default of a member on NSCC’s Watch List with family-issued securities under normal market conditions. As such, the Commission believes that the proposal is consistent with Rule 17Ad–22(b)(1).

*Consistency with Rule 17Ad–22(b)(2).* Rule 17Ad–22(b)(2) under the Exchange Act requires a CCP, such as NSCC, to “establish, implement, maintain and enforce written policies and procedures reasonably designed to . . . [u]se margin requirements to limit its credit exposures to participants under normal market conditions and use risk-based models and parameters to set margin requirements . . . .” By enhancing the margin methodology applied to family-issued securities of NSCC’s members that are on its Watch List, the proposal will better account for and cover NSCC’s credit exposure to less creditworthy members. In addition, by taking into account specific wrong-way risk arising from family-issued securities submitted to NSCC, the proposal is consistent with using risk-based models and parameters to set margin requirements. As such, the Commission believes that the proposal is consistent with Rule 17Ad–22(b)(2).

III. Conclusion

It is therefore noticed, pursuant to Section 806(e)(1)(I) of the Payment, Clearing and Settlement Supervision Act,24 that the Commission does not object to Advance Notice and that NSCC is authorized to implement the proposal.

By the Commission.

Robert W. Errett, Deputy Secretary.

FINRA's Alternative Trading System Transparency Initiative by Publishing OTC Equity Volume Executed Outside ATNs

October 5, 2015.

I. Introduction

On June 23, 2015, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)1 and Rule 19b–4 thereunder,2 a proposed rule change to amend Rule 6110, Trading Otherwise than on an Exchange and 6610 regarding the OTC Reporting Facility to expand FINRA’s alternative trading system (“ATS”) transparency initiative. The changes would provide for publication of the remaining equity volume executed over-the-counter (“OTC”) by FINRA members, including activity in non-ATS electronic trading systems and internalized trades. The proposed rule change was published for comment in the *Federal Register* on July 9, 2015.3 The Commission received two comments on the proposal.4 FINRA
responded to the comments and amended the proposed rule change on September 22, 2015. This order approves the proposed rule change, as amended.

II. Description of the Proposed Rule Change

Under FINRA rules, each member operating an ATS must report its weekly volume, by security, to FINRA. FINRA makes the reported volume and trade count information for equity securities publicly available on its Web site. FINRA is proposing to amend Rules 6110 and 6610 to make public the remaining OTC equity (“non-ATS”) volume by member firm and security, which FINRA will publish. FINRA believes the proposed rule change will make the OTC market more transparent and will enable the public to better understand firms’ off-exchange equity trading activity as investors will be able to review the proposed non-ATS volume together with the current ATS volume reports, which effectively encompass all equity volume effected OTC.

FINRA will derive a firm’s non-ATS volume information from OTC trades reported to its equity trade reporting facilities. FINRA will base a firm’s non-ATS volume on trades reported for dissemination purposes (“tape reports”) on which the firm is identified as the member with the trade reporting obligation.

FINRA will publish on its Web site weekly volume information (number of trades and shares) by firm and security, with the exceptions noted below, on a two-week or four-week delayed basis—the same time frames specified for ATS volume publication. Specifically, volume information would be published on a two-week delayed basis for NMS stocks in Tier 1 under the NMS Plan to Address Extraordinary Market Volatility and on a four-week delayed basis for all other NMS stocks and OTC Equity Securities. FINRA also will publish aggregate volume totals across all NMS stocks and aggregate volume totals across all OTC Equity Securities for each calendar month, on a one-month delayed basis.

FINRA will publish non-ATS volume information at the firm level rather than on an MPID-by-MPID basis because outside the ATS context, not all firms have a separate MPID for each unique trading center at the firm. Thus, publishing volume information at the MPID level might not provide meaningful or consistent information to the marketplace. For members that use more than one MPID for their non-ATS trading, FINRA will aggregate and publish the non-ATS trading volume for all non-ATS MPIDs belonging to the firm under a single “parent” identifier or firm name.

FINRA does not believe that publishing volume information for each firm that executed only a small number of trades or shares in any given period would provide meaningful information to the marketplace. Accordingly, FINRA will combine volume from all members that do not meet a specified minimum threshold and publish the volume information for those members on an aggregated basis. For example, if five firms each execute 10 trades in the reporting period in a security, their 50 trades would be aggregated and published as a single line item; the firms and their volume information would not be identified separately. For a firm with more than one non-ATS MPID, the total volume across all of its non-ATS MPIDs would be combined to determine whether the de minimis threshold has been met.

FINRA is proposing to establish a de minimis threshold of fewer than on average 200 non-ATS transactions per day executed by the firm across all securities (for displaying aggregate volume across all securities by firm) or in a specific security (for displaying volume in a particular security by firm) during the one-week reporting period..

Based on its review of a one-week period in June 2014, FINRA states that absence this threshold, approximately 300 individual firms would have had volume attributed by name, versus only 62 firms if the threshold had been applied. Moreover, those 62 firms would account for 98.99 percent of all trading volume. Thus, if a firm averages fewer than 200 non-ATS transactions per day across all securities during the reporting period, FINRA would aggregate the firm’s volume with that of similarly situated firms when displaying aggregate volume across all securities by firm. Additionally, because the published volume data would also be organized by security, if a firm averaged fewer than 200 non-ATS transactions per day in a given security during the reporting period, FINRA would aggregate the firm’s volume in that security with that of similarly situated firms, even if the firm averages more than 200 non-ATS transactions per day across all securities during the reporting period. Thus, FINRA would publish all of the OTC volume, but volume for members meeting the de minimis threshold would not be attributed by name.

FINRA will not charge a fee for the data published pursuant to the proposed rule change; it will be publicly available on FINRA’s Web site in a downloadable format.

III. Discussion and Findings

After carefully considering the proposed rule change, the comments submitted, and FINRA’s response to the comments, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder.
In approving this proposed rule change, the Commission has considered the proposed rule change’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

The Thomson Reuters Letter also states that it anticipates enhancing the granularity and timeliness of its market share analytics product as a result of the proposal.

The SIFMA Letter also states that FINRA should eliminate the current requirement for ATSs to report volume information to FINRA because it now has access to the data. See SIFMA Letter, supra note 4, at 4. FINRA stated that this will be addressed in a separate proposed rule change. See Notice, supra note 3, at 39467.

FINRA also notes that it anticipates that the public would use the published ATS and non-ATS volume information to better understand issues such as the impact of ATS and non-ATS trading volumes on price efficiency or order routing behavior. FINRA believes that the publication of weekly data would enable the public to study those trends at a relatively higher frequency and thus make more reliable conclusions about historical trends. FINRA also believes that, given the speed and frequency of information arrival in financial markets, monthly data might mask the deviations in short-term routing trends and render the published data less useful.

The time frame for making the non-ATS trade data publicly available—on a two-week delayed basis for Tier 1 NMS stocks and a four-week delayed basis for all other NMS stocks and OTC Equity Securities—is designed to balance the desire to inform the public about non-ATS trading activity with the desire to protect the trading strategies of member firms. Although SIFMA advocated for a four-week delay in publishing data on Tier 1 NMS stocks, the Commission believes that that FINRA has adequately considered the risk of information leakage in developing the proposal and
has taken adequate steps to mitigate that risk.

The Commission also believes that the proposal to publish non-ATS trade data by firm, rather than by MPID, is appropriate. The Commission notes FINRA’s representation that not all firms have separate MPIDs for unique trading centers at firms (outside the ATS context) and that publishing non-ATS volume data at the MPID level may not provide meaningful or consistent information to the marketplace. Therefore, the Commission further believes that for members using more than one MPID for their non-ATS trading, FINRA’s proposal to aggregate and publish non-ATS volume data for non-ATS MPIDs belonging to a firm under a single parent identifier or firm name is appropriate.

Lastly, the Commission believes that the proposal to aggregate volume for all members that do not meet a de minimis threshold of fewer than on average 200 non-ATS transactions per day executed by the firm across all securities (for displaying aggregate volume across all securities by firm) or in a specific security (for displaying volume in a particular security by firm) during the one-week reporting period is appropriate. The Commission notes that FINRA’s review of a one-week period found that, absent this threshold, approximately 300 individual firms would have had volume attributed by name, versus only 62 firms if the threshold had been applied, and that those 62 firms would account for 98.99 percent of all trading volume, representing a significant improvement in the transparency of this segment of the market.

IV. Conclusion

It is therefore ordered pursuant to Section 19(b)(2) of the Act 40 that the proposed rule change (SR–FINRA–2015–020), as amended, be and hereby is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority. 41

Robert W. Errett,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

Self-Regulatory Organizations; The NASDAQ Stock Market LLC; Order Granting Approval of Proposed Rule Change, as Modified by Amendment Nos. 1 and 2 Thereto, Relating to the Listing and Trading of Shares of the First Trust SSI Strategic Convertible Securities ETF of First Trust Exchange-Traded Fund IV

October 5, 2015.

I. Introduction

On July 2, 2015, The NASDAQ Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act") and Rule 19b–4 thereunder, 2 a proposed rule change to list and trade shares ("Shares") of the First Trust SSI Strategic Convertible Securities ETF of First Trust Exchange-Traded Fund IV ("Fund") under Nasdaq Rule 5735 ("Managed Fund Shares"). The proposed rule change was published for comment in the Federal Register on July 20, 2015. 3 On September 2, 2015, pursuant to Section 19(b)(2) of the Act, 4 the Commission designated a longer period within which to either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change. 5 On September 21, 2015, the Exchange filed Amendment No. 1 to the proposed rule change, 6 and on September 28, 2015, the Exchange filed Amendment No. 2 to the proposed rule change. 7 The Commission received no comments on the proposal. This order grants approval of the proposed rule change, as modified by Amendment Nos. 1 and 2 thereto.

II. Description of the Proposal

The Fund will be an actively-managed exchange-traded fund. The Shares will be offered by the First Trust Exchange-Traded Fund IV ("Trust"). which is registered with the Commission as an investment company and has filed a registration statement on Form N–1A with the Commission. 8 First Trust Advisors L.P. will be the investment adviser ("Adviser") to the Trust. SSI Investment Management Inc. will serve as investment sub-adviser ("Sub-Adviser") to the Fund and provide day-to-day portfolio management. First Trust Portfolios L.P. ("Distributor") will be the principal underwriter and distributor of the Fund’s Shares. Brown Brothers Harriman & Co. will act as the administrator, accounting agent, custodian, and transfer agent to the Fund.

The Exchange has made the following representations and statements in describing the Fund and its investment strategy, including the Fund’s portfolio holdings and investment restrictions. 9 A. The Exchange’s Description of the Fund’s Principal Investment Policies

According to the Exchange, the investment objective of the Fund will be to seek total return. To achieve its objective, the Fund will invest, under normal market conditions, 10 at least


8 See Post-Effective Amendment No. 120 to Registration Statement on Form N–1A for the Trust, dated June 25, 2015 (File Nos. 333–174332 and 811–23559) ("Registration Statement"). The Exchange notes that the Commission has issued an order, upon which the Trust may rely, granting certain exemptive relief under the Investment Company Act of 1940 ("1940 Act"). See Investment Company Act Release No. 30029 (Apr. 10, 2012) (File No. 812–13795) ("Exemptive Relief"). In addition, the Exchange notes that the Commission has issued no-action relief, upon which the Trust may rely, regarding the Fund’s ability to invest in options contracts, futures contracts, and swap agreements notwithstanding certain representations in the application for the Exemptive Relief. See Commission No-Action Letter from the Office of Exemptive Applications/Oifice of Investment Company Regulation entitled, “Derivatives Use by Actively-Managed ETFs” (Dec. 6, 2012).

9 The Commission notes that additional information regarding the Fund and the Shares, including investment strategies, risks, creation and redemption procedures, fees, Fund holdings disclosure policies, distributions, and taxes can be found in the Notice and the Registration Statement, as applicable. See Notice and Registration Statement, supra notes 3 and 8, respectively.

10 The term "under normal market conditions" as used herein includes, but is not limited to, the