

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73332 ; File No. SR-FINRA-2014-043)

October 9, 2014

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt as Permanent the Limited Fee Waiver Pilot Program Pursuant to FINRA Rule 7730

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 3, 2014, 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(c)(1)(A) to adopt as permanent the limited fee waiver pilot program, which provides a one month waiver of the Professional Real-Time Data Display Fee, permitting professionals to access real-time Trade Reporting and Compliance Engine (“TRACE”) transaction data on a trial basis.

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).

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, Proposed Rule Change

1. Purpose

On November 7, 2012, FINRA filed an immediately effective rule change to implement, as a one-year pilot, a limited fee waiver to permit certain market participants to access real-time TRACE transaction data for an initial trial period of one month under specified conditions.⁵

Specifically, the Pilot provides that, where a member, vendor or other redistributor (collectively, "vendors") offers a professional a free trial of a data product that includes access to real-time TRACE transaction data, FINRA will waive the Professional Real-Time Data Display Fee that normally would be assessed pursuant to FINRA Rule 7730(c)(1)(A) for a period of no

⁵ See Securities Exchange Act Release No. 68255 (November 19, 2012), 77 FR 70515 (November 26, 2012) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2012-049) ("Free Trial Pilot" or "Pilot").

longer than 31 days, concurrent with a free trial of the vendor's product.⁶ Under the Pilot, up to four professionals associated with, employed by, or otherwise affiliated with a member, employer or other person may receive the FINRA fee waiver during the free trial.⁷

The Pilot originally was scheduled to operate for a period of one year, but was extended for an additional year and currently is scheduled to expire on November 7, 2014.⁸ FINRA proposes to adopt as permanent the Free Trial Pilot program subject to the same terms and conditions that applied during the pilot period. Thus, the fee waiver would continue to: (1) be limited to a period not longer than 31 days; (2) be available to not more than four professionals associated with, employed by, or otherwise affiliated with a member, employer or other person during the free trial period;⁹ and provide that, once the real-time data display fee has been

⁶ Pursuant to FINRA Rule 7730(c)(1)(A), FINRA assesses charges for professional users of \$60 per month per Data Set, per display application to access real-time TRACE transaction data. In general, real-time TRACE transaction data is accessed not directly from FINRA but through a vendor, such as Bloomberg, L.P. and its Bloomberg display application. Under these types of arrangements, a professional user pays the vendor for the license to use the vendor's display application and if the display application displays real-time TRACE transaction data, the vendor must remit the applicable TRACE fee to FINRA.

⁷ In addition, after FINRA has waived the fee in connection with a free trial offered by a member, vendor or other redistributor, a professional and the member, employer, or other person whom the professional is associated with, employed by or otherwise affiliated with, may not use the waiver again for that member, vendor or other distributor until 12 months has lapsed from the last day of the prior waiver.

⁸ See Securities Exchange Act Release No. 70483 (September 24, 2013), 78 FR 60003 (September 30, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Limited Waiver of the TRACE Professional Real-Time Data Display Fee Pilot; File No. SR-FINRA-2013-040).

⁹ The fee waiver pilot program is not applicable to professionals associated with, employed by or otherwise affiliated with entities that obtain unlimited internal use of market data through any number of display applications by paying a flat fee of \$7,500 (per month per Data Set) under Rule 7730(c)(1)(A) (i.e., "enterprise fee"). The enterprise fee structure is inconsistent with the limitation that the fee waiver may apply to not more than four professionals per entity, per trial period.

waived, a professional and the member, employer or other person whom the professional is associated with, employed by, or otherwise affiliated with, would not be eligible for the FINRA fee waiver again in connection with another free trial offered by the same vendor until 12 months had lapsed from the last day of the prior fee waiver.¹⁰

However, a professional and the member, employer or other person with whom the professional is associated or otherwise affiliated would be eligible for the FINRA fee waiver in connection with a free trial offered by a different vendor regarding such vendor's data products.

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be the date of filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹¹ 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, and Section

¹⁰ For example, if a professional were granted a waiver for one month beginning on November 15, 2014, the professional would not be eligible for another waiver in connection with another free trial offered by the same vendor until December 15, 2015.

¹¹ 15 U.S.C. 78o-3(b)(6).

15A(b)(5) of the Act,¹² which requires, among other things, that FINRA rules provide for the 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.

FINRA believes that adopting the Free Trial Pilot as a permanent program, which encourages additional professionals to test and use real-time TRACE transaction data, may promote more accurate and timely pricing and valuations of debt securities by members, and may prevent fraudulent and manipulative acts and practices regarding pricing and valuations for the protection of investors and the public interest. The fee waiver also enhances a member's ability to access and test the uses of real-time TRACE transaction data to determine if the data would further its business needs.

The fee waiver has operated on a pilot basis for two years, and FINRA has not experienced problems with its implementation or administration. FINRA believes that permanently adopting the Pilot, with the same conditions under which it has been operating, preserves these potential benefits for all professionals that participate in a free trial of a vendor data product that includes real-time TRACE transaction data. Any professional that tests data products during a free trial would be eligible for and would benefit from the concurrent FINRA fee waiver, consistent with the previously discussed conditions applicable to eligibility for the fee waiver program.

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 fee waiver program does not unfairly discriminate between or among professionals and members

¹² 15 U.S.C. 78o-3(b)(5).

(or other end-users) in that the waiver would be available to any person that participates in a vendor's free trial that includes real-time TRACE transaction data, subject to the conditions described above.

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 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:

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-2014-043 on the subject line.

¹³ 15 U.S.C. 78s(b)(3)(A).

Paper comments:

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

All submissions should refer to File Number SR-FINRA-2014-043. 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

¹⁴ 17 CFR 240.19b-4(f)(2).

to File Number SR-FINRA-2014-043 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

Kevin M. O'Neill
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).