

may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. 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 publicly available. All submissions should refer to File Number 10-222 and should be submitted on or before April 14, 2016.

By the Commission.

**Brent J. Fields,**

*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77404; File No. SR-FINRA-2016-011]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Modify the Dissemination Protocols for TRACE-Eligible Securities

March 18, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 9, 2016, Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. 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 modify the dissemination protocols for TRACE-Eligible Securities to disseminate a new alternative trading system ("ATS") contra-party type and ATS indicator. There are no changes to the text of a FINRA rule.

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

<http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

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

In its filing with the Commission, FINRA included statements concerning 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

On February 2, 2015, FINRA Rule 6720(c) (Alternative Trading Systems) went into effect to require TRACE participants that operate an alternative trading system ("ATS") to use a separate Market Participant Identifier ("MPID") to report all transactions that are executed within the ATS to TRACE. Where a member operates multiple ATSs, a unique, separate MPID must be used for reporting transactions within each respective ATS. Where a member operates a single ATS, but also engages in transactions otherwise than on the ATS (e.g., conducts both an ATS business and a "voice" business), the member must use the ATS MPID only for reporting transactions within the ATS.<sup>3</sup>

In light of the implementation of the separate MPID requirement for ATS reporting, FINRA now can conclusively identify transactions that occur within an ATS (as opposed to other areas of a member's business). As discussed in the filing proposing the separate MPID requirement, FINRA believes that separate MPIDs will enhance FINRA's ability to surveil for compliance with the requirements of Regulation ATS as well as other SEC rules, the federal securities laws, and FINRA rules.<sup>4</sup> FINRA also believes that dissemination of an ATS contra-party type would provide useful, additional information

<sup>3</sup> In all cases, members must have policies and procedures in place to ensure that trades reported using the separate ATS MPID obtained in compliance with Rule 6720(c) are restricted to trades executed within the ATS. FINRA Rule 6720(c).

<sup>4</sup> See Securities Exchange Act Release No. 70676 (October 11, 2013), 78 FR 62862 (October 22, 2013) (Notice of Filing of File No. SR-FINRA-2013-042).

regarding the market for TRACE-Eligible Securities and, therefore, improve transparency for such securities.<sup>5</sup>

At present, disseminated TRACE transactions indicate whether the reporting party or contra-party is a dealer ("D"), non-member affiliate of a member ("A") or customer ("C"). FINRA is now proposing another new identifier for purposes of dissemination to indicate when the reporting party or contra-party is an ATS. Specifically, where a reporting party or contra-party is identified with a unique ATS MPID, or where an ATS is exempt from TRACE reporting pursuant to FINRA Rule 6732 and a member that is a party to the exempt transaction on the ATS enters the ATS's unique MPID pursuant to FINRA Rule 6730(c)(13),<sup>6</sup> FINRA will disseminate the ATS indicator.

The proposal will not necessitate that members change their TRACE trade reporting practices. As noted above, FINRA will use information already required to be reported to TRACE to identify transactions involving an ATS and append the ATS indicator for dissemination, as appropriate. Importantly, FINRA will not disclose any identifying information regarding the particular ATS involved in the transaction. All ATSs will be generically identified by FINRA using the same new contra-party type and the ATS indicator also will be generic. However, FINRA will not identify ATSs for transactions in "to be announced" or "TBA"<sup>7</sup> transactions in Agency Pass-Through Mortgage-Backed Securities<sup>8</sup> and SBA-

<sup>5</sup> Rule 6710 generally defines a "TRACE-Eligible Security" as: (1) A debt security that is U.S. dollar-denominated and issued by a U.S. or foreign private issuer (and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A); or (2) a debt security that is U.S. dollar-denominated and issued or guaranteed by an "Agency" as defined in Rule 6710(k) or a "Government-Sponsored Enterprise" as defined in Rule 6710(n).

<sup>6</sup> See Securities Exchange Act Release No. 76677 (December 17, 2015), 80 FR 79966 (December 23, 2015) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2015-055).

<sup>7</sup> "To Be Announced" means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in Rule 6710(v) or an SBA-Backed ABS as defined in Rule 6710(bb) where the parties agree that the seller will deliver to the buyer a pool or pools of a specified face amount and meeting certain other criteria but the specific pool or pools to be delivered at settlement is not specified at the Time of Execution, and includes TBA transactions "for good delivery" ("GD") and TBA transactions "not for good delivery" ("NGD"). See Rule 6710(u).

<sup>8</sup> "Agency Pass-Through Mortgage-Backed Security" means a type of Securitized Product issued in conformity with a program of an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise ("GSE") as defined in paragraph (n), for which the timely payment of principal and interest is guaranteed by the Agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to "pass

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

Backed ABSs,<sup>9</sup> which, today, trade primarily on a single ATS. Thus, to preserve any anonymity that exists regarding the identity of the particular ATS on which a transaction in these types of TRACE-Eligible Securities occurred, FINRA will continue to identify all dealers, whether or not an ATS, as a “dealer,” for TBA transactions (for dissemination purposes).<sup>10</sup>

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date of the proposed rule change will be July 18, 2016.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>11</sup> 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. As discussed above, in light of the implementation of the separate MPID requirement, FINRA now is able to conclusively identify transactions that occur within an ATS, and believe that this additional piece of information would be useful to the market. ATSs will be identified generically using a single new reporting and contra-party type and ATS indicator, except that transactions in TBAs, which, today, are concentrated on a particular ATS, will continue to be identified as “dealer” transactions and will not carry the ATS indicator to help preserve anonymity with respect to that ATS.

through” the principal and interest payments to the holders of the security on a pro rata basis. See Rule 6710(v).

<sup>9</sup> “SBA-Backed ABS” means a Securitized Product issued in conformity with a program of the Small Business Administration (“SBA”), for which the timely payment of principal and interest is guaranteed by the SBA, representing ownership interest in a pool (or pools) of loans or debentures and structured to “pass through” the principal and interest payments made by the borrowers in such loans or debentures to the holders of the security on a pro rata basis. See Rule 6710(bb).

<sup>10</sup> FINRA also analyzed a sample of corporate and agency bond trades that occurred between February 2, 2015 and February 5, 2016, to investigate whether the dissemination of the ATS indicator may potentially cause anonymity concerns for those securities. Of the 50,579 CUSIPs in the sample, only 17,896 had trades reported by an ATS. None of the 17,896 CUSIPs are traded solely on ATSs. A single ATS may represent between 0.04% and 66.67% of total trades in a given CUSIP. The average of the top market share on ATSs across CUSIPs is 4.7%. Therefore, the dissemination of the ATS indicator is not likely to pose anonymity concerns for corporates and agencies.

<sup>11</sup> 15 U.S.C. 78o-3(b)(6).

## 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 will use information currently reported to TRACE for the new reporting and contra-party types as well as the ATS indicator; therefore, the proposed rule change does not require changes in trade reporting practices by members. The proposed rule also does not identify particular ATSs—all ATSs will be identified generically using the same ATS reporting party and contra-party type and ATS indicator. Thus, there will be no impact relating to disclosure that may result directly or indirectly in an impact on competition.

In the case of TRACE-Eligible Securities that are traded TBA, due to the high concentration of TBA transactions on a single ATS, transactions in these types of TRACE-Eligible Securities will not be subject to the new reporting and contra-party type and ATS indicator, and will continue to be identified as a transaction by a “dealer,” even reported by or against an ATS. FINRA believes that excepting transactions in TBAs from the ATS contra-party type will ensure that the proposed rule change will not have a disparate impact on competition for members that engage in transactions in such securities.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time

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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2016-011 on the subject line.

### Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2016-011. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received

as designated by the Commission. The Exchange has satisfied this requirement.

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-2016-011, and should be submitted on or before April 14, 2016.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Robert W. Errett,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-77403; File No. SR-BOX-2016-12]

### Self-Regulatory Organizations; BOX Options Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Comply With the Requirements of the Amended and Restated Limited Liability Company Agreement of BOX Holdings, and To Permit Certain Ownership Changes Pursuant Thereto

March 18, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 11, 2016, BOX Options Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The Exchange proposes to comply with the requirements of the Amended and Restated Limited Liability Company Agreement of BOX Holdings, and to permit certain ownership changes pursuant thereto. The text of the proposed rule change is available from the principal office of the Exchange, at the Commission’s Public Reference Room and also on the Exchange’s Internet Web site at <http://boxexchange.com>.

<sup>14</sup> 17 CFR 200.30-3(a)(12).

<sup>15</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

In its filing with the Commission, the self-regulatory organization 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. The self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

BOX Holdings is a limited liability company, organized under the laws of the State of Delaware on August 26, 2010. BOX Holdings is the sole owner of BOX Market LLC, a facility of the Exchange (“BOX Market”). IB Exchange Corp (“IB”) became a Member of Holdings on May 10, 2012 with an ownership percentage of 20.1%, comprised of 2,125 Class A Units and 265 Class B Units. The purpose of this filing is to provide notice that IB’s economic interest in BOX Holdings will surpass a 5% aggregate ownership threshold. IB’s voting power with respect to BOX Holdings remains unchanged and is limited to 20%.

In January 2015, BOX Holdings launched a program available to all Participants (the “VPR Program”) pursuant to which Participants on BOX Market that subscribe to the VPR Program (“Subscribers”) receive additional equity units of BOX Holdings (“Class C Units”) by providing order flow to BOX Market.<sup>3</sup> Under the VPR Program, a Subscribers’ ownership of Class C Units may increase or decrease on a quarterly basis.

Section 7.4(f) of the Holdings LLC Agreement provides that a rule filing pursuant to Section 19 of the Exchange Act is required with respect to certain transactions that result in the acquisition and holding by a person of an aggregate ownership interest in BOX Holdings which meets or crosses the threshold level of 20% or any

<sup>3</sup> See Securities Exchange Act Release Nos. 74171 (January 29, 2015), 80 FR 6153 (February 4, 2015) (SR-BOX-2015-05); 75766 (August 27, 2015), 80 FR 40100 (July 13, 2015) (SR-BOX-2015-22) (Order Approving the VPR Program); 74114 (January 22, 2015), 80 FR 4611 (January 28, 2015) (SR-BOX-2015-03); and 74576 (March 25, 2015), 80 FR 17122 (March 31, 2015) (SR-BOX-2015-16).

successive 5% level.<sup>4</sup> As of December 31, 2015, as a Subscriber to the VPR Program, IB earned the right to receive additional 25.5 Class C Units which, combined with IB’s already held Class A, B and C Units, will result in IB’s aggregate ownership interest increasing from 24.97% to 25.08 and thereby crossing a threshold level of 25%. These additional 25.5 Class C Units, to which IB is entitled under the VPR Program, are being held in escrow pending the effectiveness of this rule filing.

The change in IB’s ownership percentage will not alter the voting power of IB in BOX Holdings. Pursuant to Section 7.4(h) of the Holdings LLC Agreement,<sup>5</sup> IB was, and will continue to be, limited to 20% voting power with respect to BOX Holdings because it is a Participant on BOX Market. IB will receive the economic benefit intended by the VPR Program but no additional power or control of BOX Holdings will accrue to IB as a result.

Additionally, the effectiveness of this rule filing will not affect the ownership or control of the Exchange, including its capitalization, board of directors, voting or control over BOX Market. All ownership limits relating to the Exchange will continue to be strictly respected.

###### 2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(1),<sup>7</sup> in particular, in that it

<sup>4</sup> Section 7.4(f) of the Holdings LLC Agreement provides that, “the parties agree that the following Transfers are subject to the rule filing process pursuant to Section 19 of the Exchange Act: any Transfer that results in the acquisition and holding by any Person, alone or together with its Related Persons, of an aggregate Percentage Interest level which meets or crosses the threshold level of 20% or any successive 5% Percentage Interest level (*i.e.*, 25%, 30%, etc.).”

<sup>5</sup> Section 7.4(h) of the Holdings LLC Agreement provides that, “In the event that a Member, or any Related Person of such Member, is approved by the Exchange as a BOX Options Participant pursuant to the Exchange Rules, and such Member owns more than 20% of the Units, alone or together with any Related Person of such Member (Units owned in excess of 20% being referred to as “Excess Units”), the Member and its designated Directors shall have no voting rights whatsoever with respect to any action relating to BOX Holdings nor shall the Member or its designated Directors, if any, be entitled to give any proxy in relation to a vote of the Members, in each case solely with respect to the Excess Units held by such Member; provided, however, that whether or not such Member or its designated Directors, if any, otherwise participates in a meeting in person or by proxy, such Member’s Excess Units shall be counted for quorum purposes and shall be voted by the person presiding over quorum and vote matters in the same proportion as the Units held by the other Members are voted (including any abstentions from voting).”

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(1).