

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-81995; File No. SR-FINRA-2017-033)

November 1, 2017

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish Fees for the New TRACE Security Activity Report and End-of-Day TRACE Transaction File

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 24, 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 Substance of the Proposed Rule Change

FINRA is proposing to amend Rule 7730 to establish fees for the new TRACE Security Activity Report and End-of-Day TRACE Transaction File.

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 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.⁵ The SEC recently approved a new (i) TRACE Security Activity Report and (ii) End-of-Day TRACE Transaction File.⁶ The new TRACE Security Activity Report is a monthly report that provides aggregated statistics by security for TRACE-Eligible Securities that are Corporate and Agency Bonds (“CA Bonds”). The report will contain basic descriptive security elements, aggregate par value volume information, number of transactions, number of unique market participant identifiers (“MPIDs”), and top 5 statistics for disseminated transactions in CA Bonds. The new End-of-Day TRACE Transaction File is a daily file

⁵ Rule 6710 (Definitions) provides that a “TRACE-Eligible Security” is a debt security that is United States (“U.S.”) dollar-denominated and 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; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); or a U.S. Treasury Security as defined in paragraph (p). “TRACE-Eligible Security” does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o).

⁶ Id. [sic]

available after the TRACE system closes that includes all transaction data disseminated as part of Real-Time TRACE transaction data on that day and is separately available for each data set for which Real-Time TRACE transaction data is available (i.e., the Corporate Bond Data Set, Agency Data Set, SP Data Set, and Rule 144A Data Set).

FINRA is now proposing to amend Rule 7730 to establish fees for the TRACE Security Activity Report and the End-of-Day TRACE Transaction File. FINRA is proposing to establish a fee of \$750 per month for receipt of the TRACE Security Activity Report, unless the subscriber is a qualifying tax-exempt organization, in which case FINRA would charge \$250 per month. FINRA also is proposing to establish a fee of \$750 per month per data set for receipt of the End-of-Day TRACE Transaction File, unless the subscriber is a qualifying tax-exempt organization, in which case FINRA would charge \$250 per month per data set. However, subscribers to the Vendor Real-Time Data Feed will not be charged a fee to receive the End-of-Day TRACE Transaction File for the Vendor Real-Time data set(s) to which they have subscribed. FINRA believes that these fees are reasonable, and notes that subscribing to each product is optional for members and others.

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 TRACE Security Activity Report and End-of-Day TRACE Transaction File.⁷

2. Statutory Basis

⁷ See Securities Exchange Act Release No. 81318 (August 4, 2017), 82 FR 37484 (August 10, 2017) (Order Approving File No. SR-FINRA-2017-021); see also Securities Exchange Act Release No. 81114 (July 11, 2017), 82 FR 32728 (July 17, 2017) (Order Approving File No. SR-FINRA-2017-015). FINRA will announce the effective date of each data product in a Regulatory Notice. The effective date will be no later than 365 days following Commission approval of each respective data product.

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,⁸ 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.

Pursuant to the proposal, FINRA will establish fees for (i) the TRACE Security Activity Report that will provide interested parties with a means for receiving aggregated statistics by security for CA Bonds, and (ii) the End-of-Day TRACE Transaction File that will provide interested parties with an alternative means of receiving the transaction information disseminated each trading day as part of the Real-Time TRACE transaction data product. The TRACE Security Activity Report will be made available to subscribers for a fee of \$750 per month, or \$250 per month for qualifying tax-exempt organizations. FINRA believes that the proposed fees are reasonable.

The TRACE Security Activity Report is an entirely new report and is not comparable to any current FINRA TRACE data product offering. FINRA cannot at this time estimate the number of persons that may subscribe to the product. However, as indicated by the comment letters received by the Commission on the proposal to adopt the TRACE Security Activity Report,⁹ FINRA believes that there will be some interest in the report, including in connection with compliance efforts with respect to regulatory obligations under the Investment Company Act of 1940.¹⁰ FINRA believes that the fee of \$750 per month is reasonable given the costs to be

⁸ 15 U.S.C. 78o-3(b)(5).

⁹ See letter to Brent J. Fields, Secretary, Commission, from Bennett Golub, Chief Risk Officer, and Alexis Rosenblum, Director, BlackRock, Inc., dated July 20, 2017; and letter to Robert W. Errett, Deputy Secretary, Commission, from Sean Davy, Managing Director, Capital Markets Division, Securities Industry and Financial Markets Association, dated July 20, 2017.

¹⁰ 17 CFR 270.22e-4.

incurred by FINRA in developing the report and providing ongoing administrative, functional and technical support to subscribers, while still being priced at an amount that should allow it to be accessible to interested parties. FINRA also notes that, for a qualifying tax-exempt organization, the fee for the TRACE Security Activity Report will be \$250 per month. Where feasible, FINRA generally endeavors to provide TRACE data products to qualifying tax-exempt organizations at a reduced subscription fee to encourage access to TRACE data to facilitate bond market research.

The End-of-Day TRACE Transaction File will be made available to subscribers for a fee of \$750 per month per data set, \$250 per month per data set for qualifying tax-exempt organizations, or at no cost to subscribers to the Vendor Real-Time Data Feed for the Vendor Real-Time data set(s) to which they have subscribed. FINRA believes that the proposed fees are reasonable. FINRA currently charges \$1,500 per month per data set for the Vendor Real-Time Data Feed. The End-of-Day TRACE Transaction File will provide access to all of the transactions that were disseminated via the Real-Time Data Feed throughout the trading day, but in a single file only available at the end of the trading day. This option not only provides a lower-priced alternative to the Vendor Real-Time Data Feed, it also requires less technological infrastructure from subscribers. Given the current fees established for this somewhat related product, FINRA believes that the proposed fee of \$750 per month per data set is reasonable, which is half of the cost of the Vendor Real-Time Data Feed. FINRA also believes this fee is reasonable given the costs to be incurred by FINRA in developing the report and providing ongoing administrative, functional and technical support to subscribers. FINRA also notes that any current subscribers to Vendor Real-Time Data will not be charged a fee for receipt of the End-of-Day TRACE Transaction File for the Vendor Real-Time data set(s) to which they have

subscribed. FINRA cannot at this time estimate the number of persons that may subscribe to the product; however, as stated in the Notice, some market participants have indicated that a simpler alternative that allows them to receive transaction information once a day in an end-of-day file would be useful.¹¹ As is the case with the TRACE Security Activity Report, FINRA will make the End-of-Day TRACE Transaction File available to qualifying tax-exempt organizations at a reduced subscription fee (of \$250 per month per data set) to encourage access to TRACE data to facilitate bond market research.

FINRA believes that the proposed fees are reasonable, and notes that the fees will be applied equally to all similarly situated interested parties that choose to subscribe to either 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 establish fees in connection with the new TRACE Security Activity Report and End-of-Day TRACE Transaction File applies only to members that choose to subscribe to these data products, and the proposed fees for each data product will apply equally to all similarly situated subscribers. Subscribers to the Vendor Real-Time Data Feed will not be charged a fee to receive the End-of-Day TRACE Transaction File for the Vendor Real-Time data set(s) to which they have subscribed.

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.

¹¹ See Securities Exchange Act Release No. 80805 (May 30, 2017), 82 FR 25862 (June 5, 2017) (Notice of Filing of File No. SR-FINRA-2017-015) ("Notice").

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 Act¹² and paragraph (f)(2) of Rule 19b-4 thereunder.¹³ 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-2017-033 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2017-033. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(2).

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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2017-033 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.¹⁴

Eduardo A. Aleman
Assistant Secretary

¹⁴ 17 CFR 200.30-3(a)(12).