



Financial Industry Regulatory Authority

**Sharon Zackula**  
Associate Vice President and  
Associate General Counsel

Direct: (202) 728-8985  
Fax: (202) 728-8264

August 26, 2009

Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

**Re: File No. SR-FINRA-2009-010 – Response to Comments**

Dear Ms. Murphy:

This letter responds to comments submitted to the Securities and Exchange Commission (“SEC”) regarding the above-referenced rule filing, a proposed rule change to amend the Rule 6700 Series to require the reporting of transactions in Agency Debt Securities, as defined in proposed Rule 6710(I), and primary market transactions, and the dissemination of transactions in Agency Debt Securities and certain primary market transactions. FINRA also proposes to amend FINRA Rule 7730 regarding reporting and market data fees for transactions in Agency Debt Securities and primary market transactions. On April 8, 2009, FINRA filed Partial Amendment No. 1 to SR-FINRA-2009-010 to make certain technical changes. The SEC published the proposed rule change for notice and comment on April 8, 2009.<sup>1</sup> The comment period closed on May 7, 2009, and eight comment letters were filed.<sup>2</sup>

---

<sup>1</sup> See Securities Exchange Act Release No. 59733 (April 8, 2009), 74 FR 17709 (April 16, 2009) (Notice of Filing and Request for Comment for File No. SR-FINRA-2009-010).

<sup>2</sup> See letters to Elizabeth M. Murphy, Secretary, SEC, from: Beth N. Lowson, The Nelson Law Firm, dated May 5, 2009 (“Lowson Letter”); Heather Traeger, Associate Counsel, Investment Company Institute (“ICI”), dated May 7, 2009 (“ICI Letter”); Sean C. Davey, Managing Director, and Robert Toomey, Managing Director and Associate General Counsel, Capital Markets Group, Securities Industry and Financial Markets Association (“SIFMA”), dated May 7, 2009 (“SIFMA Letter”); Joseph W. Sack, Managing Director, Asset Management Group, SIFMA, dated May 7, 2009 (“SIFMA-AMG Letter”); Michael Decker and Mike Nicholas, Co-Chief Executive Directors, Regional Bond Dealers Association (“RBDA”), dated May 7, 2009 (“RBDA Letter”); and Don Winton, Crews & Associates, Inc., dated May 22, 2009 (“Crews Letter”); letter to Florence E. Harman, Deputy Secretary, SEC, from Manisha Kimmel, Executive

Of the eight commenters, four commenters expressed general support regarding increased transparency in the debt markets and the expansion of TRACE to include Agency Debt Securities and primary market transactions.<sup>3</sup> Two other commenters indicated their support for more transparency in fixed income markets, but opposed the proposed rule change in full.<sup>4</sup> In addition, they raised operational issues.<sup>5</sup> The final two commenters were not opposed to the entire proposal, but raised operational concerns and issues.<sup>6</sup>

Three of four commenters favoring FINRA initiatives to foster additional transparency in the bond markets favored the proposal as a whole.<sup>7</sup> One of the three commenters favored the proposal without limitation, stating that TRACE brings significant benefits to investors in bonds, including funds and their shareholders, and that transparency helps to improve price discovery and ensure the integrity of the debt markets. In addition, the commenter noted that accurate trade reporting is critical and requiring accuracy maintains the reliability of disseminated bond pricing over time.<sup>8</sup> The second of the three commenters strongly supported the proposal because it provides for increased price transparency in the market, but requested that the SEC require FINRA to modify its current dissemination protocols, which limit the display of volume (or size, using par value) in many trades in disseminated TRACE data.<sup>9</sup> The commenter requested that the SEC require FINRA to eliminate the dissemination protocols and disseminate, in all disseminated trades, the actual volume of bonds traded. Since dissemination protocols are not the subject matter of the proposed rule change and comment was not solicited

---

Director, Financial Information Forum (“FIF”), dated May 7, 2009 (“FIF Letter”); and letter to the SEC, from Robert F. Anderson, CFA, Senior Managing Director, Fixed Income Trading (“FIT”), dated April 17, 2009 (“FIT Letter”).

<sup>3</sup> See Lawson Letter, ICI Letter, SIFMA-AMG Letter, and FIT Letter.

<sup>4</sup> See SIFMA Letter and RBDA Letter.

<sup>5</sup> See SIFMA Letter and RBDA Letter.

<sup>6</sup> See Crews Letter and FIF Letter.

<sup>7</sup> See Lawson Letter, ICI Letter and SIFMA-AMG Letter.

<sup>8</sup> See ICI Letter.

<sup>9</sup> See Lawson Letter. The FINRA dissemination protocols limit the display of volume (or size) (measured in par value) to \$5 million plus, when the transaction volume for an Investment Grade security exceeds \$5 million (par value) and \$1 million plus, when the transaction volume for a Non-Investment Grade security exceeds \$1 million (par value), instead of displaying the *actual* size of such transactions.

regarding this issue, FINRA believes that response to this and other comments that are beyond the scope of the proposed rule change is neither appropriate nor necessary. The third of the three commenters supported the current FINRA proposal, noting that its buy-side members were in favor of obtaining actual prices in Agency Debt Securities in near real-time, which would be used to obtain better prices and to enhance portfolio management and valuation activities.<sup>10</sup> A fourth commenter supported FINRA's overall objective to improve bond market transparency, but stated that FINRA has failed to address the most pressing problem in the debt market, which is the lack of transparency in mortgage-backed securities and asset-backed securities.<sup>11</sup> Again, FNRA declines to respond to comments beyond the scope of the proposed rule change.

*Opposition to the Proposal Generally.* The two commenters that oppose the proposed rule change stated that the Agency Debt Securities market sector is generally liquid and competitive.<sup>12</sup> The commenters oppose transparency based on an assertion that TRACE may impair liquidity. FINRA does not consider this assertion to be supported by evidence or any parallel development in the securities in the corporate bond market reported to TRACE.

The two commenters also state that the Agency Debt Securities market is already transparent.<sup>13</sup> While FINRA also recognizes that there are multiple vendors that provide data on Agency Debt Securities to their subscribers, there is no centralized public dissemination of information regarding transactions in Agency Debt Securities. Moreover, currently to the extent that professional market participants have access to information, it is pre-trade information comprised of quotes and indications of interest. In most cases, this information is indicative and not necessarily the price at which the investor can or will transact. Post-trade transparency, whether via a subscriber service or at a publicly accessible web site, is generally not available. The expansion of TRACE will create consolidated post-trade transparency in Agency Debt Securities, and the dissemination of transaction information will assist in price discovery and valuation processes for all market participants and provide retail investors access to price information currently not readily available to non-professionals. The information will be accessible to firms, and other institutional market participants and the public generally.

*Covered Securities.* A commenter requested that FINRA provide a list of the issuers of the "Agency Debt Securities" that would be subject to the requirements of the Rule 6700

---

<sup>10</sup> See SIFMA-AMG Letter. Other issues unrelated to the proposed rule change were raised, but are not relevant to the proposed rule change for which comment was solicited.

<sup>11</sup> See FIT Letter.

<sup>12</sup> See SIFMA Letter and RBDA Letter.

<sup>13</sup> See SIFMA Letter and RBDA Letter.

Series under the proposed rule change. The commenter also requested that FINRA define the covered securities by reference to “Government securities” as defined in Exchange Act Section 3(a)(42) or certain “exempted securities” as set forth in Securities Act Section 3(a)(2).<sup>14</sup> Over time, the list of issuers of Agency Debt Securities may change, and FINRA declines to incorporate a list of issuers that may issue securities that would be subject to the Rule 6700 Series. In connection with the proposed definitions of “Agency,” “Government-Sponsored Enterprise (GSE),” and “Agency Debt Securities,” FINRA believes that the proposed definitions of such terms most accurately, clearly and succinctly delineate the group of securities that FINRA intends to add to the universe of TRACE-Eligible Securities in the proposed rule change and, consequently, declines to make the proposed amendments.<sup>15</sup>

*Primary Market Transaction Reporting.* Some commenters requested greater clarity regarding the distinction between primary and secondary transactions for TRACE reporting purposes.<sup>16</sup> In response to the concerns raised by the commenters, FINRA will propose an amendment to Rule 6730(d)(4)(D) to eliminate the proposed indicators for secondary market transactions and for primary market transactions that are not List or Fixed Offering Price Transactions or Takedown Transactions. Rule 6730(d)(4)(D) would retain the requirement that members use the remaining proposed indicator when reporting primary market transactions that are List or Fixed Offering Price Transactions and Takedown Transactions.

As proposed, FINRA’s definitions of a List or Fixed Offering Price Transaction and a Takedown Transaction include the requirement that such transactions occur on the day that the offering is priced. In addition, in its original filing, FINRA proposed to delay the reporting of List or Fixed Offering Price Transactions and Takedown Transactions to the end of the day of pricing. However, if such an offering was priced after 5:00 p.m. Eastern Time, a member was permitted to report transactions executed that day on the trade date or T+1 during the TRACE system hours. A commenter suggested that FINRA amend the definitions of List or Fixed Offering Price Transaction and Takedown Transaction to include primary market transactions that are executed after the day of pricing but otherwise would qualify.<sup>17</sup> FINRA does not believe that the proposed

---

<sup>14</sup> See SIFMA Letter.

<sup>15</sup> For example, the term “government securities” as defined in Exchange Act Section 3(a)(42) is overly broad, and Securities Act Section 3(a)(2) refers to certain “exempted securities” that are already defined as TRACE-Eligible Securities as of June 15, 2009. (See Securities Exchange Act Release No. 59768 (April 14, 2009), 74 FR 18271) (April 21, 2009) (Order Approving File No. SR-FINRA-2009-004).

<sup>16</sup> See SIFMA Letter, RDBA Letter and FIF Letter.

<sup>17</sup> See SIFMA Letter.

definitions of List or Fixed Offering Price Transactions and Takedown Transactions should be amended. However, in response to the concerns raised by the commenter, in proposed Rule 6730(a)(5), FINRA proposes to amend the deadline for reporting all List or Fixed Offering Price Transactions and Takedown Transactions to not later than T+1 during TRACE system hours. By extending the reporting period for List or Fixed Offering Price Transaction and Takedown Transaction to T+1, FINRA eliminates the distinction between a transaction executed in connection with an offering that is priced before 5:00 p.m. Eastern Time and a transaction executed as part of an offering priced on the same day but after 5:00 p.m. Eastern Time when the TRACE system is closed. FINRA believes this change will address the operational concerns raised without negatively impacting regulatory surveillance or market transparency, as these transactions are not subject to dissemination.

*Rule 6760 Notice Requirements.* Rule 6760 generally requires an underwriter (or another person designated under the Rule) to notify FINRA Operations of any new TRACE-Eligible Security that is about to be priced and sold in a primary offering or distribution or any type of initial sale. One commenter requested that FINRA provide more flexible notice requirements in Rule 6760 in the case of certain offerings referred to as “reverse inquiries.”<sup>18</sup> The commenter noted that in a “reverse inquiry” the new issue materializes and the primary market transaction takes place precisely upon the agreement of the issuer to sell bonds at the terms proposed by the investor. The commenter suggested modifying Rule 6760 to allow a member to notify FINRA Operations of such new issue TRACE-Eligible Securities not later than 15 minutes after the commencement of primary market trading. FINRA recognizes that the timing and process of certain intraday offerings, such as at-the market shelf “takedowns,” “bought deals” and “reverse inquires” are different from fixed price syndicate offerings, and in response to the concerns raised by the commenter, FINRA proposes to amend Rule 6760 regarding member obligations to provide notification in certain circumstances. If a member is involved in an intraday offering that is priced and commences between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time, the proposed amendment would require the person to provide to FINRA Operations as much of the information required under Rule 6760 that is available prior to the execution of the first transaction in the distribution or offering, and all other information required under the Rule within 15 minutes of the Time of Execution of the first transaction in such distribution or offering.

*Operations and Implementation Issues.* The two commenters that opposed the proposal and two other commenters raised one or more operational concerns and implementation issues, including but not limited to modifications of trade reports (i.e., “cancels and corrects”), the TRACE Issue Master as a comprehensive source for all TRACE-Eligible Securities, securities not assigned CUSIPs, and the proposed period for implementation of the rule change following SEC approval.<sup>19</sup>

---

<sup>18</sup> See RBDA Letter.

<sup>19</sup> See SIFMA Letter, RBDA Letter, Crews Letter and FIF Letter.

The comments regarding the modification of trade reports are not relevant to the proposed rule change.<sup>20</sup> Notwithstanding, FINRA notes that FINRA reviews operational issues raised by firms on an ongoing basis and will take the issues raised under consideration.

Some commenters stated that firms should be permitted to rely on the TRACE Issue Master to determine if a security is a TRACE-Eligible Security.<sup>21</sup> While FINRA agrees that the TRACE Issue Master is an important tool, FINRA has often stated that a firm's obligation under Rule 6730 is to report transactions in securities that meet the definition of TRACE-Eligible Security as set forth in Rule 6710(a). In addition, as FINRA has stated previously, if a firm has a reporting obligation under Rule 6730 in a security that is a TRACE-Eligible Security but is not included in the TRACE Issue Master, the firm must notify FINRA immediately and provide the CUSIP and other information necessary for FINRA to update the TRACE Issue Master, which enables the firm to report its transaction to TRACE promptly and comply with its obligations under FINRA Rule 6730.<sup>22</sup>

One commenter objected to including as TRACE-Eligible Securities those securities that are not assigned CUSIPs. The commenter stated that the costs of incorporating such securities in TRACE may outweigh the benefits, and that such securities may not contribute meaningfully to price discovery.<sup>23</sup> The commenter requested that FINRA propose amendments to exclude such securities from TRACE if FINRA concludes that securities not assigned a CUSIP represent only a small number of inactively traded securities. FINRA believes that a very limited number of securities may trade without a CUSIP, and in the limited cases where a security is not identified by a CUSIP, FINRA Operations will work with firms to ensure an effective and efficient reporting process.

Some commenters urged FINRA to extend the implementation of the proposed TRACE expansion or to undertake implementation of the expansion of TRACE in phases.<sup>24</sup> FINRA will be mindful of the impact of the proposed changes. FINRA recognizes that the implementation of any significant expansion of a regulatory program creates a number of short-term operational issues that must be addressed and, in addition, a number of permanent modifications that must be made to reporting and other technology

---

<sup>20</sup> See SIFMA Letter, RBDA Letter, Crews Letter and FIF Letter.

<sup>21</sup> See SIFMA Letter and FIF Letter.

<sup>22</sup> Trade Reporting Notice (February 22, 2008).

<sup>23</sup> See FIF Letter.

<sup>24</sup> See SIFMA Letter, FIF Letter and RBDA Letter.

systems, firm policies and procedures, and compliance programs, among others. FINRA will work with firms to address issues that arise, and firms will be given sufficient notice to modify their reporting systems and make other necessary changes. The effective date of implementation will be announced in a *Regulatory Notice* to be published not later than 60 days after the SEC approves of the proposed rule change, as amended.

*Competitive Concerns.* A commenter indicated that expanding TRACE to cover Agency Debt Securities may cause competitive disparities between FINRA member firms and bank government securities dealers, which would not be subject to the requirements of the Rule 6700 Series.<sup>25</sup> FINRA notes that the statutory standard requires that FINRA's proposed rules not impose any burden on competition not necessary or appropriate in furtherance of the Securities Exchange Act of 1934 ("Exchange Act"). FINRA clearly believes that it is axiomatic that increased transparency in a securities trading market appropriately furthers the purposes of the Exchange Act. It stands the purposes of the Exchange Act on its head and defeats its purposes by referring to market participants that may not be subject to the Exchange Act in whole or part as a basis for not approving the proposed rule change as such a standard would undo much, if not all, regulation of broker-dealers and markets necessary for the protection of investors and the efficiency, competitiveness and integrity of securities markets. Consequently, FINRA believes these comments are without merit and should not delay the expansion of TRACE as proposed.

*Fees.* FINRA received comments from two commenters regarding TRACE fees (in addition to fees incurred for "cancels and corrects").<sup>26</sup> A commenter stated that TRACE fees should be reduced for Agency Debt Securities to the extent that additional TRACE fees are not needed to cover the expenses FINRA incurs for collecting and disseminating TRACE data.<sup>27</sup> A second commenter stated that FINRA should offer corporate bond and Agency Debt Securities market data as a single data set at a price not higher than the current rate for corporate bond market data, and charge lower reporting fees for the reporting of Agency Debt Securities transactions than those charged for corporate bond transactions because dealers make less money per trade in Agency Debt Securities transactions due to narrower bid-ask spreads and smaller dealer markups.<sup>28</sup> FINRA will undertake to review the fee structure for Agency Debt Securities after implementation when FINRA is able to assess accurately the trading volume and demand for Agency Debt Securities data.

---

<sup>25</sup> See SIFMA Letter.

<sup>26</sup> See SIFMA Letter and RBDA Letter.

<sup>27</sup> See SIFMA Letter.

<sup>28</sup> See RBDA Letter.

Elizabeth M. Murphy

August 26, 2009

Page -8-

FINRA believes that the foregoing responds to the material issues raised in the comment letters to this rule filing. If you have any questions, please contact me at 202-728-8985 or [Sharon.Zackula@finra.org](mailto:Sharon.Zackula@finra.org).

Sincerely,

A handwritten signature in cursive script that reads "Sharon Zackula / by T.D.W.". The signature is written in black ink and is positioned above the typed name.

Sharon Zackula

Proposed Rule Change by Financial Industry Regulatory Authority  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

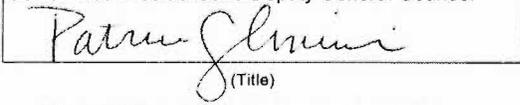
Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action <input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Description**  
 Provide a brief description of the proposed rule change (limit 250 characters).

**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 proposed rule change.

First Name  Last Name   
 Title   
 E-mail   
 Telephone  Fax

**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 officer.

Date   
 By  Senior Vice President and Deputy General Counsel  
 (Name)   
 (Title)

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**

[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 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.

On March 18, 2009, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) proposed rule change SR-FINRA-2009-010 to amend the FINRA Rule 6700 Series to: (1) expand TRACE to include Agency Debt Securities, as defined in proposed Rule 6710(l), as TRACE-Eligible Securities and primary market transactions as Reportable TRACE Transactions, as defined in proposed Rule 6710(c); (2) require members to report transactions in Agency Debt Securities and primary market transactions; (3) require dissemination of information on transactions in Agency Debt Securities and primary market transactions, except List or Fixed Offering Price Transactions or Takedown Transactions, as defined in proposed Rule 6710(q) and proposed Rule 6710(r), respectively; and (4) incorporate technical and clarifying changes to the Rule 6700 Series. FINRA also proposed to amend FINRA Rule 7730 regarding reporting and market data fees for transactions in Agency Debt Securities and primary market transactions. On April 8, 2009, FINRA filed Partial Amendment No. 1 to SR-FINRA-2009-010 to make certain technical changes. The SEC published the proposed rule change for notice and comment on April 8, 2009.<sup>1</sup>

FINRA is filing this Partial Amendment No. 2 to propose limited amendments to various proposed reporting, dissemination and notification provisions in the Rule 6700 Series and to Rule 7730, and add proposed Rule 6770 to provide emergency authority to FINRA, in consultation with the SEC, to suspend reporting and/or dissemination in certain TRACE-Eligible Securities. The amendments to the Rule 6700 Series address many of the substantive issues raised by commenters, which are addressed in FINRA’s letter responding to comments filed regarding the proposed rule change.<sup>2</sup> The amendments extend the period to report primary market transactions that are List or Fixed Offering Price Transactions or Takedown Transactions to the close of the TRACE system on T+1 and simplify the reporting of all transactions by eliminating two of three proposed indicators.<sup>3</sup> In addition, the proposed amendments modify Rule 6760, providing greater flexibility to underwriters (or other persons designated in the rule) that are required to provide FINRA Operations notice and are engaged in an offering that is priced and commences between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time. In conjunction with this change, a member will be required to indicate in its notice to FINRA Operations the time the new issue is priced and if different, the time primary transactions in the new issue commence. FINRA also

---

<sup>1</sup> See Securities Exchange Act Release No. 59733 (April 8, 2009), 74 FR 17709 (April 16, 2009) (Notice of Filing and Request for Comment for File No. SR-FINRA-2009-010).

<sup>2</sup> See FINRA Response to Comments, dated August 26, 2009 (File No. SR-FINRA-2009-010).

<sup>3</sup> The TRACE System operates Monday through Friday from 8:00 a.m. Eastern Time to 6:30 p.m. Eastern Time, with certain exceptions.

proposes to incorporate other minor changes as discussed below, including non-substantive, clarifying or formatting changes to the Rule 6700 Series and Rule 7730.

### Rule 6730

FINRA proposes to amend two provisions of Rule 6730 regarding the reporting of primary market transactions to address certain concerns raised by the commenters. First, for primary market transactions that are List or Fixed Offering Price Transactions or Takedown Transactions, in Rule 6730(a)(5), FINRA proposes to extend the time to report. FINRA previously proposed that such transactions be reported by the end of the day on the day such securities were priced, if the pricing occurred by 5:00 p.m.<sup>4</sup> In this Partial Amendment No. 2, FINRA proposes to extend the reporting period by a full day for most List or Fixed Offering Price Transactions or Takedown Transactions. Specifically, proposed amendments to Rule 6730(a)(5) would require members to report List or Fixed Offering Price Transactions and Takedown Transactions not later than T+1 during TRACE system hours, with limited exceptions for transactions that occur on weekends or holidays. For List or Fixed Offering Price Transactions or Takedown Transactions that are priced on a Saturday, a Sunday or a federal or religious holiday on which the TRACE system is closed, the proposed amendments to Rule 6730(a)(5) would require a member to report the transaction the next business day at any time during the TRACE system hours.

Second, FINRA previously proposed that members use one of three indicators when reporting transactions in TRACE-Eligible Securities in proposed amended Rule 6730(d)(4)(D). The purpose was to distinguish between primary and secondary market transactions, as primary market transactions would be reported for the first time, and to distinguish further List or Fixed Offering Price Transactions and Takedown Transactions from other primary market transactions. Commenters raised several issues regarding the use of the three proposed indicators. Members were concerned about the requirement to use an indicator for every transaction report to be filed, the difficulties in distinguishing certain later-occurring primary market transactions from early secondary market transactions, which would be necessary if FINRA required indicators for both primary and secondary market transactions, and the operational burdens of implementing new rules requiring three new indicators. There also were concerns regarding the impact to

---

<sup>4</sup> In addition, if priced on a business day after 5:00 p.m. Eastern Time but before the TRACE system closed, a member was permitted to report a transaction in a List or Fixed Offering Price Transaction or a Takedown Transaction the same day or on T+1 during the TRACE system hours. If such securities were priced on a business day after 6:30 p.m. Eastern Time but before 12:00 a.m. (midnight), a member was required to report the transaction the next business day during the TRACE system hours, and if priced on a Saturday, Sunday or a federal or religious holiday on which the TRACE system was closed, the transaction report was required on the next business day the TRACE system was open, during the TRACE system hours.

data vendor systems. After careful consideration of the comments and the benefits and costs, in this Partial Amendment No. 2, FINRA proposes to amend Rule 6730(d)(4)(D) to eliminate the proposed indicators for secondary market transactions and for primary market transactions that are not List or Fixed Offering Price Transactions or Takedown Transactions. Rule 6730(d)(4)(D) would retain the requirement that members use the remaining proposed indicator when reporting primary market transactions that are List or Fixed Offering Price Transactions and Takedown Transactions. The use of the indicator will enable FINRA not to disseminate transaction information received for such transactions, which FINRA proposed in the original rule filing. In addition, FINRA will use the indicator for surveillance purposes to determine if members are properly categorizing transactions as List or Fixed Offering Price Transactions and Takedown Transactions, and to determine if a member is selecting the indicator inappropriately to obtain the advantages of more relaxed reporting requirements and to avoid dissemination of selected reported transactions.

#### Rule 6760

FINRA proposes to amend the notification requirements for new TRACE-Eligible Securities in Rule 6760 in response to comments. The most significant amendment to Rule 6760, in Rule 6760(b), provides more flexibility for underwriters (or other designated persons) that are required to give notice to FINRA Operations regarding a new TRACE-Eligible Security that is the subject of an offering that is priced and commences on the same business day between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time. The proposed amendment would require the underwriter (or other designated person) to provide to FINRA Operations as much of the information required under the rule that is available prior to the execution of the first transaction in the distribution or offering, and all other information required under Rule 6760 within 15 minutes of the Time of Execution of the first transaction in such distribution or offering. (Rule 6760 does not apply to secondary offerings or distributions.)

FINRA also proposes two additional substantive amendments to the member notification requirements in Rule 6760(b). In response to comments regarding the operational difficulties of complying with TRACE requirements for securities not having a CUSIP, FINRA proposes to amend Rule 6760(b) to permit the underwriter (or another designated person) providing the notice to submit, in lieu of a CUSIP, “a similar numeric identifier (or a TRACE symbol, which is assigned by FINRA upon request).” Also, FINRA previously proposed that an underwriter (or another designated person) notify FINRA Operations of the time that a new issue is priced. In this Partial Amendment No. 2, FINRA proposes to add to such requirement that a member provide the time that the first transaction of the distribution or offering of the new issue is executed, if the time is different from the time of pricing of the new issue. The amended notification requirement will enable FINRA to determine if members comply with Rule 6760 to provide notification when required. Members’ timely notification to FINRA Operations of new TRACE-Eligible Securities that are about to be offered plays a significant part of the process of continuously updating the TRACE system and members that fail to comply with Rule 6760 impair the reporting of transactions by other members and adversely

affect price transparency in the security during the most active or one of the most active trading periods in the security.

#### Proposed Rule 6770

FINRA proposes new Rule 6770, which would provide FINRA emergency authority to be exercised in consultation with the SEC. The emergency authority would permit FINRA to suspend the reporting and/or dissemination of certain transactions in TRACE-Eligible Securities, or the reporting of certain data elements that are otherwise required under Rule 6730 and/or the dissemination of certain data elements as market conditions warrant and for such period of time as FINRA deems necessary. Each action that FINRA might consider under proposed Rule 6770 would be subject to review and discussion with the SEC prior to FINRA's use of such authority. Although FINRA does not anticipate that such emergency authority would be used, FINRA believes it is prudent for such authority to be in place.

#### Other Amendments to the Rule 6700 Series and Rule 7730

FINRA also proposes to incorporate non-substantive, technical, clarifying and formatting amendments in the Rule 6700 Series and Rule 7730. FINRA proposes to restate all defined terms and proposed defined terms with initial capitals where currently not so stated, in the Rule 6700 Series and the proposed rule change. The proposed capitalization format would amend the following defined terms, which would be restated as "TRACE-Eligible Security," "Reportable TRACE Transaction," "Time of Execution," "Party to a Transaction" and "Split-Rated," in, respectively, Rule 6710(a), Rule 6710(c), Rule 6710(d), Rule 6710(e) and Rule 6710(j), and any other place where such defined terms are used in the Rule 6700 Series, Rule 7730 and this proposed rule change. The same proposed capitalization format would amend the following previously proposed defined terms, which would be restated as "Agency Debt Security," "Asset-Backed Security," "Government-Sponsored Enterprise," "Money Market Instrument," "U.S. Treasury Security," "List or Fixed Offering Price Transaction" and "Takedown Transaction," in, respectively, proposed Rules 6710(l) through (r) and any other place where such defined terms are used in the proposed rule change.

Also, in the Rule 6700 Series, FINRA proposes to correct technical deviations in the use of the term "Party to a Transaction" occurring in the Rule 6700 Series; delete extraneous language in the definition of Non-Investment Grade in Rule 6710(i) and "Split-Rated" in Rule 6710(j); reorganize the defined term, "Asset-Backed Security" in proposed Rule 6710(m); and make minor technical amendments to Rule 6760(a).

FINRA also proposes minor, clarifying changes to Rule 7730. An amendment to the Rule 7730 fee chart and Rule 7730(b)(1) restates more logically the basis (or formula) for calculating a transaction reporting fee for a transaction having a par value between \$200,001 and \$999,999. The proposed restated fee formula ("\$.000002375 times the par value of the transaction") will replace the current formula ("\$.002375 times the number of bonds traded/trade"). The restatement of the current formula is necessary

because it contains an assumption that one bond equals \$1,000 par value, and although the assumption is true for most corporate debt, it is not true for all debt securities that FINRA proposes to include as TRACE-Eligible Securities. The restated formula will not increase transaction reporting fees. For transactions of the same volume and within the amended fee bracket, members will pay the same transaction reporting fees in the future that they currently pay. (FINRA also corrects the lower of the two dollar values of the bracket by inserting "\$200,001" and deleting \$201,000.) FINRA also proposes other minor technical or clarifying changes to Rule 7730, including correcting references to the rule defining the term "Tax-Exempt Organization." The correct rule reference -- "Rule 7730(c)" -- is incorporated.<sup>5</sup>

FINRA notes that certain rule text in Rule 6710(a) and all of the rule text in Rule 6750(b)(2) is incorporated for the first time in the Exhibits 4 and 5 attached hereto. These portions of rule text reflect rule changes that the SEC approved and FINRA implemented after FINRA filed Partial Amendment No. 1 to the proposed rule change.

With this Partial Amendment No. 2, FINRA is including: (1) Exhibit 4, which shows the text of the changes proposed in this Partial Amendment No. 2 to SR-FINRA-2009-010, with the proposed changes in the original filing and Partial Amendment No. 1 thereto shown as if adopted; and (2) Exhibit 5, which shows the proposed rule change, as amended by this Partial Amendment No. 2.

---

<sup>5</sup> In SR-FINRA-2007-006, FINRA proposed to amend FINRA Rule 7730 (then NASD Rule 7030) to permit access to historic TRACE data ("Historic TRACE Data"). FINRA also proposed minor non-substantive amendments, including amendments to change the recurring phrase in Rule 7730 -- "a Tax-Exempt Organization as defined in Rule 7730(c)" to "a Tax-Exempt Organization as defined in Rule 7730." See Securities Exchange Act Release No. 56327 (August 28, 2007), 72 FR 51689 (September 10, 2007) (Notice of Filing of Proposed Rule Change Relating to Historic TRACE Data; File No. SR-FINRA-2007-006). The SEC has not approved SR-FINRA-2007-006. If the SEC approves SR-FINRA-2007-006 before the SEC approves this proposed rule change, FINRA will file a Partial Amendment No. 3 hereto to reflect the changes to Rule 7730, as amended by SR-FINRA-2007-006.

## **EXHIBIT 4**

Exhibit 4 shows the changes in this Partial Amendment No. 2 to SR-FINRA-2009-010, with the proposed changes in the original filing and Partial Amendment No. 1 shown as if adopted. Proposed additions in this Partial Amendment No. 2 appear underlined; proposed deletions in this Partial Amendment No. 2 appear in [brackets].

The text of Rule 6710(a) and Rule 6750(b) in this Exhibit 4 and attached Exhibit 5 is modified to reflect recent amendments. See Securities Exchange Act Release No. 59768 (April 14, 2009), 74 FR 18271 (April 21, 2009) (Order Approving File No. SR-FINRA-2009-004, amending Rule 6710(a), which became operative on June 15, 2009); see Securities Exchange Act Release No. 59713 (April 6, 2009), 74 FR 17271 (April 14, 2009) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2009-024, including the amendment to Rule 6750(b), which became operative on May 4, 2009). The modifications in the rule text that reflect newly operative rule text in Rule 6710(a) and Rule 6750(b) are not marked to show changes herein or in Exhibit 5 because they are not proposed amendments.

\* \* \* \* \*

### **6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)**

#### **6710. Definitions**

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) "TRACE-E[e]ligible S[s]ecurity" means a debt security that is [U.S.]United States ("U.S.") dollar-denominated[, ] and issued by a [United States ("U.S.[") ] or foreign private issuer, and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-S[s]ponsored E[e]nterprise as defined in paragraph (n). "TRACE-E[e]ligible S[s]ecurity" does not include a debt security that is:

(1) Issued by a foreign sovereign or is a U.S. Treasury S[s]ecurity as defined in paragraph (p);

[(2) A restricted security as defined in Securities Act Rule 144(a)(3), except a restricted security that is issued pursuant to Section 4(2) of the Securities Act and purchased or sold in a transaction that is effected under Securities Act Rule 144A;]

[2[3)] A Money M[m]arket I[i]nstrument as defined in paragraph (o); or

[3[4)] An Asset-B[b]acked S[s]ecurity as defined in paragraph (m).

(b) "Trade Reporting and Compliance Engine" or "TRACE" means the automated system developed by FINRA that, among other things, accommodates reporting and dissemination of transaction reports where applicable in TRACE-E[e]ligible S[s]ecurities.

(c) "Reportable TRACE T[t]ransaction" means any transaction in a TRACE-E[e]ligible S[s]ecurity except transactions that are not reported as specified in Rule 6730(e).

(d) "Time of E[e]xecution" for a transaction in a TRACE-E[e]ligible S[s]ecurity means the time when the P[p]arties to a[the] T[t]ransaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade. The T[t]ime of E[e]xecution for transactions involving TRACE-E[e]ligible S[s]ecurities that are trading "when issued" on a yield basis shall be when the yield for the transaction has been agreed to by the P[p]arties to a[the] T[t]ransaction. For a transaction in a TRACE-E[e]ligible S[s]ecurity in which the actual yield for the transaction is established by determining the yield from one or more designated securities (e.g., a "benchmark security" such as a U.S.

Treasury S[s]ecurity maturing in 5 years, or a combination of such "benchmark securities") and adding the agreed upon "yield spread" (e.g., 150 basis points above the benchmark security), the T["t]ime of E[e]xecution["] occurs when the yield has been agreed to by the P[p]arties to a[the] T[t]ransaction.

(e) "Party to a T[t]ransaction" means an introducing broker-dealer, if any, an executing broker-dealer, or a customer. "Customer" includes a broker-dealer that is not a FINRA member.

(f) "TRACE Participant" means any FINRA member that reports transactions to the TRACE system, directly or indirectly.

(g) "Introducing Broker" means the FINRA member that has been identified in the TRACE system as a P[p]arty to a[the] T[t]ransaction, but does not execute or clear the transaction.

(h) "Investment Grade" means a TRACE-E[e]ligible S[s]ecurity that, if rated by only one nationally recognized statistical rating organization ("NRSRO"), is rated in one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated in one of the four highest generic rating categories by all or a majority of such NRSROs; provided that if the NRSROs assign ratings that are evenly divided between (i) the four highest generic ratings and (ii) ratings lower than the four highest generic ratings, FINRA will classify the TRACE-E[e]ligible S[s]ecurity as Non-Investment Grade for purposes of TRACE. If a TRACE-E[e]ligible S[s]ecurity is unrated, FINRA may classify the TRACE-E[e]ligible S[s]ecurity as an Investment Grade security. FINRA will classify an unrated Agency D[d]ebt S[s]ecurity as defined in paragraph (l) as an Investment Grade security for purposes of the dissemination of transaction volume.

(i) "Non-Investment Grade" means a TRACE-E[e]ligible S[s]ecurity that, if rated by only one NRSRO, is rated lower than one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated lower than one of the four highest generic rating categories by all or a majority of such NRSROs. Except as provided in paragraph (h), if a TRACE-E[e]ligible S[s]ecurity is unrated, [for purposes of TRACE,] FINRA may [otherwise] classify the TRACE-E[e]ligible S[s]ecurity as a Non-Investment Grade security.

(j) "Split-R[r]ated" means an Investment Grade or a Non-Investment Grade security that is assigned ratings by multiple NRSROs that, for an Investment Grade security, are not in the same generic Investment Grade rating category, or, for a Non-Investment Grade security, are not in the same generic Non-Investment Grade rating category. After determining if a security is Investment Grade or Non-Investment Grade, FINRA will disregard any rating, if the security is Investment Grade, that is Non-Investment Grade, or, if the security is Non-Investment Grade, that is Investment Grade. With respect to an Investment Grade security, if multiple NRSROs assign ratings that are not in the same generic Investment Grade rating category, or, with respect to a Non-Investment Grade security, if multiple NRSROs assign ratings that are not in the same generic Non-Investment Grade rating category, FINRA will classify the TRACE-E[e]ligible S[s]ecurity for purposes of TRACE by the generic rating that a majority or, if no majority, a plurality of the NRSROs assigns the security, provided that (i) if the NRSROs assign ratings that are evenly divided between two generic rating categories, FINRA will classify the TRACE-E[e]ligible S[s]ecurity [for purposes of TRACE] by the lower of the ratings; or (ii) if each NRSRO assigns a different generic rating, FINRA will

classify the TRACE-E[e]ligible S[s]ecurity [for purposes of TRACE] by the lower or lowest of the ratings.

(k) “Agency” means a U.S. “executive agency” as defined in 5 U.S.C. 105 that is authorized to issue debt directly or through a related entity, such as a government corporation, or to guarantee the repayment of principal and/or interest of a debt security issued by another entity. The term excludes the U.S. Department of the Treasury (“Treasury”) in the exercise of its authority to issue U.S. Treasury S[s]ecurities as defined in paragraph (p).

(l) “Agency D[d]ebt S[s]ecurity” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); or (ii) issued or guaranteed by a Government-S[s]ponsored E[e]nterprise as defined in paragraph (n). The term excludes a U.S. Treasury S[s]ecurity as defined in paragraph (p) and an Asset-B[b]acked S[s]ecurity as defined in paragraph (m), where an Agency or a Government-S[s]ponsored E[e]nterprise is the sponsor of the trust or other entity that issues the Asset-B[b]acked S[s]ecurity, or is the guarantor of the Asset-B[b]acked S[s]ecurity.

(m) “Asset-B[b]acked S[s]ecurity” means an asset-backed security as used in Securities Act Regulation AB, Section 1101(c), a mortgage-backed security, a collateralized mortgage obligation, [and other debt securities that are structured securities,] a synthetic asset-backed security[ies], [and/or] or any instrument[s] involving or based on the securitization of mortgages or other credits or assets,[. The term includes] including but [is] not limited to [mortgage-backed securities, collateralized mortgage obligations,] a collateralized debt obligation[s], a collateralized bond

obligation[s], a collateralized debt obligation[s] of A[a]sset-B[b]acked S[s]ecurities [and] or a collateralized debt obligation[s] of collateralized debt obligations.

(n) “Government-S[s]ponsored E[e]nterprise” (“GSE”) has the same meaning as defined in 2 U.S.C. 622(8).

(o) “Money M[m]arket I[i]nstrument” means a debt security that at issuance has a maturity of one year or less.

(p) “U.S. Treasury S[s]ecurity” means a security issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding [U.S. Treasury] securities.

(q) “List or F[f]ixed O[o]ffering P[p]rice T[t]ransaction” means a primary market sale transaction sold on the first day of trading of a new issue: (i) by a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price.

(r) “Takedown T[t]ransaction” means a primary market sale transaction sold on the first day of trading of a new issue: (i) by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser or syndicate manager to a syndicate or selling group member at a discount from the published or stated fixed offering price.

## **6720. Participation in TRACE**

### **(a) Mandatory Member Participation**

(1) Member participation in TRACE for trade reporting purposes is mandatory. Such mandatory participation obligates members to submit transaction reports in TRACE-E[e]ligible S[s]ecurities in conformity with the Rule 6700 Series.

(2) - (3) No Change.

### **(b) Participant Obligations in TRACE**

Upon execution and receipt by FINRA of the TRACE Participant application agreement, a TRACE Participant may commence input of trade information in TRACE-E[e]ligible S[s]ecurities. TRACE Participants may access the service via a FINRA-approved facility during the hours of operation.

## **6730. Transaction Reporting**

### **(a) When and How Transactions are Reported**

Each member that is a Party to a T[t]ransaction in a TRACE-E[e]ligible S[s]ecurity must report the transaction. A member must report transaction information within 15 minutes of the T[t]ime of E[e]xecution, except as otherwise provided below, or the transaction report will be "late." The member must transmit the report to TRACE during the hours the TRACE system is open, which are 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time, unless otherwise announced by FINRA ("TRACE system hours"). Specific trade reporting obligations during a 24-hour cycle are set forth below.

**(1) Transactions Executed During TRACE System Hours**

Transactions in TRACE-E[e]ligible S[s]ecurities executed on a business day at or after 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time must be reported within 15 minutes of the T[t]ime of E[e]xecution. If a transaction is executed on a business day less than 15 minutes before 6:30 p.m. Eastern Time, a member may report the transaction the next business day within 15 minutes after the TRACE system opens. If reporting the next business day, the member must indicate “as/of” and provide the actual transaction date.

**(2) Transactions Executed At or After 6:30 P.M. Through 11:59:59 P.M. Eastern Time**

Transactions in TRACE-E[e]ligible S[s]ecurities executed on a business day at or after 6:30 p.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported the next business day within 15 minutes after the TRACE system opens. The member must indicate “as/of” and provide the actual transaction date.

**(3) Transactions Executed At or After 12:00 A.M. Through 7:59:59 A.M. Eastern Time**

Transactions in TRACE-E[e]ligible S[s]ecurities executed on a business day at or after 12:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day within 15 minutes after the TRACE system opens.

**(4) Transactions Executed on a Non-Business Day**

Transactions in TRACE-E[e]ligible S[s]ecurities executed on a Saturday, a Sunday[,], or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), must be

reported the next business day within 15 minutes after the TRACE system opens. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); and the modifier, “special price,” must be selected. In addition, the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the member must enter the actual date and Time of Execution[time of the transaction] in the field.

**(5) Reporting List or Fixed Offering Price Transactions and Takedown Transactions**

[(A)] A List or F[f]ixed O[o]ffering P[p]rice T[t]ransaction or a Takedown T[t]ransaction that is executed [priced] on a business day at or after 12:00 a.m. Eastern Time through [5:00 p.m.] 11:59:59 p.m. Eastern Time[,] must be reported not later than T + 1 [the same day] during TRACE system hours. If a member reports the transaction on T + 1, the member must indicate “as/of” and provide the actual transaction date. If a List or Fixed Offering Price Transaction or a Takedown Transaction is executed on a Saturday, a Sunday or a federal or religious holiday on which the TRACE system is closed at any time during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE system hours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be

"12:01:00 a.m. Eastern Time" (stated in military time as "00:01:00"); and the modifier, "special price," must be selected. In addition, the transaction must not be designated "as/of". When the reporting method chosen provides a "special price memo" field, the member must enter the actual date and Time of Execution in the field.

[(B) If a List or fixed offering price transaction or a Takedown transaction is priced:]

[ (i) on a business day after 5:00 p.m. Eastern Time but before the TRACE system closes, a member may report the transaction the next business day at any time during TRACE system hours, indicate "as/of" and provide the actual transaction date.]

[ (ii) on a business day at or after 6:30 p.m. Eastern Time through 11:59:59 p.m. Eastern Time, a member must report the transaction the next business day at any time during TRACE system hours, indicate "as/of" and provide the actual transaction date.]

[ (iii) on a Saturday, Sunday, or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE system hours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be

made); the execution time must be "12:01:00 a.m. Eastern Time" (stated in military time as "00:01:00"); and the modifier, "special price," must be selected. In addition, the transaction must not be designated "as/of". When the reporting method chosen provides a "special price memo" field, the member must enter the actual date and time of the transaction in the field.]

(6) No Change.

(7) A member may be required to report as soon as practicable to the Market Regulation Department on a paper form, the transaction information required under Rule 6730 if electronic submission into TRACE is not possible. Transactions that can be reported into TRACE, including transactions executed on a Saturday, a Sunday or a holiday as provided in paragraph (a)(4) and paragraph (a)(5) above, and transactions that can be submitted on the trade date or on a subsequent date on an "as/of" basis, shall not be reported on a paper form.

(b) - (c) No Change.

**(d) Procedures for Reporting Price, Capacity, Volume**

(1) - (3) No Change.

**(4) Modifiers; Indicators**

(A) - (C) No Change.

**(D) List or Fixed Offering Price Transaction or Takedown Transaction Indicator[Primary Market Transaction Indicators]**

If reporting a primary market transaction that is a List or Fixed Offering Price Transaction or a Takedown Transaction, select the

appropriate indicator.[When a member reports a transaction, the member must select an indicator to identify the transaction as (i) a secondary market transaction; (ii) a primary market transaction that is a List or fixed offering price transaction or a takedown transaction; or (iii) other type of primary market transaction.]

**(e) Reporting Requirements For Certain Transactions and Transfers of Securities**

The following shall not be reported:

(1) No Change.

(2) Transactions in TRACE-E[e]ligible S[s]ecurities that are listed on a national securities exchange, when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly.

(3) Transactions where the buyer and the seller have agreed to trade at a price substantially unrelated to the current market for the TRACE-E[e]ligible S[s]ecurity (e.g., to allow the seller to make a gift).

(4) Provided that a data sharing agreement between FINRA and NYSE related to transactions covered by this Rule remains in effect, for a pilot program expiring on January 7, 2011, transactions in TRACE-E[e]ligible S[s]ecurities that are executed on a facility of NYSE in accordance with NYSE Rules 1400, 1401 and 86 and reported to NYSE in accordance with NYSE's applicable trade reporting rules and disseminated publicly by NYSE.

(5) – (6) No Change.

**(f)** No Change.

\* \* \* \* \*

**6750. Dissemination of Transaction Information**

**(a) Dissemination**

FINRA will disseminate information on all transactions in TRACE-E[e]ligible S[s]ecurities immediately upon receipt of the transaction report, except as provided below.

**(b) Transaction Information Not Disseminated**

FINRA will not disseminate information on a transaction in a TRACE-E[e]ligible S[s]ecurity that is:

- (1) effected pursuant to Securities Act Rule 144A; [or]
- (2) a transfer of proprietary securities positions between a member and another member or non-member broker-dealer where the transfer (A) is effected in connection with a merger of one broker-dealer with the other broker-dealer or a direct or indirect acquisition of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company and (B) is not in furtherance of a trading or investment strategy. Such transfers shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances[.]; or

(3[2]) a List or F[f]ixed O[o]ffering P[p]rice T[t]ransaction or a Takedown T[t]ransaction.

**6760. Obligation To Provide Notice**

**(a) Members Required to Provide Information and Notice**

(1) In order to facilitate trade reporting and dissemination of transactions in TRACE-E[e]ligible S[s]ecurities, a member that is the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser, of a distribution or offering, excluding a secondary distribution or offering, of a debt security that, upon issuance will be a TRACE-E[e]ligible S[s]ecurity ("new issue"), must obtain and provide information to FINRA Operations as required below. If a managing underwriter (or a lead initial purchaser) is not appointed by the issuer, an underwriter, or, if there are no underwriters, an initial purchaser must provide the information required under this Rule. If a managing underwriter (or a lead initial purchaser) is not appointed, and there are multiple underwriters (or initial purchasers), the underwriters (or initial purchasers) may submit a single notice [(and any]containing the required information)] to FINRA Operations.

(2) No Change.

**(b) Notices**

For such new issues, the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must provide to FINRA Operations: (1) the CUSIP number or a similar numeric identifier (or, a TRACE symbol, which is assigned by FINRA upon request); (2) the issuer name; (3)

the coupon rate; (4) the maturity; (5) whether Securities Act Rule 144A applies; (6) the time that the new issue is priced, and, if different, the time that the first transaction in the distribution or offering of the new issue is executed; (7) a brief description of the issue (e.g., senior subordinated note, senior note); (8) [information, as determined by FINRA, to implement the provisions of Rule 6750 and] such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-E[e]ligible S[s]ecurity, or if any of items (2) through (8) has not been determined or a CUSIP number will not be assigned, such other information as FINRA deems necessary. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must obtain the CUSIP number (or a FINRA symbol or a similar numeric identifier) and provide it and the information listed as (2) through (8) prior to the execution of the first [commencement of primary market] transaction[s] in the distribution or offering. For distributions or offerings of new issues that are priced and commence on the same business day between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time, the person or persons required to provide information to FINRA Operations must provide as much of the information set forth above that is available prior to the execution of the first transaction in the distribution or offering and all other information required under this Rule within 15 minutes of the Time of Execution of the first transaction in such distribution or offering. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must make a good faith determination that the security is a TRACE-E[e]ligible S[s]ecurity before submitting the information to FINRA Operations.

**6770. Emergency Authority**

As market conditions may warrant, in consultation with the SEC, FINRA may suspend the reporting and/or dissemination of certain transactions in TRACE-Eligible Securities, or the reporting of certain data elements otherwise required under Rule 6730 and/or the dissemination of certain data elements for such period of time as FINRA deems necessary.

\* \* \* \* \*

**7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES**

\* \* \* \* \*

**7730. Trade Reporting and Compliance Engine (TRACE)**

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine ("TRACE"):

<b>System Fees</b>	<b>Transaction Reporting Fees</b>	<b>Market Data Fees</b>
Level I Trade Report Only Web Browser Access — \$20/month per user ID	Trades up to and including \$200,000 par value — \$0.475/trade;	BTDS Professional Real-Time Data Display — \$60/month per terminal per Data Set of Real-Time
Level II Full Service Web Browser Access — Subscription for a single user ID or the first user ID - \$50/month (includes one	Trades between \$200,001[\$201,000] and \$999,999 par value — \$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000);	TRACE transaction data, or a flat fee of \$7,500/month per Data Set of Real-Time TRACE transaction data, entitling Professionals to

<p>Data Set); \$80/month (includes two Data Sets)</p> <p>Subscription for additional user IDs - \$80/month per user ID (includes one Data Set); \$140/month per user ID (includes two Data Sets)</p>	<p>[\$0.002375 times the number of bonds traded/trade;]</p> <p>Trades of \$1,000,000 par value or more — \$2.375/trade</p>	<p>make unlimited internal use of such Data Set(s) on any number of interrogation or display devices</p>
<p>CTCI/Third Party — \$25/month/per firm</p>	<p>Cancel/Correct — \$1.50/trade</p>	<p>Vendor Real-Time Data Feed — \$1,500/month per Data Set of Real-Time TRACE transaction data for receipt of continuous Real- Time TRACE transaction data in such Data Sets, except for qualifying Tax- Exempt Organizations, or \$250/month per Data Set of Snapshot Real-Time TRACE transaction data for daily receipt of such Data Set(s)</p>

	<p>"As/of" Trade Late — \$3/trade</p>	<p>Vendor Real-Time Data Feed — \$400/month per Data Set of Real-Time TRACE transaction data for such Data Set(s) for qualifying Tax-Exempt Organizations</p>
		<p>BTDS Non-Professional Real-Time Data Display — No charge</p>

**(a) System Related Fees**

There are three methods by which a member may report [corporate bond] transactions in TRACE-Eligible Securities that are reportable to FINRA pursuant to the Rule 6700 Series. A member may choose among the following methods to report data to FINRA: (1) a TRACE web browser; (2) a Computer-to-Computer Interface ("CTCI") (either one dedicated solely to TRACE or a multi-purpose line); or (3) a third-party reporting intermediary. Fees will be charged based on the reporting methodology selected by the member.

**(1) - (3)** No Change.

**(b) Transaction Reporting Fees**

For each transaction in a TRACE-Eligible S[s]ecurity that is reportable to FINRA pursuant to the Rule 6700 Series, the following charges shall be assessed against each member responsible for reporting the transaction:

**(1) Trade Reporting Fee**

(A) A member shall be charged a Trade Reporting Fee based upon a sliding scale ranging from \$0.475 to \$2.375 per transaction based on the size of the reported transaction. Trades up to and including \$200,000 par value will be charged a \$0.475 fee per trade; trades between ~~[\$201,000]~~\$200,001 par value and \$999,999 par value will be charged a fee of ~~[\$0.002375]~~ \$0.00002375 times the par value of the transaction (i.e., \$0.002375 per \$1,000) ~~per trade;~~[multiplied by the number of bonds traded per trade;] and trades of \$1,000,000 par value or more will be charged a fee of \$2.375 per trade. A member that is required to report a List or F[fixed] O[offering] P[price] T[transaction] or a Takedown T[transaction] shall not be charged the fees in this subparagraph (1) for such transactions.

**(2) – (3)** No Change.

**(c) Market Data Fees**

Real-Time TRACE transaction data disseminated by FINRA comprises the following databases (“Data Set(s)”): corporate bonds (“Corporate Bonds Data Set”) and Agency D[debt] S[securities] (“Agency Data Set”). Market data fees are charged for each Data Set. Professionals and Non-Professionals may subscribe to receive one or both Data Sets of Real-Time TRACE transaction data disseminated by FINRA in one or more of the following ways for the charges specified, as applicable. Members, vendors and other redistributors shall be required to execute appropriate agreements with FINRA.

**(1) Professional Fees**

Professionals may subscribe for the following:

(A) – (B) No Change.

(C) Vendor Real-Time Data Feed Fee of \$400 per month per Data Set for Real-Time TRACE transaction data received by a Tax-Exempt Organization as defined in Rule 7730(c) for the Tax-Exempt Organization to use solely to provide Non-Professionals access to such Data Set(s) of Real-Time TRACE transaction data at no charge.

(D) No Change.

**(2)** No Change.

**(3) Definitions**

(A) - (B) No Change.

(C) “Real-Time” as used in Rule 7730(c) [shall] means that period of time starting from the time of dissemination by FINRA of transaction data on a TRACE-E[e]ligible S[s]ecurity, and ending no more than four hours thereafter.

**(4)** No Change.

---

<sup>1</sup> No Change.

<sup>2</sup> Under the Vendor Real-Time Data Feed Fee and service, Real-Time TRACE transaction data (or [a] Data Set(s) of such data) may not be used in any interrogation display devices or any systems that permit end users to determine individual transaction pricing.

## **EXHIBIT 5**

Exhibit 5 shows the text of the proposed rule change. Proposed new language appears underlined; proposed deletions appear in [brackets].

The text of Rule 6710(a) and Rule 6750(b) in attached Exhibit 4 and this Exhibit 5 is modified to reflect recent amendments. See Securities Exchange Act Release No. 59768 (April 14, 2009), 74 FR 18271 (April 21, 2009) (Order Approving File No. SR-FINRA-2009-004, amending Rule 6710(a), which became operative on June 15, 2009); see Securities Exchange Act Release No. 59713 (April 6, 2009), 74 FR 17271 (April 14, 2009) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2009-024, including the amendment to Rule 6750(b), which became operative on May 4, 2009). The modifications in the rule text that reflect newly operative rule language in Rule 6710(a) and Rule 6750(b) are not marked to show changes because they are not proposed amendments.

\* \* \* \* \*

### **6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)**

#### **6710. Definitions**

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) "TRACE-Eligible Security" means a debt security that is United States ("U.S.") dollar-denominated and issued by a U.S. or foreign private issuer, and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n). "TRACE-Eligible Security" does not include a debt security that is:

(1) Issued by a foreign sovereign or is a U.S. Treasury Security as defined in paragraph (p);

(2) A Money Market Instrument as defined in paragraph (o); or

(3) An Asset-Backed Security as defined in paragraph (m).

[The term "TRACE-eligible security" shall mean all United States dollar denominated debt securities that are depository eligible securities under NASD Rule 11310(d); Investment Grade or Non-Investment Grade; issued by United States and/or foreign private issuers; and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A. The term "TRACE-eligible security" excludes debt issued by government-sponsored entities, mortgage- or asset-backed securities, collateralized mortgage obligations, and money market instruments. For purposes of the Rule 6700 Series, the term "money market instrument" means a debt security that at issuance has a maturity of one year or less.]

(b) [The term] "Trade Reporting and Compliance Engine" or "TRACE" [shall] means the automated system developed by FINRA that, among other things, accommodates reporting and dissemination of transaction reports where applicable in TRACE-E[e]ligible S[s]ecurities.

(c) [The term] "R[r]eportable TRACE T[t]ransaction" [shall] means any [secondary market] transaction in a TRACE-E[e]ligible S[s]ecurity except transactions [exempt from reporting] that are not reported as specified in Rule 6730(e).

(d) [The term] "T[t]ime of E[e]xecution" for a transaction in a TRACE-E[e]ligible S[s]ecurity [shall be] means the time when the P[p]arties to a[the] T[t]ransaction agree to all of the terms of the transaction that are sufficient to calculate

the dollar price of the trade. The T[t]ime of E[e]xecution for transactions involving TRACE-E[e]ligible S[s]ecurities that are trading "when issued" on a yield basis shall be when the yield for the transaction has been agreed to by the P[p]arties to a[the] T[t]ransaction. For a transaction in a TRACE-E[e]ligible S[s]ecurity in which the actual yield for the transaction is established by determining the yield from one or more designated securities (e.g., a "benchmark security" such as a U.S. Treasury S[s]ecurity maturing in 5 years, or a combination of such "benchmark securities") and adding the agreed upon "yield spread" (e.g., 150 basis points above the benchmark security), the T[t]ime of E[e]xecution["] occurs when the yield has been agreed to by the P[p]arties to a[the] T[t]ransaction.

(e) [The term] "P[p]arty to a[the] T[t]ransaction" [shall] means an introducing broker-dealer, if any, an executing broker-dealer, or a customer. [For purposes of this Rule,] "C[c]ustomer" includes a broker-dealer that is not a FINRA member.

(f) [The term] "TRACE Participant" [shall] means any FINRA member that reports transactions to the TRACE system, directly or indirectly.

(g) [The term] "Introducing Broker" [shall] means the FINRA member that has been identified in the TRACE system as a P[p]arty to a[the] T[t]ransaction, but does not execute or clear the transaction.

(h) [The term] "Investment Grade" [shall] means a TRACE-E[e]ligible S[s]ecurity that, if rated by only one nationally recognized statistical rating organization ("NRSRO"), is rated in one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated in one of the four highest generic rating categories by all or a majority of such NRSROs; provided that if the NRSROs assign ratings that are

evenly divided between (i) the four highest generic ratings and (ii) ratings lower than the four highest generic ratings, FINRA will classify the TRACE-E[e]ligible S[s]ecurity as Non-Investment Grade for purposes of TRACE. If a TRACE-E[e]ligible S[s]ecurity is unrated, for purposes of TRACE, FINRA may [otherwise] classify the TRACE-E[e]ligible S[s]ecurity as an Investment Grade security.[and further classify it as being in one of the four highest generic rating categories.] FINRA will classify an unrated Agency Debt Security as defined in paragraph (l) as an Investment Grade security for purposes of the dissemination of transaction volume.

(i) [The term] "Non-Investment Grade" [shall] means a TRACE-E[e]ligible S[s]ecurity that, if rated by only one NRSRO, is rated lower than one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated lower than one of the four highest generic rating categories by all or a majority of such NRSROs. Except as provided in paragraph (h), [I]f a TRACE-E[e]ligible S[s]ecurity is unrated, [for purposes of TRACE,] FINRA may [otherwise] classify the TRACE-E[e]ligible S[s]ecurity as a Non-Investment Grade security. [and further classify it as being in one of the generic rating categories below the four highest such categories. If FINRA does not have sufficient information to make a judgment regarding the classification of an unrated TRACE-eligible security, for purposes of TRACE, FINRA will classify the TRACE-eligible security as having been rated B (or the equivalent rating of one or more NRSROs).]<sup>[6]</sup>

---

<sup>[6]</sup> "B" is a rating of Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"). S&P is a nationally recognized statistical rating organization. S&P's ratings are proprietary to S&P and are protected by copyright and other intellectual property laws. S&P's licenses ratings to FINRA. Ratings may not be copied or otherwise reproduced, repackaged, further transmitted, transferred,

(j) [The term,] "Split-rated[,]" [shall] mean an Investment Grade or a Non-Investment Grade security that is assigned ratings by multiple NRSROs that, for an Investment Grade security, are not in the same generic Investment Grade rating category, or, for a Non-Investment Grade security, are not in the same generic Non-Investment Grade rating category. After determining if a security is Investment Grade or Non-Investment Grade, FINRA will disregard any rating, if the security is Investment Grade, that is Non-Investment Grade, or, if the security is Non-Investment Grade, that is Investment Grade. With respect to an Investment Grade security, if multiple NRSROs assign ratings that are not in the same generic Investment Grade rating category, or, with respect to a Non-Investment Grade security, if multiple NRSROs assign ratings that are not in the same generic Non-Investment Grade rating category, FINRA will classify the TRACE-Eligible Security for purposes of TRACE by the generic rating that a majority or, if no majority, a plurality of the NRSROs assigns the security, provided that (i) if the NRSROs assign ratings that are evenly divided between two generic rating categories, FINRA will classify the TRACE-Eligible Security [for purposes of TRACE] by the lower of the ratings; or (ii) if each NRSRO assigns a different generic rating, FINRA will classify the TRACE-Eligible Security [for purposes of TRACE] by the lower or lowest of the ratings.

(k) "Agency" means a U.S. "executive agency" as defined in 5 U.S.C. 105 that is authorized to issue debt directly or through a related entity, such as a government corporation, or to guarantee the repayment of principal and/or interest of a debt security

---

disseminated, redistributed or resold, or stored for subsequent use for any such purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person without S&P's prior written consent.]

issued by another entity. The term excludes the U.S. Department of the Treasury (“Treasury”) in the exercise of its authority to issue U.S. Treasury Securities as defined in paragraph (p).

(l) “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); or (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n). The term excludes a U.S. Treasury Security as defined in paragraph (p) and an Asset-Backed Security as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the sponsor of the trust or other entity that issues the Asset-Backed Security, or is the guarantor of the Asset-Backed Security.

(m) “Asset-Backed Security” means an asset-backed security as used in Securities Act Regulation AB, Section 1101(c), a mortgage-backed security, a collateralized mortgage obligation, a synthetic asset-backed security, or any instrument involving or based on the securitization of mortgages or other credits or assets, including but not limited to a collateralized debt obligation, a collateralized bond obligation, a collateralized debt obligation of asset-backed securities or a collateralized debt obligation of collateralized debt obligations.

(n) “Government-Sponsored Enterprise” (“GSE”) has the same meaning as defined in 2 U.S.C. 622(8).

(o) “Money Market Instrument” means a debt security that at issuance has a maturity of one year or less.

(p) “U.S. Treasury Security” means a security issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities.

(q) “List or Fixed Offering Price Transaction” means a primary market sale transaction sold on the first day of trading of a new issue: (i) by a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price.

(r) “Takedown Transaction” means a primary market sale transaction sold on the first day of trading of a new issue: (i) by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser or syndicate manager to a syndicate or selling group member at a discount from the published or stated fixed offering price.

## **6720. Participation in TRACE**

### **(a) Mandatory Member Participation**

(1) Member participation in TRACE for trade reporting purposes is mandatory. Such mandatory participation obligates members to submit transaction reports in TRACE-E[e]ligible S[s]ecurities in conformity with the Rule 6700 Series.

(2) - (3) No Change.

**(b) Participant Obligations in TRACE**

Upon execution and receipt by FINRA of the TRACE Participant application agreement, a TRACE Participant may commence input of trade information in TRACE-Eligible Securities. TRACE Participants may access the service via a FINRA-approved facility during the hours of operation.

**6730. Transaction Reporting**

**(a) When and How Transactions are Reported**

Each member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member [that is required to report transaction information pursuant to paragraph (b) below] must report [such] transaction information within 15 minutes of the Time of Execution, except as otherwise provided below, or the transaction report will be "late." The member must transmit the report to TRACE during the hours the TRACE system is open ("TRACE system hours"), which are 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time[, unless otherwise announced by FINRA ("TRACE system hours"). Specific trade reporting obligations during a 24-hour cycle are set forth below.

**(1) Transactions Executed During TRACE System Hours**

Transactions in TRACE-Eligible Securities executed on a business day at or after 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time must be reported within 15 minutes of the Time of Execution. If a transaction is executed on a business day less than 15 minutes before 6:30 p.m. Eastern Time, a member may report the transaction the next business day within 15 minutes after

the TRACE system opens. If reporting the next business day, the member must indicate “as/of” and provide the actual transaction date.

**(2) Transactions Executed At or After 6:30 P.M. Through 11:59:59 P.M. Eastern Time**

Transactions in TRACE-E[e]ligible S[s]ecurities executed on a business day at or after 6:30 p.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported the next business day within 15 minutes after the TRACE system opens. The member must indicate “as/of” and provide the actual transaction date.

**(3) Transactions Executed At or After 12:00 A.M. Through 7:59:59 A.M. Eastern Time**

Transactions in TRACE-E[e]ligible S[s]ecurities executed on a business day at or after 12:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day within 15 minutes after the TRACE system opens.

**(4) Transactions Executed on a Non-Business Day**

Transactions in TRACE-E[e]ligible S[s]ecurities executed on a Saturday, a Sunday[,] or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), must be reported the next business day within 15 minutes after the TRACE system opens. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); and the modifier, “special price,” must be selected. In addition, the transaction must not be designated “as/of”. When the reporting method chosen provides a “special

price memo" field, the member must enter the actual date and Time of Execution[time of the transaction] in the field.

**(5) Reporting List or Fixed Offering Price Transactions and Takedown Transactions**

A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported not later than T + 1 during TRACE system hours. If a member reports the transaction on T + 1, the member must indicate "as/of" and provide the actual transaction date. If a List or Fixed Offering Price or a Takedown Transaction is executed on a Saturday, a Sunday or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE system hours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be "12:01:00 a.m. Eastern Time" (stated in military time as "00:01:00"); and the modifier, "special price," must be selected. In addition, the transaction must not be designated "as/of". When the reporting method chosen provides a "special price memo" field, the member must enter the actual date and Time of Execution in the field.

**([5]6)** Members have an ongoing obligation to report transaction information promptly, accurately, and completely. The member may employ an agent for the purpose of submitting transaction information[;]. [h]However, the primary responsibility for the timely, accurate, and complete reporting of

transaction information remains the non-delegable duty of the member obligated to report the transaction.

~~(6)~~ A member may be required to report as soon as practicable to the Market Regulation Department on a paper form, the transaction information required under Rule 6730 if electronic submission into TRACE is not possible. Transactions that can be reported into TRACE, including transactions executed on a Saturday, a Sunday or a holiday as provided in paragraph (a)(4) and paragraph (a)(5) above, and ~~trades~~ transactions that can be submitted on the trade date or on a subsequent date on an "as/of" basis, shall not be reported on a paper form.

(b) - (c) No Change.

**(d) Procedures for Reporting Price, Capacity, Volume**

(1) - (3) No Change.

**(4) Modifiers; Indicators**

(A) - (C) No Change.

**(D) List or Fixed Offering Price Transaction or Takedown**

**Transaction Indicator**

If reporting a primary market transaction that is a List or Fixed Offering Price Transaction or a Takedown Transaction, select the appropriate indicator.

**(e) Reporting Requirements For Certain Transactions and Transfers of Securities**

The following shall not be reported:

(1) [Transactions that are part of a primary distribution by an issuer]Reserved.

(2) Transactions in TRACE-E[e]ligible S[s]ecurities that are listed on a national securities exchange, when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly.

(3) Transactions where the buyer and the seller have agreed to trade at a price substantially unrelated to the current market for the TRACE-E[e]ligible S[s]ecurity (e.g., to allow the seller to make a gift).

(4) Provided that a data sharing agreement between FINRA and NYSE related to transactions covered by this Rule remains in effect, for a pilot program expiring on January 7, 2011, transactions in TRACE-E[e]ligible S[s]ecurities that are executed on a facility of NYSE in accordance with NYSE Rules 1400, 1401 and 86 and reported to NYSE in accordance with NYSE's applicable trade reporting rules and disseminated publicly by NYSE.

(5) – (6) No Change.

**(f)** No Change.

\* \* \* \* \*

## **6750. Dissemination of Transaction Information**

### **(a) Dissemination**

FINRA will disseminate information on all transactions in TRACE-E[e]ligible S[s]ecurities immediately upon receipt of the transaction report, except as provided below.

**(b) Transaction Information Not Disseminated**

FINRA will not disseminate information on a transaction in a TRACE-E[e]ligible S[s]ecurity that is:

(1) effected pursuant to Securities Act Rule 144A; [or]

(2) a transfer of proprietary securities positions between a member and another member or non-member broker-dealer where the transfer (A) is effected in connection with a merger of one broker-dealer with the other broker-dealer or a direct or indirect acquisition of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company and (B) is not in furtherance of a trading or investment strategy. Such transfers shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances[.]; or

(3) a List or Fixed Offering Price Transaction or a Takedown Transaction.

**6760. [Managing Underwriter or Group of Underwriters]Obligation To [Obtain CUSIP and] Provide Notice**

**(a) Members Required to Provide Information and Notice**

(1) In order to facilitate trade reporting and dissemination of [secondary] transactions in TRACE-E[e]ligible S[s]ecurities, [the]a member that is the

managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser, [the members that are the group of underwriters] of a distribution or offering, excluding a secondary distribution or offering, of a debt security that, upon issuance will be a TRACE-E[e]ligible S[s]ecurity ("new issue"), must obtain and provide information to [the TRACE Operations Center]FINRA Operations as required below. If a managing underwriter (or a lead initial purchaser) is not appointed[,] by the issuer, an underwriter, or, if there are no underwriters, an initial purchaser [the group of underwriters] must provide the information required under this Rule. If a managing underwriter (or a lead initial purchaser) is not appointed, and there are multiple underwriters (or initial purchasers), the underwriters (or initial purchasers) may submit a single notice containing the required information to FINRA Operations.

(2) No Change.

**(b) Notices**

For such new issues, the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser[group of underwriters] must provide to [the TRACE Operations Center]FINRA Operations: (1) the CUSIP number or a similar numeric identifier (or, a TRACE symbol, which is assigned by FINRA upon request); (2) the issuer name; (3) the coupon rate; (4) the maturity; (5) whether Securities Act Rule 144A applies; (6) the time that the new issue is priced, and, if different, the time that the first transaction in the distribution or offering is executed; (7[6]) a brief description of the issue (e.g., senior subordinated note, senior

note); and, (8[7]) [information, as determined by FINRA, to implement the provisions of Rule 6750(a) and] such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-E[e]ligible S[s]ecurity, or if any of items (2) through (8[7]) has not been determined or a CUSIP number will not be assigned, such other information as FINRA deems necessary. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser [group of underwriters] must obtain the CUSIP number (or a FINRA symbol or a similar numeric identifier) and provide it and the information listed as (2) through (8[7]) prior to the execution of the first transaction in the distribution or offering. For distributions or offerings of new issues that are priced and commence on the same business day between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time, the person or persons required to provide information to FINRA Operations must provide as much of the information set forth above that is available prior to the execution of the first transaction in the distribution or offering and all other information required under this Rule within 15 minutes of the Time of Execution of the first transaction in such distribution or offering.[not later than 5:00 p.m. Eastern Time on the business day preceding the day that the registration statement becomes effective, or, if registration is not required, the day before the securities will be priced. If an issuer notifies a managing underwriter or group of underwriters, or the issuer and the managing underwriter or group of underwriters determine, that the TRACE-eligible securities of the issuer shall be priced, offered and sold the same business day in an intra-day offering under Securities Act Rule 415 or Section 4(2) of the Securities Act and Securities Act Rule 144A, the managing underwriter or group of underwriters shall provide the information not later

than 5:00 p.m. Eastern Time on the day that the securities are priced and offered, provided that if such securities are priced and offered on or after 5:00 p.m. Eastern Time, the managing underwriter or group of underwriters shall provide the information not later than 5:00 p.m. Eastern Time on the next business day.] The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser [group of underwriters] must make a good faith determination that the security is a TRACE-E[e]ligible S[s]ecurity before submitting the information to [the TRACE Operations Center.]FINRA Operations.

**6770. Emergency Authority**

As market conditions may warrant, in consultation with the SEC, FINRA may suspend the reporting and/or dissemination of certain transactions in TRACE-Eligible Securities, or the reporting of certain data elements otherwise required under Rule 6730 and/or the dissemination of certain data elements for such period of time as FINRA deems necessary.

\* \* \* \* \*

**7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES**

\* \* \* \* \*

**7730. Trade Reporting and Compliance Engine (TRACE)**

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine ("TRACE"):

<b>System Fees</b>	<b>Transaction Reporting Fees</b>	<b>Market Data Fees</b>
Level I Trade Report Only	Trades up to and including	BTDS Professional Real-

<p>Web Browser Access — \$20/month per user ID</p> <p>Level II Full Service Web Browser Access — <u>Subscription for a single user ID or the first user ID - \$50/month (includes one Data Set); \$80/month (includes two Data Sets)</u></p> <p><u>Subscription for additional user IDs - \$80/month per user ID (includes one Data Set); \$140/month per user ID (includes two Data Sets)</u></p> <p>[, except that the charge for the first such user ID shall be \$50/month]</p>	<p>\$200,000 par value — \$0.475/trade;</p> <p>Trades between \$200,001[\$201,000] and \$999,999 par value — <u>\$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000);</u> [\$0.002375 times the number of bonds traded/trade;]</p> <p>Trades of \$1,000,000 par value or more — \$2.375/trade</p>	<p>Time Data Display — \$60/month per terminal <u>per Data Set of Real-Time TRACE transaction data</u>, or a flat fee of \$7,500/month <u>per Data Set of Real-Time TRACE transaction data</u>, entitling Professionals to make unlimited internal use of <u>such Data Set(s)</u> [Real-Time TRACE transaction data] on any number of interrogation or display devices</p>
<p>CTCI/Third Party — \$25/month/per firm</p>	<p>Cancel/Correct — \$1.50/trade</p>	<p>Vendor Real-Time Data Feed — \$1,500/month <u>per Data Set of Real-Time</u></p>

		<p><u>TRACE transaction data</u> for receipt of continuous Real-Time TRACE transaction data <u>in such Data Sets</u>, except for qualifying Tax-Exempt Organizations, or \$250/month <u>per Data Set of Snapshot Real-Time TRACE transaction data</u> for daily receipt of <u>such Data Set(s)</u> [Snapshot Real-Time TRACE transaction data]</p>
	<p>“As/of” Trade Late – \$3/trade</p>	<p>Vendor Real-Time Data Feed — \$400/month <u>per Data Set of Real-Time TRACE transaction data</u> for <u>such Data Set(s)</u> [Real-Time TRACE transaction data] for qualifying Tax-Exempt Organizations[.]</p>
		<p>BTDS Non-Professional Real-Time Data Display — No charge</p>

**(a) System Related Fees**

There are three methods by which a member may report corporate bond transactions in TRACE-Eligible Securities that are reportable to FINRA pursuant to the Rule 6700 Series. A member may choose among the following methods to report data to FINRA: (1) a TRACE web browser; (2) a Computer-to-Computer Interface ("CTCI") (either one dedicated solely to TRACE or a multi-purpose line); or (3) a third-party reporting intermediary. Fees will be charged based on the reporting methodology selected by the member.

**(1) Web Browser Access**

[The charge to be paid by a]A member that elects to report TRACE data to FINRA via a TRACE web browser shall be charged: [as follows:]

(A) for Level I Trade Report Only Web Browser Access, \$20 per month per user ID;

(B) for Level II Full Service Web Browser Access, which includes access to Real-Time TRACE transaction data:

(i) for a subscription for a single user ID or the first user ID, \$50 per month (including one Data Set), or \$80 per month (including two Data Sets); and

(ii) for subscriptions for additional user IDs, \$80 per month per user ID, (including one Data Set) or \$140 per month per user ID (including two Data Sets).

[\$20 per month, per user ID for Level I Web Trade Report Only Browser Access and \$80 per month, per user ID for Level II Full Service Web Browser

Access, except that the charge for the first such user ID for Level II Full Service Web Browser Access shall be \$50 per month.]

**(2) - (3)** No Change.

**(b) Transaction Reporting Fees**

For each transaction in [corporate bonds] a TRACE-Eligible Security that is reportable to FINRA pursuant to the Rule 6700 Series, the following charges shall be assessed against each[the] member responsible for reporting the transaction:

**(1) Trade Reporting Fee**

A member shall be charged a Trade Reporting Fee based upon a sliding scale ranging from \$0.475 to \$2.375 per transaction based on the size of the reported transaction. Trades up to and including \$200,000 par value will be charged a \$0.475 fee per trade; trades between [~~\$201,000~~]\$200,001 par value and \$999,999 par value will be charged a fee of [~~\$0.002375~~]\$0.000002375 times the par value of the transaction (i.e., \$0.002375 per \$1,000) per trade; [multiplied by the number of bonds traded per trade;] and trades of \$1,000,000 par value or more will be charged a fee of \$2.375 per trade. A member that is required to report a List or Fixed Offering Price Transaction or a Takedown Transaction shall not be charged the fees in this subparagraph (1) for such transactions.

**(2) - (3)** No Change.

**(c) Market Data Fees**

Real-Time TRACE transaction data disseminated by FINRA comprises the following databases (“Data Set(s)”): corporate bonds (“Corporate Bonds Data Set”) and Agency Debt Securities (“Agency Data Set”). Market data fees are charged for each

Data Set. Professionals and Non-Professionals may subscribe to receive one or both Data Sets of Real-Time TRACE transaction data disseminated by FINRA in one or more of the following ways for the charges specified, as applicable. Members, vendors and other redistributors shall be required to execute appropriate agreements with FINRA.

**(1) Professional Fees**

Professionals may subscribe for the following:

(A) Bond Trade Dissemination Service ("BTDS") Professional Real-Time Data Display Fee of \$60 per month, per terminal per Data Set [charge] for each interrogation or display device receiving a Data Set of Real-Time TRACE transaction data, or a flat fee of \$7,500 per month per Data Set entitling Professionals to make unlimited internal use of such Data Set(s) of Real-Time TRACE transaction data on any number of interrogation or display devices.

(B) Vendor Real-Time Data Feed Fee of \$1,500 per month per Data Set for receipt of continuous Real-Time TRACE transaction data for any person or organization (other than a Tax-Exempt Organization) that receives a feed of such Data Set(s) of Real-Time TRACE transaction data, [feed,] or \$250 per month per Data Set for daily receipt of such Data Set(s) of Snapshot Real-Time TRACE transaction data, which shall consist of one TRACE price per security per day. These fees entitle use of such Data Set(s) in one or more of the following ways: internal operational and processing systems, internal monitoring and surveillance systems, internal price validation, internal portfolio valuation services, internal

analytical programs leading to purchase/sale or other trading decisions, and other related activities, and the repackaging of market data in such Data Set(s) for delivery and dissemination outside the organization, such as indices or other derivative products. (These fees do not include per terminal charges for each interrogation or display device receiving Data Set(s) of Real-Time TRACE transaction data.)<sup>2</sup>

(C) Vendor Real-Time Data Feed Fee of \$400 per month per Data Set for Real-Time TRACE transaction data received by a Tax-Exempt Organization as defined in Rule 7730(c) for the Tax-Exempt Organization to use solely to provide Non-Professionals access to such Data Set(s) of Real-Time TRACE transaction data at no charge.

(D) No Change.

**(2) Non-Professional Fees**

There shall be no charge paid by a Non-Professional for receiving all or any portion of one or both Data Sets of Real-Time TRACE transaction data disseminated through TRACE.

**(3) – (4)** No Change.

---

<sup>1</sup> No Change.

<sup>2</sup> Under the Vendor Real-Time Data Feed Fee and service, Real-Time TRACE transaction data (or Data Set(s) of such data) may not be used in any interrogation display devices or any systems that permit end users to determine individual transaction pricing.