

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 22	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No.* SR - 2018 - * 014	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"/>	
			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 checked="" type="checkbox"/>		Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>		
Description				
Provide a brief description of the action (limit 250 characters, required when Initial is checked *).				
<input type="text" value="Proposed Rule Change to Extend the Temporary Exception to Permit Aggregate Reporting for Certain ATS Transactions in U.S. Treasury 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 *	<input type="text" value="Racquel"/>	Last Name *	<input type="text" value="Russell"/>	
Title *	<input type="text" value="Associate General Counsel"/>			
E-mail *	<input type="text" value="racquel.russell@finra.org"/>			
Telephone *	<input type="text" value="(202) 728-8363"/>	Fax	<input type="text" value="(202) 728-8264"/>	
Signature				
Pursuant to the requirements of the Securities Exchange Act of 1934,				
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.				
(Title *)				
Date	<input type="text" value="04/16/2018"/>	<input type="text" value="Senior Vice President and Director of Capital Markets Policy"/>		
By	<input type="text" value="Stephanie M. Dumont"/>	<input type="text" value="Stephanie Dumont,"/>		
(Name *)				
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.				

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

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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 amend FINRA Rule 6730 (Transaction Reporting) to provide an extension of the temporary exception to permit member alternative trading systems (“ATs”) and member subscribers to report aggregate trade information to TRACE for certain transactions in U.S. Treasury Securities.

(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 operative date of the proposed rule change will be July 10, 2018 and it will sunset on April 12, 2019.

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

(a) Purpose

¹ 15 U.S.C. 78s(b)(1).

FINRA Rule 6730 sets forth a member's trade reporting obligations with regard to transactions in TRACE-Eligible Securities,² which beginning on July 10, 2017, included U.S. Treasury Securities.³ Pursuant to Rule 6730, each FINRA member that is a "Party to a Transaction"⁴ in a TRACE-Eligible Security is obligated to report the transaction to TRACE within the prescribed period of time. Transaction information in U.S. Treasury Securities reported to TRACE currently is not subject to public dissemination.

On June 23, 2017, FINRA filed a proposed rule change to, on a temporary basis, adopt Supplementary Material .06 (Temporary Exception for Aggregate Transaction Reporting of U.S. Treasury Securities Executed in ATS Trading Sessions) to permit members to report trades that occurred in a U.S. Treasury Security executed within

² "TRACE-Eligible Security" generally is defined as a debt security that is U.S. dollar-denominated and is: (1) 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; (2) issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); or (3) a U.S. Treasury Security as defined in paragraph (p). "TRACE-Eligible Security" does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o). See Rule 6710(a).

Rule 6710(p) defines a "U.S. Treasury Security" as "a security, other than a savings bond, issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities." The term "U.S. Treasury Security" also includes separate principal and interest components of a U.S. Treasury Security that has been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities ("STRIPS") program operated by the U.S. Department of Treasury. See Rule 6710(p).

³ See Securities Exchange Act Release No. 79116 (October 18, 2016), 81 FR 73167 (October 24, 2016) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of File No. SR-FINRA-2016-027). See also Regulatory Notice 16-39 (October 2016).

⁴ See Rule 6710(e).

discrete ATS trading sessions⁵ (sometimes referred to as “work-up sessions”)⁶ on an aggregate, rather than individual, basis (“Aggregation Exception”).⁷

The Aggregation Exception provides relief to members with respect to the number of transactions required to be reported, the price reported, as well as the Time of Execution⁸ reported to TRACE. Specifically, the exception provided that ATSS and member subscribers are permitted to report transactions in U.S. Treasury Securities executed within discrete trading sessions by submitting a transaction report reflecting the aggregate amount of a U.S. Treasury Security purchased (sold) to another party during a single trading session at the average price of such transactions, with the Time of

⁵ FINRA understands that ATSS that permit subscribers to trade U.S. Treasury Securities on their platforms may permit subscribers to initiate a “trading session,” which is a discrete or timed order-matching event during which one or more additional subscribers can interact with the original order on the opposite side of the market or add to the initial order on the same side of the market. Although it is possible that some trading sessions involve a single transaction between two counterparties like a typical trade, FINRA understands that most trading sessions include multiple participants on one or both sides of the market during the time period the trading session is open.

⁶ Different members use varying nomenclature to describe trading sessions. For example, one member ATS refers to these sessions as “workups” or “workup sessions.” In addition, the length of time a session remains open and other characteristics of how a session is structured may change from member to member. As used in the proposed rule change, the term “trading session” is meant to capture all variations of such types of sessions that member ATSS may use.

⁷ See Securities Exchange Act Release No. 81018 (June 26, 2017), 82 FR 29956 (June 30, 2017) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2017-023) (“Original Filing”).

⁸ Under Rule 6710(d), the “Time of Execution” for a transaction in any TRACE-Eligible Security means “the time when the Parties to a Transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade.”

Execution communicated by the ATS,⁹ irrespective of the number of trades in the trading session. The Aggregation Exception was intended to provide members with additional time to complete the systems changes necessary to accurately report each individual transaction in a U.S. Treasury Security in the trading session as required by Rule 6730.¹⁰ Once the temporary exception sunsets, member ATs and member subscribers are required to comply with Rule 6730 by separately reporting each individual trade that occurs during a trading session as well as the actual time and price at which each of these individual trades is executed.

FINRA understands from discussions with multiple member ATs that are active in the market for U.S. Treasury Securities that the systems changes necessary to comply with Rule 6730 will require substantial development and testing to complete and that, further, the systems changes required by subscriber members also are significant and cannot be completed by July 10, 2018. While we understand that member ATs have begun the development work necessary to report individual execution information, additional time is necessary, including to develop an additional data feed to deliver execution level information to subscribers and vendors. We also understand that member subscribers require additional time to update their systems to consume the new execution information to be provided by the ATs and to systematically incorporate this

⁹ FINRA notes that, even where aggregation is not necessary because only the ATs and two subscribers ultimately participated in a trading session resulting in a single cross, the proposed rule change permits members the flexibility to report a Time of Execution that is communicated by the ATs to each party. Thus, even where the trading session involves only one cross, member TRACE reports may reflect a Time of Execution that is, for example, the beginning of the trading session or the end of the trading session.

¹⁰ See Original Filing.

information in their TRACE reporting to FINRA. FINRA believes it is important that both member ATSS and member subscribers perform the programming and testing necessary to accurately and consistently report individual executions and the time of execution to TRACE to avoid inconsistencies in the audit trail. Thus, FINRA is proposing a nine-month extension of the temporary exception, until April 12, 2019. As a condition to the exception, a member ATS availing itself of this exception would continue to be required to provide individual transaction information for each trade in a U.S. Treasury Security occurring in a trading session to FINRA upon request. In addition, FINRA expects that necessary testing of new required functionality will commence well in advance of the extended deadline of April 12, 2019, but at a minimum, no later than January 12, 2019.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The operative date of the proposed rule change will be July 10, 2018 and it will sunset on April 12, 2019, which FINRA believes will provide members with the additional time required to complete necessary systems changes to comply with Rule 6730 and result in a more accurate and complete TRACE audit trail for U.S. Treasury Securities.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹¹ 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

¹¹ 15 U.S.C. 78q-3(b)(6).

interest. Based on discussions with multiple member ATSS, FINRA believes that additional time is necessary to permit members to program systems to comply with Rule 6730. FINRA believes it is appropriate to provide the proposed relief in recognition of the fact that impacted members are unable to implement necessary changes by the July 10, 2018. FINRA believes the proposal strikes an appropriate balance in that FINRA will continue to receive transaction information for purchases and sales that occur as part of an ATS trading session, albeit aggregated. In addition, FINRA notes that transparency will not be impacted by the proposed temporary relief because transaction information in U.S. Treasury Securities currently is not subject to public dissemination.

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 rule change should benefit members whose trades are executed on member ATSS as part of a trading session, as it provides members with additional time to build or upgrade systems to enable reporting of individual transactions in the trading session. While the proposed rule change will temporarily lessen the requirements on ATSS and their subscribers as compared to other market participants, FINRA believes the proposed rule change is appropriate to allow sufficient time to make the technological changes necessary to comply with the rule and such accommodation will be limited in duration. Moreover, FINRA retains the right to require a member ATS availing itself of this exception to provide individual transaction information for each trade in a U.S. Treasury Security occurring in a trading session upon request.

The proposed temporary relief is not expected to undermine the potential benefits of Rule 6730, as the transaction information reflecting the aggregate size and average price of such transactions should still assist the regulators to conduct monitoring and surveillance of the U.S. Treasury Securities markets, in order to detect potential disruptive trading practices and risks to market stability.

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 Act¹² and paragraph (f)(6) of Rule 19b-4 thereunder.¹³ 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.¹⁴

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

¹⁴ 17 CFR 240.19b-4(f)(6)(iii).

FINRA believes that providing member ATs and member subscribers additional time to comply with Rule 6730 in connection with reporting of individual transactions in U.S. Treasury Securities executed in ATS trading sessions is appropriate so that system changes may be made to enable members to report each individual transaction. FINRA believes that the proposed rule change will not significantly affect the protection of investors or the public interest because FINRA will continue to receive transaction information for purchases and sales that occur as part of an ATS trading session (albeit aggregated), and any member ATS availing itself of this exception would continue to be required to provide individual transaction information for each trade in a U.S. Treasury Security occurring in a trading session to FINRA upon request. Accordingly, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁵ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁶

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

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(6).

Federal Register.

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2018-014)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Temporary Exception to Permit Aggregate Reporting for Certain ATS Transactions in U.S. Treasury 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 amend FINRA Rule 6730 (Transaction Reporting) to provide an extension of the temporary exception to permit member alternative trading systems (“ATs”) and member subscribers to report aggregate trade information to TRACE for certain transactions in U.S. Treasury Securities.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

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

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

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

1. Purpose

FINRA Rule 6730 sets forth a member's trade reporting obligations with regard to transactions in TRACE-Eligible Securities,⁴ which beginning on July 10, 2017, included

⁴ "TRACE-Eligible Security" generally is defined as a debt security that is U.S. dollar-denominated and is: (1) 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; (2) issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); or (3) a U.S. Treasury Security as defined in paragraph (p). "TRACE-Eligible Security" does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o). See Rule 6710(a).

Rule 6710(p) defines a "U.S. Treasury Security" as "a security, other than a savings bond, issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities." The term "U.S. Treasury Security" also includes separate principal and interest components of a U.S. Treasury Security that has been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities ("STRIPS") program operated by the U.S. Department of Treasury. See Rule 6710(p).

U.S. Treasury Securities.⁵ Pursuant to Rule 6730, each FINRA member that is a “Party to a Transaction”⁶ in a TRACE-Eligible Security is obligated to report the transaction to TRACE within the prescribed period of time. Transaction information in U.S. Treasury Securities reported to TRACE currently is not subject to public dissemination.

On June 23, 2017, FINRA filed a proposed rule change to, on a temporary basis, adopt Supplementary Material .06 (Temporary Exception for Aggregate Transaction Reporting of U.S. Treasury Securities Executed in ATS Trading Sessions) to permit members to report trades that occurred in a U.S. Treasury Security executed within discrete ATS trading sessions⁷ (sometimes referred to as “work-up sessions”)⁸ on an

⁵ See Securities Exchange Act Release No. 79116 (October 18, 2016), 81 FR 73167 (October 24, 2016) (Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of File No. SR-FINRA-2016-027). See also Regulatory Notice 16-39 (October 2016).

⁶ See Rule 6710(e).

⁷ FINRA understands that ATSs that permit subscribers to trade U.S. Treasury Securities on their platforms may permit subscribers to initiate a “trading session,” which is a discrete or timed order-matching event during which one or more additional subscribers can interact with the original order on the opposite side of the market or add to the initial order on the same side of the market. Although it is possible that some trading sessions involve a single transaction between two counterparties like a typical trade, FINRA understands that most trading sessions include multiple participants on one or both sides of the market during the time period the trading session is open.

⁸ Different members use varying nomenclature to describe trading sessions. For example, one member ATS refers to these sessions as “workups” or “workup sessions.” In addition, the length of time a session remains open and other characteristics of how a session is structured may change from member to member. As used in the proposed rule change, the term “trading session” is meant to capture all variations of such types of sessions that member ATSs may use.

aggregate, rather than individual, basis (“Aggregation Exception”).⁹

The Aggregation Exception provides relief to members with respect to the number of transactions required to be reported, the price reported, as well as the Time of Execution¹⁰ reported to TRACE. Specifically, the exception provided that ATs and member subscribers are permitted to report transactions in U.S. Treasury Securities executed within discrete trading sessions by submitting a transaction report reflecting the aggregate amount of a U.S. Treasury Security purchased (sold) to another party during a single trading session at the average price of such transactions, with the Time of Execution communicated by the ATs,¹¹ irrespective of the number of trades in the trading session. The Aggregation Exception was intended to provide members with additional time to complete the systems changes necessary to accurately report each individual transaction in a U.S. Treasury Security in the trading session as required by Rule 6730.¹² Once the temporary exception sunsets, member ATs and member subscribers are required to comply with Rule 6730 by separately reporting each

⁹ See Securities Exchange Act Release No. 81018 (June 26, 2017), 82 FR 29956 (June 30, 2017) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2017-023) (“Original Filing”).

¹⁰ Under Rule 6710(d), the “Time of Execution” for a transaction in any TRACE-Eligible Security means “the time when the Parties to a Transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade.”

¹¹ FINRA notes that, even where aggregation is not necessary because only the ATs and two subscribers ultimately participated in a trading session resulting in a single cross, the proposed rule change permits members the flexibility to report a Time of Execution that is communicated by the ATs to each party. Thus, even where the trading session involves only one cross, member TRACE reports may reflect a Time of Execution that is, for example, the beginning of the trading session or the end of the trading session.

¹² See Original Filing.

individual trade that occurs during a trading session as well as the actual time and price at which each of these individual trades is executed.

FINRA understands from discussions with multiple member ATs that are active in the market for U.S. Treasury Securities that the systems changes necessary to comply with Rule 6730 will require substantial development and testing to complete and that, further, the systems changes required by subscriber members also are significant and cannot be completed by July 10, 2018. While we understand that member ATs have begun the development work necessary to report individual execution information, additional time is necessary, including to develop an additional data feed to deliver execution level information to subscribers and vendors. We also understand that member subscribers require additional time to update their systems to consume the new execution information to be provided by the ATs and to systematically incorporate this information in their TRACE reporting to FINRA. FINRA believes it is important that both member ATs and member subscribers perform the programming and testing necessary to accurately and consistently report individual executions and the time of execution to TRACE to avoid inconsistencies in the audit trail. Thus, FINRA is proposing a nine-month extension of the temporary exception, until April 12, 2019. As a condition to the exception, a member AT availing itself of this exception would continue to be required to provide individual transaction information for each trade in a U.S. Treasury Security occurring in a trading session to FINRA upon request. In addition, FINRA expects that necessary testing of new required functionality will commence well in advance of the extended deadline of April 12, 2019, but at a minimum, no later than January 12, 2019.

FINRA has filed the proposed rule change for immediate effectiveness. The operative date of the proposed rule change will be July 10, 2018 and it will sunset on April 12, 2019, which FINRA believes will provide members with the additional time required to complete necessary systems changes to comply with Rule 6730 and result in a more accurate and complete TRACE audit trail for U.S. Treasury Securities.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹³ 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. Based on discussions with multiple member ATSS, FINRA believes that additional time is necessary to permit members to program systems to comply with Rule 6730. FINRA believes it is appropriate to provide the proposed relief in recognition of the fact that impacted members are unable to implement necessary changes by the July 10, 2018. FINRA believes the proposal strikes an appropriate balance in that FINRA will continue to receive transaction information for purchases and sales that occur as part of an ATS trading session, albeit aggregated. In addition, FINRA notes that transparency will not be impacted by the proposed temporary relief because transaction information in U.S. Treasury Securities currently is not subject to public dissemination.

¹³ 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.

The proposed rule change should benefit members whose trades are executed on member ATNs as part of a trading session, as it provides members with additional time to build or upgrade systems to enable reporting of individual transactions in the trading session. While the proposed rule change will temporarily lessen the requirements on ATNs and their subscribers as compared to other market participants, FINRA believes the proposed rule change is appropriate to allow sufficient time to make the technological changes necessary to comply with the rule and such accommodation will be limited in duration. Moreover, FINRA retains the right to require a member ATN availing itself of this exception to provide individual transaction information for each trade in a U.S. Treasury Security occurring in a trading session upon request.

The proposed temporary relief is not expected to undermine the potential benefits of Rule 6730, as the transaction information reflecting the aggregate size and average price of such transactions should still assist the regulators to conduct monitoring and surveillance of the U.S. Treasury Securities markets, in order to detect potential disruptive trading practices and risks to market stability.

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 Act¹⁴ and Rule 19b-4(f)(6) 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. 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-2018-014 on the subject line.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

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-2018-014. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2018-014 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.¹⁶

Robert W. Errett
Deputy Secretary

¹⁶ 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.

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6000. QUOTATION, ORDER, AND TRANSACTION REPORTING FACILITIES

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

* * * * *

6730. Transaction Reporting

(a) through (f) No Change.

••• Supplementary Material: -----

.01 through **.05** No Change.

.06 Temporary Exception for Aggregate Transaction Reporting of U.S. Treasury Securities Executed in ATS Trading Sessions

(a) through (b) No Change.

(c) This Supplementary Material .06 shall be in effect until [July 10, 2018] April 12, 2019.

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