

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75058; File No. SR-FINRA-2015-012)

May 28, 2015

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify the Scope of the Definition of “Asset-Backed Security” for Purposes of Reporting to FINRA’s Trade Reporting and Compliance Engine (TRACE) System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² thereunder, notice is hereby given that on May 19, 2015, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“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 clarify the scope of the definition of “Asset-Backed Security” for purposes of reporting to FINRA’s Trade Reporting and Compliance Engine (TRACE) system.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

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 13, 2013, FINRA proposed a revised definition of “Asset-Backed Security” in Rule 6710 and also proposed new supplementary material to provide further guidance on the intended scope of the definition.⁴ In Amendment No. 1 to the Proposal, FINRA modified the definition of “Asset-Backed Security” to provide that the term excludes any securitized product backed by “residential or commercial mortgage loans, mortgage-backed securities, or other financial assets derivative of mortgage-backed securities.”⁵ However, a corresponding change to the supplementary material to delete such security types from the scope of Asset-Backed Security was not made at that time. FINRA is now proposing to amend Supplementary Material .01 of Rule 6710 to make clear that home equity loans and home equity lines of credit are not within the scope of the defined term “Asset-Backed Security.”⁶

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date of the proposed rule change will be June 1, 2015.

⁴ See Securities Exchange Act Release No. 70906 (November 20, 2013), 78 FR 70602 (November 26, 2013) (Notice of Filing of File No. SR-FINRA-2013-046) (“Proposal”).

⁵ See Amendment No. 1 to SR-FINRA-2013-046.

⁶ TRACE dissemination of additional Asset-Backed Securities will begin on June 1, 2015. See Regulatory Notice 14-34 (August 2014).

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁷ 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 that the proposed rule change will clarify the intended scope and operation of the amendments adopted by SR-FINRA-2013-046 by making clear that home equity loans and home equity lines of credit are not within the scope of the definition of “Asset-Backed Security.”

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 clarifies the intended operation of an existing rule.

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 Act⁸ and Rule 19b-4(f)(6) thereunder.⁹

⁷ 15 U.S.C. 78q-3(b)(6).

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), FINRA provided the Commission with written notice of its intent to file the proposed rule change, along with a

FINRA has requested that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii),¹⁰ so that the proposal may become operative on June 1, 2015, which is the date that TRACE dissemination of the additional Asset-Backed Securities information will begin. The Commission notes that the proposed rule change, by making a conforming change to Supplementary Material .01 of Rule 6710, would clarify the definition of Asset-Backed Security in that Rule. The Commission notes that without such a waiver there could be a period of time during which Supplementary Material .01 and Rule 6710 are inconsistent and, as a result, there could be some ambiguity about the operative definition of Asset-Backed Security. Therefore, the Commission believes that waiving the operative delay for the proposed rule change and allowing it to be implemented on June 1, 2015, which is the date that the definition of Asset-Backed Security in Rule 6710 is effective and TRACE dissemination of Asset-Backed Security information begins, would be appropriate in the public interest and consistent with the protection of investors.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

brief description and the 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.

¹⁰ 17 CFR 240.19b-4(f)(6)(iii).

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-2015-012 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-2015-012. 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-2015-012 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.¹¹

Robert W. Errett
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).