

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79190; File No. SR-FINRA-2016-040)

October 28, 2016

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rule 7730 to Establish a Fee for the Academic Corporate Bond TRACE Data Product

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 October 25, 2016, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ 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 amend FINRA Rule 7730 to establish a fee for the Academic Corporate Bond TRACE Data product.

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

⁴ 17 CFR 240.19b-4(f)(2).

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

FINRA’s TRACE data product offerings, set forth in Rule 7730 (Trade Reporting and Compliance Engine (TRACE)), include both real-time as well as historic data for most TRACE-eligible securities. The SEC recently approved a new TRACE data product composed of enhanced historic data available solely to academics (i.e., requests originating from an institution of higher education).⁵ The new TRACE data product — Academic Corporate Bond TRACE Data — will contain transaction-level data on historic transactions in corporate bonds and will include masked counterparty information.⁶ Specifically, “Academic Corporate Bond TRACE Data” means historic transaction-level data on all transactions in corporate bonds reported to TRACE (except a transaction that is a List or Fixed Offering Price Transaction, as defined in Rule 6710(q), or a Takedown Transaction, as defined in Rule 6710(r)), including Rule 144A transactions in corporate bonds, with elements to be determined from time to time by FINRA in

⁵ See Securities Exchange Act Release No. 78759 (September 2, 2016), 81 FR 62222 (September 8, 2016) (“Order Approving File No. SR-FINRA-2016-024”).

⁶ See Rule 7730(g)(5).

its discretion and as stated in a Regulatory Notice or other equivalent publication.⁷

The Academic Corporate Bond TRACE Data will be delayed a minimum of 36 months and will not include Market Participant Identifiers (“MPIDs”), but will substitute a masked dealer identifier for each MPID included in the data.⁸ Applicants for Academic Corporate Bond TRACE Data will be required to execute appropriate agreements with FINRA.⁹

FINRA is now proposing to amend FINRA Rule 7730 (Trade Reporting and Compliance Engine (TRACE)) to establish fees for the Academic Corporate Bond TRACE Data product. FINRA is proposing to establish a data fee of \$500 per calendar year (with a single set-up fee of \$500) for receipt of the Academic Corporate Bond TRACE Data product. FINRA believes that this fee is reasonable, and notes that the subscription fee for the Historic TRACE Data Sets is \$500 per year (per data set), with a single fee of \$1,000 for development and set-up to receive Historic TRACE Data for qualifying tax-exempt organizations.

FINRA has filed the proposed rule change for immediate effectiveness. The effective date of the proposed rule change will be the date of effectiveness of the Academic Corporate Bond TRACE Data product.¹⁰

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,¹¹ which requires, among other things, that FINRA rules provide for the

⁷ See supra note 6.

⁸ See supra note 6.

⁹ See Rule 7730(e).

¹⁰ See Order Approving File No. SR-FINRA-2016-024. FINRA will announce the effective date of the Academic Corporate Bond TRACE Data product in a Regulatory Notice to be published no later than 90 days following Commission approval. The effective date will be no later than 270 days following publication of that Regulatory Notice.

¹¹ 15 U.S.C. 78o-3(b)(5).

equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

Pursuant to the proposal, FINRA will establish fees to make available to institutions of higher education an enhanced historic TRACE data product that will include transaction-level data on corporate bonds on a 36-month delayed basis with masked MPIDs. Academic Corporate Bond TRACE Data will be made available only to institutions of higher education for a fee of \$500 per calendar year (with a single set-up fee of \$500). FINRA believes that the proposed fees are reasonable, and notes that the fees will be applied equally to all institutions of higher education that choose to subscribe to the data product. Thus, FINRA believes that the proposed rule change is consistent with the Act.

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 proposal to create a new Academic Corporate Bond TRACE Data product would not impose any additional reporting requirements or costs on firms and, as a result, would have no direct impact on firms. The proposal to establish fees in connection with the new Academic Corporate Bond TRACE Data product applies only to institutions of higher education that choose to subscribe to the data product, and the proposed fees will apply equally to all such subscribers.

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

FINRA solicited comment on a proposal to establish an enhanced historic data product with masked dealer identifiers in Regulatory Notice 15-26, including the proposal of a \$500 fee per data set and a one-time initial set-up fee of \$500. FINRA received four comment letters in

response to the Regulatory Notice.¹² A copy of the Regulatory Notice is attached as Exhibit 2a. A list of comment letters received in response to the Regulatory Notice is attached as Exhibit 2b. Copies of the comment letters received in response to the Regulatory Notice are attached as Exhibit 2c. Of the four comment letters received, none of the commenters discussed the \$500 fee per data set or the single set-up fee of \$500.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and paragraph (f)(2) of Rule 19b-4 thereunder.¹⁴ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

¹² See Letter from Michael Nicholas, Chief Executive Officer, Bond Dealers of America, to Marcia E. Asquith, Corporate Secretary, FINRA, dated August 24, 2015 (“BDA”), letter from Luis Palacios, Director of Research Services, The Wharton School, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 10, 2015 (“Wharton”), letter from David L. Cohen, Managing Director & Associate General Counsel, and Sean Davy, Managing Director, Securities Industry and Financial Markets Association, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 11, 2015 (“SIFMA”), and letter from Carrie Devorah, Founder, The Center for Copyrights Integrity, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 14, 2015 (“CCI”).

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(2).

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-2016-040 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-FINRA-2016-040. 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-2016-040, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Brent J. Fields
Secretary

¹⁵ 17 CFR 200.30-3(a)(12).