

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81009; File No. SR-FINRA-2017-022)

June 23, 2017

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Waive Certain TRACE Reporting Fees

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 June 21, 2017, 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 the Substance of the Proposed Rule Change

FINRA is proposing to waive fees under Rule 7730 for trade reporting to the Trade Reporting and Compliance Engine (“TRACE”) due to a TRACE system issue on February 16, 2017 and February 17, 2017. The proposed rule change does not make any changes to the text of FINRA rules.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

FINRA Rule 6730 (Transaction Reporting) generally requires that members report trades in TRACE-Eligible Securities⁵ to TRACE. FINRA assesses fees in connection with TRACE reporting pursuant to Rule 7730, including for reporting trades, cancelling or correcting previously reported trades, and late reporting, as summarized below:

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| Trades up to and including \$200,000 par value | \$0.475/trade. For Securitized Products where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, size (volume) is the lesser of original face value or Remaining Principal Balance (or the equivalent) at the Time of Execution of the transaction. |
| Trades over \$200,000 and up to and including \$999,999.99 par value | \$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000). |
| Trades of \$1,000,000 par value or more | \$2.375/trade |

⁵ Rule 6710 provides that “TRACE-Eligible Security” means a debt security that is United States (“U.S.”) dollar-denominated and is: (1) issued by a U.S. or foreign private issuer, and, if a “restricted security” as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; (2) issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); or (3) a U.S. Treasury Security as defined in paragraph (p), but does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o).

| | |
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| All transactions in Securitized Products that are Agency Pass-Through Mortgage-Backed Securities traded to be announced or SBA-Backed ABS traded to be announced | \$1.50/trade |
| Cancel/Correct | \$1.50/trade |
| “As/of” Trade Late | \$3/trade |

FINRA rules also provide that FINRA will disseminate information on all reported transactions for public transparency, unless the transaction is not subject to dissemination pursuant to Rule 6750 (Dissemination of Transaction Information). FINRA is filing the instant proposed rule change to waive member trade reporting fees, cancel/correct fees, and as-of/late fees in connection with a TRACE system issue that resulted in a number of transactions not being disseminated.

Specifically, on February 16, 2017 and February 17, 2017, due to an inadvertent change to the configuration settings for a single TRACE-Eligible Security, the TRACE system did not disseminate 68 trades that were subject to dissemination. On February 21, 2017, FINRA contacted the 12 members that reported the affected transactions and requested that these trades be cancelled and re-reported so that the transactions would be properly disseminated. All impacted trades were cancelled and re-reported between February 21st and February 23rd. In addition to the original trade reporting fees, impacted members were assessed trade reporting fees in connection with the corrective actions necessary to facilitate dissemination.

To ensure that members are not charged for such additional submissions, FINRA is proposing to waive the TRACE reporting fees under Rule 7730 that were associated with the corrective trade reports between February 21st and February 23rd, including transaction reporting fees, cancel/correct fees, and as-of/late fees. Because the pertinent billing cycle ended on

February 28, 2017, members impacted by the system glitch will receive appropriate credits during the July 2017 billing cycle. FINRA believes it is equitable to provide this relief to members.

FINRA has filed the proposed rule change for immediate effectiveness. The operative 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)(5) of the Act,⁶ 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 the proposed rule change to waive trade reporting fees under Rule 7730, as described herein, is appropriate in light of the TRACE system issue on February 16, 2017 and February 17, 2017. FINRA does not believe that members should incur fees resulting from corrective trade reports submitted following the TRACE systems issue.

FINRA believes that this limited waiver results in reasonable fees that are equitably allocated. In addition, the proposed trade reporting fee waiver does not unfairly discriminate between or among members in that the waiver is available to any impacted member that reported impacted transactions to TRACE on the relevant dates and who took the requested corrective actions that resulted in additional fees.

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.

⁶ 15 U.S.C. 78o-3(b)(5).

FINRA believes that the proposed rule change to waive the trade reporting fees is appropriate in light of the TRACE systems issue, which required members to take corrective action and resubmit transaction reports to TRACE. FINRA believes that the limited trade reporting fee waiver would not place an unreasonable fee burden on members, nor confer an uncompetitive benefit to members that have their trade reporting fees waived, in that such waiver would be applied only to the members that incurred additional TRACE fees in connection with the cancellation and re-reporting of impacted transactions.

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 Act⁷ and paragraph (f)(2) of Rule 19b-4 thereunder.⁸ 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:

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 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 No. SR-FINRA-2017-022 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 No. SR-FINRA-2017-022. 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, D.C. 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 No. SR-FINRA-2017-022, 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.⁹

Eduardo A. Aleman
Assistant Secretary

⁹ 17 CFR 200.30-3(a)(12).