

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="49"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2016"/> - * <input type="text" value="002"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change Relating to Alternative Trading System Volume and Trading Information

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 * <input type="text" value="Brant"/>	Last Name * <input type="text" value="Brown"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="brant.brown@finra.org"/>	
Telephone * <input type="text" value="(202) 728-6927"/>	Fax <input type="text" value="(202) 728-8264"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date <input type="text" value="01/08/2016"/>	Senior Vice President and Director of Capital Markets Policy
By <input type="text" value="Stephanie Dumont"/>	Stephanie Dumont,
(Name *)	

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 EFFF 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

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to (i) delete from the FINRA rulebook Rule 4552, which requires each alternative trading system (“ATS”) that has filed a Form ATS with the SEC to report to FINRA weekly volume information and number of trades regarding equity securities transactions within the ATS; (ii) amend Rules 6110 and 6610 to add provisions regarding FINRA’s publication of ATS volume and trade count information for equity securities, including information similar to what is currently reported by ATSs pursuant to Rule 4552 as well as information regarding ATS block transactions; and (iii) amend Rules 6183 and 6625 to require ATSs seeking an exemption from FINRA trade reporting rules to provide FINRA with a link to a publicly-available website that displays their weekly equity volume information in a format substantially similar to that used by FINRA.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meetings on July 11, 2013, and December 15, 2015, 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.

¹ 15 U.S.C. 78s(b)(1).

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date for the deletion of Rule 4552, the amendments to Rules 6183 and 6625, and the publication of ATS volume and trade count information (except for ATS block data) pursuant to the amendments to Rules 6110 and 6610 will be February 9, 2016. Consequently, ATSS will be required to calculate their volume information pursuant to Rule 4552 through January 31, 2016, and will have until February 9, 2016, to report this data to FINRA.² FINRA will begin calculating ATS volume data based on trade reports beginning February 1, 2016. FINRA will announce the implementation date for these amendments no later than seven days following the filing of the proposed rule change for immediate effectiveness. FINRA will announce the implementation date for the publication of ATS block data in a Regulatory Notice to be published no later than 90 days following publication of the Commission's notice of the filing of the proposed rule change for immediate effectiveness in the Federal Register. The implementation date for the publication of ATS block data will be no later than 180 days after publication of the Regulatory Notice.

² As discussed below, ATSS exempt from FINRA trade reporting requirements will continue to calculate their volume using the same calculation methodology after Rule 4552 is removed from the FINRA rulebook pursuant to amended Rules 6183 and 6625. As with all ATSS, however, the reporting requirements of Rule 4552 will no longer apply beginning with the trading week of February 1, 2016. Instead, ATSS continuing to rely on the exemption will begin providing FINRA with a link to their data on the same timeframe as FINRA posts the data for other ATSS.

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

(a) Purpose

(i) Background

On January 17, 2014, the SEC approved a proposed rule change to (i) adopt Rule 4552 (Alternative Trading Systems – Trading Information for Securities Executed Within the Alternative Trading System) to require ATSS³ to report to FINRA weekly volume information and number of trades regarding securities transactions within the ATS (“ATS Data”) and to publish the ATS Data on a delayed basis on FINRA’s website;⁴ and (ii) amend Rules 6160, 6170, 6480, and 6720 (“MPID Rules”) to require each ATS to acquire and use a single, unique market participant identifier (“MPID”) when reporting information to FINRA (“MPID Requirement”).⁵ The implementation date for the

³ Regulation ATS defines an “alternative trading system” as “any organization, association, person, group of persons, or system: (1) That constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange within the meaning of [Exchange Act Rule 3b-16]; and (2) That does not: (i) Set rules governing the conduct of subscribers other than the conduct of such subscribers’ trading on such organization, association, person, group of persons, or system; or (ii) Discipline subscribers other than by exclusion from trading.” 17 CFR 242.300(a). Rule 4552 applies to any alternative trading system, as that term is defined in Regulation ATS, that has filed a Form ATS with the Commission. See Rule 4552(a).

⁴ FINRA subsequently filed a proposed rule change to limit the reporting requirements in Rule 4552 to equity securities and exclude TRACE-Reportable Securities. See Securities Exchange Act Release No. 71911 (April 9, 2014), 79 FR 21316 (April 15, 2014) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2014-017).

⁵ See Securities Exchange Act Release No. 71341 (January 17, 2014), 79 FR 4213 (January 24, 2014) (Order Approving File No. SR-FINRA-2013-042) (“ATS Approval Order”). The MPID Requirement was subsequently amended to permit the use of two MPIDs by a single ATS provided each MPID is used only to report

reporting requirements under Rule 4552 was May 12, 2014, and FINRA began publishing the ATS Data for equity securities on its website on June 2, 2014.⁶ The MPID Requirement was implemented on February 2, 2015.⁷ As the SEC noted in its order approving Rule 4552 and the MPID Requirement, FINRA’s response to comments received on that proposal included a commitment by FINRA to evaluate the continued need for self-reporting under Rule 4552 after the MPID Requirement was in place and to “eliminate the self-reporting requirement for ATSS subject to FINRA trade reporting requirements if the MPID [R]equirement is implemented and operating as anticipated.”⁸ FINRA has conducted this evaluation, and the proposed rule change eliminates the self-reporting requirement in Rule 4552 for ATSS in light of the successful implementation of the MPID Requirement.⁹

to either the Trade Reporting and Compliance Engine (“TRACE”) or one or more of FINRA’s equity reporting facilities. See Securities Exchange Act Release No. 71911 (April 9, 2014), 79 FR 21316 (April 15, 2014) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2014-017).

⁶ See Regulatory Notice 14-07 (February 2014).

⁷ See Securities Exchange Act Release No. 73340 (October 10, 2014), 79 FR 62500 (October 17, 2014) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2014-042).

⁸ ATS Approval Order, supra note 5, 79 FR at 4215-16.

⁹ FINRA and the SEC also noted that certain ATSS exempt from FINRA’s trade reporting rules (“Exempt ATSS”) may need to continue reporting because Exempt ATSS would not be using a separate MPID to report their volume due to the exemption. See ATS Approval Order, supra note 5, 79 FR at 4216 n.34. As discussed in more detail below, rather than require Exempt ATSS to continue to self-report volume information pursuant to Rule 4552, FINRA has determined to require any ATS that wishes to avail itself of the trade reporting exemption to provide FINRA with a link to this information on a publicly-available website. FINRA will include a link to this information on its ATS website so that it is readily accessible to investors and the public.

Rule 4552 requires individual ATs to submit weekly reports to FINRA regarding equity security volume information within the ATS, including share volume and number of trades for both NMS stocks and OTC Equity Securities.¹⁰ This information must be reported to FINRA on a security-by-security basis within seven business days after the end of each calendar week.¹¹ The first reports pursuant to Rule 4552 were due to FINRA by May 28, 2014, covering the week of May 12 through 16, 2014.¹² After FINRA began receiving the self-reported data from ATs, FINRA began publishing on its website, on a delayed basis, the reported information for each equity security for each ATS with appropriate disclosures that the published volume numbers are based on ATS-submitted reports and not on reports produced or validated by FINRA.¹³ FINRA currently makes this data available on its website through weekly reports listing aggregate volume and number of trades by security for each ATS within the designated time period.¹⁴ Aggregate reported information regarding NMS stocks in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility¹⁵ is published on a two-week delayed basis.¹⁶

¹⁰ See Rule 4552(a) and (d)(4).

¹¹ See Rule 4552(a).

¹² See Regulatory Notice 14-07 (February 2014).

¹³ See Rule 4552(b).

¹⁴ The volume information is available at www.finra.org/ats.

¹⁵ Tier 1 NMS stocks include those NMS stocks in the S&P 500 Index or the Russell 1000 Index and certain exchange-traded products. See NMS Plan to Address Extraordinary Market Volatility. FINRA makes changes to the Tier 1 NMS stocks in accordance with the Indices. Changes to the S&P 500 are made on an as needed basis and are not subject to an annual or semi-annual reconstitution. S&P typically does not add new issues until they have been seasoned for six to twelve months. Russell 1000 rebalancing typically takes place in June.

FINRA publishes the information on all other NMS stocks and OTC Equity Securities subject to FINRA trade reporting requirements on a four-week delayed basis.¹⁷

Rule 4552 also specifies how an ATS should calculate its volume to ensure consistency and to avoid potential over-counting and requires that, “[w]hen calculating and reporting the volume of securities traded and the number of trades, an alternative trading system shall include only those trades executed within the alternative trading system. If two orders are crossed by the alternative trading system, the volume shall include only the number of shares crossed as a single trade (e.g., crossing a buy order of 1,000 shares with a sell order of 1,000 shares would be calculated as a single trade of 1,000 shares of volume).”¹⁸ Thus, for example, an ATS only reports trades executed within the ATS (not orders routed out of the ATS) and only reports the volume of each executed trade once (not separate or double counting for the buy and sell side of the trade). Supplementary Material .01 to Rule 4552 provides further guidance on how to calculate volume for reporting purposes and notes that “[i]f an ATS routes an order to another member firm or other execution venue for handling or execution where that initial order matches against interest resident at the other venue, then the ATS would not . . . include such volume for reporting purposes.”

¹⁶ See Rule 4552(b)(1). Thus, for example, a typical reporting scenario (i.e., no federal holidays) requires ATSs to report the information for a given week by the second Tuesday following the week. FINRA publishes the information regarding Tier 1 NMS stocks no earlier than the following Monday. Information on all other equity securities subject to FINRA trade reporting requirements is published two weeks following the publication of information for the Tier 1 NMS stocks.

¹⁷ See Rule 4552(b)(2).

¹⁸ See Rule 4552(c).

In addition to the reporting requirements under Rule 4552, the MPID Rules generally require that a member operating an ATS obtain for each such ATS a single, unique MPID that is designated for exclusive use for reporting each ATS's transactions.¹⁹ Members that operate multiple ATSs or engage in other lines of business requiring the use of MPIDs are required to obtain and use multiple MPIDs, and if a firm operates multiple ATSs, each ATS must have its own MPID. Firms are required to notify FINRA before changing the usage of the MPID in any way (e.g., repurposing an MPID from reflecting ATS activity to other trading activity at the firm). After an ATS is provided its MPID, any reporting by the ATS—either reporting trades to a FINRA TRF, the Alternative Display Facility, the OTC Reporting Facility, TRACE, or reporting orders to the Order Audit Trail System (“OATS”)—must include the MPID assigned to the particular ATS, and the member must use the separate MPID to report all transactions executed within the ATS to the appropriate reporting facility. Finally, the MPID Rules prohibit a member from using an MPID assigned to an ATS to report any transaction that is not executed within the ATS and require members to have policies and procedures in place to ensure that trades reported with a separate MPID obtained under the rules are restricted to trades executed within the ATS.

¹⁹ See Rule 6160 (Multiple MPIDs for Trade Reporting Facility Participants); Rule 6170 (Primary and Additional MPIDs for Alternative Display Facility Participants); Rule 6480 (Multiple MPIDs for Quoting and Trading in OTC Equity Securities). As noted above, an ATS is permitted to use two separate MPIDs if one MPID is used exclusively for reporting transactions to TRACE and the other MPID is used exclusively for reporting transactions to the equity trade reporting facilities. See Rule 6160(d); Rule 6170(e); Rule 6480(d).

(ii) MPID Requirement Implementation and Evaluation

Under FINRA’s trade reporting rules, orders that are crossed by an ATS are reported to the appropriate FINRA trade reporting facility by the ATS.²⁰ The MPID Requirement—which requires ATSS to use a single, unique MPID when reporting trades within the ATS to an equity trade reporting facility—became effective on February 2, 2015. Since that time, FINRA has been able to calculate the trading volume for ATSS, other than Exempt ATSS, through the trade reports submitted using the ATS’s MPID. FINRA has been comparing the information reported by ATSS pursuant to Rule 4552 to information generated by FINRA from trade reports since the MPID Requirement was implemented.

For most weeks since the implementation of the MPID Requirement, over 75% of ATSS have exact matches between self-reported data and trade reporting data, and there has been a 99.99% overall match rate between self-reported ATS volume and trade reporting volume for ATSS that submit trade reports on the same basis that they calculate volume information pursuant to Rule 4552.²¹ Where differences between the self-reported data and the trade reporting data have been detected by FINRA staff, these

²⁰ See Securities Exchange Act Release No. 58903 (November 5, 2008), 73 FR 67905, at 67906 (November 17, 2008) (Order Approving File No. SR-FINRA-2008-011) (“Under the proposed rule change, an [ATS] . . . would be the executing party and would have the reporting obligation where the transaction is executed on the ATS.”); see also Regulatory Notice 09-08 (January 2009).

²¹ The 99.99% match rate excludes three ATSS that trade equity securities and, under current guidance or exemptions, will not match: one is an Exempt ATS; one ATS reports trades to a FINRA facility but excludes trades that are matched on an Exempt ATS pursuant to the guidance on volume calculation in Supplementary Material .01 to Rule 4552; and one ATS matches orders but routes some of those matched orders for execution to a third party broker-dealer that executes and reports the trade to FINRA. In each of these three unique circumstances, the trade reports will not match the data reported pursuant to Rule 4552.

differences have almost always been errors in the self-reporting of data by ATSSs rather than errors in calculating volume based on trade reporting data. For example, FINRA has found errors such as ATSSs including cancelled or reversed trades in the calculations or double-counting certain volume.

Based on this comparison over the past several months, FINRA believes that, going forward, disseminating ATS volume information based on trade reporting data, rather than self-reported data, will provide a more accurate calculation of ATS volume. Consequently, the proposed rule change replaces the ATS reporting obligations in Rule 4552 with a dissemination provision in Rule 6110 (for NMS stocks) and Rule 6610 (for OTC Equity Securities). The information disseminated by FINRA under the Rules will be substantially the same as that currently disseminated under Rule 4552; however, with the exception of Exempt ATSSs, the obligation to calculate the information will shift from the ATSSs to FINRA. As discussed below and noted above, however, some of the data calculations will change for ATSSs that match orders using an Exempt ATS and ATSSs that otherwise have unique trade reporting situations that result in trade reporting data not aligning with the ATS's current calculation methodology under Rule 4552.

(iii) Exempt ATSSs

By shifting ATS volume calculations from self-reported ATS data to trade reporting data, FINRA will not have transaction information for Exempt ATSSs because they do not report trades to FINRA under existing exemptive rules.²² Because FINRA believes this information will remain important to investors and to the public, Exempt ATSSs that wish to continue to have an exemption from the trade reporting requirements

²² See Rules 6183 and 6625.

must continue to calculate their volume in the same manner they currently do under Rule 4552; however, rather than report the information to FINRA, the proposed rule change moves the requirement, including all of the calculation requirements and guidance, into Rules 6183 and 6625 and requires Exempt ATSS to provide FINRA with a link to the information. The information at that link must be publicly available at no charge and must appear in a substantially similar format as the ATS volume information that FINRA makes available. Supplementary Material .01 to the rules makes clear that, in order for data posted at the link to be in a “substantially similar format” under the rule, the data must include the same data elements for the same timeframes, be accessible in the same manner as FINRA makes data available (e.g., downloadable), and include data for the same time periods (including current and historical data). FINRA will use the link provided by the Exempt ATS and make the link available on its public website so that investors and other members of the public can freely and readily access Exempt ATS volume information.

Because the amendments to Rules 6183 and 6625 incorporate the calculation provisions from Rule 4552, the calculation of Exempt ATS volume information will not change as a result of the proposed rule change; however, the information will be published by the Exempt ATS with a link from FINRA’s website rather than be reported to FINRA and displayed directly on FINRA’s website. By shifting the basis of ATS Data from self-reported data to trade reporting data, the calculations, and thus the displayed data, will change primarily for those ATSS that currently exclude transactions involving Exempt ATSS from their reports under Rule 4552. These ATSS report trades to FINRA using their ATS MPID (including those trades that are matched through an Exempt

ATS); consequently, those trades involving Exempt ATSS that are currently excluded pursuant to Supplementary Material .01 to Rule 4552 will be included in the volume calculations once the calculations are based on trade reporting data.²³

(iv) ATS Block Data

With the implementation of the MPID Requirement, FINRA now has access to trade-by-trade reporting data from ATSS. The MPID Requirement also allows FINRA to aggregate and categorize ATS trading data in additional ways, and FINRA has been considering additional data that may be useful to investors and the public, particularly with respect to larger-sized, or “block,” trades. Following discussions with numerous ATSS, broker-dealers, and FINRA committees, the proposed rule change also provides that FINRA will publish on its public website monthly aggregate ATS block trading statistics, with the specific elements to be determined from time to time by FINRA in its discretion as stated in a Regulatory Notice or other equivalent publication, for each ATS.²⁴ FINRA believes that these statistics would prove beneficial to firms and the general public and provide interested parties with more detailed information on ATS trading activities, thus enhancing transparency in the over-the-counter market, and the proposed rule change would provide FINRA with a limited ability to change or refine the data fields for ATS block trades to respond to user needs or improve the usefulness of the data.

²³ This category of trades will also be included in the Exempt ATS’s volume calculations. FINRA will note this potential double-counting on its website to ensure users of the ATS data are aware of this double-counting.

²⁴ FINRA notes that announcement of the specific elements in a Regulatory Notice or other equivalent publication is similar to the manner in which FINRA announces the data elements and fields included in Historic TRACE Data. See Rules 7730(d) and (f)(4); see also Regulatory Notice 10-14 (March 2010).

Although FINRA will announce in a Regulatory Notice the specific elements that will be published, the rule provides that the statistics regarding ATS block trades will be aggregated across all NMS stocks (i.e., there will be no security-by-security block data),²⁵ will be for a minimum time period of one month of trading,²⁶ and will be published no earlier than one month following the end of the month for which trading was aggregated. Rather than strictly define a block transaction, FINRA concluded it would be most beneficial to provide firms and the public with information on block transactions using share-based thresholds, dollar-based thresholds, and thresholds that include both shares and dollar amount. Initially, FINRA anticipates that the ATS block data elements listed below will be published under Rule 6110; however, FINRA will formally announce the elements in a Regulatory Notice.²⁷ FINRA currently anticipates that the thresholds for block trades will be the following:

- 10,000 or more shares
- \$200,000 or more in dollar value

²⁵ The proposed rule change does not include OTC Equity Securities in the initial dissemination phase for block trades, due largely to the wide variance of trading activity in these securities and the difficulty associated with determining thresholds that are appropriate across this class of securities. However, FINRA intends to reassess whether, in the future, the publication of block data should be expanded to include trades in OTC Equity Securities or some subset thereof.

²⁶ All monthly information will be calculated using calendar months. Because the reports will be based on aggregated monthly data rather than weekly data and includes all NMS stocks, Tier 1 and Tier 2 NMS stocks will not be treated differently for purposes of block trading statistics.

²⁷ FINRA anticipates that any changes to the elements or the addition of any new elements will be published well in advance of implementation to provide an opportunity for comment by any interested parties. As noted above, for trades executed on an ATS, the ATS is required to report the trade using its MPID. Consequently, the publication by FINRA of ATS block data will not impose any additional obligations on ATSS.

- 10,000 or more shares and \$200,000 or more in dollar value
- 2,000 to 9,999 shares
- \$100,000 to \$199,999 in dollar value
- 2,000 to 9,999 shares and \$100,000 to \$199,999 in dollar value

For each of these thresholds, FINRA intends to publish trade count and volume information for each ATS aggregated across all NMS stocks. As a convenience for users, FINRA also anticipates calculating and displaying the average trade size and each ATS's rank as well as block market share (i.e., the proportion of each ATS's block trading volume in relation to total block trading by all ATSs) and block business share (i.e., the proportion of a particular ATS's overall trading volume that was done as block trades) and rankings of those metrics.²⁸

FINRA believes that ATS block trading data will be helpful for firms to inform their routing decisions and that FINRA's data, because it would be based on the trade reports submitted by the ATSs, would be more accurate and complete than existing sources of this information. In addition, FINRA believes that monthly aggregated data across all NMS stocks published on a one-month delayed basis will avoid any potential information leakage concerns.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The implementation date for the deletion of Rule 4552, the amendments to Rules 6183 and 6625, and the publication of ATS volume and trade count

²⁸ Both the block business share and the rankings would be determined using the data FINRA is proposing to make publicly available; thus, these metrics would be calculated and provided by FINRA merely as a service to users to enable them to determine this information more readily. Monthly total ATS share volume and trades are calculated in order to derive the block business share, so those values and their market share and ranking would also be published as a service to users.

information (except for ATS block data) pursuant to the amendments to Rules 6110 and 6610 will be February 9, 2016. Consequently, ATSS will be required to calculate their volume information pursuant to Rule 4552 through January 31, 2016, and will have until February 9, 2016, to report this data to FINRA.²⁹ FINRA will begin calculating ATS volume data based on trade reports beginning February 1, 2016. FINRA will announce the implementation date for these amendments no later than seven days following the filing of the proposed rule change for immediate effectiveness. FINRA will announce the implementation date for the publication of ATS block data in a Regulatory Notice to be published no later than 90 days following publication of the Commission's notice of the filing of the proposed rule change for immediate effectiveness in the Federal Register. The implementation date for the publication of ATS block data will be no later than 180 days after publication of the Regulatory Notice.

(b) 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. FINRA believes that the weekly ATS volume statistics have significantly

²⁹ As discussed above, ATSS exempt from FINRA trade reporting requirements will continue to calculate their volume using the same calculation methodology after Rule 4552 is removed from the FINRA rulebook pursuant to amended Rules 6183 and 6625. As with all ATSS, however, the reporting requirements of Rule 4552 will no longer apply beginning with the trading week of February 1, 2016. Instead, ATSS continuing to rely on the exemption will begin providing FINRA with a link to their data on the same timeframe as FINRA posts the data for other ATSS.

³⁰ 15 U.S.C. 78o-3(b)(6).

enhanced transparency and understanding into trading activity on ATSS in the over-the-counter market. FINRA believes that, with the successful implementation of the MPID Requirement, transitioning the source of this information from self-reported data to trade reporting data enhances the reliability of the data while also reducing the reporting and compliance burden on firms and ATSS. FINRA believes that the proposal to publish ATSS block trading data will provide additional transparency into ATSS activity and enhance market participants' and investors' understanding of the over-the-counter market.

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.

FINRA notes that the publication of ATSS block trading information as described above would not impose any additional reporting requirements on ATSS because the data will be derived solely from trade reports submitted to the FINRA equity trade reporting facilities. FINRA believes that the proposal will have minimal to no impact on firms from a systems development perspective while significantly benefiting the marketplace as a whole. Thus, the proposal will provide additional transparency into ATSS trading activity by enabling market participants and investors to have a better understanding of ATSS block trading volume at no required cost to firms or ATSS.

The proposed rule change would expand the benefits of FINRA's ATSS transparency program by providing additional transparency on monthly aggregate block trading on ATSS. The additional information may help market participants and investors

to enhance their understanding of trading activity on ATSS and inform routing decisions based on this information. As discussed above, the proposal to publish ATS block trading volume would not impose any additional reporting requirements on firms, and as a result would have no direct impact on firms. Some firms may choose to incur costs to verify the information FINRA publishes, but these cost are voluntary and are also likely to be minimal.

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. As noted above, however, FINRA received written comments on the proposed rule change to adopt Rule 4552 and the MPID Requirement, many of which requested that FINRA eliminate Rule 4552 once the MPID Requirement was implemented and functioning as intended.³¹ The current proposed rule change addresses this concern expressed by earlier commenters by eliminating the reporting requirements in Rule 4552.

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) of the Act³² and paragraph (f)(6) of Rule 19b-4 thereunder,³³ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does

³¹ See ATS Approval Order, supra note 5, 79 FR at 4215.

³² 15 U.S.C. 78s(b)(3).

³³ 17 CFR 240.19b-4(f)(6).

not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

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.

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-2016-002)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Alternative Trading System Volume and Trading Information

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. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

FINRA is proposing to (i) delete from the FINRA rulebook Rule 4552, which requires each alternative trading system (“ATS”) that has filed a Form ATS with the SEC to report to FINRA weekly volume information and number of trades regarding equity securities transactions within the ATS; (ii) amend Rules 6110 and 6610 to add provisions regarding FINRA’s publication of ATS volume and trade count information for equity

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

securities, including information similar to what is currently reported by ATSS pursuant to Rule 4552 as well as information regarding ATS block transactions; and (iii) amend Rules 6183 and 6625 to require ATSS seeking an exemption from FINRA trade reporting rules to provide FINRA with a link to a publicly-available website that displays their weekly equity volume information in a format substantially similar to that used by FINRA.

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

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

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

(i) Background

On January 17, 2014, the SEC approved a proposed rule change to (i) adopt Rule 4552 (Alternative Trading Systems – Trading Information for Securities Executed Within

the Alternative Trading System) to require ATSS⁴ to report to FINRA weekly volume information and number of trades regarding securities transactions within the ATS (“ATS Data”) and to publish the ATS Data on a delayed basis on FINRA’s website;⁵ and (ii) amend Rules 6160, 6170, 6480, and 6720 (“MPID Rules”) to require each ATS to acquire and use a single, unique market participant identifier (“MPID”) when reporting information to FINRA (“MPID Requirement”).⁶ The implementation date for the reporting requirements under Rule 4552 was May 12, 2014, and FINRA began publishing the ATS Data for equity securities on its website on June 2, 2014.⁷ The MPID

⁴ Regulation ATS defines an “alternative trading system” as “any organization, association, person, group of persons, or system: (1) That constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange within the meaning of [Exchange Act Rule 3b-16]; and (2) That does not: (i) Set rules governing the conduct of subscribers other than the conduct of such subscribers’ trading on such organization, association, person, group of persons, or system; or (ii) Discipline subscribers other than by exclusion from trading.” 17 CFR 242.300(a). Rule 4552 applies to any alternative trading system, as that term is defined in Regulation ATS, that has filed a Form ATS with the Commission. See Rule 4552(a).

⁵ FINRA subsequently filed a proposed rule change to limit the reporting requirements in Rule 4552 to equity securities and exclude TRACE-Reportable Securities. See Securities Exchange Act Release No. 71911 (April 9, 2014), 79 FR 21316 (April 15, 2014) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2014-017).

⁶ See Securities Exchange Act Release No. 71341 (January 17, 2014), 79 FR 4213 (January 24, 2014) (Order Approving File No. SR-FINRA-2013-042) (“ATS Approval Order”). The MPID Requirement was subsequently amended to permit the use of two MPIDs by a single ATS provided each MPID is used only to report to either the Trade Reporting and Compliance Engine (“TRACE”) or one or more of FINRA’s equity reporting facilities. See Securities Exchange Act Release No. 71911 (April 9, 2014), 79 FR 21316 (April 15, 2014) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2014-017).

⁷ See Regulatory Notice 14-07 (February 2014).

Requirement was implemented on February 2, 2015.⁸ As the SEC noted in its order approving Rule 4552 and the MPID Requirement, FINRA’s response to comments received on that proposal included a commitment by FINRA to evaluate the continued need for self-reporting under Rule 4552 after the MPID Requirement was in place and to “eliminate the self-reporting requirement for ATSS subject to FINRA trade reporting requirements if the MPID [R]equirement is implemented and operating as anticipated.”⁹ FINRA has conducted this evaluation, and the proposed rule change eliminates the self-reporting requirement in Rule 4552 for ATSS in light of the successful implementation of the MPID Requirement.¹⁰

Rule 4552 requires individual ATSS to submit weekly reports to FINRA regarding equity security volume information within the ATS, including share volume and number of trades for both NMS stocks and OTC Equity Securities.¹¹ This information must be reported to FINRA on a security-by-security basis within seven business days after the

⁸ See Securities Exchange Act Release No. 73340 (October 10, 2014), 79 FR 62500 (October 17, 2014) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2014-042).

⁹ ATS Approval Order, supra note 6, 79 FR at 4215-16.

¹⁰ FINRA and the SEC also noted that certain ATSS exempt from FINRA’s trade reporting rules (“Exempt ATSS”) may need to continue reporting because Exempt ATSS would not be using a separate MPID to report their volume due to the exemption. See ATS Approval Order, supra note 6, 79 FR at 4216 n.34. As discussed in more detail below, rather than require Exempt ATSS to continue to self-report volume information pursuant to Rule 4552, FINRA has determined to require any ATS that wishes to avail itself of the trade reporting exemption to provide FINRA with a link to this information on a publicly-available website. FINRA will include a link to this information on its ATS website so that it is readily accessible to investors and the public.

¹¹ See Rule 4552(a) and (d)(4).

end of each calendar week.¹² The first reports pursuant to Rule 4552 were due to FINRA by May 28, 2014, covering the week of May 12 through 16, 2014.¹³ After FINRA began receiving the self-reported data from ATs, FINRA began publishing on its website, on a delayed basis, the reported information for each equity security for each ATs with appropriate disclosures that the published volume numbers are based on ATs-submitted reports and not on reports produced or validated by FINRA.¹⁴ FINRA currently makes this data available on its website through weekly reports listing aggregate volume and number of trades by security for each ATs within the designated time period.¹⁵ Aggregate reported information regarding NMS stocks in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility¹⁶ is published on a two-week delayed basis.¹⁷

¹² See Rule 4552(a).

¹³ See Regulatory Notice 14-07 (February 2014).

¹⁴ See Rule 4552(b).

¹⁵ The volume information is available at www.finra.org/ats.

¹⁶ Tier 1 NMS stocks include those NMS stocks in the S&P 500 Index or the Russell 1000 Index and certain exchange-traded products. See NMS Plan to Address Extraordinary Market Volatility. FINRA makes changes to the Tier 1 NMS stocks in accordance with the Indices. Changes to the S&P 500 are made on an as needed basis and are not subject to an annual or semi-annual reconstitution. S&P typically does not add new issues until they have been seasoned for six to twelve months. Russell 1000 rebalancing typically takes places in June.

¹⁷ See Rule 4552(b)(1). Thus, for example, a typical reporting scenario (i.e., no federal holidays) requires ATs to report the information for a given week by the second Tuesday following the week. FINRA publishes the information regarding Tier 1 NMS stocks no earlier than the following Monday. Information on all other equity securities subject to FINRA trade reporting requirements is published two weeks following the publication of information for the Tier 1 NMS stocks.

FINRA publishes the information on all other NMS stocks and OTC Equity Securities subject to FINRA trade reporting requirements on a four-week delayed basis.¹⁸

Rule 4552 also specifies how an ATS should calculate its volume to ensure consistency and to avoid potential over-counting and requires that, “[w]hen calculating and reporting the volume of securities traded and the number of trades, an alternative trading system shall include only those trades executed within the alternative trading system. If two orders are crossed by the alternative trading system, the volume shall include only the number of shares crossed as a single trade (e.g., crossing a buy order of 1,000 shares with a sell order of 1,000 shares would be calculated as a single trade of 1,000 shares of volume).”¹⁹ Thus, for example, an ATS only reports trades executed within the ATS (not orders routed out of the ATS) and only reports the volume of each executed trade once (not separate or double counting for the buy and sell side of the trade). Supplementary Material .01 to Rule 4552 provides further guidance on how to calculate volume for reporting purposes and notes that “[i]f an ATS routes an order to another member firm or other execution venue for handling or execution where that initial order matches against interest resident at the other venue, then the ATS would not . . . include such volume for reporting purposes.”

In addition to the reporting requirements under Rule 4552, the MPID Rules generally require that a member operating an ATS obtain for each such ATS a single, unique MPID that is designated for exclusive use for reporting each ATS’s transactions.²⁰

¹⁸ See Rule 4552(b)(2).

¹⁹ See Rule 4552(c).

²⁰ See Rule 6160 (Multiple MPIDs for Trade Reporting Facility Participants); Rule 6170 (Primary and Additional MPIDs for Alternative Display Facility)

Members that operate multiple ATSs or engage in other lines of business requiring the use of MPIDs are required to obtain and use multiple MPIDs, and if a firm operates multiple ATSs, each ATS must have its own MPID. Firms are required to notify FINRA before changing the usage of the MPID in any way (e.g., repurposing an MPID from reflecting ATS activity to other trading activity at the firm). After an ATS is provided its MPID, any reporting by the ATS—either reporting trades to a FINRA TRF, the Alternative Display Facility, the OTC Reporting Facility, TRACE, or reporting orders to the Order Audit Trail System (“OATS”)—must include the MPID assigned to the particular ATS, and the member must use the separate MPID to report all transactions executed within the ATS to the appropriate reporting facility. Finally, the MPID Rules prohibit a member from using an MPID assigned to an ATS to report any transaction that is not executed within the ATS and require members to have policies and procedures in place to ensure that trades reported with a separate MPID obtained under the rules are restricted to trades executed within the ATS.

(ii) MPID Requirement Implementation and Evaluation

Under FINRA’s trade reporting rules, orders that are crossed by an ATS are reported to the appropriate FINRA trade reporting facility by the ATS.²¹ The MPID

Participants); Rule 6480 (Multiple MPIDs for Quoting and Trading in OTC Equity Securities). As noted above, an ATS is permitted to use two separate MPIDs if one MPID is used exclusively for reporting transactions to TRACE and the other MPID is used exclusively for reporting transactions to the equity trade reporting facilities. See Rule 6160(d); Rule 6170(e); Rule 6480(d).

²¹ See Securities Exchange Act Release No. 58903 (November 5, 2008), 73 FR 67905, at 67906 (November 17, 2008) (Order Approving File No. SR-FINRA-2008-011) (“Under the proposed rule change, an [ATS] . . . would be the executing party and would have the reporting obligation where the transaction is executed on the ATS.”); see also Regulatory Notice 09-08 (January 2009).

Requirement—which requires ATSS to use a single, unique MPID when reporting trades within the ATS to an equity trade reporting facility—became effective on February 2, 2015. Since that time, FINRA has been able to calculate the trading volume for ATSS, other than Exempt ATSS, through the trade reports submitted using the ATS’s MPID. FINRA has been comparing the information reported by ATSS pursuant to Rule 4552 to information generated by FINRA from trade reports since the MPID Requirement was implemented.

For most weeks since the implementation of the MPID Requirement, over 75% of ATSS have exact matches between self-reported data and trade reporting data, and there has been a 99.99% overall match rate between self-reported ATS volume and trade reporting volume for ATSS that submit trade reports on the same basis that they calculate volume information pursuant to Rule 4552.²² Where differences between the self-reported data and the trade reporting data have been detected by FINRA staff, these differences have almost always been errors in the self-reporting of data by ATSS rather than errors in calculating volume based on trade reporting data. For example, FINRA has found errors such as ATSS including cancelled or reversed trades in the calculations or double-counting certain volume.

²² The 99.99% match rate excludes three ATSS that trade equity securities and, under current guidance or exemptions, will not match: one is an Exempt ATS; one ATS reports trades to a FINRA facility but excludes trades that are matched on an Exempt ATS pursuant to the guidance on volume calculation in Supplementary Material .01 to Rule 4552; and one ATS matches orders but routes some of those matched orders for execution to a third party broker-dealer that executes and reports the trade to FINRA. In each of these three unique circumstances, the trade reports will not match the data reported pursuant to Rule 4552.

Based on this comparison over the past several months, FINRA believes that, going forward, disseminating ATS volume information based on trade reporting data, rather than self-reported data, will provide a more accurate calculation of ATS volume. Consequently, the proposed rule change replaces the ATS reporting obligations in Rule 4552 with a dissemination provision in Rule 6110 (for NMS stocks) and Rule 6610 (for OTC Equity Securities). The information disseminated by FINRA under the Rules will be substantially the same as that currently disseminated under Rule 4552; however, with the exception of Exempt ATSS, the obligation to calculate the information will shift from the ATSS to FINRA. As discussed below and noted above, however, some of the data calculations will change for ATSS that match orders using an Exempt ATS and ATSS that otherwise have unique trade reporting situations that result in trade reporting data not aligning with the ATS's current calculation methodology under Rule 4552.

(iii) Exempt ATSS

By shifting ATS volume calculations from self-reported ATS data to trade reporting data, FINRA will not have transaction information for Exempt ATSS because they do not report trades to FINRA under existing exemptive rules.²³ Because FINRA believes this information will remain important to investors and to the public, Exempt ATSS that wish to continue to have an exemption from the trade reporting requirements must continue to calculate their volume in the same manner they currently do under Rule 4552; however, rather than report the information to FINRA, the proposed rule change moves the requirement, including all of the calculation requirements and guidance, into Rules 6183 and 6625 and requires Exempt ATSS to provide FINRA with a link to the

²³ See Rules 6183 and 6625.

information. The information at that link must be publicly available at no charge and must appear in a substantially similar format as the ATS volume information that FINRA makes available. Supplementary Material .01 to the rules makes clear that, in order for data posted at the link to be in a “substantially similar format” under the rule, the data must include the same data elements for the same timeframes, be accessible in the same manner as FINRA makes data available (e.g., downloadable), and include data for the same time periods (including current and historical data). FINRA will use the link provided by the Exempt ATS and make the link available on its public website so that investors and other members of the public can freely and readily access Exempt ATS volume information.

Because the amendments to Rules 6183 and 6625 incorporate the calculation provisions from Rule 4552, the calculation of Exempt ATS volume information will not change as a result of the proposed rule change; however, the information will be published by the Exempt ATS with a link from FINRA’s website rather than be reported to FINRA and displayed directly on FINRA’s website. By shifting the basis of ATS Data from self-reported data to trade reporting data, the calculations, and thus the displayed data, will change primarily for those ATSs that currently exclude transactions involving Exempt ATSs from their reports under Rule 4552. These ATSs report trades to FINRA using their ATS MPID (including those trades that are matched through an Exempt ATS); consequently, those trades involving Exempt ATSs that are currently excluded

pursuant to Supplementary Material .01 to Rule 4552 will be included in the volume calculations once the calculations are based on trade reporting data.²⁴

(iv) ATS Block Data

With the implementation of the MPID Requirement, FINRA now has access to trade-by-trade reporting data from ATSS. The MPID Requirement also allows FINRA to aggregate and categorize ATS trading data in additional ways, and FINRA has been considering additional data that may be useful to investors and the public, particularly with respect to larger-sized, or “block,” trades. Following discussions with numerous ATSS, broker-dealers, and FINRA committees, the proposed rule change also provides that FINRA will publish on its public website monthly aggregate ATS block trading statistics, with the specific elements to be determined from time to time by FINRA in its discretion as stated in a Regulatory Notice or other equivalent publication, for each ATS.²⁵ FINRA believes that these statistics would prove beneficial to firms and the general public and provide interested parties with more detailed information on ATS trading activities, thus enhancing transparency in the over-the-counter market, and the proposed rule change would provide FINRA with a limited ability to change or refine the data fields for ATS block trades to respond to user needs or improve the usefulness of the data.

²⁴ This category of trades will also be included in the Exempt ATS’s volume calculations. FINRA will note this potential double-counting on its website to ensure users of the ATS data are aware of this double-counting.

²⁵ FINRA notes that announcement of the specific elements in a Regulatory Notice or other equivalent publication is similar to the manner in which FINRA announces the data elements and fields included in Historic TRACE Data. See Rules 7730(d) and (f)(4); see also Regulatory Notice 10-14 (March 2010).

Although FINRA will announce in a Regulatory Notice the specific elements that will be published, the rule provides that the statistics regarding ATS block trades will be aggregated across all NMS stocks (i.e., there will be no security-by-security block data),²⁶ will be for a minimum time period of one month of trading,²⁷ and will be published no earlier than one month following the end of the month for which trading was aggregated. Rather than strictly define a block transaction, FINRA concluded it would be most beneficial to provide firms and the public with information on block transactions using share-based thresholds, dollar-based thresholds, and thresholds that include both shares and dollar amount. Initially, FINRA anticipates that the ATS block data elements listed below will be published under Rule 6110; however, FINRA will formally announce the elements in a Regulatory Notice.²⁸ FINRA currently anticipates that the thresholds for block trades will be the following:

- 10,000 or more shares
- \$200,000 or more in dollar value

²⁶ The proposed rule change does not include OTC Equity Securities in the initial dissemination phase for block trades, due largely to the wide variance of trading activity in these securities and the difficulty associated with determining thresholds that are appropriate across this class of securities. However, FINRA intends to reassess whether, in the future, the publication of block data should be expanded to include trades in OTC Equity Securities or some subset thereof.

²⁷ All monthly information will be calculated using calendar months. Because the reports will be based on aggregated monthly data rather than weekly data and includes all NMS stocks, Tier 1 and Tier 2 NMS stocks will not be treated differently for purposes of block trading statistics.

²⁸ FINRA anticipates that any changes to the elements or the addition of any new elements will be published well in advance of implementation to provide an opportunity for comment by any interested parties. As noted above, for trades executed on an ATS, the ATS is required to report the trade using its MPID. Consequently, the publication by FINRA of ATS block data will not impose any additional obligations on ATSS.

- 10,000 or more shares and \$200,000 or more in dollar value
- 2,000 to 9,999 shares
- \$100,000 to \$199,999 in dollar value
- 2,000 to 9,999 shares and \$100,000 to \$199,999 in dollar value

For each of these thresholds, FINRA intends to publish trade count and volume information for each ATS aggregated across all NMS stocks. As a convenience for users, FINRA also anticipates calculating and displaying the average trade size and each ATS's rank as well as block market share (i.e., the proportion of each ATS's block trading volume in relation to total block trading by all ATSs) and block business share (i.e., the proportion of a particular ATS's overall trading volume that was done as block trades) and rankings of those metrics.²⁹

FINRA believes that ATS block trading data will be helpful for firms to inform their routing decisions and that FINRA's data, because it would be based on the trade reports submitted by the ATSs, would be more accurate and complete than existing sources of this information. In addition, FINRA believes that monthly aggregated data across all NMS stocks published on a one-month delayed basis will avoid any potential information leakage concerns.

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date for the deletion of Rule 4552, the amendments to Rules 6183 and 6625, and the publication of ATS volume and trade count information (except for ATS

²⁹ Both the block business share and the rankings would be determined using the data FINRA is proposing to make publicly available; thus, these metrics would be calculated and provided by FINRA merely as a service to users to enable them to determine this information more readily. Monthly total ATS share volume and trades are calculated in order to derive the block business share, so those values and their market share and ranking would also be published as a service to users.

block data) pursuant to the amendments to Rules 6110 and 6610 will be February 9, 2016. Consequently, ATSS will be required to calculate their volume information pursuant to Rule 4552 through January 31, 2016, and will have until February 9, 2016, to report this data to FINRA.³⁰ FINRA will begin calculating ATS volume data based on trade reports beginning February 1, 2016. FINRA will announce the implementation date for these amendments no later than seven days following the filing of the proposed rule change for immediate effectiveness. FINRA will announce the implementation date for the publication of ATS block data in a Regulatory Notice to be published no later than 90 days following publication of the Commission's notice of the filing of the proposed rule change for immediate effectiveness in the Federal Register. The implementation date for the publication of ATS block data will be no later than 180 days after publication of the Regulatory Notice.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,³¹ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the weekly ATS volume statistics have significantly

³⁰ As discussed above, ATSS exempt from FINRA trade reporting requirements will continue to calculate their volume using the same calculation methodology after Rule 4552 is removed from the FINRA rulebook pursuant to amended Rules 6183 and 6625. As with all ATSS, however, the reporting requirements of Rule 4552 will no longer apply beginning with the trading week of February 1, 2016. Instead, ATSS continuing to rely on the exemption will begin providing FINRA with a link to their data on the same timeframe as FINRA posts the data for other ATSS.

³¹ 15 U.S.C. 78o-3(b)(6).

enhanced transparency and understanding into trading activity on ATSS in the over-the-counter market. FINRA believes that, with the successful implementation of the MPID Requirement, transitioning the source of this information from self-reported data to trade reporting data enhances the reliability of the data while also reducing the reporting and compliance burden on firms and ATSS. FINRA believes that the proposal to publish ATS block trading data will provide additional transparency into ATS activity and enhance market participants' and investors' understanding of the over-the-counter 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.

FINRA notes that the publication of ATS block trading information as described above would not impose any additional reporting requirements on ATSS because the data will be derived solely from trade reports submitted to the FINRA equity trade reporting facilities. FINRA believes that the proposal will have minimal to no impact on firms from a systems development perspective while significantly benefiting the marketplace as a whole. Thus, the proposal will provide additional transparency into ATS trading activity by enabling market participants and investors to have a better understanding of ATS block trading volume at no required cost to firms or ATSS.

The proposed rule change would expand the benefits of FINRA's ATS transparency program by providing additional transparency on monthly aggregate block trading on ATSS. The additional information may help market participants and investors

to enhance their understanding of trading activity on ATSS and inform routing decisions based on this information. As discussed above, the proposal to publish ATS block trading volume would not impose any additional reporting requirements on firms, and as a result would have no direct impact on firms. Some firms may choose to incur costs to verify the information FINRA publishes, but these cost are voluntary and are also likely to be minimal.

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. As noted above, however, FINRA received written comments on the proposed rule change to adopt Rule 4552 and the MPID Requirement, many of which requested that FINRA eliminate Rule 4552 once the MPID Requirement was implemented and functioning as intended.³² The current proposed rule change addresses this concern expressed by earlier commenters by eliminating the reporting requirements in Rule 4552.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed,

³² See ATS Approval Order, supra note 6, 79 FR at 4215.

or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act³³ and Rule 19b-4(f)(6) thereunder.³⁴

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2016-002 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

³³ 15 U.S.C. 78s(b)(3)(A).

³⁴ 17 CFR 240.19b-4(f)(6).

All submissions should refer to File Number SR-FINRA-2016-002. 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-2016-002 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.³⁵

Robert W. Errett
Deputy Secretary

³⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Exhibit 5 shows the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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4000. FINANCIAL AND OPERATIONAL RULES

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4500. BOOKS, RECORDS AND REPORTS

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4550. ATS Reporting

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[4552. Alternative Trading Systems – Trading Information for Securities Executed Within the Alternative Trading System]

[(a) Within seven business days after the end of each week, each member that operates an ATS that has filed a Form ATS with the SEC shall report to FINRA, in such format as FINRA may require, the aggregate weekly Trading Information for each NMS stock and OTC Equity Security executed within each such ATS operated by the member during the previous week.]

[(b) FINRA will publish on its public web site the Trading Information for equity securities as reported by each ATS on the following timeframes:]

[(1) no earlier than two weeks following the end of the Trading Information week, Trading Information regarding NMS stocks in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility; and]

[(2) no earlier than four weeks following the end of the Trading Information week, Trading Information regarding (A) NMS stocks that are subject to FINRA trade reporting requirements and are not in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility and (B) OTC Equity Securities.]

[(c) When calculating and reporting the volume of securities traded and the number of trades, an ATS shall include only those trades executed within the ATS. If two orders are crossed by the ATS, the volume shall include only the number of shares crossed as a single trade (e.g., crossing a buy order of 1,000 shares with a sell order of 1,000 shares would be calculated as a single trade of 1,000 shares of volume).]

[(d) Definitions]

[For purposes of this Rule, the term:]

[(1) “ATS” has the same meaning as the term “alternative trading system” as that term is defined in Rule 300 of SEC Regulation ATS;]

[(2) “NMS stock” has the same meaning as that term is defined in Rule 600(b)(47) of SEC Regulation NMS;]

[(3) “OTC Equity Security” has the same meaning as that term is defined in Rule 6420; and]

[(4) “Trading Information” includes:]

[(A) the number of shares of each NMS stock or OTC Equity Security executed within an ATS; and]

[(B) the number of trades in a security executed within an ATS.]

[• • • Supplementary Material: -----]

[.01 For purposes of reporting volume under this rule, a trade is considered to be executed within an ATS if the ATS (i) executes the trade; (ii) is considered the “executing party” to the trade under FINRA rules; or (iii) otherwise matches orders constituting the trade in a manner as contemplated by SEA Rule 3b-16 or SEC Regulation ATS. This would include, but not be limited to: any trade executed as a result of the ATS bringing together the purchaser and seller on or through its systems; any trade executed by the ATS's subscribers where the subscribers used the ATS to negotiate the trade, even if the ATS did not itself execute the trade; or any trade in which the ATS takes either side of a trade for clearing or settlement or in any other way inserts itself into a trade (e.g., exchanging securities or funds on behalf of one or both subscribers taking part in the trade). If an ATS routes an order to another member firm or other execution venue for handling or execution where that initial order matches against interest resident at the other venue, then the ATS would not be considered the executing party and would not include such volume for reporting purposes. A trade continues to be considered executed “within an ATS” for purposes of reporting volume under this rule, even if the ATS has been granted an exemption to its trade reporting obligations under Rule 6183, 6625 or 6731.]

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6000. QUOTATION AND TRANSACTION REPORTING FACILITIES

6100. QUOTING AND TRADING IN NMS STOCKS

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6110. Trading Otherwise than on an Exchange

(a) No Change.

(b) Trading Information for OTC Transactions in NMS Stocks Executed Outside of Alternative Trading Systems

(1) through (2) No Change.

(3) For purposes of this paragraph (b), “Trading Information” includes:

(A) the number of shares of an NMS stock executed by the member with the trade reporting obligation under Rules 6282(b), 6380A(b) and 6380B(b) and reported to FINRA; and

(B) the number of trades in an NMS stock executed by the member with the trade reporting obligation under Rules 6282(b), 6380A(b) and 6380B(b) and reported to FINRA.

“Trading Information” for purposes of this paragraph (b) [Rule] shall not include any ATS Trading Information, as that term is defined in paragraph (c)(3) [transactions executed within an alternative trading system, which information is published under Rule 4552].

(c) Trading Information for OTC Transactions in NMS Stocks Executed on Alternative Trading Systems

(1) FINRA will publish on its public web site the aggregate weekly ATS Trading Information for each ATS with the trade reporting obligation under Rules 6282(b), 6380A(b) and 6380B(b) on the following timeframes:

(A) no earlier than two weeks following the end of the ATS Trading Information week, aggregate weekly ATS Trading Information

regarding NMS stocks in Tier 1 of the NMS Plan to Address
Extraordinary Market Volatility; and

(B) no earlier than four weeks following the end of the ATS
Trading Information week, aggregate weekly ATS Trading Information
regarding NMS stocks that are subject to FINRA trade reporting
requirements and are not in Tier 1 of the NMS Plan to Address
Extraordinary Market Volatility.

(2) FINRA will publish on its public web site monthly aggregate ATS
block trading statistics, with elements to be determined from time to time by
FINRA in its discretion as stated in a Regulatory Notice or other equivalent
publication, for each ATS with the trade reporting obligation under Rules
6282(b), 6380A(b) and 6380B(b). For each ATS, such block trading statistics
shall be aggregated across all NMS stocks, be for a minimum time period of one
month of trading, and be published no earlier than one month following the end of
the month for which trading was aggregated.

(3) For purposes of this paragraph (c):

(A) “ATS” has the same meaning as the term “alternative trading
system” as that term is defined in Rule 300 of SEC Regulation ATS; and

(B) “ATS Trading Information” includes:

(i) the number of shares of an NMS stock executed on an
ATS with the trade reporting obligation under Rules 6282(b),
6380A(b) and 6380B(b) and reported to FINRA; and

(ii) the number of trades in an NMS stock executed on an ATS with the trade reporting obligation under Rules 6282(b), 6380A(b) and 6380B(b) and reported to FINRA.

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6183. Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

(a) Pursuant to the Rule 9600 Series, the staff for good cause shown after taking into consideration all relevant factors, may exempt, upon application and subject to specified terms and conditions, a member alternative trading system (“ATS”) from the trade reporting obligation under paragraph (b) of Rules 6282, 6380A and 6380B, if such exemption is consistent with the protection of investors and the public interest. The staff will grant an exemption only if all of the following criteria are satisfied:

(1) through (4) No Change.

(5) The ATS provides FINRA with a link to a public website that contains, at no charge and in a substantially similar format to ATS Trading Information published by FINRA pursuant to Rule 6110, its ATS Trading Information for NMS stocks on the following timeframes:

(A) no later than two weeks following the end of the ATS Trading Information week, ATS Trading Information regarding NMS stocks in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility; and

(B) no later than four weeks following the end of the ATS Trading Information week, ATS Trading Information regarding NMS stocks that

are subject to FINRA trade reporting requirements and are not in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility.

(b) No Change.

(c) Definitions

For purposes of this Rule, the term:

(1) “NMS stock” has the same meaning as that term is defined in Rule 600(b)(47) of SEC Regulation NMS; and

(2) “ATS Trading Information” means:

(A) the number of shares of each NMS stock executed within the ATS or executed by the ATS's member subscribers using the ATS's system; and

(B) the number of trades in each NMS stock executed within the ATS or executed by the ATS's member subscribers using the ATS's system.

• • • Supplementary Material: -----

.01 When calculating and posting the volume of securities traded and the number of trades pursuant to paragraph (a)(5), an ATS shall include only those trades executed by the ATS’s member subscribers using the ATS’s system. If two orders are crossed by the ATS, the volume shall include only the number of shares crossed as a single trade (e.g., crossing a buy order of 1,000 shares with a sell order of 1,000 shares would be calculated as a single trade of 1,000 shares of volume). In addition, to meet the “substantially similar format” requirement in paragraph (a)(5), the data must include the same data elements for the same timeframes, be accessible in the same manner as FINRA makes

data available (e.g., downloadable), and include data for the same time periods (including current and historical data).

.02 For purposes of calculating and posting volume under paragraph (a)(5) of this Rule, a trade is considered to be executed within an ATS if the ATS (i) executes the trade; (ii) is considered the “executing party” to the trade under FINRA rules; or (iii) otherwise matches orders constituting the trade in a manner as contemplated by SEA Rule 3b-16 or SEC Regulation ATS. This would include, but not be limited to: any trade executed as a result of the ATS bringing together the purchaser and seller on or through its systems; any trade executed by the ATS's subscribers where the subscribers used the ATS to negotiate the trade, even if the ATS did not itself execute the trade; or any trade in which the ATS takes either side of a trade for clearing or settlement or in any other way inserts itself into a trade (e.g., exchanging securities or funds on behalf of one or both subscribers taking part in the trade). If an ATS routes an order to another member firm or other execution venue for handling or execution where that initial order matches against interest resident at the other venue, then the ATS would not be considered the executing party and would not include such volume for reporting purposes. A trade continues to be considered executed “within an ATS” for purposes of calculating and posting volume under this Rule, even if the ATS has been granted an exemption to its trade reporting obligations under the Rule.

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6600. OTC REPORTING FACILITY

6610. General

(a) No Change.

(b) Trading Information for OTC Transactions in OTC Equity Securities

Executed Outside of Alternative Trading Systems

(1) through (2) No Change.

(3) For purposes of this paragraph (b), “Trading Information” includes:

(A) the number of shares of an OTC Equity Security executed by the member with the trade reporting obligation under Rule 6622(b) and reported to FINRA;

(B) the number of trades in an OTC Equity Security executed by the member with the trade reporting obligation under Rule 6622(b) and reported to FINRA.

“Trading Information” for purposes of this paragraph (b) [Rule] shall not include any ATS Trading Information, as that term is defined in paragraph (c)(3) [transactions executed within an alternative trading system, which information is published under Rule 4552].

(c) Trading Information for OTC Transactions in OTC Equity Securities

Executed on Alternative Trading Systems

(1) FINRA will publish on its public web site the aggregate weekly ATS Trading Information for each alternative trading system with the trade reporting obligation under Rules 6622(b) no earlier than four weeks following the end of the ATS Trading Information week,

(2) For purposes of this paragraph (c), “ATS Trading Information” includes:

(A) the number of shares of an OTC Equity Security executed on an alternative trading system with the trade reporting obligation under Rule 6622(b) and reported to FINRA; and

(B) the number of trades in an OTC Equity Security executed on an alternative trading system with the trade reporting obligation under Rule 6622(b) and reported to FINRA.

* * * * *

6625. Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

(a) Pursuant to the Rule 9600 Series, the staff for good cause shown after taking into consideration all relevant factors, may exempt, upon application and subject to specified terms and conditions, a member alternative trading system (“ATS”) from the trade reporting obligation under paragraph (b) of Rule 6622, if such exemption is consistent with the protection of investors and the public interest. The staff will grant an exemption only if all of the following criteria are satisfied:

(1) through (4) No Change.

(5) The ATS provides FINRA with a link to a public website that contains, at no charge and in a substantially similar format to ATS Trading Information published by FINRA pursuant to Rule 6110, its ATS Trading Information for OTC Equity Securities no later than four weeks following the end of the ATS Trading Information week.

(b) No Change.

(c) Definitions

For purposes of this Rule, the term:

(1) “OTC Equity Security” has the same meaning as that term is defined in Rule 6420; and

(2) “ATS Trading Information” means:

(A) the number of shares of each OTC Equity Security executed within the ATS or executed by the ATS's member subscribers using the ATS's system; and

(B) the number of trades in an OTC Equity Security executed within the ATS or executed by the ATS's member subscribers using the ATS's system.

• • • Supplementary Material: -----

.01 When calculating and posting the volume of securities traded and the number of trades pursuant to paragraph (a)(5), an ATS shall include only those trades executed by the ATS’s member subscribers using the ATS's system. If two orders are crossed by the ATS, the volume shall include only the number of shares crossed as a single trade (e.g., crossing a buy order of 1,000 shares with a sell order of 1,000 shares would be calculated as a single trade of 1,000 shares of volume). In addition, to meet the “substantially similar format” requirement in paragraph (a)(5), the data must include the same data elements for the same timeframes, be accessible in the same manner as FINRA makes data available (e.g., downloadable), and include data for the same time periods (including current and historical data).

.02 For purposes of calculating and posting volume under paragraph (a)(5) of this Rule, a trade is considered to be executed within an ATS if the ATS (i) executes the trade; (ii) is considered the “executing party” to the trade under FINRA rules; or (iii) otherwise matches orders constituting the trade in a manner as contemplated by SEA Rule 3b-16 or SEC Regulation ATS. This would include, but not be limited to: any trade executed as a result of the ATS bringing together the purchaser and seller on or through its systems; any trade executed by the ATS's subscribers where the subscribers used the ATS to negotiate the trade, even if the ATS did not itself execute the trade; or any trade in which the ATS takes either side of a trade for clearing or settlement or in any other way inserts itself into a trade (e.g., exchanging securities or funds on behalf of one or both subscribers taking part in the trade). If an ATS routes an order to another member firm or other execution venue for handling or execution where that initial order matches against interest resident at the other venue, then the ATS would not be considered the executing party and would not include such volume for reporting purposes. A trade continues to be considered executed “within an ATS” for purposes of calculating and posting volume under this Rule, even if the ATS has been granted an exemption to its trade reporting obligations under the Rule.

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