

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 20	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 045 Amendment No. (req. for Amendments *)
----------------	--	--

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"/>
Pilot <input type="checkbox"/>			Rule		
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"/>
---	---

**Description**

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

Proposed Rule Change Relating to Rule 4554 Reporting Requirements for Alternative Trading Systems

**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 \* Brant Last Name \* Brown  
 Title \* Associate General Counsel  
 E-mail \* brant.brown@finra.org  
 Telephone \* (202) 728-6927 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 \*)  
 Senior Vice President and Director of Capital Markets Policy

Date 12/08/2016  
 By 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.

Stephanie Dumont,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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 \***

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, 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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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”),<sup>1</sup> Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend Rule 4554 to require alternative trading systems (“ATs”) to submit additional order information to 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 meeting on September 19, 2014, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. FINRA will announce the implementation date of the proposed rule change no later than 30 days following Commission notice of the filing of the proposed rule change for immediate effectiveness. The implementation date will be no later than 145 days after the date of the filing.

---

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

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

(a) Purpose

FINRA proposes to amend Rule 4554 (Alternative Trading Systems—Recording and Reporting Requirements of Order and Execution Information for NMS Stocks) to require ATSS to provide additional order sequence information on reports submitted to the Order Audit Trail System (“OATS”). In May 2016, the SEC approved Rule 4554 to further enhance FINRA’s ability to reconstruct an ATS’s order book and better perform its order-based surveillance, which includes surveillance for layering, quote spoofing and mid-point pricing manipulation. To accomplish this, Rule 4554 requires ATSS to report order information for each order they receive in an NMS stock beyond that set forth in the OATS rules, such as order re-pricing events (e.g., changes to an order that is pegged to the National Best Bid or Offer (“NBBO”)) and order display and reserve size information.<sup>2</sup> Rule 4554 sets forth four categories of reporting requirements: (1) data to be reported by all ATSS at the time of order receipt; (2) data to be reported by all ATSS at the time of order execution; (3) data to be reported by ATSS that display subscriber orders; and (4) data specific to ATSS that are registered as ADF Trading Centers.

Rule 4554(b) requires that all ATSS report eight categories of information at the time of order receipt, including the sequence number assigned to the order event by the

---

<sup>2</sup> See Securities Exchange Act Release No. 77798 (May 10, 2016), 81 FR 30395 (May 16, 2016) (SR-FINRA-2016-010). With the exception of the requirement for ATSS to report sequence numbers, Rule 4554 was implemented on November 7, 2016. See Regulatory Notice 16-28 (August 2016). FINRA delayed the implementation for the requirement to report sequence numbers until the requirement could be extended to apply to all OATS reports. See Securities Exchange Act Release No. 79289 (November 10, 2016), 81 FR 81202 (November 17, 2016) (Notice of Filing and Immediate Effectiveness of SR-FINRA-2016-041).

ATS's matching engine.<sup>3</sup> After further evaluation of the need for the sequence number in other order events, FINRA proposes to amend this requirement to require ATSs to report a sequence number for all OATS event types, not just for order receipt, including reports for the execution of an order or the routing of an order away from the ATS.<sup>4</sup> FINRA is proposing to extend the requirement to report a sequence number beyond order receipt because, without a sequence number on all order events, FINRA is unable to properly sequence events when a single ATS MPID reports order events in the same symbol with identical timestamps.<sup>5</sup> Requiring ATSs to report a sequence number for all OATS order events, rather than just order receipt, will further enable FINRA to properly sequence order events within an ATS, which will allow FINRA to more fully reconstruct an ATS's order book and better perform order-based surveillance, including surveillance for layering, quote spoofing and mid-point pricing manipulation.

---

<sup>3</sup> Rule 4554(b)(8). Rule 4554(b) also requires all ATSs, at the time of order receipt, to report: (1) whether the ATS displays subscriber orders outside of the ATS and, if the ATS displays subscriber orders outside of the ATS, whether subscriber orders are displayed to subscribers only, or are distributed for publication in the consolidated quotation data; (2) whether the ATS is an ADF Trading Center as defined in FINRA Rule 6220; (3) whether the order can be routed away from the ATS for execution; (4) whether there are any counter-party restrictions on the order; (5) a unique identifier representing the specific order type other than market and limit orders that have no other special handling instructions; (6) the NBBO (or relevant reference price) in effect at the time of order receipt and the timestamp of when the ATS captured the effective NBBO (or relevant reference price); and (7) the market data feed the ATS used to obtain the NBBO (or relevant reference price).

<sup>4</sup> FINRA is proposing to move the provision into a separate paragraph to reflect this change.

<sup>5</sup> The occurrence of identical timestamps in these circumstances is not infrequent. For example, on a recent reporting day, over 13% of ATS order events within a single ATS MPID and symbol contained an identical timestamp.

FINRA notes that the expansion of the requirement to report a sequence number with all order events mirrors the proposed requirement from Regulatory Notice 14-51. As discussed in the filing for SR-FINRA-2016-010, FINRA initially solicited comment on the proposal for ATSS to report order information to OATS in Regulatory Notice 14-51.<sup>6</sup> As part of the proposal set forth in the Regulatory Notice, ATSS exceeding the proposed volume threshold would have been required to report certain order information and “would provide, for every order, the ATS book sequence identifier and the associated OATS identifier, which would link information about that order to the related information and full lifecycle reported to OATS.”<sup>7</sup> None of the commenters on that proposal specifically addressed the provision of sequence numbers on order reports.

In response to a comment on the proposed rule change filed with the Commission, FINRA clarified that it was not mandating a particular or uniform format by which ATSS must report sequence numbers and that reporting sequence numbers as they currently exist in an ATS will satisfy the requirement.<sup>8</sup> The same clarification is true with the expansion of the requirement beyond reporting order receipt (i.e., an ATS may report all sequence numbers as they currently exist in the ATS rather than in a particular or uniform format).

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

---

<sup>6</sup> See Securities Exchange Act Release No. 77269 (March 1, 2016), 81 FR 11851, 11854-55 (March 7, 2016).

<sup>7</sup> Regulatory Notice 14-51. The volume threshold proposed in the Regulatory Notice was removed as part of the proposed rule change approved by the Commission. See Securities Exchange Act Release No. 77269 (March 1, 2016), 81 FR 11851, 11854-55 (March 7, 2016).

<sup>8</sup> See Securities Exchange Act Release No. 77798 (May 10, 2016), 81 FR 30395, 30397 (May 16, 2016).

rule change no later than 30 days following Commission notice of the filing of the proposed rule change for immediate effectiveness. The implementation date will be no later than 145 days after the date of the filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>9</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, and Section 15A(b)(9) of the Act,<sup>10</sup> which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate. FINRA believes that this proposed rule change is consistent with the Act because requiring sequence numbers on all OATS reports will further enhance FINRA's ability to surveil activity occurring within an ATS by providing FINRA with additional information that can be integrated into FINRA's surveillance patterns to support alert generation and analysis.

**4. Self-Regulatory Organization's Statement on Burden on Competition**

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes will apply equally to all similarly situated ATSs. FINRA also notes that the proposed rule change is designed to assist FINRA in meeting its regulatory obligations by enhancing its ability to efficiently surveil activity occurring within ATSs and across markets. FINRA believes that, because ATSs are already required to include sequence numbers on new order reports pursuant to Rule 4554 as

---

<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

<sup>10</sup> 15 U.S.C. 78o-3(b)(9).

approved by the Commission, including sequence numbers on additional order events will not be overly burdensome.

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

Written comments were neither solicited nor received.

**6. Extension of Time Period for Commission Action**

Not applicable.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>12</sup> in that the proposed rule change: (1) does not significantly affect the protection of investors or the public interest, (2) does not impose any significant burden on competition, and (3) and does 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, as specified in Rule 19b-4(f)(6)(iii) under the Act.<sup>13</sup>

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

Not applicable.

---

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii).



**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 the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2016-045)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Rule 4554 Reporting Requirements for Alternative Trading Systems

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 , 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,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission.

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

FINRA is proposing to amend Rule 4554 to require alternative trading systems (“ATs”) to submit additional order information to 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.

---

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

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

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

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

FINRA proposes to amend Rule 4554 (Alternative Trading Systems—Recording and Reporting Requirements of Order and Execution Information for NMS Stocks) to require ATs to provide additional order sequence information on reports submitted to the Order Audit Trail System (“OATS”). In May 2016, the SEC approved Rule 4554 to further enhance FINRA’s ability to reconstruct an ATS’s order book and better perform its order-based surveillance, which includes surveillance for layering, quote spoofing and mid-point pricing manipulation. To accomplish this, Rule 4554 requires ATs to report order information for each order they receive in an NMS stock beyond that set forth in the OATS rules, such as order re-pricing events (e.g., changes to an order that is pegged to the National Best Bid or Offer (“NBBO”)) and order display and reserve size information.<sup>4</sup> Rule 4554 sets forth four categories of reporting requirements: (1) data to

---

<sup>4</sup> See Securities Exchange Act Release No. 77798 (May 10, 2016), 81 FR 30395 (May 16, 2016) (SR-FINRA-2016-010). With the exception of the requirement for ATs to report sequence numbers, Rule 4554 was implemented on November 7, 2016. See Regulatory Notice 16-28 (August 2016). FINRA delayed the implementation for the requirement to report sequence numbers until the

be reported by all ATSS at the time of order receipt; (2) data to be reported by all ATSS at the time of order execution; (3) data to be reported by ATSS that display subscriber orders; and (4) data specific to ATSS that are registered as ADF Trading Centers.

Rule 4554(b) requires that all ATSS report eight categories of information at the time of order receipt, including the sequence number assigned to the order event by the ATSS's matching engine.<sup>5</sup> After further evaluation of the need for the sequence number in other order events, FINRA proposes to amend this requirement to require ATSS to report a sequence number for all OATS event types, not just for order receipt, including reports for the execution of an order or the routing of an order away from the ATSS.<sup>6</sup> FINRA is proposing to extend the requirement to report a sequence number beyond order receipt because, without a sequence number on all order events, FINRA is unable to properly sequence events when a single ATSS MPID reports order events in the same symbol with

---

requirement could be extended to apply to all OATS reports. See Securities Exchange Act Release No. 79289 (November 10, 2016), 81 FR 81202 (November 17, 2016) (Notice of Filing and Immediate Effectiveness of SR-FINRA-2016-041).

<sup>5</sup> Rule 4554(b)(8). Rule 4554(b) also requires all ATSS, at the time of order receipt, to report: (1) whether the ATSS displays subscriber orders outside of the ATSS and, if the ATSS displays subscriber orders outside of the ATSS, whether subscriber orders are displayed to subscribers only, or are distributed for publication in the consolidated quotation data; (2) whether the ATSS is an ADF Trading Center as defined in FINRA Rule 6220; (3) whether the order can be routed away from the ATSS for execution; (4) whether there are any counter-party restrictions on the order; (5) a unique identifier representing the specific order type other than market and limit orders that have no other special handling instructions; (6) the NBBO (or relevant reference price) in effect at the time of order receipt and the timestamp of when the ATSS captured the effective NBBO (or relevant reference price); and (7) the market data feed the ATSS used to obtain the NBBO (or relevant reference price).

<sup>6</sup> FINRA is proposing to move the provision into a separate paragraph to reflect this change.

identical timestamps.<sup>7</sup> Requiring ATSS to report a sequence number for all OATS order events, rather than just order receipt, will further enable FINRA to properly sequence order events within an ATS, which will allow FINRA to more fully reconstruct an ATS's order book and better perform order-based surveillance, including surveillance for layering, quote spoofing and mid-point pricing manipulation.

FINRA notes that the expansion of the requirement to report a sequence number with all order events mirrors the proposed requirement from Regulatory Notice 14-51. As discussed in the filing for SR-FINRA-2016-010, FINRA initially solicited comment on the proposal for ATSS to report order information to OATS in Regulatory Notice 14-51.<sup>8</sup> As part of the proposal set forth in the Regulatory Notice, ATSS exceeding the proposed volume threshold would have been required to report certain order information and “would provide, for every order, the ATS book sequence identifier and the associated OATS identifier, which would link information about that order to the related information and full lifecycle reported to OATS.”<sup>9</sup> None of the commenters on that proposal specifically addressed the provision of sequence numbers on order reports.

In response to a comment on the proposed rule change filed with the Commission, FINRA clarified that it was not mandating a particular or uniform format by which ATSS

---

<sup>7</sup> The occurrence of identical timestamps in these circumstances is not infrequent. For example, on a recent reporting day, over 13% of ATS order events within a single ATS MPID and symbol contained an identical timestamp.

<sup>8</sup> See Securities Exchange Act Release No. 77269 (March 1, 2016), 81 FR 11851, 11854-55 (March 7, 2016).

<sup>9</sup> Regulatory Notice 14-51. The volume threshold proposed in the Regulatory Notice was removed as part of the proposed rule change approved by the Commission. See Securities Exchange Act Release No. 77269 (March 1, 2016), 81 FR 11851, 11854-55 (March 7, 2016).

must report sequence numbers and that reporting sequence numbers as they currently exist in an ATS will satisfy the requirement.<sup>10</sup> The same clarification is true with the expansion of the requirement beyond reporting order receipt (i.e., an ATS may report all sequence numbers as they currently exist in the ATS rather than in a particular or uniform format).

FINRA has filed the proposed rule change for immediate effectiveness. FINRA will announce the implementation date of the proposed rule change no later than 30 days following Commission notice of the filing of the proposed rule change for immediate effectiveness. The implementation date will be no later than 145 days after the date of the filing.

## 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, and Section 15A(b)(9) of the Act,<sup>12</sup> which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate. FINRA believes that this proposed rule change is consistent with the Act because requiring sequence numbers on all OATS reports will further enhance FINRA's ability to surveil activity occurring

---

<sup>10</sup> See Securities Exchange Act Release No. 77798 (May 10, 2016), 81 FR 30395, 30397 (May 16, 2016).

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

<sup>12</sup> 15 U.S.C. 78o-3(b)(9).

within an ATS by providing FINRA with additional information that can be integrated into FINRA's surveillance patterns to support alert generation and analysis.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes will apply equally to all similarly situated ATSS. FINRA also notes that the proposed rule change is designed to assist FINRA in meeting its regulatory obligations by enhancing its ability to efficiently surveil activity occurring within ATSS and across markets. FINRA believes that, because ATSS are already required to include sequence numbers on new order reports pursuant to Rule 4554 as approved by the Commission, including sequence numbers on additional order events will not be overly burdensome.

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>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup>

---

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2016-045 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.

All submissions should refer to File Number SR-FINRA-2016-045. 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-2016-045 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.<sup>15</sup>

Robert W. Errett  
Deputy Secretary

---

<sup>15</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

\* \* \* \* \*

**4000. FINANCIAL AND OPERATIONAL RULES**

\* \* \* \* \*

**4500. BOOKS, RECORDS AND REPORTS**

\* \* \* \* \*

**4554. Alternative Trading Systems - Recording and Reporting Requirements of Order and Execution Information for NMS Stocks**

(a) No Change.

(b) All orders received by an ATS must be recorded and reported to OATS pursuant to FINRA Rules 7440 and 7450. The following information must be recorded and reported to FINRA by all ATSs when reporting receipt of an order to OATS:

(1) through (5) No Change.

(6) The NBBO (or relevant reference price) in effect at the time of order receipt and the timestamp of when the ATS recorded the effective NBBO (or relevant reference price); and

(7) Identification of the market data feed used by the ATS to record the NBBO (or other reference price) for purposes of subparagraph (6). If for any reason, the ATS uses an alternative feed than what was reported on its ATS data submission, the ATS must notify FINRA of the fact that an alternative source was used, identify the alternative source, and specify the date(s), time(s) and securities for which the alternative source was used.]; and]

[(8) Sequence number assigned to the order event by the ATS's matching engine.]

(c) No Change.

(d) For all OATS-reportable event types, all ATSs must record and report to FINRA the sequence number assigned to the order event by the ATS's matching engine.

[(d)e] The following information must also be recorded and reported to FINRA by ATSs that display subscriber orders when reporting receipt of an order to OATS:

(1) Whether the order is hidden or displayable;

(2) Display Quantity;

(3) Reserve Quantity;

(4) Display Price;

(5) Entered price;

(6) If the ATS is an ADF Trading Center, the quote identifier provided to the ADF if such order resulted in a new quote being transmitted to the ADF.

[(e)f] For an ATS that displays subscriber orders, each time the ATS's matching engine re-prices a displayed order or changes the display quantity of a displayed order, the ATS must report to OATS the time of such modification, the applicable new display price or size, and if the ATS is an ADF Trading Center, the quote identifier provided to the ADF if such modification resulted in a new quote being transmitted to the ADF.

[(f)g] For orders held by an ADF Trading Center, if the order becomes associated with a quote identifier based on an action by the matching engine (e.g., another order is cancelled making the order being held the best priced order in the matching engine), the ADF Trading Participant must provide a new quote identifier for that order.

([g]h) “ATS” shall mean any alternative trading system, as defined in Rule 300(a)(1) of SEC Regulation ATS, that has filed a Form ATS with the SEC and that is required to report pursuant to FINRA’s Order Audit Trail System and equity trade reporting rules.

\* \* \* \* \*