

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-88077; File No. SR-FINRA-2020-003)

January 29, 2020

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Effective Date for Eliminating Computer-to-Computer Interface as a Technological Option for TRACE Reporting

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on January 28, 2020, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

FINRA is proposing to provide members with additional time to migrate their trade reporting processes to connect to TRACE through a permissible means other than Computer-to-Computer Interface (“CTCI”).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

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

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

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

1. Purpose

On October 4, 2018, the SEC approved SR-FINRA-2018-030 which amended FINRA Rule 7730 (Trade Reporting and Compliance Engine (TRACE)) to remove CTCI as a technological means of connectivity for reporting transactions to TRACE.⁴ Since filing SR-FINRA-2018-030 ("CTCI Elimination Filing"),⁵ FINRA has engaged in extensive outreach to industry participants in connection with eliminating CTCI as a means of connectivity, including direct outreach to the firms that used CTCI for reporting, either directly or via a service bureau.

FINRA recently has become aware that some firms have experienced trade rejects after migrating from CTCI to FIX. FINRA understands that the cause of these rejects is related to the

⁴ See Securities Exchange Act Release No. 84366, 83 FR 51514 (October 11, 2018) (Order Approving File No. SR-FINRA-2018-030).

⁵ See Securities Exchange Act Release No. 83868 (August 17, 2018), 83 FR 42741 (August 23, 2018) (Notice of Filing of SR-FINRA-2018-030).

validations done on a FIX port to prevent duplicate trade reports from being submitted to the system. These validations are specific to FIX messaging and, as such, were not anticipated by certain firms migrating from CTCI to FIX. FINRA understands that this issue is impacting the successful migration of member firms whose activity, in the aggregate, account for a significant percentage of TRACE reports (i.e., over 10 percent of monthly trade reports). As a result, FINRA is filing the proposed rule change to extend the effective date of the CTCI Elimination Filing until March 16, 2020, which will allow firms adequate time to perform the required coding changes and testing. FINRA will continue to work closely with all firms that have not yet successfully migrated from CTCI, and expects firms to ensure adequate testing and to continue to work expeditiously to migrate as soon as possible in advance of the March 16, 2020 date.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately. The new operative date of the amendments adopted by SR-FINRA-2018-030 will be March 16, 2020.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁶ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. Specifically, the proposed rule change provides additional time for members who have not yet successfully migrated to a permissible means of connectivity other than CTCI for reporting transactions to TRACE. The

⁶ 15 U.S.C. 78q-3(b)(6).

proposed rule change will allow members to continue to report transactions to TRACE through CTCI for a modest additional period of time, which FINRA believes is reasonable in light of technological difficulties identified recently. Thus, this extension will facilitate efficient and uninterrupted trade reporting as firms make coding refinements and complete a successful migration.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change would provide additional time to all members who have not yet successfully migrated to a permissible means of connectivity other than CTCI for reporting transactions to TRACE. FINRA also notes that this extension does not impact or require any changes by firms that already successfully migrated to a permissible means of connectivity other than CTCI for reporting transactions to TRACE.

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

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the

Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and Rule 19b-4(f)(6) thereunder.⁸

FINRA has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. If the proposed rule change did not become operative immediately, certain member firms that currently report to TRACE using the CTCI protocol might be unable to report successfully if CTCI were decommissioned on February 3, 2020, as originally planned. This could result in significant degradation of the TRACE information available to regulators and the public. Allowing the proposal to become immediately operative will enable these firms to continue reporting using the CTCI protocol while the necessary technological changes continue to be made for them to fully transition to other reporting protocols. For these reasons, the Commission hereby waives the 30-day operative delay and designates the proposed rule change as operative upon filing.⁹

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Commission is waiving the requirement in this case.

⁹ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2020-003 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2020-003. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F

Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2020-003 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

J. Matthew DeLesDernier
Assistant Secretary

¹⁰ 17 CFR 200.30-3(a)(12).