

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-88556; File No. SR-FINRA-2020-010)

April 3, 2020

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Compliance Date for SR-FINRA-2019-014

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 1, 2020, 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 below, 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,<sup>3</sup> 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 provide members with additional time to comply with the amendments adopted by SR-FINRA-2019-014 related to transactions in U.S. Treasury Securities executed to hedge certain primary market transactions.

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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

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 June 21, 2019, the SEC approved SR-FINRA-2019-014, which amended FINRA Rule 6730 (Transaction Reporting) to: (a) provide members until the close of TRACE System Hours on the next business day (i.e., until 6:29:59 p.m. ET on T+1) to report transactions in U.S. Treasury Securities<sup>4</sup> executed to hedge a P1<sup>5</sup> transaction, and (b) require members to append a new trade modifier when reporting TRACE transactions in U.S. Treasury Securities that are

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<sup>4</sup> Rule 6710(p) defines a “U.S. Treasury Security” as “a security, other than a savings bond, issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities.” The term “U.S. Treasury Security” also includes separate principal and interest components of a U.S. Treasury Security that has been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities (“STRIPS”) program operated by the U.S. Department of Treasury.

<sup>5</sup> “List or Fixed Offering Price Transactions” and “Takedown Transactions,” which are identified with the “P1” modifier, generally are primary market sale transactions on the first day of trading of a security: (i) by a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price (or, for Takedown Transactions, at a discount from the published or stated list or fixed offering price) or (ii) in the case of primary market sale transactions effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price (or, for Takedown Transactions, at a discount from the published or stated fixed offering price). See Rule 6710(q) and (r).

executed to hedge a P1 transaction.<sup>6</sup> On September 19, 2019, FINRA published Regulatory Notice 19-30 announcing SEC approval of the proposed rule change and establishing an effective date of June 1, 2020.<sup>7</sup>

In light of significant impacts that the spread of coronavirus disease (COVID-19) may have on member firms, FINRA is extending the effective date of the amendments adopted by SR-FINRA-2019-014 related to U.S. Treasury Security hedge transactions to allow members additional time to prepare for implementation of the new requirements. FINRA believes that, given the need for members to reallocate resources in response to COVID-19, members would benefit from additional time to, among other things, implement and test technology changes, update policies and procedures, and perform staff training related to implementation of the U.S. Treasury Security hedge amendments. FINRA notes that the implementation delay will not impact transparency because transactions in U.S. Treasury Securities currently are not disseminated.

FINRA has filed the proposed rule change for immediate effectiveness. The new operative date of the amendments adopted by SR-FINRA-2019-014 will be August 3, 2020.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>8</sup> which requires, among other things, that FINRA rules must be designed to

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<sup>6</sup> See Securities Exchange Act Release No. 86178 (June 21, 2019), 84 FR 30783 (June 27, 2019) (Order Approving File No. SR-FINRA-2019-014).

<sup>7</sup> See Regulatory Notice 19-30 (SEC Approves Amendments Relating to Transactions in U.S. Treasury Securities Executed to Hedge a Primary Market Transaction) (September 19, 2019).

<sup>8</sup> 15 U.S.C. 78o-3(b)(6).

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 15A(b)(9) of the Act,<sup>9</sup> which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate.

FINRA believes that providing members with additional time to comply with the changes adopted by SR-FINRA-2019-014 will ease compliance burdens for members as they reallocate resources in response to COVID-19. FINRA notes that the implementation delay will not impact transparency because transactions in U.S. Treasury Securities currently are not disseminated.

**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 proposed rule change would provide all affected members additional time to prepare for the implementation of the new U.S. Treasury Security hedging requirements, which should ease members' implementation burdens given the need to reallocate resources in response to COVID-19.

**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**

Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of the filing, or such shorter time as the Commission

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<sup>9</sup> 15 U.S.C. 78o-3(b)(9).

may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>11</sup>

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B) of the Act<sup>12</sup> to determine whether the proposed rule change 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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2020-010 on the subject line.

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give 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 pre-filing requirement.

<sup>12</sup> 15 U.S.C. 78s(b)(2)(B).

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 Number SR-FINRA-2020-010. 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. 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-2020-010 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.<sup>13</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).