144A transactions have not been subject to dissemination under FINRA Rule 6750(b)(1), in part to avoid concerns about public solicitation of 144A transactions. Such Rule 144A transactions were effected subject to a regulatory framework that included a long-standing prohibition against general solicitation in the offer and sale of securities sold in accordance with Securities Act Rule 144A.¹⁰ However, because the TRACE rules currently do not provide for dissemination of transactions, price information is limited in Rule 144A transactions in TRACE-Eligible Securities. In the absence of such data, it is difficult for market participants to assess the quality of Rule 144A transaction executions or compare them to executions of similar publicly traded securities of the same issuer or similarly rated issuers.

Section 201 of the Jumpstart Our Business Startups Act (the "JOBS Act")¹¹ directed the SEC to eliminate the prohibition against general solicitation and general advertising in offerings of securities pursuant to Securities Act Rule 144A¹² and in certain other private placements. To implement Section 201(a)(2) of the JOBS Act, the SEC amended Securities Act Rule 144A(d)(1)¹³ to provide that securities may be offered pursuant to Securities Act Rule 144A¹⁴ to persons

⁹ In 2012, 628 unique dealers reported 2,100 average daily Rule 144A corporate bond transactions, representing approximately \$5 billion average daily par value traded. In comparison, 1,500 dealers reported 42,000 average daily corporate bond transactions (excluding Rule 144A corporate bond transactions), representing approximately \$19 billion average daily par value traded.

The statistical information herein refers to Rule 144A transactions in TRACE-Eligible Securities that are referred to as "corporate bonds"; this term generally refers to corporate bonds and also other types of securities (e.g., equity-linked notes, bonds issued by religious organizations or for religious purposes (e.g., "church bonds")), but excludes Agency Debt Securities as defined in FINRA Rule 6710(l) and Asset-Backed Securities ("ABS") as defined in FINRA Rule 6710(m). The statistical information is limited to corporate bond transactions because, at this time, corporate bonds are the only category of TRACE-Eligible Securities that would be affected by the proposed rule change. See note 24, *infra*.

¹⁰ 17 CFR 230.144A.

¹¹ The JOBS Act was enacted on April 5, 2012; Public Law 112-106, 126 Stat. 306.

¹² 17 CFR 230.144A. Although the proposed rule change is limited to Rule 144A transactions in TRACE-Eligible Securities, which are debt securities, Securities Act Rule 144A (17 CFR 230.144A), and the SEC's amendments thereto, are not so limited.

¹³ 17 CFR 230.144A(d)(1).

¹⁴ 17 CFR 230.144A. See Securities Act Release No. 69959 (July 10, 2013) (Eliminating the Prohibition Against General Solicitation and General Advertising in Rule 506 and Rule 144A Offerings) (File No. S7-07-12).

other than QIBs,¹⁵ provided that the securities are sold only to persons that the seller and any person acting on behalf of the seller reasonably believe are QIBs.¹⁶ FINRA believes that the proposed rule change regarding post-trade transparency in Rule 144A transactions is in harmony with the changes to Securities Act Rule 144A¹⁷ recently approved by the SEC.¹⁸

In anticipation of the changes to Securities Act Rule 144A,¹⁹ FINRA published *Regulatory Notice* 12-39 in September 2012 requesting comment on, among other things, whether Rule 144A transactions should be disseminated, and, if disseminated, whether such transactions should be subject to dissemination caps, whereby the actual size of a transaction over a certain par value is not displayed in disseminated TRACE transaction data.²⁰ As discussed below, FINRA received 12 comments addressing the dissemination of Rule 144A transactions. Nine commenters supported such dissemination and three commenters were opposed.²¹

Based on a review of the comments and the benefits of increased transparency in the U.S. debt markets observed in the past decade, FINRA proposes to disseminate information on Rule 144A transactions, except for transactions occurring in securities which, by asset type, currently are not required to be disseminated. Specifically, FINRA proposes to amend FINRA Rule 6750(a) to provide that FINRA will disseminate information on all transactions in TRACE-Eligible Securities, including transactions effected pursuant to Securities Act Rule 144A,²² immediately upon receipt of the transaction report, except as provided in paragraph (b). The proposed amendment would eliminate the exception to dissemination for Rule

¹⁵ See *supra* note 8.

¹⁶ See *supra* note 8.

¹⁷ 17 CFR 230.144A.

¹⁸ See *supra* note 14.

¹⁹ 17 CFR 230.144A.

²⁰ In *Regulatory Notice* 12-39, FINRA also requested comment on whether access to Rule 144A transaction information, if disseminated, should be disseminated publicly without limitation or on a more limited basis, and, the impact, if any, that dissemination might have on pricing and investment decisions. FINRA also requested comment on existing dissemination caps for transactions in corporate bonds, Agency Debt Securities (as defined in FINRA Rule 6710(l)) and Asset-Backed Securities ("ABS") (as defined in FINRA Rule 6710(m)). FINRA is not proposing to change any of the current dissemination caps at this time.

²¹ See Item C below for the discussion of the comments concerning dissemination of Rule 144A transactions in response to *Regulatory Notice* 12-39.

²² 17 CFR 230.144A.

144A transactions in FINRA Rule 6750(b), but retain the other exceptions (*i.e.*, under FINRA Rule 6750(b)(2) and FINRA Rule 6750(b)(3), respectively, certain transfers of proprietary securities positions and List or Fixed Offering Price Transactions and Takedown Transactions are not disseminated; and under FINRA Rule 6750(b)(4), including amendments that will become effective on July 22, 2013, Asset-Backed Securities transactions, other than transactions in Agency Pass-Through Mortgage-Backed Securities and SBA-Backed ABS, are not disseminated.)²³ Accordingly, under the proposed rule change, corporate bond transactions effected as Rule 144A transactions and reported to TRACE would be disseminated.²⁴

FINRA believes that the proposed rule change to provide price transparency in Rule 144A transactions will, in the Securities Act Rule 144A²⁵ debt markets, enhance pre-trade price discovery, foster more competitive pricing, reduce costs to investors and assist market participants in determining the quality of their executions. In addition, transparency in this sector may improve the quality of the valuation of securities and derivative positions for publicly issued securities of the Securities Act Rule 144A²⁶ issuer and for similar securities.

Dissemination Caps

FINRA has established TRACE dissemination caps for TRACE data, such that the actual size of a transaction over a certain par value is not displayed

in disseminated TRACE transaction data. For corporate bonds that are rated Investment Grade, the dissemination cap is \$5 million (“\$5MM”) and the size of transactions in excess of \$5MM is displayed as “\$5MM+.” For corporate bonds that are rated Non-Investment Grade, the dissemination cap is \$1 million (“\$1MM”) and the size of a transaction in excess of \$1MM is displayed as “\$1MM+.”²⁷ FINRA proposes that Rule 144A transactions be disseminated subject to the same dissemination caps that are currently in effect for a non-Rule 144A transaction in the applicable security (*e.g.*, a non-Rule 144A transaction in an Investment Grade corporate bond).²⁸

Data

FINRA proposes to amend FINRA Rule 7730 to make available the real-time disseminated Rule 144A transaction data and the Historic TRACE Data for Rule 144A transactions. First, FINRA proposes to amend FINRA Rule 7730(c) to establish the Rule 144A transaction data set (“Rule 144A Data Set”) similar to the data sets for corporate bonds (“Corporate Bond Data Set”), Agency Debt Securities (“Agency Data Set”) and Asset-Backed Securities (“ABS Data Set”). The Rule 144A Data Set will consist of information disseminated immediately upon receipt of a transaction report for a Rule 144A transaction.

Second, FINRA proposes to amend FINRA Rule 7730(d) to establish a historic data set for Rule 144A transactions (“Historic Rule 144A Data

Set”) similar to the data sets for corporate bonds (“Historic Corporate Bond Data Set”), Agency Debt Securities (“Historic Agency Data Set”) and Asset-Backed Securities (“Historic ABS Data Set”) referenced in the rule. The Historic Rule 144A Data Set would include Rule 144A transactions in securities subject to dissemination, effected as of or after July 1, 2002, and, among other things, would include uncapped volume information. However, like all other Historic TRACE Data, Rule 144A transaction data included in the Historic Rule 144A Data Set would be released subject to a delay of approximately 18 months from the date of the transaction.

FINRA also proposes to amend the definition of “Historic TRACE Data” in FINRA Rule 7730(f)(4) to reference the three existing data sets and the proposed Historic Rule 144A Data Set and make other clarifying and technical amendments. Specifically, the definition would be revised to clarify that the Historic Corporate Bond Data Set includes all historic transactions in corporate bonds reported to TRACE, except Rule 144A transactions in corporate bonds; the Historic Agency Data Set includes all historic transactions in Agency Debt Securities reported to TRACE; the Historic ABS Data Set includes all historic transactions in ABS reported to TRACE, if transactions in the type of ABS are subject to real-time dissemination under FINRA Rule 6750, but excludes historic Rule 144A transactions in ABS; and the Historic Rule 144A Data Set includes all historic Rule 144A transactions reported to TRACE, except transactions involving a type of TRACE-Eligible Security (*e.g.*, certain ABS) that is not subject to real-time dissemination under FINRA Rule 6750.

Finally, FINRA proposes the following additional, minor revisions to FINRA Rule 7730. In FINRA Rule 7730(d)(1)(A)(ii) and FINRA Rule 7730(d)(1)(B)(ii), FINRA proposes to clarify that the 2012 Historic ABS Data Set includes the 2011 Historic ABS Data Set. ABS began to be reported to TRACE in May 2011 and, accordingly, transactions from that time would be included in the Historic ABS Data Set. Proposed technical amendments to FINRA Rule 7730(c)(1), FINRA Rule 7730(c)(2) and the table preceding such provisions would clarify that the fees therein apply only to the Corporate Bond Data Set, Agency Data Set and ABS Data Set. Similarly, proposed technical amendments to FINRA Rule 7730(d)(1), FINRA Rule 7730(d)(2) and the preceding table would clarify that the fees therein apply only to the

²³ The terms “List or Fixed Offering Price Transaction,” “Takedown Transaction,” “Agency Pass-Through Mortgage-Backed Security,” and “SBA-Backed ABS” are defined in FINRA Rule 6710(q), FINRA Rule 6710(r), FINRA Rule 6710(v), and FINRA Rule 6710(bb), respectively.

²⁴ The proposed rule change would affect disseminated information as follows: (1) Corporate bonds—all corporate bonds are subject to dissemination currently, and, as a result of the proposed rule change, all Rule 144A transactions in such securities would become subject to dissemination; (2) Agency Debt Securities and ABS currently disseminated or to be disseminated as of July 22, 2013 (*i.e.*, Agency Pass-Through Mortgage-Backed Securities traded To Be Announced (“TBA”) and in Specified Pool Transactions and SBA-Backed ABS traded TBA and in Specified Pool Transactions)—there would be no additional transactions disseminated as a result of the proposed rule change because Securities Act Rule 144A (17 CFR 230.144A) is not used to effect transactions in such securities; and (3) ABS not currently subject to dissemination—when, in the future, FINRA considers whether private-issuer ABS should be subject to dissemination, FINRA also would determine if Rule 144A transactions in such types of ABS would be disseminated.

The terms To Be Announced and Specified Pool Transaction are defined in FINRA Rule 6710(u) and FINRA Rule 6710(x), respectively.

²⁵ 17 CFR 230.144A.

²⁶ 17 CFR 230.144A.

²⁷ The dissemination cap for Investment Grade corporate bonds (excluding those sold in Rule 144A transactions) limits the display of actual size for approximately 2.1 percent of trades representing approximately 51.7 percent of total par value traded. The dissemination cap for Non-Investment Grade corporate bonds (excluding those sold in Rule 144A transactions) limits the display of actual size for approximately 15.6 percent of trades representing approximately 84.3 percent of total par value traded. The information is based on a review of all transactions (excluding Rule 144A transactions) in Investment Grade corporate bonds and Non-Investment Grade corporate bonds reported to TRACE from January 1, 2003 to December 31, 2012.

The terms Investment Grade and Non-Investment Grade are defined in, respectively, FINRA Rule 6710(h) and FINRA Rule 6710(i).

²⁸ At this level, approximately 15.5 percent of all Investment Grade Rule 144A transactions and approximately 61.4 percent of par value traded in such transactions would be disseminated subject to the \$5MM dissemination cap, and approximately 52.4 percent of all Non-Investment Grade Rule 144A transactions and approximately 89.9 percent of par value traded in such transactions would be disseminated subject to the \$1MM dissemination cap. The information is based on a review of all Rule 144A transactions in Investment Grade corporate bonds and Non-Investment Grade corporate bonds reported to TRACE from January 1, 2003 through December 31, 2012.

existing Historic Corporate Bond Data Set, Historic Agency Data Set and Historic ABS Data Set.²⁹

FINRA will announce the effective date of the proposed rule change in a *Regulatory Notice* to be published no later than 60 days following Commission approval. The effective date will be no later than 270 days following publication of the *Regulatory Notice* announcing Commission approval.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,³⁰ 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. The proposed rule change to increase fixed income market transparency and establish real-time and historic data sets for Rule 144A transactions is 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. Transparency in Rule 144A transactions will enhance the ability of investors and other market participants to identify and negotiate fair and competitive prices for corporate bonds. The dissemination of price and other Rule 144A transaction information publicly also will aid in the prevention of fraudulent and manipulative acts and practices in the corporate bond market.

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. The proposed rule change, which is of limited scope and addresses the proposed dissemination of Rule 144A transactions and establishment of real-time and historic data sets of Rule 144A transactions, does not impose any additional costs or obligations under the Rule 6700 Series, such as any new reporting obligations on members or other market participants as Rule 144A transactions are currently required to be reported to TRACE. In addition, as noted above, FINRA's proposal to amend FINRA Rule 6750, FINRA Rule

7730 and the dissemination protocols and disseminate Rule 144A transactions and establish real-time and historic Data Sets of Rule 144A transactions will provide transparency in a market sector for the first time, which may foster more competitive, negotiated, and fairer pricing of Rule 144A transactions and similar corporate bond transactions between market participants, and, in some cases, may result in lower prices for investors.

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

The proposed rule change was published for comment in *Regulatory Notice 12-39* (September 2012).³¹ FINRA received 316 comments in response to *Regulatory Notice 12-39*, of which 12 comments directly addressed the dissemination of Rule 144A transactions, specifically whether Rule 144A transactions should be disseminated, and if so, whether such transactions should be disseminated publicly or only to QIBs, and should be subject to dissemination caps.³² A copy of the *Regulatory Notice* is attached as Exhibit 2a. Copies of the comment letters received in response to the *Regulatory Notice* are attached as Exhibit 2c. Of the 12 comment letters received that addressed the dissemination of Rule 144A transactions, nine were in favor of the proposed rule change and three were opposed.³³

³¹ In *Regulatory Notice 12-39* FINRA also requested comment on existing dissemination caps for transactions in corporate bonds, Agency Debt Securities and ABS. FINRA is not proposing to change any of the current dissemination caps at this time.

³² Most of the 316 comment letters were filed in support of, or in opposition to, increasing or eliminating the dissemination caps currently in effect.

³³ See nine comment letters that favored dissemination of Rule 144A transactions: Letter from Bill O'Neill, Sr. Portfolio Manager, Income Research & Management, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 17, 2012 ("IRM"); Letter from Jim Toffey, CEO, Benchmark Solutions, Inc., to Marcia E. Asquith, Corporate Secretary, FINRA, dated October 4, 2012 ("Benchmark"); Letter from Beth N. Lawson, The Nelson Law Firm, LLC, to Marcia E. Asquith, Corporate Secretary, FINRA, dated October 9, 2012 ("Nelson Law"); Letter from E.A. Repetto, CEO, Dimensional Fund Advisors LP, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 6, 2012 ("Dimensional"); Letter from Lyn Perlmuth, Director, Fixed Income Forum, The Credit Roundtable, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 7, 2012 ("Credit Roundtable"); Letter from Scott Oswald, Sr. Associate, Research, Bristlecone Advisors, LLC, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 9, 2012 ("Bristlecone"); Letter from Dorothy Donohue, Deputy General Counsel, Securities Regulation, The Investment Company

The comments in favor of disseminating Rule 144A transactions noted that the Rule 144A market has significant volume, has matured and increased in liquidity over the several years that TRACE has been in effect, and investors would benefit from increased transparency.³⁴ They further noted that increased transparency is a valuable tool in pre-trade price discovery³⁵ and is associated with a decline in trading costs for investors.³⁶ Most of these comments supported the same dissemination caps for Rule 144A transactions as are in effect for the applicable public securities transactions.³⁷ One commenter, while supportive of dissemination of Rule 144A transactions, suggested that no dissemination caps be applied.³⁸

The comments opposing dissemination of Rule 144A transactions indicated that transparency is not necessary or appropriate since such transactions are private in nature³⁹ and, without the offering documents, investors could be confused.⁴⁰ One comment opposing dissemination of Rule 144A transactions further noted that such private transactions are done almost exclusively by institutions that are capable of assessing and negotiating the information needed to make investment decisions.⁴¹

FINRA believes that on balance the benefits of increased transparency as noted above outweigh the concerns expressed by commenters opposing the dissemination of Rule 144A transactions.

Institute, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 12, 2012 ("ICI"); Letter from David A. Hodges, Principal, Integra Wealth, LLC, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 15, 2012 ("Integra"); and Letter from Mark Hepsworth, President, Pricing and Reference Data, Interactive Data Corporation, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 19, 2012 ("Interactive Data"). See also three comment letters that did not support disseminating Rule 144A transactions: Letter from Chris Killian, Managing Director, Securities Industry and Financial Markets Association, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 16, 2012 ("SIFMA"); Letter from Michael Nicholas, CEO, Bond Dealers of America, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 19, 2012 ("BDA"); and Letter from Chris Melton, Executive Vice President, Coastal Securities, to Marcia E. Asquith, Corporate Secretary, FINRA, dated November 19, 2012 ("Coastal Securities").

³⁴ Credit Roundtable, ICI and Benchmark.

³⁵ Benchmark and Nelson Law.

³⁶ Dimensional.

³⁷ Benchmark, IRM, Bristlecone, Credit Roundtable, ICI, Dimensional, Integra and Interactive Data.

³⁸ Nelson Law.

³⁹ Coastal Securities.

⁴⁰ SIFMA.

⁴¹ BDA.

²⁹ FINRA will file a separate rule filing to address the market data fees for the Rule 144A Data Set and the Historic Rule 144A Data Set.

³⁰ 15 U.S.C. 78o-3(b)(6).

After studying market data and soliciting comment, FINRA believes that investors would benefit from increased transparency in Rule 144A transactions. FINRA's review of the reported transactions indicates and commenters note that the market in Rule 144A transactions has significant volume, has matured and has increased in liquidity over the several years that TRACE has been in effect. Although one comment opposing dissemination of Rule 144A transactions noted that the contra parties to Rule 144A transactions are almost exclusively institutions that are capable of assessing and negotiating the information needed to make investment decisions, FINRA believes, based on academic studies and the experience in publicly traded corporate bonds, that even in institutional markets more transparent markets tend to reduce spreads and trade execution costs, which may be indicative of more competitive prices for investors. In addition, FINRA notes that dissemination may assist market participants in price discovery as well as determining execution quality. Finally, FINRA believes that transparency in this sector may improve the quality of pricing for valuation purposes, which is critical for both dealers and institutions.

In addition, FINRA does not believe that providing price transparency in Rule 144A transactions generally will have an adverse impact on the liquidity of the market. FINRA notes that academic studies have not established a relationship between transparency and a reduction in liquidity of a specific market sector. FINRA acknowledges, however, that each market sector is different, and intends to monitor the market in Rule 144A transactions in TRACE-Eligible Securities to determine if there is an adverse impact to liquidity or other factors, as FINRA has previously done when introducing transparency in other debt market sectors.

A commenter raised concerns that investors will be confused by transparency in Rule 144A transactions. FINRA does not believe that investor confusion will result from such transparency. FINRA does not believe that non-QIB institutional customers will be confused by access to Rule 144A transaction data. First, FINRA believes that establishing separate data sets for Rule 144A transaction information avoids potential investor confusion since such transactions are not comingled with non-Rule 144A transactions and can be presented separately and clearly marked as such. In addition, such customers can use this

information as an additional data point in pricing bonds that they are eligible to trade, and if they fail to recognize the Rule 144A status of the trades and think they can trade these precise bonds, their broker will advise otherwise.

For the reasons discussed above, FINRA believes that transparency should be provided in Rule 144A transactions and, accordingly, proposes to amend FINRA Rule 6750 and the TRACE dissemination protocols to provide for dissemination of Rule 144A transactions.

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

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

- (A) By order approve or disapprove such proposed rule change, or
- (B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-FINRA-2013-029 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-2013-029. This file number should be included on the subject line if email 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 Web site (<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 Web site 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 10:00 a.m. and 3:00 p.m. Copies of the 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-2013-029 and should be submitted on or before August 15, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴²

Kevin M. O'Neill,
Deputy Secretary.

[FR Doc. 2013-17857 Filed 7-24-13; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70007; File No. SR-MIAX-2013-21]

Self-Regulatory Organizations; Miami International Securities Exchange LLC; Order Approving Proposed Rule Change To Modify the Allocation of Directed Orders in Specific Limited Situations

July 19, 2013.

I. Introduction

On May 22, 2013, Miami International Securities Exchange LLC (the "Exchange" or "MIAX") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act"),² and Rule 19b-4 thereunder,³ a proposed rule change to modify its practice of allocating Directed Orders. The proposed rule change was published for comment in

⁴² 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.