

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 17	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 011	Amendment No. (req. for Amendments *)
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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 to Modify the Dissemination Protocols for TRACE-Eligible Securities

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 * Racquel Last Name * Russell

Title * Associate General Counsel

E-mail * racquel.russell@finra.org

Telephone * (202) 728-8363 Fax (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 03/09/2016 Senior Vice President and Director of Capital Markets Policy

By Stephanie M. Dumont

Stephanie Dumont,

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 *

Add Remove View

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

Add Remove View

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”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change 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.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Chief Legal Officer of FINRA authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

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

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

(a) 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

¹ 15 U.S.C. 78s(b)(1).

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.²

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.³ FINRA also believes that dissemination of an ATS contra-party type would provide useful, additional information regarding the market for TRACE-Eligible Securities and, therefore, improve transparency for such securities.⁴

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

² 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).

³ 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).

⁴ 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).

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),⁵ 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”⁶ transactions in Agency Pass-Through Mortgage-Backed Securities⁷ and SBA-Backed ABSs,⁸ which, today, trade primarily on a

⁵ 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).

⁶ “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).

⁷ “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

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).⁹

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The implementation date of the proposed rule change will be July 18, 2016.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁰ 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

pools) of mortgage loans structured to "pass through" the principal and interest payments to the holders of the security on a pro rata basis. See Rule 6710(v).

⁸ “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).

⁹ 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.

¹⁰ 15 U.S.C. 78q-3(b)(6).

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.

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 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.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

FINRA has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act¹¹ and paragraph (f)(6) of Rule 19b-4 thereunder.¹² FINRA asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, and (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, FINRA provided the Commission with 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, or such shorter time as designated by the Commission.¹³ FINRA notes that the proposed rule change concerns a change to TRACE dissemination protocols and does not modify the text of an existing FINRA rule. The proposed rule change also does not require that members change their trade reporting practices. Accordingly, FINRA has

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

¹³ 17 CFR 240.19b-4(f)(6)(iii).

designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act¹⁴ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁵

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.

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

The proposed rule change is based on a similar Municipal Securities Rulemaking Board rule.¹⁶

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.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ See Securities Exchange Act Release No. 75039 (May 22, 2015), 80 FR 31084 (June 1, 2015) (Order Approving File No. SR-MSRB-2015-02); Securities Exchange Act Release No. 74564 (March 23, 2015), 80 FR 16466 (March 27, 2015) (Notice of Filing of File No. SR-MSRB-2015-02). See also MSRB Rule G-14 RTRS Procedures.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; 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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

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.⁴

In light of the implementation of the separate MPID requirement for ATS reporting, FINRA now can conclusively identify transactions that occur within an ATS

⁴ 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).

(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.⁵ FINRA also believes that dissemination of an ATS contra-party type would provide useful, additional information regarding the market for TRACE-Eligible Securities and, therefore, improve transparency for such securities.⁶

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),⁷ FINRA will disseminate the ATS indicator.

⁵ 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).

⁶ 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).

⁷ 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).

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”⁸ transactions in Agency Pass-Through Mortgage-Backed Securities⁹ and SBA-Backed ABSs,¹⁰ 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

⁸ “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).

⁹ “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 through” the principal and interest payments to the holders of the security on a pro rata basis. See Rule 6710(v).

¹⁰ “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).

occurred, FINRA will continue to identify all dealers, whether or not an ATS, as a “dealer,” for TBA transactions (for dissemination purposes).¹¹

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,¹² 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.

¹¹ 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.

¹² 15 U.S.C. 78q-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 Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴

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-2016-011 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

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

20549-1090.

All submissions should refer to File Number SR-FINRA-2016-011. 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-2016-011 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.¹⁵

Robert W. Errett
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).