

discriminatory because it would apply to all Members uniformly.

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

The Exchange believes its proposal amends its Fee Schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of these changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors.

Additionally, Members may opt to disfavor EDGA's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

#### Flag RC

The Exchange believes that its proposal to pass through a fee of \$0.0018 per share for Members' orders that yield Flag RC would increase intermarket competition because it offers customers an alternative means to route to NSX for the same price as entering orders on NSX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

#### TCV Definition

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposal to exclude odd lot transactions from the TCV calculation was intended to allow Members additional time to adjust to the potential impact of including odd lot transactions within consolidated volumes. The Exchange believes that the proposed non-substantive change to the definition of TCV would not affect intermarket nor intramarket competition because the change does not alter the criteria necessary to achieve the tiers nor the rates offered by the tiers. In addition, the Exchange believes that other exchanges have ceased excluding odd lot transactions from the consolidated volume calculations as of February 1, 2014.<sup>13</sup>

<sup>13</sup> See Securities Exchange Act Release No. 70997 (December 5, 2013), 78 FR 75432 (December 11, 2013) (SR-NYSE-2013-78) (amending its price list to exclude odd lot transactions from its consolidated average daily trading volume calculations thru January 31, 2014); see also, Securities Exchange Act Release No. 71140

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

#### **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 Act<sup>14</sup> and Rule 19b-4(f)(2)<sup>15</sup> thereunder. 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.

#### **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-EDGA-2014-02 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-EDGA-2014-02. This file 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

(December 19, 2013), 78 FR 78460 (December 26, 2013) (SR-BATS-2013-063) (amending its price schedule to exclude odd lot transactions from its consolidated average daily trading volume calculations thru January 31, 2014).

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4 (f)(2).

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 the Exchange. 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-EDGA-2014-02, and should be submitted on or before March 26, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

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

[FR Doc. 2014-04790 Filed 3-4-14; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-71623; File No. SR-FINRA-2013-050]

### **Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1, Relating to Over-the-Counter Equity Trade Reporting and OATS Reporting**

February 27, 2014.

On November 12, 2013, the Financial Industry Regulatory Authority, Inc. ("FINRA") 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 amend the FINRA rules governing the reporting of (i) over-the-counter ("OTC") transactions in equity securities to the

<sup>16</sup> 17 CFR 200.30-3(a)(12).

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

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

FINRA Facilities;<sup>3</sup> and (ii) orders in NMS stocks and OTC Equity Securities to the Order Audit Trail System (“OATS”). The Proposal was published for comment in the **Federal Register** on November 29, 2013.<sup>4</sup> The Commission received one comment on the proposed rule change.<sup>5</sup> On January 9, 2014, the Commission extended the time period for Commission action on the proposal to February 27, 2014.<sup>6</sup> FINRA responded to the comment and submitted an amendment to the proposed rule change on February 14, 2014.<sup>7</sup> The Commission is approving the proposed rule change as amended on an accelerated basis.

### I. Description of the Proposed Rule Change

FINRA proposes to amend the equity trade reporting rules relating to reporting: (i) An additional time field for specified trades; (ii) execution time in milliseconds; (iii) reversals; (iv) trades executed on non-business days and trades that are more than one year old; and (v) “step-outs.” In addition, FINRA proposes changes in the processing of trades that are submitted to a FINRA Facility for clearing as well as technical changes to the rules relating to the OTC Reporting Facility (“ORF”) and codifying existing OATS guidance regarding reporting order event times to OATS in milliseconds. FINRA also proposes several non-substantive technical changes to rules that are otherwise being amended by this proposed rule change.

#### *Reporting an Additional Time Field*

FINRA rules require that trade reports submitted to the FINRA Facilities include the time of trade execution, except where another time is expressly required by rule. With respect to Stop

Stock transactions,<sup>8</sup> and transactions that reflect an execution price that is based on a prior reference point in time (“PRP transactions”), current FINRA rules require that in lieu of the actual time the trade was executed, members report the time at which the member and the other party agreed to the Stop Stock price and the prior reference time, respectively.<sup>9</sup> FINRA is proposing to require members to include two times when reporting Stop Stock transactions and PRP transactions: (1) The time at which the parties agree to the Stop Stock price or the prior reference time, and (2) the actual time of execution.<sup>10</sup>

In addition, FINRA is proposing to require members to include two times when reporting block transactions using the Intermarket Sweep Order (“ISO”) exception (outbound) under SEC Rule 611 (“Order Protection Rule”) of Regulation NMS. Current FINRA guidance requires members to use the time that all material terms of the transaction are known as the execution time in the trade report.<sup>11</sup> FINRA is proposing that trade reports reflect both the time the firm routed ISOs and the execution time, if different. With this additional time in the trade report, FINRA believes that it will be able to determine better whether ISOs were properly sent to other trading centers in compliance with the ISO exception to the Order Protection Rule.<sup>12</sup>

FINRA believes that requiring members to report additional time-related information will ensure a more accurate and complete audit trail and enhance FINRA’s ability to surveil on an automated basis for compliance with FINRA trade reporting and other rules.<sup>13</sup> FINRA also believes that having both

times reflected in the trade report will streamline member reviews and facilitate members’ ability to demonstrate compliance with FINRA and other rules.<sup>14</sup>

#### *Reporting Time in Milliseconds*

FINRA’s trade reporting rules currently require members to report execution time to the FINRA Facilities in seconds,<sup>15</sup> while the execution time for exchange trades is expressed in milliseconds. Similarly, the OATS rules currently requires members to record order event times in terms of hours, minutes, and seconds.<sup>16</sup> FINRA notes that, because FINRA’s audit trails consolidate exchange and OTC trades for regulatory purposes, sequencing consolidated transactions by execution time can be difficult with the different time formats, particularly in active stocks.<sup>17</sup> To enhance and help bring consistency to FINRA’s audit trail, FINRA is proposing amendments to require members to express time in milliseconds when reporting trades to the FINRA Facilities or order information to OATS, if the member’s system captures time in milliseconds.<sup>18</sup> Members with systems that do not capture milliseconds will be permitted to continue reporting time in seconds.<sup>19</sup>

FINRA believes that where trades are executed by electronic systems that already capture execution time in milliseconds, it should be relatively straightforward for members to report such trades to the FINRA Facilities using milliseconds. Thus, FINRA does not believe that the proposed requirement would be burdensome for members, nor would it require them to make significant systems changes. FINRA recognizes, however, that where trades are executed manually, it would

<sup>3</sup> Specifically, the FINRA Facilities are the Alternative Display Facility (“ADF”) and the Trade Reporting Facilities (“TRF”), to which members report OTC transactions in NMS stocks, as defined in SEC Rule 600(b) of Regulation NMS; and the OTC Reporting Facility (“ORF”), to which members report transactions in “OTC Equity Securities,” as defined in FINRA Rule 6420 (i.e., non-NMS stocks such as OTC Bulletin Board and OTC Market securities), as well as transactions in Restricted Equity Securities, as defined in FINRA Rule 6420, effected pursuant to Securities Act Rule 144A.

<sup>4</sup> See Securities Exchange Act Release No. 70924 (November 22, 2013), 78 FR 71695 (“Notice”).

<sup>5</sup> See Letter to Elizabeth M. Murphy, Secretary, Commission, from Manisha Kimmel, Executive Director, Financial Information Forum, dated December 20, 2013 (“FIF Letter”).

<sup>6</sup> See Securities Exchange Act Release No. 71262 (January 9, 2014), 79 FR 2723 (January 15, 2014).

<sup>7</sup> See Letter to Elizabeth M. Murphy, Secretary, Commission, from Lisa C. Horrigan, Associate General Counsel, FINRA, dated February 14, 2014 (“FINRA Response”).

<sup>8</sup> “Stop Stock transaction” means a transaction resulting from an order in which a member and another party agree that the order will be executed at a Stop Stock price or better, which price is based upon the prices at which the security is trading at the time the order is received by the member. See Rules 6220, 6320A, 6320B and 6420.

<sup>9</sup> See paragraphs (F) and (G) of Rules 6282(a)(4), 6380A(a)(5), 6380B(a)(5) and 6622(a)(5).

<sup>10</sup> The rules provide that if the trade is executed within 10 seconds of the time the parties agree to the Stop Stock price or within 10 seconds of the prior reference time, then the designated modifier should not be used. FINRA also proposes to amend the rules to clarify that in this instance, only the actual time of execution should be reported.

<sup>11</sup> See NASD Member Alert: *Guidance Relating to “Execution Time” for Purposes of Compliance with NASD Trade Reporting Rules* (June 13, 2007).

<sup>12</sup> See Notice, 78 FR 71696. FINRA also notes that many firms have requested that they be permitted to provide the additional time to avoid the appearance of non-compliance with the Order Protection Rule.

<sup>13</sup> Upon implementation of the proposed rule change, any Stop Stock and PRP transactions that are reported more than 10 seconds following execution will be marked late. See Notice, 78 FR 71696.

<sup>14</sup> See Notice, 78 FR 71699.

<sup>15</sup> See, e.g., Rules 6282(c)(2)(H), 6380A(c)(5), 6380B(c)(5) and 6622(c)(5).

<sup>16</sup> Although Rule 7440(a)(2) requires order event times to be recorded to the second, FINRA published guidance in 2011 in connection with the expansion of OATS to all NMS stocks stating that firms that capture time in milliseconds should report time to OATS in milliseconds. See Notice, 78 FR at 71696. The proposed rule change codifies this guidance into Rule 7440(a)(2).

<sup>17</sup> See Notice, 78 FR at 71696. FINRA also notes that the Intermarket Surveillance Group (“ISG”) consolidated audit trail can accommodate execution times expressed in milliseconds.

<sup>18</sup> See Proposed Rules 6282.04, 6380A.04, 6380B.04, 6622.04, 7130.01, 7230A.01, 7230B.01, 7330.01, and 7440(a)(2).

<sup>19</sup> FINRA notes that it expects members that have systems currently capable of capturing time in milliseconds to continue to do so and not to make systems changes to revert to seconds unless they have a legitimate business reason for doing so. FINRA may review any such systems changes in the course of an inquiry or a member examination. See Notice, 78 FR at 71696.

be more difficult for members to capture milliseconds for purposes of trade reporting. Accordingly, FINRA believes that it is appropriate not to require that all members capture and report time in milliseconds.<sup>20</sup>

#### Reporting Reversals

FINRA rules require that if a trade that was previously reported to FINRA is cancelled, members must report the cancellation to the same FINRA Facility to which the trade was originally reported<sup>21</sup> and must do so within the time frames set forth in the rules.<sup>22</sup> Members report a “cancellation” when trades are cancelled on the date of execution and a “reversal” when trades are cancelled on a day after the date of execution.<sup>23</sup> Today, when a member reports a reversal of a trade that was previously reported to a FINRA Facility, there is no requirement that the member provide information in the reversal report to identify the original trade. FINRA proposes requiring that members identify the original trade in the reversal report by including the control number generated by the FINRA Facility and report date for the original trade report. FINRA believes that this information will enable FINRA to better “link” reports of reversals with the associated previously reported trades and thereby allow FINRA to recreate more accurately the firm’s market activity, as well as surveil for compliance with FINRA trade reporting rules.<sup>24</sup> FINRA is also proposing several additional conforming amendments to the rules relating to trade cancellations.<sup>25</sup>

#### Reporting Non-Business Day Trades and T+365 Trades

Currently, trades executed on non-business days (i.e., weekends and holidays) and trades reported more than 365 days after trade date (T+365) cannot be reported to a FINRA Facility and instead must be reported on “Form T” through FINRA’s Firm Gateway.<sup>26</sup>

<sup>20</sup> FINRA notes that a review of OATS data from October 11, 2013 through October 22, 2013 suggests that, for trade reporting purposes, a significant number of executing firms have systems that currently capture execution time in milliseconds and, as a result, would be subject to the proposed requirement. See Notice, 78 FR at 71696.

<sup>21</sup> See Rules 7130(d), 7230A(i), 7230B(h) and 7330(h).

<sup>22</sup> See, e.g., Rules 6282(j)(2), 6380A(g)(2), 6380B(f)(2), and 6622(f)(2) and (f)(3).

<sup>23</sup> See, e.g., Trade Reporting FAQ # 305.6, available at [www.finra.org/Industry/Regulation/Guidance/p038942# 305](http://www.finra.org/Industry/Regulation/Guidance/p038942# 305).

<sup>24</sup> See Notice, 78 FR at 71699.

<sup>25</sup> See Notice, 78 FR at 71697.

<sup>26</sup> See Rules 6282(a)(5), 6380A(a)(8), 6380B(a)(8) and 6622(a)(8). FINRA also notes that, because these trades are not reported to a FINRA Facility, they are not captured for purposes of FINRA’s

FINRA is proposing systems enhancements to enable members to submit reports of non-business day trades and T+365 trades electronically to the FINRA Facilities rather than using “Form T” to report such trades. As is the case today, non-business day trades and T+365 trades will not be submitted to clearing by the FINRA Facility<sup>27</sup> or disseminated. FINRA also is proposing to amend the rules to require that members report non-business day trades on an “as/of” basis by 8:15 a.m. the next business day following execution with the unique trade report modifier to denote their execution outside normal market hours; trades not reported by 8:15 a.m. will be marked late.<sup>28</sup> All T+365 trades will be reported on an “as/of” basis and will be marked late. FINRA believes that this requirement will ensure that non-business day trades are properly sequenced for audit trail purposes.<sup>29</sup>

#### Reporting Step-Outs

Today, members can effectuate a “step-out”<sup>30</sup> by submitting a clearing-only report to a FINRA Facility. FINRA rules prohibit members from submitting to a FINRA Facility any non-tape report (including but not limited to reports of step-outs) associated with a previously executed trade that was not reported to that FINRA Facility.<sup>31</sup> For every step-out, one member is stepping out of (or transferring) the position and the other member is stepping into (or receiving) the position. Where both members are submitting a clearing-only report to a FINRA Facility, each member currently must use the “step-out” indicator. FINRA notes that, some clearing firms have requested the ability to see whether their correspondents are

automated surveillance systems, and regulatory fees under Section 3 of Schedule A to the FINRA By-Laws must be assessed manually. See Notice, 78 FR at 71697.

<sup>27</sup> FINRA is proposing to expressly provide that these trades will not be submitted to clearing in Rules 7140(b), 7240A(b), 7240B(b) and 7340(b).

<sup>28</sup> See Rules 6282(a)(2), 6380A(a)(2), 6380B(a)(2) and 6622(a)(2). FINRA also is proposing to delete the reference to “T+1” in subparagraph (D) of these rules because, e.g., the next business day would be greater than T+1 for a trade that is executed on a Saturday. See Notice, 78 FR at 71697. FINRA also is proposing a conforming change to Rule 6622(a)(3) to provide that any Securities Act Rule 144A transaction in a Restricted Equity Security that is executed on a non-business day must be reported by the time the ORF closes the next business day. See *id.*

<sup>29</sup> See Notice, 78 FR 71699.

<sup>30</sup> A step-out allows a member firm to allocate all or part of a client’s position from a previously executed trade to the client’s account at another firm. See Trade Reporting FAQ 301.1, available at [www.finra.org/Industry/Regulation/Guidance/p038942# 301](http://www.finra.org/Industry/Regulation/Guidance/p038942# 301).

<sup>31</sup> See Rules 7130(d), 7230A(i), 7230B(h) and 7330(h).

stepping out or stepping in with respect to such transfers. Accordingly, FINRA is proposing that, where both sides are submitting a clearing-only report to effectuate a step-out, the member transferring out of the position must report a step-out and the member receiving the position must report a step-in. FINRA believes that the proposed will more accurately reflect the transfer and will provide greater transparency for clearing firms whose correspondents effect these transfers.<sup>32</sup>

#### Trade Processing

Currently, when firms use the trade acceptance and comparison process for locking in trades submitted for clearing through the ADF, FINRA/Nasdaq TRF, and ORF, the reporting party reports the trade and the contra party subsequently either accepts or declines the trade, and any trade that has been declined by the contra party is purged from the system at the end of trade date processing.<sup>33</sup> FINRA proposes that, rather than being purged, declined trades will be carried over and remain available for cancellation or correction by the reporting party or acceptance by the contra party. Declined trades that are carried over will not be available for the automatic lock-in process described in the rules and will not be sent to clearing unless the parties take action. FINRA also is proposing to codify the existing requirement that the reporting member must cancel a declined trade that was previously reported for dissemination purposes to have the trade removed from the tape.<sup>34</sup> In addition, FINRA is proposing technical changes to reorganize and clarify the provisions relating to locking in trades for clearing and the processing of T+N (also referred to “as/of”) trades.<sup>35</sup> FINRA notes that these proposed trade processing changes will not impact the way members report to FINRA and will not require members to make changes to their systems.<sup>36</sup>

#### ORF Technical Amendments

FINRA is proposing several additional technical amendments to the ORF rules. FINRA is proposing to delete unnecessary and obsolete language from the ORF rules.<sup>37</sup> FINRA initially

<sup>32</sup> See Notice, 78 FR at 71699.

<sup>33</sup> See Rules 7140(a), 7240A(b) and 7340(b).

<sup>34</sup> See Notice, 78 FR at 71698.

<sup>35</sup> See Notice, 78 FR at 71698.

FINRA also is proposing to include language in new Rule 7240B(b) clarifying that T+N (or “as/of”) entries may be submitted until the FINRA/NYSE TRF closes for the day, i.e., 8:00 p.m. This language conforms to the language of Rules 7140(b), 7240A(c) and 7340(c) (as renumbered herein) relating to the other FINRA Facilities.

<sup>36</sup> See Notice, 78 FR at 71698.

<sup>37</sup> See Notice, 78 FR at 71698.

proposed to close the ORF at 6:30 p.m. Eastern Time rather than 8:00 p.m. However, in Amendment No. 1, FINRA proposes to keep the ORF closing time at 8:00 p.m.

#### *Proposed Technical Changes in Amendment No. 1*

FINRA is proposing a number of technical amendments to update cross-references and make other non-substantive changes to Rules 6282, 7130 and 7140 relating to the ADF as the result of the approval of SR-FINRA-2013-053.

## II. Summary of Comment and Response

### *Request for Clarification*

The FIF Letter requests clarification on a number of aspects of the proposed rule change. First, with respect to block transactions, FIF asks which route time would be expected on the trade report, given that, when multiple ISOs are routed, the route times could differ by one or more milliseconds.<sup>38</sup> FINRA responds that its current guidance requires members to use the time that all material terms of the transaction are known as the execution time in the trade report, and under the proposed rule change, firms will be required to also report the time that the firm routed the ISOs (if different from the execution time).<sup>39</sup> FINRA explains that firms will continue to report the time that all material terms of the transaction are known in the “execution time” field, and in the new time field (i.e., the reference or “ISO time” field), firms should report the time they used to determine the ISOs, if any, to route to any better-priced protected quotations (sometimes referred to as the time the firm takes a “snapshot” of the market).<sup>40</sup> FINRA notes that, to comply with SEC Rule 611(b)(6), firms need to utilize an automated system that is capable of ascertaining current protected quotations and simultaneously routing the necessary ISOs.<sup>41</sup> Thus, FINRA expects the “snapshot” time and the time that ISOs are routed to be the same. To the extent that these times differ, or where multiple ISOs are routed and the route times differ, FINRA believes that using the “snapshot” time in all instances will eliminate any confusion regarding which time to report.<sup>42</sup>

FIF also questions whether report cards and matching will be maintained at the one-second level rather than at the millisecond level, noting that

currently clocks are required to be synchronized to within one second of the National Institute of Standards and Technology (NIST) standard.<sup>43</sup> FINRA responds that, with respect to report cards, the determination whether a trade has been reported late will remain at the second level for firms that report execution time in seconds, and for firms that report time in milliseconds, the determination will be made at the millisecond level.<sup>44</sup> FINRA states that synchronization to the NIST standard would remain at the second (and not millisecond) level.<sup>45</sup> However, FINRA notes that if a firm submits multiple reports for the same event (e.g., a trade report and an OATS execution report), FINRA would expect the granularity of the time stamps to be consistent.<sup>46</sup>

FIF asks whether the requirement to include control numbers will be on a “go forward basis” only for T+365 reporting.<sup>47</sup> FINRA responds that, in accordance with system requirements, the control number field will be a required field for all reports of reversals following implementation.<sup>48</sup> However, FINRA will validate the control number only where the original trade was executed after implementation of the proposed rule change.<sup>49</sup> Accordingly, when reversing trades that were executed prior to the implementation of the proposed rule change, firms will not be required to provide an actual control number and instead may insert a “dummy” number to populate the required field.<sup>50</sup>

FIF also asks whether Form T will be retired as a result of the proposed rule change.<sup>51</sup> FINRA responds that the proposed rule change requiring firms to report trades executed on non-business days and T+365 trades to the FINRA Facilities will significantly reduce the need for Form T.<sup>52</sup> However, FINRA plan to retain Form T for use in instances in which firms need to report with Form T (e.g., where the ticker symbol for the security is no longer available or a market participant identifier is no longer active).<sup>53</sup>

FIF questions whether there will be matching on “step-in” and “step-out” trades.<sup>54</sup> FINRA responds that the FINRA Facilities that offer matching

will match corresponding “step-out” and “step-in” submissions, but will not match two “step-in” or two “step-out” submissions.<sup>55</sup>

FIF also asks whether declined trades that are corrected and subsequently accepted are subject to the “20 minute rule” for trade comparison.<sup>56</sup> FINRA responds that a firm is required to accept or decline a trade within 20 minutes after execution, and FINRA generally expects firms to complete the process of accepting or declining a trade, including any subsequent updates, within that time frame.<sup>57</sup> FINRA reminds firms that, where the reporting party enters inaccurate trade information, rather than declining the trade, the contra party should submit its own correct information within 20 minutes of execution to be in compliance with the rule.<sup>58</sup>

FIF also notes its understanding that the millisecond requirement was not intended to introduce a significant burden on firms and that only those systems that capture millisecond time stamps in a reportable format are required to be reported.<sup>59</sup> FINRA confirms that it is not mandating that firms start capturing milliseconds and any such proposal would be subject to a separate rule filing and notice and comment.<sup>60</sup> However, where a firm’s system captures time in milliseconds, FINRA expects that the system will be capable of reporting in milliseconds.<sup>61</sup>

### *ORF Closing Time*

FIF also recommends keeping the 8:00 p.m. closing time for the ORF to maintain consistency with FINRA’s TRFs in order to reduce the likelihood of errors, allow firms to leverage current workflows and assist firms in resolving operational issues and completing processing before the end of the day.<sup>62</sup> In response to this concern, in Amendment No. 1, FINRA proposes to maintain the closing time at 8:00 p.m.<sup>63</sup>

### *Implementation Effort/Time Frame*

FIF recommends a nine-month implementation period following Commission approval contingent upon the release of TRF specifications within seven months and the availability of a robust test environment within three

<sup>38</sup> See FIF Letter at 1.

<sup>39</sup> See FINRA Response at 4.

<sup>40</sup> See *id.*

<sup>41</sup> See *id.*

<sup>42</sup> *Id.* at 5.

<sup>43</sup> FIF Letter at 1.

<sup>44</sup> FINRA Response at 5.

<sup>45</sup> See *id.*

<sup>46</sup> See *id.*

<sup>47</sup> See FIF Letter at 2.

<sup>48</sup> See FINRA Response at 5.

<sup>49</sup> See *id.*

<sup>50</sup> See *id.*

<sup>51</sup> See FIF Letter at 2.

<sup>52</sup> See FINRA Response at 6.

<sup>53</sup> See *id.*

<sup>54</sup> See FIF Letter at 2.

<sup>55</sup> See FINRA Response at 6.

<sup>56</sup> See FIF Letter at 2.

<sup>57</sup> See FINRA Response at 6.

<sup>58</sup> See *id.*

<sup>59</sup> See FIF Letter at 2.

<sup>60</sup> See FINRA Response at 7.

<sup>61</sup> See *id.*

<sup>62</sup> See FIF Letter at 2.

<sup>63</sup> See FINRA Response at 6–7.

months of the implementation date.<sup>64</sup> FINRA responds that it believes that firms will have sufficient time to make the necessary systems changes for the ORF implementation, currently scheduled on June 2, 2014, and for the implementation no later than September 30, 2014 for the ADF and TRFs.<sup>65</sup> FINRA notes that it will announce the implementation dates in a *Regulatory Notice*.<sup>66</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 15A(b) of the Act.<sup>67</sup> In particular, the Commission finds that the proposed rule change is consistent with FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>68</sup> which requires, among other things, that FINRA rules must be designed to 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.

FINRA proposes to amend the equity trade reporting rules relating to reporting: (i) an additional time field for specified trades; (ii) execution time in milliseconds; (iii) reversals; (iv) trades executed on non-business days and trades that are more than one year old; and (v) "step-outs." In addition, FINRA proposes changes in the processing of trades that are submitted to a FINRA Facility for clearing as well as technical changes to the rules relating to the OTC Reporting Facility ("ORF") and codifying existing OATS guidance regarding reporting order event times to OATS in milliseconds. The Commission believes that the proposed changes should enhance FINRA's audit trail and automated surveillance program, promote more consistent trade reporting by members, and aid in the detection of violations of FINRA trade reporting and other rules.

The Commission notes that FIF submitted a comment letter containing

primarily clarifying questions and that FINRA submitted a response addressing these clarifying questions. The FIF Letter requested a substantive change to the proposal—that the ORF closing time remain 8 p.m. In its response in Amendment No. 1, FINRA proposed keeping the ORF closing time of 8 p.m.

For the foregoing reasons, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act and the rules and regulations thereunder applicable to a national securities association.<sup>69</sup>

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment No. 1 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-2013-050 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-2013-050. This file 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 such filing also will be available for inspection and copying at the principal

office of the Exchange. 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 publicly available. All submissions should refer to File Number SR-FINRA-2013-050 and should be submitted on or before [insert date 21 days from publication in the **Federal Register**].

### V. Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1

The Commission finds good cause for approving the proposed rule change, as amended by Amendment No. 1 prior to the 30th day after the date of publication of notice in the **Federal Register**. Amendment No. 1 proposes maintaining the current 8:00 p.m. closing time of the ORF and includes technical amendments to update cross-references and make other non-substantive changes to Rules 6282, 7130 and 7140 relating to the ADF as the result of the approval of SR-FINRA-2013-053. Accordingly, the Commission finds good cause for approving the proposed rule change, as amended, on an accelerated basis, pursuant to Section 19(b)(2) of the Act.<sup>70</sup>

### VI. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>71</sup> that the proposed rule change (SR-FINRA-2013-050), is hereby approved, as modified by Amendment No. 1 on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>72</sup>

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

[FR Doc. 2014-04792 Filed 3-4-14; 8:45 am]

BILLING CODE 8011-01-P

## DEPARTMENT OF STATE

### [Delegation of Authority No. 236-4]

#### Re-Delegation by the Assistant Secretary of State for Educational and Cultural Affairs to the Principal Deputy Assistant Secretary for Educational and Cultural Affairs Under Section 102 of the Mutual Educational and Cultural Exchange Act of 1961, as Amended

By virtue of the authority vested in me as the Assistant Secretary of State for

<sup>70</sup> 15 U.S.C. 78s(b)(2).

<sup>71</sup> 15 U.S.C. 78s(b)(2).

<sup>72</sup> 17 CFR 200.30-3(a)(12).

<sup>64</sup> See FIF Letter at 2-3.

<sup>65</sup> See FINRA Response at 7.

<sup>66</sup> See *id.* FINRA also notes that, pursuant to the original filing, the proposed amendments to the OATS rules will be implemented no later than 45 days after Commission approval.

<sup>67</sup> 15 U.S.C. 78o-3(b). In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>68</sup> 15 U.S.C. 78o-3(b)(6).

<sup>69</sup> 15 U.S.C. 78o-3(b)(6).