

assessment rules. The staff estimates that drafting the required organizational chart requires one hour and establishing a system for complying with the risk assessment rules requires three hours. Based on the reduction in the number of filers in recent years, the staff estimates there will be zero new respondents, and thus, a corresponding estimated burden of zero hours for new respondents. Thus, the total compliance burden per year is approximately 5,640 burden hours (2,350 hours + 3,290 hours).

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information will have practical utility; (b) the accuracy of the Commission's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication by September 6, 2022.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

Please direct your written comments to: David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o John Pezzullo, 100 F Street NE, Washington, DC 20549, or send an email to: PRA_Mailbox@sec.gov.

Dated: June 30, 2022.

Jill M. Peterson,
Assistant Secretary.

[FR Doc. 2022-14392 Filed 7-6-22; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-95188; File No. SR-NSCC-2022-008]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Decommission the Insurance Profile Service, Adjust Fees for Insurance Information Exchange Service and Make Certain Other Corrections in the Rules

June 30, 2022.

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 June 23, 2022, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. NSCC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and subparagraphs (f)(2)⁴ and (f)(4)⁵ of Rule 19b-4 thereunder. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

(a) The proposed rule change of NSCC is annexed [sic] hereto as Exhibit 5 and consists of modifications to Rule 57 and Addendum A of NSCC's Rules & Procedures ("Rules") in order to (i) decommission the Insurance Profile service, (ii) adjust the fees for the Insurance Information Exchange service ("IIEX") to (a) provide for fees for product data that is being moved from Insurance Profile to IIEX and (b) adjust certain fees for service providers and (iii) make certain other corrections to the Rules, as described below.⁶

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency 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 clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NSCC is proposing to move the processing of certain product data that is currently being processed through Insurance Profile to IIEX and decommission Insurance Profile. Following the proposed changes, product data that is currently being processed through Insurance Profile will be processed through IIEX. The fees for the use of IIEX for processing of such product data will be moved to IIEX in Addendum A of the Rules but will remain the same as the fees currently charged for the processing of such product data through Insurance Profile.

NSCC is also proposing to remove fees for service providers using IIEX for policy data and proposing to add fees for service providers using IIEX for product data.

Finally, NSCC is proposing to correct incorrect references to "IPS" and "IPS Data" in the Rules.

The proposed changes would not have a substantial impact on I&RS Members (as defined below). I&RS Members would use IIEX rather than Insurance Profile to process product data, but the fees for processing such product data would not change. Following the proposed changes, service providers would be charged for processing product data using IIEX but would not be charged for processing policy data through IIEX.

(a) Background

Insurance and Retirement Processing Services ("I&RS") provides for transmission of I&RS Data,⁷ including annuity and life insurance policy applications and premiums, licensing and appointments, fees and expenses, commission payments, reporting of client positions and valuations, asset pricing, financial activity reporting and annuity customer account transfers. Entities that use I&RS services include

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ 17 CFR 240.19b-4(f)(4).

⁶ Capitalized terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Rules, available at http://dtcc.com/~media/Files/Downloads/legal/rules/nsccl_rules.pdf.

⁷ I&RS Data is data and information relating to I&RS Eligible Products. Section 1.(a) of Rule 57, *supra* note 6. An "I&RS Eligible Product" means insurance products, retirement or other benefit plans or programs that are identified by NSCC as eligible for processing through its I&RS. See Definition of I&RS Eligible Product, Rule 1 and Section 1.(d) of Rule 3, *id*.

(i) insurance companies that are Insurance Carrier/Retirement Services Members (“Carriers”); and (ii) Carriers’ intermediaries, such as broker-dealers, banks and insurance agencies, that are Members, Mutual Fund/Insurance Services Members and Data Services Only Members that distribute participating Carriers’ insurance products (collectively, “Distributors,” and, together with “Carriers,” collectively referred to herein as “I&RS Members”). The aim of I&RS is to automate and provide seamless end-to-end communication between Carriers, Distributors and their service providers for the sale, processing and money settlement of insurance and annuity products nationwide.

I&RS Data can be categorized generally into three types of data: product data, policy data and producer data. Product data is general public data relating to products that are being issued by Carriers, such as fees and expenses for specific policies and commission schedule data⁸ relating to the products. Policy data is data relating to specific insurance and annuity policies that have been issued to clients based on those products, such as the names and identifying information of the parties to the contract (*i.e.*, owner, insured, beneficiary), policy value, certain features of the policies that were issued, the names of the licensed agents that are authorized to sell such policies (*i.e.*, the “producers”) and the type of policy (*e.g.*, annuity, life insurance policy, etc.). Producer data is information relating to the producers that are authorized to sell the products such as which producers have been appointed to sell particular products and where the producers are licensed to sell the products.

(b) Insurance Profile/IIEX

Insurance Profile was launched in 2017 to enable annuities Distributors to access fee, expense and commission schedule data (“Fee Data”) from Carriers which is product data.⁹ The service is a data repository that allows I&RS Members to access and exchange Fee Data.

IIEX was launched in 2020 to enable I&RS Members and service providers to access and exchange I&RS Data.¹⁰ IIEX

is also a data repository but was built on a different platform than Insurance Profile and was not limited to processing Fee Data.¹¹ In addition, IIEX was built to be accessible by an Application Programming Interface (“API”) specifically for use with IIEX and is available to service providers.¹² Although the Rules provide that IIEX is available to transmit, view and retrieve I&RS Data, currently IIEX has been used only to process I&RS Data that is policy data.

NSCC would like to use the IIEX platform to process the Fee Data that is currently being processed through Insurance Profile because it is inefficient to continue to have two data repositories. IIEX is a newer platform that is API-enabled. NSCC believes that consolidating the data repository services onto one platform will be more efficient because I&RS Members will only need to sign into one platform rather than two. Using IIEX alone rather than continuing to use Insurance Profile would create a better user experience, take advantage of newer and better technology, such as the API-enabled platform and updated user interfaces that enhance the user experience by, among other things, offering a single-entry point into upgraded, standardized data screens and client flexibility in determining level of authorization to access. In addition, IIEX has been designed to include an architecture modernization by developing reusable components to be used across I&RS applications. Discontinuing Insurance Profile would also eliminate unnecessary regression and other system testing that is required if Insurance Profile maintained as a separate platform.

Once the Fee Data is processed through IIEX, the Insurance Profile platform would no longer be used to process data. Therefore, NSCC is proposing to decommission Insurance Profile. NSCC would process all Fee Data on the IIEX platform beginning on June 30, 2022. NSCC would not change the fees that it is currently charging I&RS Members to access and exchange the Fee Data through Insurance Profile once such data is moved to the IIEX platform. NSCC would provide updates to I&RS Members on the timing of the proposed changes by Important Notice.

(c) IIEX and Service Providers

IIEX was developed to allow service providers that were authorized by I&RS

Members to access IIEX through APIs.¹³ Addendum A provides a fee schedule for service providers that use IIEX and Rule 57 provides that service providers that gain access to IIEX will be required to enter into an agreement which will include an agreement to pay the fees set forth in the Rules.¹⁴ Since the inception of IIEX, however, no services providers have agreed to sign up for IIEX and pay the fees. NSCC would like to encourage service providers to access IIEX because NSCC believes that when service providers use this IIEX, more I&RS Members would also use the service as counterparties to those service providers. Therefore, NSCC is proposing to remove the fees for service providers to use IIEX for transmitting policy data that is currently processed through IIEX.

Currently, the Fee Data that is accessible through Insurance Profile is only available to I&RS Members and not to service providers. NSCC would like to also provide service providers with access to IIEX to process this Fee Data as well. Product data is more general than policy data, which is limited to specific clients, and NSCC believes that service providers would be more likely to pay for the use of IIEX for such product data. Therefore, NSCC is proposing to require that service providers that use IIEX for product data pay the current fees for such service, including for the Fee Data that will be moved from Insurance Profile to be processed through IIEX.

(d) IIEX Product Data

NSCC is proposing to identify the different categories for policy data and product data in the fee schedule in Addendum A of the Rules. Fees for processing the Fee Data, which is being moved from Insurance Profile to be processed through IIEX, would be placed under the product data category and fees for processing the existing policy data that is currently being processed through IIEX would be placed under the policy data category.

(e) I&RS and I&RS Data

In the IIEX Filing, NSCC also amended the Rules to change the name of I&RS from Insurance and Retirement Processing Services to Insurance & Retirement Services in order to reflect the conventional use of the name of the service.¹⁵ To reflect the name change, NSCC also changed defined terms relating to the service from “IPS” to “I&RS” and from “IPS Data” to “I&RS

⁸ Carriers disclose commissions that are paid to producers for sales of particular products. The commissions are disclosed in commission schedules that list the particular products and commissions that are associated with the products.

⁹ See Securities Exchange Act Release No. 80404 (April 7, 2017), 82 FR 17916 (April 13, 2017) (SR-NSCC-2017-003) (“Insurance Profile Filing”). See also Rule 57, Section 10, *supra* note 6.

¹⁰ See Securities Exchange Act Release No. 90092 (October 5, 2020), 85 FR 64182 (October 9, 2020)

(SR-NSCC-2020-017) (“IIEX Filing”). See also Rule 57, Section 11, *supra* note 6.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ See Section IV.H.2.j of Addendum A of the Rules and Rule 57, Section 11, *supra* note 6.

¹⁵ See IIEX Filing, *supra* note 10.

Data”.¹⁶ Rule 58 still contains an incorrect use of the defined terms IPS and IPS Data.¹⁷ Therefore, NSCC is proposing to correct the use of the defined terms “IPS” and “IPS Data” in Rule 58 to “I&RS” and “I&RS Data”, respectively.

(f) Proposed Rule Changes

(1) Remove Insurance Profile

NSCC is proposing to remove Insurance Profile from Section 10 of Rule 57 and remove references to the fees for Insurance Profile from Section IV.H.2.i of Addendum A. NSCC would renumber Section 11 of Rule 57 and Section IV.H.2.j of Addendum A to reflect the deletion of Section 10 of Rule 57 and Section IV.H.2.i of Addendum A.

(2) Adjust Fees for IIEX

NSCC is proposing to move the fees for processing Fee Data currently in Insurance Profile to IIEX in proposed Section IV.H.2.i of Addendum A. NSCC would also add different categories of data in proposed Section IV.H.2.i of Addendum A with separate fees for policy data which would include the current IIEX fees, and product data which would include the fees currently in Insurance Profile with respect to Fee Data that would be moved to IIEX. With respect to the product data, NSCC would also add service providers to the list of entities that would have access in the proposed Section IV.H.2.i of Addendum A.

To reflect that NSCC would stop charging fees for service providers to access policy data, as described above, but provide fees for service providers to access product data, NSCC would change proposed Section 10 of Rule 57 to provide that the agreements with the service providers will include an agreement to pay the fees set forth in the Rules for product data for which service providers are required to pay a fee as set forth in the Rules. NSCC would also remove the fees for policy data for service providers in new proposed Section IV.H.2.i of Addendum A.

(3) Correct Defined Terms

NSCC is proposing to correct two references of “IPS Data” to “I&RS Data” and one reference of “IPS” to “I&RS” in Section 2.(f) of Rule 58 to reflect the correct defined terms.

(g) Expected Member/NSCC Impact

The proposed changes would not have a substantial impact on I&RS Members. I&RS Members would use IIEX rather than Insurance Profile to

process product data. IIEX would include the IIEX API which is not currently available for Insurance Profile. The fees for processing such product data would not change. Following the changes, service providers would be charged the same fees as I&RS Members for processing product data using IIEX but would not be charged for processing policy data through IIEX.

The changes to use the correct terms “I&RS” and “I&RS Data” would have no impact on the I&RS Members except to enhance clarity and transparency of the Rules.

(h) Implementation Timeline

NSCC would implement the removal of the fees for service providers for policy data in IIEX and the corrections to the defined terms in Rule 58 upon filing of the proposed rule changes.

NSCC would implement the removal of Insurance Profile and movement of the fees from Insurance Profile to IIEX on June 30, 2022. As proposed, a legend would be added to Rule 57 and Addendum A stating there are changes that became effective upon filing with the Commission but have not yet been implemented. The proposed legend also would include June 30, 2022, as the date on which such changes would be implemented and the file number of this proposal, and state that, once this proposal is implemented, the legend would automatically be removed from Rule 57 and Addendum A.

2. Statutory Basis

NSCC believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a registered clearing agency. In particular, NSCC believes that the proposed rule changes are consistent with Sections 17A(b)(3)(F) and (D) of the Act¹⁸ and Rule 17Ad-22(e)(21) promulgated under the Act.¹⁹

Section 17A(b)(3)(F) of the Act,²⁰ requires, in part, that the Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions. The proposed changes to move the Fee Data from Insurance Profile to IIEX is consistent with this provision because such changes would enhance the ability of NSCC Members to access such data by using a more effective and user-friendly platform and by having access to APIs. In addition, NSCC believes that consolidating the data repository services onto one platform will be more

efficient because I&RS Members will only need to sign into one platform rather than two. Also, removing the fees for service providers to access policy data and providing access to service providers for product data is expected to incentivize the use of IIEX by service providers which would have the effect of increasing the use by I&RS Members that are counterparties to the service providers. Providing a more efficient and streamlined process with respect to accessing such Fee Data and incentivizing the use of IIEX by service providers would promote the prompt and accurate clearance and settlement of securities transactions by NSCC, consistent with Section 17A(b)(3)(F) of the Act.²¹

Removing Insurance Profile from the Rules, adding the categories for policy data and product data and correcting the defined terms “IPS” and “IPS Data” to “I&RS” and “I&RS Data”, respectively, are also consistent with 17A(b)(3)(F) of the Act.²² Each of the proposed changes would enhance clarity and transparency for participants with respect to services offered by NSCC allowing I&RS Members to have a better understanding of the Rules relating to I&RS. Having clear and accurate Rules would help I&RS Members to better understand their rights and obligations regarding NSCC’s services. NSCC believes that when I&RS Members better understand their rights and obligations regarding NSCC’s services, they can act in accordance with the Rules. NSCC believes that better enabling I&RS Members to comply with the Rules would promote the prompt and accurate clearance and settlement of securities transactions by NSCC consistent with Section 17A(b)(3)(F) of the Act.²³

Section 17A(b)(3)(D) of the Act²⁴ requires that the Rules provide for the equitable allocation of reasonable dues, fees, and other charges among its participants. NSCC believes that the proposed rule change to remove the fees for service providers to access policy data and to provide access to service providers to product data, and to add fees for such access, are consistent with this provision of the Act. NSCC believes the removal of fees for policy data would incentivize use of I&RS by services providers for policy data, which is not currently being utilized by service providers, and encourage use by I&RS Members. NSCC also believes that service providers are more likely access product data and to pay for such

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ 15 U.S.C. 78q-1(b)(3)(D).

¹⁸ 15 U.S.C. 78q-1(b)(3)(F) and (D).

¹⁹ 17 CFR 240.17Ad-22(e)(21).

²⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹⁶ *Id.*

¹⁷ See Section 2.(f) of Rule 58, *supra* note 6.

product data, which is more general than policy data and could be used by service providers across multiple I&RS Member counterparties.

NSCC believes the proposed changes to the fees are equitable because they would apply uniformly to all service providers that utilize the services and would not impact the fees being paid by I&RS Members. NSCC believes the proposed changes are reasonable because the fees that would be charged to service providers for product data would be the same fees that are being charged to I&RS Members that access such product data through I&RS, which are designed to align with the cost of delivering the feature.²⁵ NSCC believes that removing fees for access to policy data is reasonable because it would incentivize the use of I&RS by service providers for such policy data which would be beneficial to the I&RS Members that are counterparties of such service providers. Therefore, by establishing fees that align with the cost of delivery of this feature and allocating those fees equitably among the subscribing users, including service providers, the proposed rule change would provide for the equitable allocation of reasonable dues, fees and other charges among its participants consistent with the requirements of Section 17A(b)(3)(D) of the Act.²⁶

In addition, the proposed rule change is designed to comply with Rule 17Ad-22(e)(21) promulgated under the Act.²⁷ Rule 17Ad-22(e)(21) under the Act requires NSCC to, inter alia, establish, implement, maintain and enforce written policies and procedures reasonably designed to be efficient and effective in meeting the requirements of its participants and the markets it serves. The proposed rule change would enhance the ability of I&RS Members to access Fee Data by removing the Insurance Profile platform and providing a more efficient and streamlined platform with access to an API specifically for IEX. In addition, removing the fees for service providers to access policy data and providing access to service providers for product data would incentivize the use of IEX by service providers which NSCC believes will have the effect of increasing the use by I&RS Members that are counterparties to the service providers. Therefore, by establishing a more efficient and effective process for I&RS Members and their service providers to process I&RS Data, NSCC believes that the proposed changes are

consistent with the requirements of Rule 17Ad-22(e)(21), promulgated under the Act.²⁸

(B) Clearing Agency's Statement on Burden on Competition

NSCC does not believe that the proposed rule changes would have an impact on competition. The proposed changes would merely facilitate I&RS Members access to Fee Data through the IEX platform rather than the Insurance Profile platform. The fees for I&RS Members to access such information would not change. NSCC also does not believe that the removal of fees for service providers for policy information would burden competition because service providers are not currently using the service or paying fees. NSCC believes that removing the fees for service providers to access policy data and providing that service providers may have access to product data by paying the same fees as I&RS Members may promote competition by incentivizing service providers to use IEX which NSCC believes would result in more I&RS Members using IEX.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

NSCC has not received or solicited any written comments relating to this proposal. If any written comments are received by NSCC, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

NSCC reserves the right not to respond to any comments received.

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)²⁹ of the Act and paragraph (f)³⁰ of Rule 19b-4 thereunder. 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. Please include File Number SR-NSCC-2022-008 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-NSCC-2022-008. 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 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 the

²⁵ See Insurance Profile Filing, *supra* note 9.

²⁶ 15 U.S.C. 78q-1(b)(3)(D).

²⁷ 17 CFR 240.17Ad-22(e)(21).

²⁸ *Id.*

²⁹ 15 U.S.C. 78s(b)(3)(A).

³⁰ 17 CFR 240.19b-4(f).

filing also will be available for inspection and copying at the principal office of NSCC and on DTCC's website (<https://dtcc.com/legal/sec-rule-filings.aspx>). 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-NSCC-2022-008 and should be submitted on or before July 28, 2022.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³¹

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2022-14396 Filed 7-6-22; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-95191; File No. SR-FINRA-2022-016]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend FINRA Rule 6120 (Trading Halts) To Conform to Recent Amendments to the SIP Plans and To Make Technical and Clarifying Changes to the Rule

June 30, 2022.

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 June 22, 2022, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("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,³ 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 FINRA Rule 6120 (Trading Halts) to conform to recent amendments to the NMS plans governing the collection, consolidation and dissemination of quotation and transaction information for NMS stocks and to make technical and clarifying changes to the rule.⁴

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.

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

Background

FINRA Rule 6120 provides FINRA with the authority to halt trading otherwise than on an exchange in NMS stocks under the circumstances specified in Rule 6120(a) and pursuant to the procedures set forth in Rule 6120(b). Rule 6120(a)(1) provides that FINRA shall halt trading otherwise than on an exchange in any NMS stock whenever any market that has the authority to call a regulatory halt in the security imposes a trading halt, or suspends a listing, to: (a) permit dissemination of material news; (b) obtain information from the issuer relating to material news; (c) obtain information relating to the issuer's ability to meet listing qualification requirements; or (d) obtain any other information that is necessary to protect investors and the public interest.

In addition, Rule 6120(a)(2) provides that FINRA shall halt trading otherwise than on an exchange in any NMS stock when extraordinary market activity in the security is occurring, such as the

execution of a series of transactions for a significant dollar value at prices substantially unrelated to the current market for the security, as measured by the national best bid or offer. To halt trading under this provision, FINRA must determine that such extraordinary market activity is likely to have a material effect on the market for the security and either (i) FINRA determines that such extraordinary market activity is caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, FINRA, or (ii) after consultation with a national securities exchange trading the security, FINRA determines that such extraordinary market activity is caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, such other national securities exchange. Rule 6120(a)(3) addresses FINRA's authority to close its quotation display and trade reporting facilities for NMS stocks under specified circumstances. Specifically, Rule 6120(a)(3) provides that FINRA shall close the Alternative Display Facility ("ADF")⁵ or any Trade Reporting Facility ("TRF")⁶ to quotation or trade reporting activity, as applicable, whenever the ADF or TRF is unable to transmit real-time trade reporting information to the applicable Securities Information Processor ("SIP").⁷ If the ADF or any TRF closes pursuant to this provision, members are not prohibited from trading through other markets for which trading is not halted.⁸

⁵ The ADF is a display-only facility operated by FINRA that provides FINRA members with a mechanism to display quotations and report over-the-counter ("OTC") transactions in NMS stocks.

⁶ The TRFs provide FINRA members with a mechanism to report OTC transactions in NMS stocks. There are currently three active TRFs: (1) FINRA/Nasdaq TRF Carteret, (2) FINRA/Nasdaq TRF Chicago and (3) FINRA/NYSE TRF. While each TRF is operated by an affiliate of a registered national securities exchange, each TRF is a FINRA facility and subject to FINRA's oversight.

⁷ Currently, there are two SIPs that are responsible for collecting, consolidating and disseminating quotation and transaction information in NMS stocks that is collected pursuant to the following three NMS plans: (1) the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privileges Basis (the "UTP Plan"), (2) the Second Restatement of the CTA Plan (the "CTA Plan"), and (3) the Restated CQ Plan (the "CQ Plan" and, collectively with the UTP Plan and the CTA Plan, the "SIP Plans"). FINRA and the national securities exchanges are participants of the SIP Plans (collectively, the "Participants").

⁸ Rule 6120(a) also requires members to promptly notify FINRA whenever they have knowledge of any matter related to an NMS stock or the issuer thereof that has not been adequately disclosed to

Continued

³¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

⁴ See CTA/CQ Approval Order and UTP Approval Order, *infra* note 10.