

OMB APPROVAL

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Page 1 of *	34	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2014 - * 007 Amendment No. (req. for Amendments *)																		
Filing by Financial Industry Regulatory Authority Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934																					
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>																			
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div style="border: 1px solid black; padding: 5px; min-height: 40px;"> Proposed Rule Change to Amend Rule 7510 and Rule 7540 Relating to Fees for the Alternative Display Facility </div>																					
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 action.																					
First Name *	Andrew	Last Name *	Madar																		
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Signature Pursuant to the requirements of the Securities Exchange Act of 1934, has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. <div style="text-align: right;">(Title *)</div> <div style="display: flex; justify-content: space-between;"> <div style="width: 40%;"> Date 01/31/2014 By Patrice Gliniecki <div style="text-align: center;">(Name *)</div> </div> <div style="width: 55%;"> <div style="border: 1px solid black; padding: 5px; min-height: 40px; text-align: center;"> Senior Vice President and Deputy General Counsel </div> <div style="border: 1px solid black; padding: 5px; text-align: center; margin-top: 10px;"> Patrice Gliniecki, </div> </div> </div>																					
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.																					

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT website.

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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, security-based swap submission, or advance notice 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

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 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 the 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 amend Rule 7510 and Rule 7540 relating to fees for the Alternative Display Facility (“ADF”).

The text of the proposed rule change is attached as Exhibit 5.²

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on September 19, 2013, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. 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.

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

(a) Purpose

The ADF is a quotation collection and trade reporting facility that provides ADF Market Participants (i.e., ADF-registered market makers or electronic communications

¹ 15 U.S.C. 78s(b)(1).

² FINRA notes that it has submitted proposed rule change SR-FINRA-2013-053, which would, among other things, amend Rule 7510. See Securities Exchange Act Release No. 71147 (December 19, 2013), 78 FR 78451 (December 26, 2013). FINRA will amend this filing and/or SR-FINRA-2013-053, as necessary, to reflect Commission approval, or the effectiveness, of any of the proposed rule changes.

networks (“ECNs”))³ the ability to post quotations, display orders and report transactions in NMS stocks⁴ for submission to the Securities Information Processors (“SIPs”) for consolidation and dissemination to vendors and other market participants. In addition, the ADF delivers real-time data to FINRA for regulatory purposes, including enforcement of requirements imposed by Regulation NMS.⁵ Since the second quarter of 2010, there have been no ADF Market Participants.⁶ FINRA is currently in the process of migrating the ADF to its multi-product platform (“MPP”). In connection with the migration to the MPP, and the addition of new ADF Market Participants, FINRA is proposing certain changes to the fees relating to ADF operations. Specifically, FINRA is proposing to (1) expand the web browser access that is currently available on the Trade Reporting and Compliance Engine (“TRACE”) to provide ADF Market Participants with trade reporting and trade management functionality for ADF trades and to adopt fees for such service; (2) expand the FINRA Automated Data Delivery Service (“ADDS”) that is currently available on TRACE to include ADF data and to adopt fees for such service; (3) revise Rule 7510(a) so that certain of the transaction charges would be assessed on a per-trade basis, with the fee being charged to the executing party; (4) revise Rule 7510(a) to provide a carve-out to the Corrective Transaction Charge pursuant to which the fee would be assessed to the executing party only; (5) delete the carve-out for fees for the late

³ See Rule 6220(a)(3).

⁴ See 17 CFR 242.600.

⁵ See 17 CFR 242.600.

⁶ FINRA notes that it recently submitted a proposed rule change to add a new entrant, LavaFlow, to the ADF. See Securities Exchange Act Release No. 71042 (December 11, 2013), 78 FR 76341 (December 17, 2013) (Notice of Filing of File No. SR-FINRA-2013-52).

reporting of trades; and (6) delete a provision of Rule 7540(c) relating to a fee for certain testing services and make corresponding changes to the remaining testing service fee in that section.

Proposed Web Browser Access

Although there are currently no active ADF participants, an ADF participant today that wished to report a trade in an ADF-eligible security to the ADF would utilize FINRA's Trade Reporting and Comparison Service ("TRACS") pursuant to Rule 6280.⁷ Following the migration of the ADF to the MPP, FINRA will expand its current web browser access, which members may currently use to access the Trade Reporting and Compliance Engine ("TRACE"), so that ADF Market Participants may use this functionality to access the ADF and to report ADF trades.⁸ Pursuant to proposed paragraph (c)(1) of Rule 7510, FINRA is proposing to charge ADF Market Participants \$20 per user ID per month for web browser access.⁹ In addition to reporting trades through the web browser, ADF Market Participants that elect to utilize the web browser

⁷ FINRA notes that it has recently proposed to replace the reference to TRACS in the rules relating to the ADF, including replacing the reference to TRACS in Rule 6281 with a more generalized reference to the ADF. See Securities Exchange Act Release No. 71147 (December 19, 2013), 78 FR 78451 (December 26, 2013) (Notice of Filing of File No. SR-FINRA-2013-053).

⁸ Due to system capacity limitations, FINRA proposes to offer the web browser access to ADF Market Participants (i.e., Registered Reporting ADF Market Makers and Registered Reporting ADF ECNs) only. FINRA proposes to offer ADDS, which is discussed in greater detail below, to all ADF participants (i.e., a market participant that is a party to an ADF trade).

⁹ An ADF Market Participant that elects to not utilize the web browser access would report trades directly to the ADF through FIX (Financial Information eXchange) protocol. Although a participant would incur connectivity costs when submitting trade reports to the ADF through FIX, FINRA will not assess a charge for a FIX connection to the ADF.

feature will be able to access trade management functions, such as trade reconciliation, cancel and correct, and will be able to access up to three prior days' worth of their trade data as well as the current trading day's trades. The proposed web browser access will offer the same level of functionality as the Level I (Trade Report Only) web browser access and trade management functionality that is offered under Rule 7730(a) for TRACE. In addition, the proposed fee is identical to the fee currently charged under Rule 7730(a) for Level I (Trade Report Only) web browser access and trade management functionality for TRACE.¹⁰

Proposed Fees for Equity Data Through FINRA's Automated Data Delivery Service

FINRA ADDS is a secure website that provides members, by market participant identifier ("MPID"), access to historical trade journal files containing key information regarding the member's trades reported to FINRA. Members use the trade journal files to reconcile the trade information captured by their own systems against the information captured by the FINRA trade reporting systems. Currently, FINRA ADDS makes recent TRACE trade journals available for free through the ADDS website and also offers

¹⁰ In contrast to TRACE, FINRA does not propose to offer a Level II web browser access for the ADF. The Level II service for TRACE web browser access provides all real-time TRACE transaction data, in addition to the functionality of Level I. TRACE is the sole platform for the reporting of fixed-income trades, so the transaction data that is provided through the Level II access is already available to FINRA. In contrast, offering all real-time NMS transaction data through the ADF web browser would entail gathering such information from the relevant Securities Information Processors.

A member that utilizes the TRACE web browser and the ADF web browser would pay both the applicable TRACE web browser fee pursuant to Rule 7730 and the \$20 fee ADF web browser fee pursuant to Rule 7510.

subscribers the option of receiving additional data and retrieving data automatically via Secure File Transfer Protocol (“SFTP”) for a fee.

FINRA is proposing to enhance ADDS to include ADF data and to charge fees for additional historical data pursuant to proposed Rule 7510(d). Through the ADDS website, an ADF participant will have access to ADF trade data associated with its MPID for the three prior business days free of charge without having to subscribe to the additional optional data services discussed below. ADF participants can access data for dates older than the most recent three business days for a monthly fee, if they elect to subscribe to receive this additional data through ADDS (referred to as “ADF Data Delivery Plus” service).¹¹ The fee will be charged per month to an MPID that is a subscriber to ADF Data Delivery Plus reports (“Plus Reports”), which will be provided in response to requests by the MPID.¹² The proposed fees under Rule 7510(d)(1) are based on the number of Plus Reports the subscriber receives in a month.¹³ The proposed fees range from a low of \$60 (for a member requesting up to five Plus Reports per month) to a high of \$100 a month (for a member requesting more than 25 Plus Reports per month). FINRA notes that the proposed fees for such ADF data, and corresponding number of Plus Reports received, is identical to the current fee schedule for Tier 1 TRACE data through ADDS under Rule 7730(g). However, unlike the fees governing the provision of

¹¹ Subscribers ultimately will be able to access up to two years of trade journal files.

¹² To access trade information for multiple MPIDs, an ADF participant must obtain a subscription for each MPID.

¹³ A subscriber’s fee will be assessed each month and accordingly may vary during a calendar year, depending on the number of reports FINRA sends to the subscriber in response to the subscriber’s requests. The ADF Data Delivery Plus fee is based upon the number of reports provided to avoid charging for data requests that FINRA may be unable to provide.

TRACE data through ADDS, FINRA is not proposing to further divide the ADF Reporting Facility Data Delivery Plus fees into tiers that are based upon the average number of transactions reported per month to which the MPID was a party in the prior calendar year, as there is not currently a baseline of transaction activity from which FINRA can establish such thresholds. As FINRA acquires historical data for the ADF and is able to further assess this fee, however, it may revise this fee to establish different tiers, and corresponding different fees, for MPIDs that meet different volume thresholds.

ADF participants also will have the option of subscribing to the SFTP service for ADF trade data, which would enable them to automate the process of retrieving their daily trade journal files. Files will be made available on a daily basis to ADF participants that subscribe to the ADF Data Delivery SFTP service, and ADF participants will be able to connect to FINRA via SFTP to download their data. FINRA is proposing to charge the following fees to ADF Participants that elect to receive ADF data via SFTP: (1) a one-time set up fee of \$250 for each MPID that subscribes to the service and (2) a monthly fee of \$200 per MPID that subscribes to the service. The proposed fees are identical to the current fees charged under FINRA Rule 7730 for TRACE data through ADDS.

The proposed fees for access and ADF data would allow FINRA to recoup some of the costs of developing and maintaining services for the ADF on the MPP that are already provided for TRACE. FINRA believes that extending the availability of these services to ADF participants will provide ADF participants with the enhanced tools to meet their trade reporting and management obligations without placing significant financial or operational burdens on them.

Changes to Rule 7510

Pursuant to Rule 7510(a), FINRA currently assesses certain transaction-related fees for utilizing TRACS,¹⁴ including charges for Automated Give Up (“AGU”) and Qualified Special Representative (“QSR”) trades of \$0.029 per side.¹⁵ FINRA proposes to change these transaction charges so that they will be assessed on a per-trade basis, which will be charged only to the executing party. FINRA proposes to change the assessment of the fee from a per-side basis to a per-trade basis to clarify that the fee is assessed only once per trade. FINRA believes that it will better be able to collect this charge from the executing party to an AGU or QSR trade, as the executing party will generally be a Registered Reporting ADF ECN, while FINRA may not have a direct relationship with the contra-party to these trades.¹⁶

Pursuant to Rule 7510, FINRA assesses a fee for the submission of T+N late reports.¹⁷ Currently, that fee is \$0.30 per side, unless the trade is executed outside normal ADF operating hours of 8:00 a.m. to 6:30 p.m. and the member’s average publicly

¹⁴ As noted above, FINRA has submitted a proposed rule change that would replace references to TRACS throughout the rules relating to the ADF, including replacing a reference to TRACS in Rule 7510(a) to “System.” See supra note 2.

¹⁵ An Automated Give Up is the process by which a market participant agrees to allow an ADF Participant to report and lock in trades for clearing on its behalf.

A Qualified Special Representative is responsible for sending a trade directly to the National Securities Clearing Corporation for clearing on behalf of another broker-dealer.

¹⁶ FINRA is not proposing to make a similar change to the comparison charge, as FINRA believes that the manner in which the compare functionality is used is sufficiently different (namely, FINRA will have to register users for the compare functionality, and therefore can establish a billing relationship with those users).

¹⁷ For purposes of this fee, “T” refers to the trade date, and “N” refers to the applicable date following the trade date which renders the reporting late.

disseminated trades reported to the media through the ADF per day during the billing period is 150,000 or greater, in which case the fee is waived. FINRA proposes to delete this exception, and the corresponding fee waiver, as it will result in a simpler and more uniform application of the late report fee. FINRA also proposes to assess this fee on a per-trade basis, which will be charged to the executing party. With this change, the fees for late reports will be consistent with the manner in which fees for late reports are assessed by the FINRA/Nasdaq Trade Reporting Facility.¹⁸

FINRA also proposes to modify the Corrective Transaction Charge, which is currently \$0.25 for a Break, Decline, or Reversal transaction, which is paid by each party. FINRA proposes to assess this charge on the executing party only, if the trade at issue is a locked-in transaction, such as an AGU or QSR.¹⁹ Given that, with this proposed rule change, transaction charges for AGU and QSR trades will be assessed on the executing party only, FINRA believes that assessing a Corrective Transaction Charge on the executing party only for AGU and QSR trades is consistent with the manner in which transaction fees on the underlying trades will be assessed.

Proposed Deletion of Rule 7540

Rule 7540(c) provides for the assessment of fees for certain testing services, including the assessment of a fee of \$285 per hour for computer-to-computer (“CTCI”) or digital interface (“DIS” or “CHIPS”) testing between 9:00 a.m. and 5:00 p.m. Eastern Time on business days. FINRA proposes to delete this fee because the MPP will not

¹⁸ See Rule 7620A.

¹⁹ If the transaction at issue is not a locked-in trade, then the corrective transaction charge to be assessed does not change, i.e., it will be assessed to both parties to the trade.

support such testing for the ADF, and this fee is thus not applicable. Given this deletion, FINRA will make a corresponding change to the description of the fee of \$333 per hour for other testing, so that this fee will be assessed at all times on business days, holidays and weekends. FINRA also proposes to delete the introductory language in Rule 7540(c) that refers to such interfaces to reflect the deletion of the corresponding fee. FINRA also proposes a grammatical change; namely, inserting “the” before the reference to the ADF.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,²⁰ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls. FINRA believes that the proposed fees are reasonable in light of FINRA’s regulatory and operational costs, including personnel and technology costs. The proposed fees are equitably allocated and not unfairly discriminatory because they will apply uniformly to all similarly situated members using the ADF.

FINRA believes that the proposed fee for web browser access under proposed Rule 7510(c) is reasonable because it will allow FINRA to recover some of the cost of developing and maintaining the web browser system for the ADF. FINRA also notes that the fee is identical to the existing fee for Level I web browser access to TRACE under Rule 7730. FINRA believes that the fee is equitably allocated and not unfairly

²⁰ 15 U.S.C. 78o-3(b)(5).

discriminatory because it will apply uniformly to all ADF Market Participants that elect to utilize this service.

FINRA also believes that the proposed fees for ADF data through the FINRA ADDS are reasonable because these fees will allow FINRA to recover some of the cost of expanding and maintaining ADDS to include ADF data. FINRA also notes that these fees are comparable to the existing fees for TRACE data through ADDS under Rule 7730. FINRA believes that the fees are equitably allocated and not unfairly discriminatory. Because ADDS is an optional service, the fees would only be charged to ADF participants that elect to subscribe, and the fees would apply uniformly to all ADF participants that subscribe.

FINRA believes that the proposed deletion to the carve-out for the fee for late reports in Rule 7510(a) is consistent with the Act because this deletion will result in a simpler and more uniform application of the late report fee, as all ADF participants will be charged \$0.30 per side. FINRA believes that changing the assessment of the transaction fee for AGU and QSR trades from a per-side to a per-trade basis is consistent with the Act because it will clarify that the fee shall be assessed only once per trade. FINRA believes that assessing the fee for AGU and QSR trades on the executing party is consistent with the Act because, given the way in which AGU and QSR trades are typically structured, FINRA will be better able to collect this charge from the executing party to an AGU or QSR trade than the contra-side. FINRA believes that assessing a Corrective Transaction Charge on the executing party only for locked-in trades such as AGUs and QSRs is consistent with the Act because assessing the Corrective Transaction Charge in this manner for such trades is consistent with the way in which transaction

charges on the underlying trades will be assessed. FINRA believes that charging fees for late reports on a per-trade basis to be assessed to the executing party is consistent with the Act because it aligns this provision with the corresponding provision governing fees for late reports that are assessed by the FINRA/Nasdaq Trade Reporting Facility.

FINRA believes that the proposed deletion of the provision in Rule 7540(c) providing for an hourly fee of \$285 for testing of certain computer-to-computer and digital interfaces, and corresponding revisions to that rule to reflect this deletion, is consistent with the Act because the MPP will not support such testing for the ADF, and this fee is thus not applicable.

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. The proposed rule change will not affect all FINRA members, but only ADF participants and, in the case of the proposed web browser access fee, only ADF Market Participants. With respect to the proposed fee for web browser access, FINRA believes that, because this proposed fee is reasonable in amount, payment of such fee by any member, or any group or class of members, will not result in a burden on competition to such members. Similarly, with respect to the proposed fees for ADF data through ADDS, because the proposed fees are both optional and reasonable in amount, FINRA does not believe that the payment of such fees by any member, or any group or class of members, will result in a burden on competition to such industry members relative to

other industry members that elect not to subscribe to the optional services.²¹

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) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act²² and paragraph (f)(2) of Rule 19b-4 thereunder,²³ in that the proposed rule change is establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization.

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

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

²¹ FINRA notes that today, the number of subscribers for TRACE data through ADDS is small: 16 firms subscribe to the Plus Reports and five firms subscribe to the SFTP service. FINRA anticipates that there may be more interest in ADF data through ADDS, given the differences in the equity versus fixed income markets, but is unable to provide an estimate of the number of firms that are likely to subscribe at this time.

²² 15 U.S.C. 78s(b)(3)(A)(ii).

²³ 17 CFR 240.19b-4(f)(2).

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

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

Exhibit 5. Text of proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-FINRA-2014-007)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend Rule 7510 and Rule 7540 Relating to Fees for the Alternative Display Facility

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, 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 Rule 7510 and Rule 7540 relating to fees for the Alternative Display Facility (“ADF”).³

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ FINRA notes that it has submitted proposed rule change SR-FINRA-2013-053, which would, among other things, amend Rule 7510. See Securities Exchange Act Release No. 71147 (December 19, 2013), 78 FR 78451 (December 26, 2013). FINRA will amend this filing and/or SR-FINRA-2013-053, as necessary, to reflect Commission approval, or the effectiveness, of any of the proposed rule changes.

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

The ADF is a quotation collection and trade reporting facility that provides ADF Market Participants (i.e., ADF-registered market makers or electronic communications networks ("ECNs"))⁴ the ability to post quotations, display orders and report transactions in NMS stocks⁵ for submission to the Securities Information Processors ("SIPs") for consolidation and dissemination to vendors and other market participants. In addition, the ADF delivers real-time data to FINRA for regulatory purposes, including enforcement of requirements imposed by Regulation NMS.⁶ Since the second quarter of 2010, there have been no ADF Market Participants.⁷ FINRA is currently in the process of migrating the ADF to its multi-product platform ("MPP"). In connection with the migration to the MPP, and the addition of new ADF Market Participants, FINRA is

⁴ See Rule 6220(a)(3).

⁵ See 17 CFR 242.600.

⁶ See 17 CFR 242.600.

⁷ FINRA notes that it recently submitted a proposed rule change to add a new entrant, LavaFlow, to the ADF. See Securities Exchange Act Release No. 71042 (December 11, 2013), 78 FR 76341 (December 17, 2013) (Notice of Filing of File No. SR-FINRA-2013-52).

proposing certain changes to the fees relating to ADF operations. Specifically, FINRA is proposing to (1) expand the web browser access that is currently available on the Trade Reporting and Compliance Engine (“TRACE”) to provide ADF Market Participants with trade reporting and trade management functionality for ADF trades and to adopt fees for such service; (2) expand the FINRA Automated Data Delivery Service (“ADDS”) that is currently available on TRACE to include ADF data and to adopt fees for such service; (3) revise Rule 7510(a) so that certain of the transaction charges would be assessed on a per-trade basis, with the fee being charged to the executing party; (4) revise Rule 7510(a) to provide a carve-out to the Corrective Transaction Charge pursuant to which the fee would be assessed to the executing party only; (5) delete the carve-out for fees for the late reporting of trades; and (6) delete a provision of Rule 7540(c) relating to a fee for certain testing services and make corresponding changes to the remaining testing service fee in that section.

Proposed Web Browser Access

Although there are currently no active ADF participants, an ADF participant today that wished to report a trade in an ADF-eligible security to the ADF would utilize FINRA’s Trade Reporting and Comparison Service (“TRACS”) pursuant to Rule 6280.⁸ Following the migration of the ADF to the MPP, FINRA will expand its current web browser access, which members may currently use to access the Trade Reporting and Compliance Engine (“TRACE”), so that ADF Market Participants may use this

⁸ FINRA notes that it has recently proposed to replace the reference to TRACS in the rules relating to the ADF, including replacing the reference to TRACS in Rule 6281 with a more generalized reference to the ADF. See Securities Exchange Act Release No. 71147 (December 19, 2013), 78 FR 78451 (December 26, 2013) (Notice of Filing of File No. SR-FINRA-2013-053).

functionality to access the ADF and to report ADF trades.⁹ Pursuant to proposed paragraph (c)(1) of Rule 7510, FINRA is proposing to charge ADF Market Participants \$20 per user ID per month for web browser access.¹⁰ In addition to reporting trades through the web browser, ADF Market Participants that elect to utilize the web browser feature will be able to access trade management functions, such as trade reconciliation, cancel and correct, and will be able to access up to three prior days' worth of their trade data as well as the current trading day's trades. The proposed web browser access will offer the same level of functionality as the Level I (Trade Report Only) web browser access and trade management functionality that is offered under Rule 7730(a) for TRACE. In addition, the proposed fee is identical to the fee currently charged under Rule 7730(a) for Level I (Trade Report Only) web browser access and trade management functionality for TRACE.¹¹

⁹ Due to system capacity limitations, FINRA proposes to offer the web browser access to ADF Market Participants (i.e., Registered Reporting ADF Market Makers and Registered Reporting ADF ECNs) only. FINRA proposes to offer ADDS, which is discussed in greater detail below, to all ADF participants (i.e., a market participant that is a party to an ADF trade).

¹⁰ An ADF Market Participant that elects to not utilize the web browser access would report trades directly to the ADF through FIX (Financial Information eXchange) protocol. Although a participant would incur connectivity costs when submitting trade reports to the ADF through FIX, FINRA will not assess a charge for a FIX connection to the ADF.

¹¹ In contrast to TRACE, FINRA does not propose to offer a Level II web browser access for the ADF. The Level II service for TRACE web browser access provides all real-time TRACE transaction data, in addition to the functionality of Level I. TRACE is the sole platform for the reporting of fixed-income trades, so the transaction data that is provided through the Level II access is already available to FINRA. In contrast, offering all real-time NMS transaction data through the ADF web browser would entail gathering such information from the relevant Securities Information Processors.

Proposed Fees for Equity Data Through FINRA’s Automated Data Delivery Service

FINRA ADDS is a secure website that provides members, by market participant identifier (“MPID”), access to historical trade journal files containing key information regarding the member’s trades reported to FINRA. Members use the trade journal files to reconcile the trade information captured by their own systems against the information captured by the FINRA trade reporting systems. Currently, FINRA ADDS makes recent TRACE trade journals available for free through the ADDS website and also offers subscribers the option of receiving additional data and retrieving data automatically via Secure File Transfer Protocol (“SFTP”) for a fee.

FINRA is proposing to enhance ADDS to include ADF data and to charge fees for additional historical data pursuant to proposed Rule 7510(d). Through the ADDS website, an ADF participant will have access to ADF trade data associated with its MPID for the three prior business days free of charge without having to subscribe to the additional optional data services discussed below. ADF participants can access data for dates older than the most recent three business days for a monthly fee, if they elect to subscribe to receive this additional data through ADDS (referred to as “ADF Data Delivery Plus” service).¹² The fee will be charged per month to an MPID that is a subscriber to ADF Data Delivery Plus reports (“Plus Reports”), which will be provided in response to requests by the MPID.¹³ The proposed fees under Rule 7510(d)(1) are based

A member that utilizes the TRACE web browser and the ADF web browser would pay both the applicable TRACE web browser fee pursuant to Rule 7730 and the \$20 fee ADF web browser fee pursuant to Rule 7510.

¹² Subscribers ultimately will be able to access up to two years of trade journal files.

¹³ To access trade information for multiple MPIDs, an ADF participant must obtain a subscription for each MPID.

on the number of Plus Reports the subscriber receives in a month.¹⁴ The proposed fees range from a low of \$60 (for a member requesting up to five Plus Reports per month) to a high of \$100 a month (for a member requesting more than 25 Plus Reports per month). FINRA notes that the proposed fees for such ADF data, and corresponding number of Plus Reports received, is identical to the current fee schedule for Tier 1 TRACE data through ADDS under Rule 7730(g). However, unlike the fees governing the provision of TRACE data through ADDS, FINRA is not proposing to further divide the ADF Reporting Facility Data Delivery Plus fees into tiers that are based upon the average number of transactions reported per month to which the MPID was a party in the prior calendar year, as there is not currently a baseline of transaction activity from which FINRA can establish such thresholds. As FINRA acquires historical data for the ADF and is able to further assess this fee, however, it may revise this fee to establish different tiers, and corresponding different fees, for MPIDs that meet different volume thresholds.

ADF participants also will have the option of subscribing to the SFTP service for ADF trade data, which would enable them to automate the process of retrieving their daily trade journal files. Files will be made available on a daily basis to ADF participants that subscribe to the ADF Data Delivery SFTP service, and ADF participants will be able to connect to FINRA via SFTP to download their data. FINRA is proposing to charge the following fees to ADF Participants that elect to receive ADF data via SFTP: (1) a one-time set up fee of \$250 for each MPID that subscribes to the

¹⁴ A subscriber's fee will be assessed each month and accordingly may vary during a calendar year, depending on the number of reports FINRA sends to the subscriber in response to the subscriber's requests. The ADF Data Delivery Plus fee is based upon the number of reports provided to avoid charging for data requests that FINRA may be unable to provide.

service and (2) a monthly fee of \$200 per MPID that subscribes to the service. The proposed fees are identical to the current fees charged under FINRA Rule 7730 for TRACE data through ADDS.

The proposed fees for access and ADF data would allow FINRA to recoup some of the costs of developing and maintaining services for the ADF on the MPP that are already provided for TRACE. FINRA believes that extending the availability of these services to ADF participants will provide ADF participants with the enhanced tools to meet their trade reporting and management obligations without placing significant financial or operational burdens on them.

Changes to Rule 7510

Pursuant to Rule 7510(a), FINRA currently assesses certain transaction-related fees for utilizing TRACS,¹⁵ including charges for Automated Give Up (“AGU”) and Qualified Special Representative (“QSR”) trades of \$0.029 per side.¹⁶ FINRA proposes to change these transaction charges so that they will be assessed on a per-trade basis, which will be charged only to the executing party. FINRA proposes to change the assessment of the fee from a per-side basis to a per-trade basis to clarify that the fee is assessed only once per trade. FINRA believes that it will better be able to collect this charge from the executing party to an AGU or QSR trade, as the executing party will

¹⁵ As noted above, FINRA has submitted a proposed rule change that would replace references to TRACS throughout the rules relating to the ADF, including replacing a reference to TRACS in Rule 7510(a) to “System.” See supra note 3.

¹⁶ An Automated Give Up is the process by which a market participant agrees to allow an ADF Participant to report and lock in trades for clearing on its behalf. A Qualified Special Representative is responsible for sending a trade directly to the National Securities Clearing Corporation for clearing on behalf of another broker-dealer.

generally be a Registered Reporting ADF ECN, while FINRA may not have a direct relationship with the contra-party to these trades.¹⁷

Pursuant to Rule 7510, FINRA assesses a fee for the submission of T+N late reports.¹⁸ Currently, that fee is \$0.30 per side, unless the trade is executed outside normal ADF operating hours of 8:00 a.m. to 6:30 p.m. and the member's average publicly disseminated trades reported to the media through the ADF per day during the billing period is 150,000 or greater, in which case the fee is waived. FINRA proposes to delete this exception, and the corresponding fee waiver, as it will result in a simpler and more uniform application of the late report fee. FINRA also proposes to assess this fee on a per-trade basis, which will be charged to the executing party. With this change, the fees for late reports will be consistent with the manner in which fees for late reports are assessed by the FINRA/Nasdaq Trade Reporting Facility.¹⁹

FINRA also proposes to modify the Corrective Transaction Charge, which is currently \$0.25 for a Break, Decline, or Reversal transaction, which is paid by each party. FINRA proposes to assess this charge on the executing party only, if the trade at issue is a locked-in transaction, such as an AGU or QSR.²⁰ Given that, with this proposed rule change, transaction charges for AGU and QSR trades will be assessed on the executing

¹⁷ FINRA is not proposing to make a similar change to the comparison charge, as FINRA believes that the manner in which the compare functionality is used is sufficiently different (namely, FINRA will have to register users for the compare functionality, and therefore can establish a billing relationship with those users).

¹⁸ For purposes of this fee, "T" refers to the trade date, and "N" refers to the applicable date following the trade date which renders the reporting late.

¹⁹ See Rule 7620A.

²⁰ If the transaction at issue is not a locked-in trade, then the corrective transaction charge to be assessed does not change, i.e., it will be assessed to both parties to the trade.

party only, FINRA believes that assessing a Corrective Transaction Charge on the executing party only for AGU and QSR trades is consistent with the manner in which transaction fees on the underlying trades will be assessed.

Proposed Deletion of Rule 7540

Rule 7540(c) provides for the assessment of fees for certain testing services, including the assessment of a fee of \$285 per hour for computer-to-computer (“CTCI”) or digital interface (“DIS” or “CHIPS”) testing between 9:00 a.m. and 5:00 p.m. Eastern Time on business days. FINRA proposes to delete this fee because the MPP will not support such testing for the ADF, and this fee is thus not applicable. Given this deletion, FINRA will make a corresponding change to the description of the fee of \$333 per hour for other testing, so that this fee will be assessed at all times on business days, holidays and weekends. FINRA also proposes to delete the introductory language in Rule 7540(c) that refers to such interfaces to reflect the deletion of the corresponding fee. FINRA also proposes a grammatical change; namely, inserting “the” before the reference to the ADF.

FINRA has filed the proposed rule change for immediate effectiveness.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,²¹ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls. FINRA believes that the proposed fees are reasonable in light of FINRA’s regulatory and operational costs, including personnel and technology costs. The

²¹ 15 U.S.C. 78o-3(b)(5).

proposed fees are equitably allocated and not unfairly discriminatory because they will apply uniformly to all similarly situated members using the ADF.

FINRA believes that the proposed fee for web browser access under proposed Rule 7510(c) is reasonable because it will allow FINRA to recover some of the cost of developing and maintaining the web browser system for the ADF. FINRA also notes that the fee is identical to the existing fee for Level I web browser access to TRACE under Rule 7730. FINRA believes that the fee is equitably allocated and not unfairly discriminatory because it will apply uniformly to all ADF Market Participants that elect to utilize this service.

FINRA also believes that the proposed fees for ADF data through the FINRA ADDS are reasonable because these fees will allow FINRA to recover some of the cost of expanding and maintaining ADDS to include ADF data. FINRA also notes that these fees are comparable to the existing fees for TRACE data through ADDS under Rule 7730. FINRA believes that the fees are equitably allocated and not unfairly discriminatory. Because ADDS is an optional service, the fees would only be charged to ADF participants that elect to subscribe, and the fees would apply uniformly to all ADF participants that subscribe.

FINRA believes that the proposed deletion to the carve-out for the fee for late reports in Rule 7510(a) is consistent with the Act because this deletion will result in a simpler and more uniform application of the late report fee, as all ADF participants will be charged \$0.30 per side. FINRA believes that changing the assessment of the transaction fee for AGU and QSR trades from a per-side to a per-trade basis is consistent with the Act because it will clarify that the fee shall be assessed only once per trade.

FINRA believes that assessing the fee for AGU and QSR trades on the executing party is consistent with the Act because, given the way in which AGU and QSR trades are typically structured, FINRA will be better able to collect this charge from the executing party to an AGU or QSR trade than the contra-side. FINRA believes that assessing a Corrective Transaction Charge on the executing party only for locked-in trades such as AGUs and QSRs is consistent with the Act because assessing the Corrective Transaction Charge in this manner for such trades is consistent with the way in which transaction charges on the underlying trades will be assessed. FINRA believes that charging fees for late reports on a per-trade basis to be assessed to the executing party is consistent with the Act because it aligns this provision with the corresponding provision governing fees for late reports that are assessed by the FINRA/Nasdaq Trade Reporting Facility.

FINRA believes that the proposed deletion of the provision in Rule 7540(c) providing for an hourly fee of \$285 for testing of certain computer-to-computer and digital interfaces, and corresponding revisions to that rule to reflect this deletion, is consistent with the Act because the MPP will not support such testing for the ADF, and this fee is thus not applicable.

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 will not affect all FINRA members, but only ADF participants and, in the case of the proposed web browser access fee, only ADF Market Participants. With respect to the proposed fee for web browser access, FINRA believes that, because this proposed fee is reasonable in amount, payment of such fee by any

member, or any group or class of members, will not result in a burden on competition to such members. Similarly, with respect to the proposed fees for ADF data through ADDS, because the proposed fees are both optional and reasonable in amount, FINRA does not believe that the payment of such fees by any member, or any group or class of members, will result in a burden on competition to such industry members relative to other industry members that elect not to subscribe to the optional services.²²

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act²³ and paragraph (f)(2) of Rule 19b-4 thereunder.²⁴ 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.

²² FINRA notes that today, the number of subscribers for TRACE data through ADDS is small: 16 firms subscribe to the Plus Reports and five firms subscribe to the SFTP service. FINRA anticipates that there may be more interest in ADF data through ADDS, given the differences in the equity versus fixed income markets, but is unable to provide an estimate of the number of firms that are likely to subscribe at this time.

²³ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁴ 17CFR 240.19b-4(f)(2).

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-2014-007 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-2014-007. 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-2014-007 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.²⁵

Elizabeth M. Murphy
Secretary

²⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

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7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS, AND FACILITY CHARGES

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7500. CHARGES FOR ALTERNATIVE DISPLAY FACILITY SERVICES AND EQUIPMENT

7510. System Services

(a) Trade Reporting and Comparison Service

The following charges shall be paid by ADF participants for use of the Trade Reporting and Comparison Service (TRACS):

Transaction Related Charges:	
Comparison	\$0.014/side per 100 shares (minimum 400 shares; maximum 7,500 shares)
Automated Give-Up	\$0.029/[side] <u>trade</u> (if the associated publicly disseminated trade is not reported to the media through the ADF) <u>(charged to the Executing Party)</u>

Qualified Special Representative	\$0.029/[side] <u>trade</u> (if the associated publicly disseminated trade is not reported to the media through the ADF) <u>(charged to the Executing Party)</u>
Late Report — T+N	\$0.30/[side] <u>trade</u> [unless the trade is executed outside normal ADF operating hours of 8:00 a.m. to 6:30 p.m. and the member's average publicly disseminated trades reported to the media through the ADF per day during the billing period is 150,000 or greater] <u>(charged to the Executing Party)</u>
Corrective Transaction Charge	\$0.25/ Break, Decline, Reversal transaction, paid by each party <u>(unless the trade is a locked-in transaction (i.e., an AGU or QSR), in which case the Corrective Transaction Charge is charged to the Executing Party)</u>

(b) No Change.

(c) System Related Fees

(1) Web Browser Access

An ADF Market Participant that elects to report to the ADF via an ADF web browser shall be charged \$20 per month per user ID.

(d) FINRA ADDS Fees

The FINRA Automated Data Delivery System (“FINRA ADDS”) provides an ADF participant access to ADF trade journal files associated with its market participant identifier (“MPID”). The following fees are for two optional FINRA ADDS services: ADF Reporting Facility Data Delivery Plus and ADF Reporting Facility Data Delivery Secure File Transfer Protocol.

(1) ADF Reporting Facility Data Delivery Plus Fee

The ADF Reporting Facility Data Delivery Plus fee is charged per month to an MPID that is a subscriber for ADF Reporting Facility Data Delivery Plus reports (“Plus reports”) provided in response to requests by the MPID. (Plus reports do not include a report in response to a request for an ADF Reporting Facility trade journal file for a specified date, if the specified date is within 3 business days of the date of the request; such reports are provided to an MPID at no charge.) The fee is based on the number of Plus reports the subscriber receives in a month as follows:

<u>0–5 Plus Reports</u>	<u>6–25 Plus Reports</u>	<u>> 25 Plus Reports</u>
<u>Received per</u>	<u>Received per</u>	<u>Received per Month</u>
<u>Month</u>	<u>Month</u>	
<u>\$60</u>	<u>\$80</u>	<u>\$100</u>

(2) ADF Reporting Facility Data Delivery Secure File Transfer

Protocol Fee

The ADF Reporting Facility Data Delivery Secure File Transfer Protocol
(“ADF Reporting Facility Data Delivery SFTP”) fees are charged to an MPID that
is a subscriber and are:

(A) Set-Up Fee — a one-time fee of \$250 per MPID that
subscribes to the service; and

(B) Monthly Fee — a monthly fee of \$200 per MPID that
subscribes to the service.

* * * * *

7540. Other Services

(a) through (b) No Change.

(c) Testing Services

(1) Subscribers that conduct tests [of their computer-to-computer (CTCI)
or digital interface (DIS/CHIPS)] with the central processing facilities of the
Alternative Display Facility shall pay the following charge[s]:

\$285/hour	[For CTCI/DIS/CHIPS testing between 9:00 a.m. and 5:00 p.m. Eastern Time on business days;]
\$333/hour	For testing at all [other] times on business days, or on weekends and holidays.

(2) No Change.

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