

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74807; File No. SR-FINRA-2015-008)

April 24, 2015

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delay the Implementation Date of Trade Reporting Amendments Approved Pursuant to SR-FINRA-2013-050

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 April 21, 2015, 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 the Substance of the Proposed Rule Change

FINRA is proposing to delay the implementation date of amendments to the trade reporting rules relating to the Alternative Display Facility (“ADF”) and the Trade Reporting Facilities (“TRFs”) approved pursuant to SR-FINRA-2013-050. The proposed rule change would not make any changes to FINRA rules.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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

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

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

1. Purpose

On November 12, 2013, FINRA filed proposed rule change SR-FINRA-2013-050 to On November 12, 2013, FINRA filed proposed rule change SR-FINRA-2013-050, which among other things, proposed to amend FINRA rules governing the reporting of over-the-counter (“OTC”) transactions in NMS stocks to the ADF and TRFs. The proposed rule change was approved by the Commission on February 27, 2014.⁴ The amendments to the ADF and TRF rules relating to millisecond reporting that were approved pursuant to SR-FINRA-2013-050 became effective on November 10, 2014.⁵

Pursuant to proposed rule change SR-FINRA-2014-039,⁶ FINRA proposed to implement the remaining amendments to the ADF and TRF trade reporting rules no later than April 30,

⁴ See Securities Exchange Act Release No. 71623 (February 27, 2014), 79 FR 12558 (March 5, 2014) (Order Approving File No. SR-FINRA-2013-050).

⁵ The amendments to other rule sets approved pursuant to SR-FINRA-2013-050 are also effective. Specifically, the amendments to the Order Audit Trail System rules became effective on April 7, 2014, and the amendments to the OTC Reporting Facility rules became effective on November 17, 2014.

⁶ See Securities Exchange Act Release No. 73289 (October 2, 2014), 79 FR 60874 (October 8, 2014) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2014-039).

2015, and announced an effective date of April 20, 2015.⁷ Specifically, the amendments to the ADF and TRF rules (i) require firms to report an additional time field for Stop Stock transactions⁸ and transactions that reflect an execution price that is based on a prior reference point in time,⁹ and when reporting block transactions using the exception for Intermarket Sweep Orders (ISOs) (outbound) under SEC Rule 611 of Regulation NMS, if the time the firm routed the ISOs is different from the execution time;¹⁰ (ii) require firms to identify the original trade when reporting a reversal by including the control number and report date for the original trade report;¹¹ (iii) require firms to report trades executed on non-business days and trades reported more than 365 days after trade date (T+365) to the ADF or a TRF (and not on “Form T” through FINRA’s Firm Gateway) and further to report non-business day trades on an “as/of” basis by 8:15 a.m. the next business day with the unique trade report modifier to denote their execution outside normal market hours;¹² (iv) provide that where both sides are submitting a clearing-only report to effectuate a step-out, the member transferring out of the position must report a step-out and the member receiving the position must report a “step-in”;¹³ and (v) address the processing of trades that are submitted for clearing.¹⁴ In addition, SR-FINRA-2013-050 made a number of

⁷ See Regulatory Notice 14-21 (May 2014).

⁸ See paragraph (F) of Rules 6282(a)(4), 6380A(a)(5) and 6380B(a)(5). “Stop stock transaction” means a transaction resulting from an order in which a firm and another party agree that the order will be executed at a stop stock price or better, which price is based upon the prices at which the security is trading at the time the firm receives the order. See Rules 6220, 6320A and 6320B.

⁹ See paragraph (G) of Rules 6282(a)(4), 6380A(a)(5) and 6380B(a)(5).

¹⁰ See Rules 6282.03, 6380A.03 and 6380B.03.

¹¹ See Rules 6282(g), 6380A(g) and 6380B(f).

¹² See Rules 6282(a)(2), 6380A(a)(2) and 6380B(a)(2).

¹³ See Rules 7130(g), 7230A(i) and 7230B(h).

¹⁴ See Rules 7140, 7240A and 7240B.

non-substantive technical and conforming changes to the ADF and TRF rules that were otherwise being amended.

Firms have requested additional time to make the systems changes necessary to comply with the new reporting requirements, and in particular, have indicated they need additional time to test the systems changes.¹⁵ Given the scope of the changes, FINRA believes that it is appropriate to extend the implementation date and is proposing to implement the changes to the ADF and TRF rules approved pursuant to SR-FINRA-2013-050 on July 13, 2015. FINRA believes that this will provide firms ample time to implement and test the changes, as it will afford firms approximately seven months from the date of updated technical specifications (technical specifications for the FINRA/NYSE TRF were published on December 17, 2014 and for the FINRA/NASDAQ TRF on December 23, 2014)¹⁶ and more than three months of testing (testing became available on March 16, 2015 for the FINRA/NYSE TRF and April 1, 2015 for the FINRA/NASDAQ TRF).¹⁷

Some firms also have requested that they be permitted to report in accordance with the amendments to the ADF and TRF rules prior to the implementation date. The TRFs and the ADF are unable to make the necessary systems changes available in production prior to July 13,

¹⁵ See, e.g., email dated February 12, 2015 from Manisha Kimmel, Managing Director, Financial Information Forum (“FIF”), requesting a delay of implementation of the amendments to the ADF and TRF rules approved pursuant to SR-FINRA-2013-050.

¹⁶ Updated technical specifications have not yet been published for the ADF; however, we note that currently no member firms use the ADF for trade reporting to FINRA. FINRA anticipates publishing updated technical specifications for the ADF shortly.

¹⁷ FINRA notes that this implementation schedule is consistent with FIF’s recommendation in its comment letter on SR-FINRA-2013-050 that FINRA release TRF technical specifications within seven months, and make available a robust test environment within three months, of the implementation date. See Letter from Manisha Kimmel, Executive Director, Financial Information Forum, to Elizabeth M. Murphy, Secretary, SEC, dated December 20, 2013.

2015 to accommodate voluntary reporting in accordance with the new reporting requirements by some firms, while other firms continue to report under the current reporting requirements.

Therefore, all firms must begin reporting in accordance with the amendments on July 13, 2015.

As noted above, however, firms will have ample opportunity to test their systems changes and new reporting processes prior to July 13, 2015.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing. The operative date will be the date of filing of the proposed rule change.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁸ 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. FINRA believes the proposed rule change is consistent with the Act in that it provides firms additional time to complete the systems changes necessary to comply with SR-FINRA-2013-050, which amendments will, among other things, ensure a more accurate and complete audit trail, enable FINRA to recreate more accurately members' market activity and enhance FINRA's ability to surveil on an automated basis for compliance with FINRA trade reporting and other rules.

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.

¹⁸ 15 U.S.C. 78q-3(b)(6).

FINRA believes that providing adequate time for firms to make and test the systems changes necessary to comply with SR-FINRA-2013-050 will benefit all interested parties.

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

A copy of the request for a delay from FIF is attached to the filing submitted by the Exchange but not attached to the published notice of this filing. In response to FIF's request, as discussed above, FINRA is proposing to delay implementation of the amendments to the ADF and TRF rules approved under SR-FINRA-2013-050 to July 13, 2015. FINRA believes that the revised implementation date will provide members additional time to make the necessary system changes while balancing the need to implement the amendments without undue delay.

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 Act¹⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.²⁰

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing.²¹ However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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 Exchange has satisfied this requirement.

²¹ 17 CFR 240.19b-4(f)(6)(iii).

interest.²² FINRA has requested that the Commission waive the 30-day operative delay so that FINRA can immediately delay the implementation dates, as provided in this proposal.

The Commission believes that the waiver of the 30-day operative delay is consistent with the protection of investors and the public interest as it will allow FINRA to extend the implementation dates of certain changes approved pursuant to SR-FINRA-2013-050 in a timely manner. Therefore, the Commission designates the proposal operative upon filing.²³

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act.²⁴ If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.²⁵

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

²²

Id.

²³

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

²⁴

15 U.S.C. 78s(b)(3)(C).

²⁵

Id.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2015-008 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-2015-008. 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-FINRA-2015-008, 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.²⁶

Brent J. Fields
Secretary

²⁶ 17 CFR 200.30-3(a)(12).