

Required fields are shown with yellow backgrounds and asterisks.

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 Provide Temporary Relief to Permit Member Alternative Trading Systems (ATSs) and ATS Subscribers Additional Flexibility in Transitioning to Disaggregated Reporting for Certain 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 * 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 01/04/2019	Vice President and Director - Appellate Group
By Alan Lawhead	
(Name *)	

Alan Lawhead, Alan.Lawhead@finra.org

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to permit member alternative trading systems (ATSs) and ATS subscribers additional flexibility in transitioning to disaggregated reporting by April 12, 2019.

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 and has requested that the Commission waive the 30-day operative delay. If the Commission waives the 30-day operative delay, the operative date of the proposed rule change will be the date of filing 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).

Beginning on July 10, 2017, amendments to FINRA Rule 6730 took effect that required members to report transactions in U.S. Treasury Securities² to TRACE.³ In advance of the effective date, FINRA engaged in extensive discussions with members regarding U.S. Treasury Security reporting and, as part of those conversations, understood that certain member ATs and their member subscribers would not be ready to report accurately U.S. Treasury Securities to TRACE in circumstances where trades are executed in matching sessions known as “trading” or “workup” sessions. A trading session generally 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.⁴ In the context of trading sessions, FINRA understood that ATs typically provided each subscriber a trade message at the end of the session that aggregated each subscriber’s activity during the session (including, for example, an aggregate size and average price). FINRA also understood that these aggregated trade messages were used systematically for TRACE

² 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 For detailed descriptions of trading sessions and trade reporting in the context of trading sessions, 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”).

reporting both by the ATS and its member subscribers. As a result, ATSS and ATS subscribers would be required to make systems changes to comply with Rule 6730, which requires all members to report trades individually.

In light of these concerns regarding readiness prior to the effective date of the U.S. Treasury Security reporting requirement, FINRA filed a proposed rule change to, on a temporary basis, provide an exception to permit ATSS and ATS subscribers to aggregate transactions that occurred during a trading session.⁵ Specifically, FINRA adopted Supplementary Material .06 (Temporary Exception for Aggregate Transaction Reporting of U.S. Treasury Securities Executed in ATS Trading Sessions) to permit members to report aggregate transaction information reflecting the aggregate size and average price of such transactions, and to permit trade reports to use a Time of Execution⁶ communicated by the ATS to each Party to a Transaction⁷ (the “Aggregation Exception”). 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 executed in a trading session, as required by Rule 6730, and was scheduled to sunset on July 10, 2018.

⁵ See Original Filing.

⁶ Rule 6710(d) provides, among other things, that the “Time of Execution” for a transaction in a 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.

⁷ Rule 6710(e) defines “Party to a Transaction” as an introducing broker-dealer, if any, an executing broker-dealer, or a customer. "Customer" includes a broker-dealer that is not a FINRA member.

On April 16, 2018, prior to the expiration of the relief provided by the Aggregation Exception and in response to continued readiness concerns expressed by members regarding the substantial systems changes necessary to disaggregate transaction reporting for trades executed in ATS trading sessions, FINRA extended the Aggregation Exception for an additional nine months, until April 12, 2019.⁸ As stated in the Extension Filing, FINRA understood from discussions with multiple member ATSS that are active in the market for U.S. Treasury Securities that the systems changes necessary to comply with Rule 6730 required substantial development and testing to complete and that, further, the systems changes required by subscriber members also are significant and could not be completed by July 10, 2018. FINRA also noted that, while we understood that member ATSS had begun the development work necessary to report individual execution information, additional time was necessary (including to develop an additional data feed to deliver execution level information to subscribers and vendors), and that member subscribers required additional time to update their systems to consume the new execution information to be provided by the ATSS and to systematically incorporate this information in their TRACE reporting to FINRA. The Extension Filing provided that the Aggregation Exception would continue until April 12, 2019. In the Extension Filing, FINRA also stated that necessary testing of new required functionality should commence well in advance of the extended deadline of April 12, 2019, but at a minimum, no later than January 12, 2019.

⁸ See Securities Exchange Act Release No. 83098 (April 24, 2018), 83 FR 18866 (April 30, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-014) (“Extension Filing”).

Since the effectiveness of the Extension Filing, FINRA has continued to engage in conversations with member ATs and ATs subscribers to remind them of the April 12, 2019 date and to remain updated on industry efforts towards readiness. In this context, FINRA has become aware of scenarios where members, as part of their transition efforts, are reporting on a partially disaggregated basis. For example, some members have made systems changes to phase out work-up sessions and are reporting many of the trades executed on the ATs on an individual basis, but are not yet able to transition fully to disaggregated trade reporting (for example, continue to aggregate reporting in instances where a single ATs subscriber matches against multiple ATs subscriber counterparties in a trade). FINRA believes this type of interim approach is beneficial, provides improved audit trail information and is an effective way to transition to disaggregated reporting, but notes that it does not fall squarely within the scope of the relief provided by Rule 6730.06 because the trading no longer is occurring in the context of a trading session. However, FINRA believes this type of partial disaggregation should be a permissible transitional approach (until April 12, 2019) and demonstrates positive efforts by ATs and their member subscribers to meet the April 12, 2019 date.

In recognition of the fact that ATs may take a variety of approaches towards full disaggregation of TRACE trade reports for transactions in U.S. Treasury Securities, FINRA is filing the instant rule change to provide member ATs and ATs subscribers with an appropriate degree of flexibility as they transition. Specifically, member ATs and affected member subscribers temporarily are permitted to submit reports to TRACE that reflect the aggregate size of two or more orders or transactions executed on an ATs that is transitioning away or recently transitioned from matching orders in trading

sessions, consistent with the trade messages generated by the ATS and used for TRACE reporting by the ATS and its subscribers, until April 12, 2019. Thus, for example, where an ATS sends confirmation messages that aggregate the quantity of trades when a single ATS subscriber matches against multiple counterparties, the ATS and its subscribers may continue to use the aggregated confirmation message (with the size, price and Time of Execution used by the ATS's system for that message), until April 12, 2019. However, FINRA stresses that ATSS and their subscribers relying on this relief during the transition period (which must end by April 12, 2019) may not submit reports to TRACE that are less granular or accurate than that provided to date pursuant to the Rule 6730.06 relief (i.e., interim reporting must be incrementally better).⁹ The purpose of this relief is temporarily to permit a degree of aggregation in cases where the ATS no longer formally uses workup sessions, not to permit a degradation in the accuracy of the information reported to TRACE. As a condition of this relief, ATSS must provide to FINRA upon request individual transaction information for each trade in a U.S. Treasury Security. Finally, FINRA reminds member ATSS and subscribers that their TRACE trade reporting must be fully disaggregated by April 12, 2019.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the 30-day operative delay. If the Commission waives the 30-day operative delay, the operative date of the proposed rule change will be the date of filing and it will sunset on April 12, 2019.

⁹ The relief provided by the instant filing is only available in connection with trades on an ATS where the ATS has recently relied on Rule 6730.06 in connection with the aggregation of transactions in U.S. Treasury Securities executed in trading sessions, and is not available to members for TRACE reporting in any other context.

(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 interest. The proposed rule change is designed to provide members an appropriate degree of flexibility in TRACE reporting for U.S. Treasury Securities on a temporary basis as they work towards fully disaggregated reporting by April 12, 2019. FINRA notes that reports received pursuant to this relief may not be less granular or accurate than that provided to date in reliance on the relief provided by Rule 6730.06. Therefore, the instant proposal does not degrade the quality of the information reported to TRACE. 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. FINRA believes the proposed rule change is appropriate to provide members with flexibility as they make the technological changes necessary to comply with Rule 6730 and such accommodation will be limited in duration. Moreover, FINRA retains the right to require a member ATS availing itself of this relief to provide individual transaction information for each trade in a U.S. Treasury Security upon request.

¹⁰ 15 U.S.C. 78o-3(b)(6).

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 requests that the Commission waive the five-day pre-filing requirement and the 30-day period for the proposed rule change to become operative, so that the proposed rule change can become operative immediately.

FINRA believes that the proposed rule change will not significantly affect the protection of investors or the public interest because FINRA will receive incrementally

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).

better transaction information for purchases and sales that occur on an ATS (albeit partially aggregated), and any member ATS availing itself of this relief would continue to be required to provide individual transaction information for each trade in a U.S.

Treasury Security to FINRA upon request.

FINRA believes that providing member ATSS and member subscribers additional flexibility as they make the technological changes necessary to comply with Rule 6730 in connection with reporting transactions in U.S. Treasury Securities is appropriate, and notes that the quality of the reporting to TRACE that would be permitted pursuant to this relief would represent an improvement to the reporting made by members under the relief provided by Rule 6730.06. Accordingly, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁴ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁵

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

Not applicable.

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

Not applicable.

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

Not applicable.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2019-002)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Provide Temporary Relief to Permit Member Alternative Trading Systems (ATs) and ATs Subscribers Additional Flexibility in Transitioning to Disaggregated Reporting for Certain 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 permit member alternative trading systems (ATs) and ATs subscribers additional flexibility in transitioning to disaggregated reporting by April 12, 2019 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

Beginning on July 10, 2017, amendments to FINRA Rule 6730 took effect that required members to report transactions in U.S. Treasury Securities⁴ to TRACE.⁵ In advance of the effective date, FINRA engaged in extensive discussions with members regarding U.S. Treasury Security reporting and, as part of those conversations, understood that certain member ATs and their member subscribers would not be ready

⁴ 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).

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).

to report accurately U.S. Treasury Securities to TRACE in circumstances where trades are executed in matching sessions known as “trading” or “workup” sessions. A trading session generally 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.⁶ In the context of trading sessions, FINRA understood that ATs typically provided each subscriber a trade message at the end of the session that aggregated each subscriber’s activity during the session (including, for example, an aggregate size and average price). FINRA also understood that these aggregated trade messages were used systematically for TRACE reporting both by the ATs and its member subscribers. As a result, ATs and ATs subscribers would be required to make systems changes to comply with Rule 6730, which requires all members to report trades individually.

In light of these concerns regarding readiness prior to the effective date of the U.S. Treasury Security reporting requirement, FINRA filed a proposed rule change to, on a temporary basis, provide an exception to permit ATs and ATs subscribers to aggregate transactions that occurred during a trading session.⁷ Specifically, FINRA adopted Supplementary Material .06 (Temporary Exception for Aggregate Transaction Reporting of U.S. Treasury Securities Executed in ATs Trading Sessions) to permit members to report aggregate transaction information reflecting the aggregate size and average price of such transactions, and to permit trade reports to use a Time of

⁶ For detailed descriptions of trading sessions and trade reporting in the context of trading sessions, 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”).

⁷ See Original Filing.

Execution⁸ communicated by the ATS to each Party to a Transaction⁹ (the “Aggregation Exception”). 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 executed in a trading session, as required by Rule 6730, and was scheduled to sunset on July 10, 2018.

On April 16, 2018, prior to the expiration of the relief provided by the Aggregation Exception and in response to continued readiness concerns expressed by members regarding the substantial systems changes necessary to disaggregate transaction reporting for trades executed in ATS trading sessions, FINRA extended the Aggregation Exception for an additional nine months, until April 12, 2019.¹⁰ As stated in the Extension Filing, FINRA understood from discussions with multiple member ATSs that are active in the market for U.S. Treasury Securities that the systems changes necessary to comply with Rule 6730 required substantial development and testing to complete and that, further, the systems changes required by subscriber members also are significant and could not be completed by July 10, 2018. FINRA also noted that, while we understood that member ATSs had begun the development work necessary to report individual execution information, additional time was necessary (including to develop an additional

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⁹ Rule 6710(e) defines “Party to a Transaction” as an introducing broker-dealer, if any, an executing broker-dealer, or a customer. “Customer” includes a broker-dealer that is not a FINRA member.

¹⁰ See Securities Exchange Act Release No. 83098 (April 24, 2018), 83 FR 18866 (April 30, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-014) (“Extension Filing”).

data feed to deliver execution level information to subscribers and vendors), and that member subscribers required 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. The Extension Filing provided that the Aggregation Exception would continue until April 12, 2019. In the Extension Filing, FINRA also stated that necessary testing of new required functionality should commence well in advance of the extended deadline of April 12, 2019, but at a minimum, no later than January 12, 2019.

Since the effectiveness of the Extension Filing, FINRA has continued to engage in conversations with member ATs and ATs subscribers to remind them of the April 12, 2019 date and to remain updated on industry efforts towards readiness. In this context, FINRA has become aware of scenarios where members, as part of their transition efforts, are reporting on a partially disaggregated basis. For example, some members have made systems changes to phase out work-up sessions and are reporting many of the trades executed on the ATs on an individual basis, but are not yet able to transition fully to disaggregated trade reporting (for example, continue to aggregate reporting in instances where a single ATs subscriber matches against multiple ATs subscriber counterparties in a trade). FINRA believes this type of interim approach is beneficial, provides improved audit trail information and is an effective way to transition to disaggregated reporting, but notes that it does not fall squarely within the scope of the relief provided by Rule 6730.06 because the trading no longer is occurring in the context of a trading session. However, FINRA believes this type of partial disaggregation should be a permissible transitional

approach (until April 12, 2019) and demonstrates positive efforts by ATSS and their member subscribers to meet the April 12, 2019 date.

In recognition of the fact that ATSS may take a variety of approaches towards full disaggregation of TRACE trade reports for transactions in U.S. Treasury Securities, FINRA is filing the instant rule change to provide member ATSS and ATS subscribers with an appropriate degree of flexibility as they transition. Specifically, member ATSS and affected member subscribers temporarily are permitted to submit reports to TRACE that reflect the aggregate size of two or more orders or transactions executed on an ATS that is transitioning away or recently transitioned from matching orders in trading sessions, consistent with the trade messages generated by the ATS and used for TRACE reporting by the ATS and its subscribers, until April 12, 2019. Thus, for example, where an ATS sends confirmation messages that aggregate the quantity of trades when a single ATS subscriber matches against multiple counterparties, the ATS and its subscribers may continue to use the aggregated confirmation message (with the size, price and Time of Execution used by the ATS's system for that message), until April 12, 2019. However, FINRA stresses that ATSS and their subscribers relying on this relief during the transition period (which must end by April 12, 2019) may not submit reports to TRACE that are less granular or accurate than that provided to date pursuant to the Rule 6730.06 relief (i.e., interim reporting must be incrementally better).¹¹ The purpose of this relief is temporarily to permit a degree of aggregation in cases where the ATS no longer formally

¹¹ The relief provided by the instant filing is only available in connection with trades on an ATS where the ATS has recently relied on Rule 6730.06 in connection with the aggregation of transactions in U.S. Treasury Securities executed in trading sessions, and is not available to members for TRACE reporting in any other context.

uses workup sessions, not to permit a degradation in the accuracy of the information reported to TRACE. As a condition of this relief, ATs must provide to FINRA upon request individual transaction information for each trade in a U.S. Treasury Security. Finally, FINRA reminds member ATs and subscribers that their TRACE trade reporting must be fully disaggregated by April 12, 2019.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the 30-day operative delay. If the Commission waives the 30-day operative delay, the operative date of the proposed rule change will be the date of filing and it will sunset on April 12, 2019.

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. The proposed rule change is designed to provide members an appropriate degree of flexibility in TRACE reporting for U.S. Treasury Securities on a temporary basis as they work towards fully disaggregated reporting by April 12, 2019. FINRA notes that reports received pursuant to this relief may not be less granular or accurate than that provided to date in reliance on the relief provided by Rule 6730.06. Therefore, the instant proposal does not degrade the quality of the information reported to TRACE. In addition, FINRA notes that transparency will not be impacted by the proposed temporary

¹² 15 U.S.C. 78o-3(b)(6).

relief because transaction information in U.S. Treasury Securities currently is not subject to public dissemination.

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 believes the proposed rule change is appropriate to provide members with flexibility as they make the technological changes necessary to comply with Rule 6730 and such accommodation will be limited in duration. Moreover, FINRA retains the right to require a member ATS availing itself of this relief to provide individual transaction information for each trade in a U.S. Treasury Security upon request.

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

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

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-2019-002 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2019-002. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. 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-2019-002 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Robert W. Errett
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).