

19(b)(3)(A) of the Act<sup>6</sup> and Rule 19b-4(f)(6) thereunder.<sup>7</sup>

FINRA has requested that the Commission waive the 30-day operative delay so that the pilot program, which exempts transactions in TRACE-Eligible Securities on an NYSE facility (and as to which all the other conditions of the exemption are met) from the TRACE reporting requirements, remains in effect without interruption. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because such action will allow the benefits of the pilot program to continue without interruption. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>8</sup>

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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2012-047 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number *SR-FINRA-2012-047*. This file

<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</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. FINRA has satisfied this requirement.

<sup>8</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

number should be included on the subject line if email 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 Web site (<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 Web site 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 the 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 Number SR-FINRA-2012-047 and should be submitted on or before November 16, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68081; File No. SR-MSRB-2012-07]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Approving a Proposed Rule Change To Amend the Real-Time Transaction Reporting System Information System and Subscription Service

October 22, 2012.

#### I. Introduction

On August 24, 2012, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to enhance the transaction data publicly disseminated from the Real-Time Transaction Reporting System ("RTRS") information system. The proposed rule change was published for comment in the **Federal Register** on September 12, 2012.<sup>3</sup> The Commission received three comment letters regarding the proposed rule change.<sup>4</sup> This order approves the proposed rule change.

#### II. Description of the Proposal

RTRS is a facility for the collection and dissemination of information about transactions occurring in the municipal securities markets. MSRB Rule G-14 requires brokers, dealers, and municipal securities dealers (collectively, "dealers") to report all transactions in municipal securities to RTRS within fifteen minutes of the time of trade, with limited exceptions. The MSRB makes transaction information available to the public through subscription services as well as for free on the Electronic Municipal Market Access ("EMMA®") Web site.

Currently, transaction information disseminated from RTRS includes the exact par value on all transactions with a par value of \$1 million or less, but includes an indicator of "1MM+" in place of the exact par value on transactions where the par value is greater than \$1 million. The exact par value of transactions having a par value greater than \$1 million is disseminated from RTRS five business days later. The MSRB implemented this approach in response to concerns that, given the prevalence of thinly traded securities in the municipal securities market, it is sometimes possible to identify institutional investors and dealers by the exact par value included on trade reports.<sup>5</sup>

The MSRB now proposes to include in transaction data publicly disseminated from RTRS in real-time

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

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

<sup>3</sup> Securities Exchange Act Release No. 67792 (September 6, 2012), 77 FR 56244 (SR-MSRB-2012-07) ("Notice").

<sup>4</sup> See Letters from Dorothy Donohue, Deputy General Counsel—Securities Regulation, Investment Company Institute, to Elizabeth M. Murphy, Secretary, Commission, dated September 28, 2012; Michael Nicholas, Chief Executive Officer, Bond Dealers of America, to Elizabeth M. Murphy, Secretary, Commission, dated October 3, 2012; and Michael Decker, Managing Director and Co-Head of Municipal Securities, Securities Industry and Financial Markets Association, to Elizabeth M. Murphy, Secretary, Commission, dated October 3, 2012. All three commenters supported the proposed rule change.

<sup>5</sup> See Notice, *supra* note 3, at 56245.

<sup>9</sup> 17 CFR 200.30-3(a)(12).

the exact par value on all transactions with a par value of \$5 million or less, and to include an indicator of “MM+” in place of the exact par value on transactions where the par value is greater than \$5 million.<sup>6</sup> The exact par value of transactions having a par value greater than \$5 million would be disseminated from RTRS five business days later.<sup>7</sup>

According to the MSRB, a foundational principle of RTRS is that all market participants have equal access to transaction information. In a recent report on municipal securities market structure, the Government Accountability Office (“GAO”) observed that certain market participants are able to determine, through their relationships with dealers, the par amount of large transactions for which the par value is masked in RTRS subscription services and on EMMA.<sup>8</sup> According to the MSRB, the GAO’s observation undermines the purpose of masking the exact par value, as well as the foundational principle of RTRS, since the equality of access to transaction information is lost for the five business day period that certain institutional customers have access to the exact par value while the rest of the marketplace must await the unmasking of such information by RTRS five business days after the trade was reported.<sup>9</sup> Additionally, while commenters opposed the MSRB’s original proposal to eliminate the practice of masking large trade sizes entirely,<sup>10</sup> commenters stated that raising the par value threshold for masking large trade sizes to \$5 million would provide additional transparency to the municipal securities market without adversely impacting liquidity.<sup>11</sup>

<sup>6</sup> Instead of changing the indicator to “5MM+,” the MSRB plans to include an indicator of “MM+” so that the par value threshold can be changed in the future without requiring subscribers to make system changes to accommodate a new indicator. See *id.* at 56245 n.6.

<sup>7</sup> See *id.* at 56244.

<sup>8</sup> See U.S. Government Accountability Office, *Municipal Securities: Overview of Market Structure, Pricing, and Regulation*, GAO-12-265, January 17, 2012.

<sup>9</sup> See Notice, *supra* note 3, at 56245.

<sup>10</sup> The MSRB has indicated it plans to continue to evaluate whether this threshold can be raised further, or completely eliminated, with a view towards bringing full transparency of exact par values to the municipal securities market in real-time. The MSRB plans to evaluate any impacts on liquidity from the near-term increase of the trade size mask threshold to \$5 million to assist it in determining whether any future changes to this threshold are merited or could result in unanticipated consequences. See *id.*

<sup>11</sup> See *supra* note 4. See also Notice, *supra* note 3, at 56245.

### III. Discussion and Commission’s Findings

The Commission has carefully considered the proposed rule change, as well as the comment letters received and the MSRB’s response, and finds that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to the MSRB.<sup>12</sup> In particular, the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act, 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.<sup>13</sup>

The Commission recently urged the MSRB promptly to pursue enhancements to its EMMA Web site so that retail investors have better access to pricing and other municipal securities information, noting that retail investors continue to have access to substantially less pricing information than institutional investors and dealers.<sup>14</sup> The MSRB believes that raising the par value masking threshold to par values over \$5 million is an appropriate first step to take in the short term as it would greatly reduce the number of trades subject to the par value mask.<sup>15</sup> The Commission believes the proposed rule change is reasonably designed to remove impediments to and perfect the mechanism of a free and open market in municipal securities by increasing the number of transactions disseminated from RTRS in real-time that include the exact par value of such transactions, thereby providing more transparency to market participants, including retail

<sup>12</sup> In approving the proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>13</sup> 15 U.S.C. 78o-4(b)(2)(C).

<sup>14</sup> See Report on the Municipal Securities Market, July 31, 2012, available at <http://www.sec.gov/news/studies/2012/munireport073112.pdf>.

<sup>15</sup> According to the MSRB, based on 2011 trade data, 342,906 trades were subject to the over \$1 million trade size mask, while 97,124 trades had par values over \$5 million. See Notice, *supra* note 3, at 56245.

investors, about transactions disseminated from RTRS.

### IV. Conclusion

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to the MSRB and, in particular, Section 15B(b)(2)(C)<sup>16</sup> of the Exchange Act. The proposal will become effective on November 5, 2012.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>17</sup> that the proposed rule change (SR-MSRB-2012-07) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**Kevin M. O’Neill**,  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68075; File No. SR-FINRA-2012-046]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Definition of “Money Market Instrument” in FINRA Rule 6710(o)

October 22, 2012.

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 October 11, 2012, the 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.

<sup>1</sup> 15 U.S.C. 78o-4(b)(2)(C).

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

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

<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).