

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63223; File No. SR-FINRA-2010-054)

November 1, 2010

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Operational Date of SR-FINRA-2009-065

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 27, 2010, the 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, 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 extend the period during which FINRA may make the rule changes set forth in SR-FINRA-2009-065 and approved by the SEC on February 22, 2010, effective to no later than June 1, 2011.⁴

The proposed rule change would not make any new changes to the text of FINRA rules.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

⁴ See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (Order Approving File No. SR-FINRA-2009-065) (hereinafter, “SEC Order Approving TRACE Expansion – Asset-Backed Securities”).

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 1, 2009, FINRA filed SR-FINRA-2009-065, a proposed rule change to expand the Trade Reporting and Compliance Engine ("TRACE") to designate asset-backed securities, mortgage-backed securities and other similar securities (collectively, "Asset-Backed Securities") as eligible for TRACE, and to establish reporting, fee and other requirements for such securities. In SR-FINRA-2009-065, FINRA stated that it would announce the effective date of the proposed rule change in a Regulatory Notice to be published "no later than 60 days following Commission approval" and the effective date would be "no later than 270 days following publication" of the Regulatory Notice announcing the Commission's approval.

The proposed rule change was published for notice and comment.⁵ FINRA filed its response to comments on December 22, 2009,⁶ and Amendment No. 1 to SR-FINRA-2009-065 on January 19, 2010 (hereinafter, SR-FINRA-2009-065 and Amendment No. 1 thereto are,

⁵ See Securities Exchange Act Release No. 60860 (October 21, 2009), 74 FR 55600 (October 28, 2009) (Notice of Filing of File No. SR-FINRA-2009-065).

⁶ See Letter from Sharon Zackula, Associate Vice President and Associate General Counsel, FINRA, to Elizabeth M. Murphy, Secretary, SEC, dated December 22, 2009.

together , the “TRACE ABS filing”).⁷ The Commission approved the TRACE ABS filing on February 22, 2010.⁸

On April 14, 2010, FINRA filed for immediate effectiveness SR-FINRA-2010-019, a proposed rule change to extend by 45 days the proposed implementation period for SR-FINRA-2009-065.⁹ On April 23, 2010, FINRA published Regulatory Notice 10-23 announcing Commission approval of the TRACE ABS Filing. Regulatory Notice 10-23 briefly described the rule changes, and, in reliance upon the 45-day extension provided for in SR-FINRA-2010-019, announced that the effective date of such rule changes would be February 14, 2011.

FINRA has determined that it would be beneficial to delay the effective date of the TRACE ABS filing to no later than June 1, 2011. FINRA will publish a Regulatory Notice no later than 30 days following the operative date of this proposed rule change to announce the revised effective date of the TRACE ABS filing, and to indicate that the previously announced effective date, February 14, 2011, is no longer valid.

⁷ The TRACE ABS filing included amendments to: (a) Rule 6710 to amend the defined terms, “Asset-Backed Security” and “TRACE-Eligible Security” to include Asset-Backed Securities as TRACE-Eligible Securities, to amend several other defined terms, and to add several new defined terms, most of which relate to Asset-Backed Securities; (b) Rule 6730 to require the reporting of Asset-Backed Securities transactions, to establish a six-month pilot period for reporting such transactions no later than T + 1 during TRACE System hours, and to amend certain requirements in connection with the reporting of commissions, factors, transaction size and settlement terms in Asset-Backed Securities transactions; (c) Rule 6750 to provide that information on a transaction in a TRACE-Eligible Security that is an Asset-Backed Security will not be disseminated; (d) Rule 6760 to amend the notification requirements; (e) Rule 7730 to establish fees for reporting transactions in Asset-Backed Securities; and (f) the Rule 6700 Series and Rule 7730 to incorporate certain other technical, administrative and clarifying changes.

⁸ See SEC Order Approving TRACE Expansion – Asset-Backed Securities.

⁹ See Securities Exchange Act Release No. 61948 (April 20, 2010), 75 FR 22670 (April 29, 2010) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2010-019 to Extend the Implementation Period for SR-FINRA-2009-65).

The complexity and variety of structures of Asset-Backed Securities present significant operational and technical challenges. For example, new processes and systems are being developed and must be implemented across the industry to assure the integrity of the Asset-Backed Securities reference data that facilitates timely and accurate reporting. In addition, FINRA believes that it is very important to provide extended time for coordinated testing among firms and FINRA. Accordingly, FINRA believes a delay of the effective date until no later than June 1, 2011 is warranted.

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, such that FINRA can implement the proposed rule change immediately.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁰ 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. The flexibility to establish an effective date no later than June 1, 2011 to implement the TRACE ABS filing will allow FINRA and members sufficient time to make additional necessary enhancements to the TRACE system and member systems, and to engage in coordinated testing of the technology. These steps will facilitate timely and accurate reporting of transactions in Asset-Backed Securities, and enhance FINRA's surveillance of the market in Asset-Backed Securities for the protection of investors and in furtherance of the public interest.

¹⁰ 15 U.S.C. 78q-3(b)(6).

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.

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

The Exchange represented that the proposed rule change qualifies for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act¹¹ and Rule 19b-4(f)(6) thereunder¹² because it: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.¹³

The Exchange has requested that the Commission waive the 30-day operative delay, so that the proposed rule change may become operative upon filing. The Commission hereby grants the Exchange's request.¹⁴ The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. The proposal appears

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

¹³ In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to submit to 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 has waived the five-day pre-filing period in this case.

¹⁴ For the 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).

reasonably designed to allow firms sufficient time to make necessary systems and operational changes to facilitate the timely and accurate reporting of Asset-Backed Securities transactions as required by the TRACE ABS filing, and waiving the 30-day pre-operative period will allow FINRA to communicate the new operative date to its members without undue delay.

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.

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-2010-054 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2010-054. 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 the 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-2010-054 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

Florence E. Harmon
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).