

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77366; File No. SR-MSRB-2016-05)

March 14, 2016

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise an Effective Date of Several Previously-Approved Amendments to Rule G-14, on Transaction Reporting

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 2, 2016, the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) filed with the Securities and Exchange Commission (the “Commission” or “SEC”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. 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

The MSRB filed with the Commission a proposed rule change to revise the May 23, 2016, effective date of several previously-approved amendments to Rule G-14, on transaction reporting (“proposed rule change”).³ The MSRB has designated the proposed rule change for immediate effectiveness. The new effective date of the amendments to Rule G-14 will be July 18, 2016.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release No. 75039 (May 22, 2015), 80 FR 31084 (June 1, 2015) (SR-MSRB-2015-02).

The text of the proposed rule change is available on the MSRB's website at www.msrb.org/Rules-and-Interpretations/SEC-Filings/2016-Filings.aspx, at the MSRB's principal office, 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, the MSRB 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. The MSRB 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

The MSRB proposes to revise the effective date of amendments to Rule G-14. On May 22, 2015, the Commission approved the amendments with a year-long implementation period and an effective date of May 23, 2016.⁴ Rule G-14 requires dealers to report all executed transactions in most municipal securities to the MSRB's Real-Time Transaction Reporting System ("RTRS") within 15 minutes of the time of trade, with limited exceptions. RTRS serves the dual objectives of price transparency and market surveillance. Because a comprehensive database of transactions is needed for the surveillance function of RTRS, Rule G-14, with limited exceptions, requires dealers to report all of their purchase-sale transactions to RTRS, not only those that qualify for public dissemination to serve the transparency function of the system. The MSRB makes transaction data available to the general public through the Electronic Municipal Market Access

⁴ Id.

(EMMA®) website at no cost, and disseminates such data through paid subscription services to market data vendors, institutional market participants and others that subscribe to the data feed.

The amendments to Rule G-14 enhance the post-trade price transparency information provided through RTRS by:

- expanding the application of the existing list offering price and takedown indicator to cases involving distribution participant dealers and takedown transactions that are not at a discount from the list offering price;
- eliminating the requirement for dealers to report yield on customer trade reports and, instead, enabling the MSRB to calculate and disseminate yield on customer trades;
- establishing a new indicator for customer trades involving non-transaction-based compensation arrangements; and
- establishing a new indicator for alternative trading system (“ATS”) transactions.

The Financial Industry Regulatory Authority (“FINRA”) obtained Commission approval to make similar changes to the post-trade reporting requirements for its members with respect to securities eligible for FINRA’s Trade Reporting and Compliance Engine (“TRACE”).⁵ These similar FINRA requirements were also set to take effect on May 23, 2016, which FINRA believed (at the time it proposed its rule change) would be sufficient lead-time for its members to facilitate planning and scheduling of necessary technological changes, but it recently extended the effective

⁵ See FINRA Rules 6730 and 6732; Exchange Act Release No. 76176 (Oct. 16, 2015), 80 FR 64039 (Oct. 22, 2015) (SR-FINRA-2015-026) (requiring the reporting of an indicator when a TRACE report does not reflect a commission or mark-up/mark-down); Exchange Act Release No. 76677 (Dec. 17, 2015), 80 FR 79966 (Dec. 23, 2015) (SR-FINRA-2015-055) (providing FINRA with authority to grant exemptions from TRACE reporting requirements for certain ATS transactions, and requiring the reporting of the identity of the ATS on which an exempted trade occurs). See also <https://www.finra.org/industry/trace/trace-reporting-and-dissemination-no-remuneration-trades-and-ats>.

date to be July 18, 2016. FINRA provided the extension to provide members additional time to complete systems changes necessary to comply with the reporting requirements.⁶

In setting an effective date of May 23, 2016, one year from the date of Commission approval of the amendments to Rule G-14, the MSRB intended to provide sufficient time for brokers, dealers and municipal securities dealers (collectively, “dealers”), and subscribers, to undertake programming changes related to the amendments, as well as to provide an adequate testing period for dealers and subscribers that interface with RTRS. While the MSRB believes that one year was a sufficient amount of time for dealers and subscribers to make the programming changes necessary to comply with the amendments to Rule G-14, it believes that harmonization with the implementation of similar FINRA reporting requirements will promote regulatory efficiency and reduce the burden on dealers and subscribers that are making programming changes related to both MSRB and FINRA rule changes. Accordingly, the MSRB submits this proposed rule change to revise the effective date of the amendments to be July 18, 2016.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act,⁷ which provides that the MSRB’s rules shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

⁶ See Exchange Act Release No. 77015 (Feb. 2, 2016), 81 FR 6555 (Feb. 8, 2016) (SR-FINRA-2016-003).

⁷ 15 U.S.C. 78o-4(b)(2)(C).

The proposed rule change does not alter any rule language but revises the effective date of the amendments to Rule G-14, which were previously approved by the Commission. By aligning the effective date of the amendments with the effective date of similar FINRA post-trade reporting requirements, the MSRB believes the proposed rule change will promote compliance with the amendments and promote just and equitable principles of trade, facilitate transactions in municipal securities, remove impediments to and perfect the mechanism of a free and open market in municipal securities and protect investors. In addition, the MSRB believes the proposed rule change will create potential regulatory efficiencies by allowing dealers that choose to do so to implement programming changes and perform testing for both MSRB and FINRA requirements simultaneously.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 15B(b)(2)(C) of the Act⁸ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The MSRB does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will not alter any rule language and will, instead, only revise the effective date of the amendments to Rule G-14 to be July 18, 2016.

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 on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing 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)

⁸ Id.

become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁹ and Rule 19b-4(f)(6) thereunder.^{10 11}

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-MSRB- 2016-05 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-MSRB-2016-05. This file number should be

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change, along with a brief description and text of such proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The MSRB fulfilled this obligation.

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 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. 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-MSRB-2016-05 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.¹²

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Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).