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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2020 - * 034
Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☑	☐	☐

Rule

Pilot	Extension of Time Period for Commission Action *	Date Expires *		
☐	☐		19b-4(f)(1)	19b-4(f)(4)
			19b-4(f)(2)	19b-4(f)(5)
			19b-4(f)(3)	19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *	Section 806(e)(2) *
☐	☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *
☐

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Modify TRACE Dissemination Protocols Regarding Agency Pass-Through MBS or SBA-Backed ABS Traded in Specified Pool Transactions.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Cara Last Name * Bain

Title * Assistant General Counsel

E-mail * Cara.Bain@finra.org

Telephone * (202) 728-8852 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 10/15/2020

By Stephanie Dumont

(Name *)

(Title *)

Senior Vice President and Director of Capital Markets Policy

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Stephanie Dumont,

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] the Financial Industry Regulatory Authority, Inc. ("FINRA") is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change to modify Trade Reporting and Compliance Engine ("TRACE") dissemination protocols regarding Agency Pass-Through Mortgage-Backed Securities or Small Business Administration (SBA)-Backed Asset-Backed Securities traded in Specified Pool Transactions.

The proposed rule change does not make any changes to the text of FINRA rules.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 270 days following publication of the Regulatory Notice announcing Commission approval.

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[1] 15 U.S.C. 78s(b)(1).

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Background

FINRA commenced dissemination of Specified Pool Transactions in 2013.[2] A "Specified Pool Transaction" is defined as a transaction in an Agency Pass-Through Mortgage-Backed Security ("Agency Pass-Through MBS")[3] or an SBA-Backed Asset-Backed Security ("SBA-Backed ABS")[4] requiring the delivery at settlement of a pool or pools that is identified by a unique pool identification number at the Time of Execution.[5] As described in the Specified Pool Dissemination Filing, FINRA currently does not disseminate a CUSIP for Specified Pool transactions, but rather disseminates reference

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2 See Securities Exchange Act Release No. 68084 (October 23, 2012), 77 FR 65436 (October 26, 2012) (Order Approving File No. SR-FINRA-2012-042) ("Specified Pool Dissemination Filing"). Among other things, the filing provided for dissemination of transactions in Agency Pass-Through Mortgage-Backed Securities traded in specified pools and transactions in SBA-Backed Asset-Backed Securities traded in specified pools or to be announced ("TBA"), and reduced the reporting timeframe for such transactions.

3 FINRA Rule 6710(v) generally defines an "Agency Pass-Through Mortgage-Backed Security" as a type of Securitized Product issued in conformity with a program of an Agency or a Government-Sponsored Enterprise ("GSE") for which the timely payment of principal and interest is guaranteed by the Agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to "pass through" the principal and interest payments to the holders of the security on a pro rata basis.

4 FINRA Rule 6710(bb) defines an "SBA-Backed ABS" as a Securitized Product issued in conformity with a program of the SBA, for which the timely payment of principal and interest is guaranteed by the SBA, representing ownership interest in a pool (or pools) of loans or debentures and structured to "pass through" the principal and interest payments made by the borrowers in such loans or debentures to the holders of the security on a pro rata basis.

5 See FINRA Rule 6710(x).

data elements, including approximations of information widely used to project cash flows and prepayment rates, such as loan-to-value (LTV) information. FINRA is proposing changes to the LTV rounding convention used for the information publicly disseminated through TRACE for these types of transactions in Agency Pass-Through MBSs and SBA-Backed ABSs.

In the process of developing the approach adopted in the Specified Pool Dissemination Filing, FINRA, among other things, considered industry feedback regarding the nature of the market for Specified Pool Transactions (also, "Specified Pools"), including concerns regarding information leakage. Market participants' concerns included that dissemination of the specific CUSIP of a Specified Pool may result in information leakage regarding trading strategies, positions and other sensitive information, which may negatively impact trading interest and liquidity in the market for these securities.[6] In response, FINRA modified the proposal such that the disseminated information regarding Specified Pool Transactions would not include the CUSIP. Instead, FINRA adopted an approach whereby, in lieu of a CUSIP, FINRA disseminates reference data elements, including approximations of information widely used to project cash flows and prepayment rates.

Pursuant to this approach, FINRA groups Agency Pass-Through MBSs and SBA-Backed ABSs into cohorts, as discussed further below, using data elements that are integral to describing and valuing these types of securities, such as the pool's LTV ratio. The cohort groupings are established using rounded or truncated figures for the underlying data elements, so that numeric values within each cohort may be understood

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[6] See Specified Pool Dissemination Filing, supra note 2.

within defined ranges. Each cohort is assigned a unique identification number — the Reference Data Identifier ("RDID"). After a member reports a Specified Pool Transaction to TRACE, FINRA disseminates the corresponding RDID in lieu of disseminating the CUSIP. The underlying data elements that correspond to each RDID are made available to members through the TRACE system.

Specifically, FINRA uses the following ten data elements[7] to form the RDID cohorts that describe the underlying security traded in a Specified Pool Transaction: (1) Issuer; (2) Product Type; (3) Amortization Type; (4) Coupon; (5) Original Maturity; (6) Weighted Average Coupon ("WAC"); (7) Weighted Average Maturity ("WAM"); (8) Weighted Average Loan Age ("WALA"); (9) Current Average Loan Size ("ALS"); and (10) Loan-to-Value ratio ("LTV"). For example, RDID #A1234 may represent: (1) Issuer = FNMA; (2) Product Type = Co-Op; (3) Amortization Type = ARM; (4) Coupon = 2.0; (5) Original Maturity = 360; (6) WAC = 2.5; (7) WAM = 200; (8) WALA = 160; (9) ALS = 100; and (10) Original LTV = 50. Whenever a transaction in a CUSIP that falls within this cohort occurs, TRACE would disseminate RDID #A1234 along with transaction-related (rather than security-related) information, such as the price, execution time, reporting and contra-party types and whether the transaction was a buy or a sell.

The values for items (4) through (10) are rounded or truncated in creating cohort groupings to reduce the risk that the specific security traded and the market participant

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7 Issuing agencies make the data elements publicly available on a monthly basis. Therefore, TRACE updates RDIDs at least monthly.

that engaged in the transaction may be identified. Currently, the rounding and truncation conventions that are used for Specified Pool Transactions are as follows.[8]

- Coupon - Rounded down to the nearest quarter percentage point – e.g., an interest rate of 5.12% is rounded to 5%.
- Original Maturity - Rounded up to the nearest 10 – e.g., an original maturity of 358 months is rounded to 360 months.
- WAC - Truncated to a single decimal – e.g., a WAC of 7.13% is truncated to 7.1%.
- WAM - Rounded down to the nearest 10 – e.g., a WAM of 87 months is rounded to 80 months.
- WALA - Rounded up to the nearest 10 – e.g., a WALA of 163 months is rounded to 170 months.
- ALS - Rounded down to the nearest 25 – e.g., an ALS of 113 (i.e., $113,000 average loan size) is rounded to 100 (i.e., $100,000 average loan size).
- LTV - Rounded down to the nearest 25 – e.g., an original LTV of 72% is rounded to 50%.

As noted in the Specified Pool Dissemination Filing, FINRA believes that the transaction information disseminated through TRACE should provide investors with sufficient information to assess the value and price of a security, which, for Securitized Products, includes information necessary to make assumptions about cash flows and

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[8] In Regulatory Notice 12-56 (December 2012), FINRA published summary information regarding the data elements and the truncation or rounding conventions that would apply to dissemination for Specified Pools.

prepayment rates. FINRA anticipated that providing the data elements, as described above, would supply market participants with information that would allow them to perform this analysis.

Since that time, FINRA has continued to evaluate the market for Specified Pools, including discussing with market participants the value of the information currently disseminated by TRACE. As a result of these efforts, FINRA is proposing to modify the LTV rounding convention used for purposes of the dissemination protocols for Specified Pool Transactions. FINRA believes that the currently disseminated LTV information is useful, but can be improved upon, as discussed below, to create more granular cohorts and, therefore, more meaningful information to the marketplace.[9]

Proposal

As described above, one of the data elements FINRA uses for organizing cohorts is the original LTV, which currently is rounded down to the nearest 25 (e.g., an original LTV of 72% is shown as 50%). FINRA is proposing to revise the rounding methodology used for purposes of cohort groupings for Specified Pool Transaction dissemination to increase the granularity and usefulness of the information available to market participants. Specifically, FINRA proposes a revised rounding convention whereby LTV ratios would be segmented into eight categories between zero and 121+, and FINRA would organize the cohorts such that each cohort would represent the LTV as the upper limit of the applicable category, as follows: for an LTV up to 20%, the cohorts would represent the LTV as 20% (such that an original LTV of 12% would be shown as 20%);

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[9] The original LTV ratio expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property.

for an LTV between 21% and 40%, the cohorts would represent the LTV as 40% (such that an original LTV of 21% would be shown as 40%); for an LTV between 41% and 60%, the cohorts would represent the LTV as 60% (such that an original LTV of 60% would be shown as 60%); for an LTV between 61% and 80%, the cohorts would represent the LTV as 80% (such that an original LTV of 70% would be shown as 80%); for an LTV between 81% and 93%, the cohorts would represent the LTV as 93% (such that an original LTV of 90% would be shown as 93%); for an LTV between 94% and 100%, the cohorts would represent the LTV as 100% (such that an original LTV of 100% would be shown as 100%); for an LTV between 101% and 120%, the cohorts would represent the LTV as 120% (such that an original LTV of 105% would be shown as 120%); and for an LTV of 121% or greater, the cohorts would represent the LTV as 121+ (such that an original LTV of 125% would be shown as 121+).

Proposed LTV Ratio Segments		
LTV Ratio (%)		Disseminated (%)
up to 20		20
21 to 40		40
41 to 60		60
61 to 80		80
81 to 93		93
94 to 100		100
101 to 120		120
121 or greater		121+

In developing the proposed approach, FINRA sought to balance the goal of making more detailed information available to the market with concerns regarding the potential risk of identifying the particular security being traded and the market participant that engaged in the transaction. FINRA believes that the revised LTV rounding convention will provide more meaningful information to market participants by grouping securities with more similar characteristics. In particular, the groupings are anticipated to improve how disseminated TRACE data reflects the role of LTV ratios in MBS valuations. For example, separating pools with LTV ratios at or below 80 from those with LTV ratios of 81 or higher delineates the pools with mortgages that may require mortgage insurance from those that may not require mortgage insurance. Similarly, the revised rounding methodology for LTV ratios of 81 or more are more consistent with the way mortgage originators view loan characteristics and the way that the market determines pricing.[10] For instance, a LTV ratio of 95 or higher may reflect a "pay-up" in the Fannie Mae market because that is the threshold at which Fannie Mae loan level price adjustments increase significantly.[11]

FINRA considered that the revised LTV rounding convention may increase the potential risk that market participants may be able to identify the particular security being traded and the market participant that engaged in the transaction. FINRA believes that the highest potential risk regarding information leakage is present for cohorts with only one CUSIP. Therefore, FINRA analyzed the changes to the total number of cohorts, and

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[10] CUSIPs with LTVs from 81% to 100% are likely to have a greater proportion of underlying mortgages that carry insurance or that have the minimum down payment required for a mortgage to conform to GSE guidelines.

[11] "MBS pools typically receive specified pay-ups when the underlying loans have characteristics that make the borrower less likely to refinance as compared to other loans with similar note rates. . . . Given the projected stable behavior of these loans, investors are willing to pay a premium above generic To Be Announced (TBA) security prices for pools of loans of this type. The premium over a TBA security is referred to as the specified pool pay-up." See Fannie Mae, Specified Pay-ups in Pricing & Execution – Whole Loan®, https://singlefamily.fanniemae.com/media/5056/display.

the total number of cohorts with only one CUSIP. Applying the proposed LTV tiers to TRACE reference data as of December 2019 would have resulted in an increase of 10.9% in the number of total cohorts, and an increase of 14.3% in the number of cohorts with only one CUSIP. FINRA also analyzed the 787,691 Specified Pool Transactions executed in 2019 totaling $5.8 trillion in volume. Applying the proposed LTV tiers to the 2019 transaction data would have resulted in a 12.8% increase in the number of trades for cohorts with only one CUSIP, and a 10.2% increase in the number of trades for cohorts with only one CUSIP and by only one dealer.

FINRA believes, however, that the proposed modifications to the LTV rounding convention represents an improvement to the current framework by increasing the precision in the RDID cohorts, particularly around a significant threshold. Thus, the proposal balances the goal of providing information of increased value to the marketplace with risks relating to the possible reverse engineering of disseminated transactions to identify a specific pool or market participant. FINRA believes that this change to LTV rounding is a measured change that provides more granular information regarding the LTV of the pool traded, which should improve the value of the disseminated information for market participants.

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 270 days following publication of the Regulatory Notice announcing Commission approval.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[12] 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 believes that the proposed rule change to improve transparency for Specified Pool Transactions is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, generally to protect investors and the public.

FINRA believes that the proposed changes to the LTV ratio rounding convention for Specified Pool Transactions should enhance the usefulness of TRACE data. FINRA believes that this change to LTV dissemination is a measured change that provides more granular information regarding the LTV of the pool traded, which should improve the value of the disseminated information for market participants.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. FINRA has undertaken an economic impact assessment, as set forth below, to analyze the regulatory need for the proposed rule change, its potential economic impacts, including anticipated costs and benefits, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.

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[12] 15 U.S.C. 78o-3(b)(6).

Economic Impact Assessment

(a) Regulatory Need

The transaction information made available through TRACE provides market participants with information to assess the value and price of a TRACE-Eligible Security. FINRA is proposing changes to modify the LTV rounding convention to increase the precision of the cohort groupings, thereby providing more valuable information to the market.

(b) Economic Baseline

The economic baseline for the proposal is the current rounding convention for Agency Pass-Through MBS or an SBA-Backed ABS traded in Specified Pool Transactions. The proposal is expected to affect market participants that transact in these securities or related derivatives.

As discussed above, FINRA groups Specified Pools into cohorts identified by a unique RDID. When a transaction in a Specified Pool occurs, FINRA disseminates the corresponding RDID in lieu of the CUSIP to reduce the disclosure of information regarding trading strategies, positions, and other sensitive information. Potential information leakage may negatively impact trading interest and liquidity in the market for these securities. Although disseminating RDIDs in lieu of specific CUSIPs may reduce the amount of information leakage, it also may decrease the value of the disseminated information. The value of RDIDs and corresponding reference information, and its resultant effect on price transparency, is dependent on the similarity of the CUSIPs within each cohort (i.e., how well a cohort assignment represents the characteristics of all CUSIPs within a given cohort).

(c) Economic Impact

The application of the proposed LTV tiers to the December 2019 data would have increased the total number of cohorts by 10.9% (from 287,802 to 319,188). The average number of CUSIPs in a cohort would have decreased by 10.0% (from 4.0 to 3.6), and the number of cohorts with only one CUSIP would have increased 14.3% (from 163,215 to 186,521). We discuss the benefits and costs of the application of the proposed LTV dissemination categories below, including the potential risk to market participants relating to the number of transactions for cohorts with only one CUSIP.[13]

FINRA believes that the proposal will enhance transparency by increasing the precision of the RDID cohorts. The rounding convention under the proposal will create tighter bands around LTVs within a cohort. Currently, the median difference between the minimum and maximum LTV within a cohort (i.e., LTV spread) is 17.0. The LTV spread also has an interquartile range (the difference between the 25th and 75th percentile) of 12.0. Under the proposal, however, the median LTV spread within a cohort would be 11.0, a decrease of 35.3%, and an interquartile range of 10.0.[14]

The tighter bands around LTV would increase the similarity of the CUSIPs within a given cohort, and therefore the representativeness of prices, in the cohort. This would

13 The economic analysis will more accurately reflect the potential impact of the proposal to the extent that previous market conditions and distribution of LTVs remain similar. For example, the distribution of LTVs remained similar from 2015 to 2019 with a mean and median of approximately 78.

14 These measures include only those 898,345 CUSIPs that are in a cohort with more than one CUSIP both before and after the application of the proposed revised rounding convention.

benefit market participants by increasing the value of price information as it relates to LTV, and thereby contributing to more efficient pricing and better execution quality.[15]

The rounding convention under the proposal also would increase the similarity of CUSIPs when LTV is relatively more important for pricing purposes (i.e., LTVs from 81% up to 100%). Various factors may be more important for mortgages in this range (e.g., the premium or "pay-up" for Specified Pools relative to generic TBA security prices),[16] and further demarcation around LTV ratios also would mirror mortgage origination practices. The rounding conventions with respect to the other security characteristics and its effect on price variation, however, would not change.

Alternatively, the rounding convention under the proposal could increase the potential for and the costs associated with information leakage. In particular, the rounding convention may increase the potential for information leakage as a result of an increase in the number of cohorts with only one CUSIP and the small number of dealers

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15 Transactions in Securitized Products began being reported to TRACE in May 2011 on a next-day basis. See Securities Exchange Act Release No. 63223 (November 1, 2010), 75 FR 68654 (November 8, 2010) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2010-054). In 2015, transactions were required to be reported to TRACE within 15 minutes of execution. See Securities Exchange Act Release No. 71607 (February 24, 2014), 79 FR 11481 (February 28, 2014) (Order Approving File No. SR-FINRA-2013-046). See An He & Bruce Mizrach, Analysis of Securitized Asset Liquidity, (2017), FINRA Office of the Chief Economist, Research Note. The authors study the changes in the liquidity of securitized assets between 2012 and 2016. Although they did not directly test for a causal link between transparency and liquidity, the improved liquidity for MBS securities during a time of increasing trade transparency is a positive indicator of the value of transparency for these securities. The authors also note that the bid-ask spread for MBSs decreased by 37% during the period while average daily trading volume increased. An improvement in execution quality as a result of the proposal may further decrease the bid-ask spreads for MBSs.

16 See supra note 11.

that trade any one CUSIP.[17] This may negatively impact trading interest and liquidity in the market for these securities.

The proposal would increase the number of cohorts with only one CUSIP from 163,215 to 186,521. As noted above, the number of Specified Pool Transactions for cohorts with only one CUSIP would increase under the proposal by 12.8% from 77,234 (9.8% of all transactions) to 87,096 (11.1% of all transactions). The percentage of transactions for cohorts with only one CUSIP that were made by only one dealer also would increase under the proposal by 10.2% from 12,203 (1.5% of total trades) to 13,445 (1.7% of total trades).

The 12.8% increase in the number of transactions for cohorts with only one CUSIP and the 10.2% increase in the number of transactions for those cohorts by only one dealer may increase the risk to market participants from disclosing information relating to trading strategies, positions, and other sensitive information. As noted above, this may reduce market participation and liquidity in those CUSIPs.[18] However, FINRA believes that the proposal properly balances this potential risk related to information leakage with providing more valuable information to market participants.

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[17] For example, among the 123,481 CUSIPs that traded in 2019, 47.7% (58,859) were traded by one dealer (as proxied by the market participant identifier (MPID)). In addition, two dealers traded 20.8% (or 25,671) of the CUSIPs, and three dealers traded 12.0% (or 14,840) of the CUSIPs. Four or more dealers traded the remaining 19.5% (or 24,111) of CUSIPs.

[18] The number of counterparties for MBS securities decreased between 2012 and 2016, consistent with brokers experiencing higher risk from increased transparency. See He & Mizrach (2017), supra note 15.

(d) Alternatives Considered

Plausible alternatives to the proposal would be using different LTV categories and rounding conventions. For example, the rounding convention could have further segmented the LTV ratios in the range of 81% to 100%. The rounding convention also could have incorporated a catch-all tier of 141+ for LTVs of 141% or more instead of the catch-all tier of 121+ for LTVs of 121% or more. In general, tighter (looser) bands would increase (decrease) the number of cohorts with only one CUSIP but increase (decrease) the similarity of the specified pools within the same cohort. FINRA believes that the costs associated with the LTV rounding convention proposed herein is appropriate given the potential increase in the precision of the cohorts and value of the transaction information. FINRA will continue to evaluate the market for Specified Pools and evaluate the conventions that are used for disseminating these transactions.

5. 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.

6. Extension of Time Period for Commission Action

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.[19]

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

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19 15 U.S.C. 78s(b)(2).

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-FINRA-2020-034)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Modify TRACE Dissemination Protocols Regarding Agency Pass-Through MBS or SBA-Backed ABS Traded in Specified Pool Transactions

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   , 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, II, and III below, which Items have been prepared by FINRA. 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 modify Trade Reporting and Compliance Engine ("TRACE") dissemination protocols regarding Agency Pass-Through Mortgage-Backed Securities or Small Business Administration (SBA)-Backed Asset-Backed Securities traded in Specified Pool Transactions.

The text of the proposed rule change is available on FINRA's website at http://www.finra.org, at the principal office of FINRA and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 commenced dissemination of Specified Pool Transactions in 2013.[3] A "Specified Pool Transaction" is defined as a transaction in an Agency Pass-Through Mortgage-Backed Security ("Agency Pass-Through MBS") [4] or an SBA-Backed Asset-Backed Security ("SBA-Backed ABS") [5] requiring the delivery at settlement of a pool or

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3 See Securities Exchange Act Release No. 68084 (October 23, 2012), 77 FR 65436 (October 26, 2012) (Order Approving File No. SR-FINRA-2012-042) ("Specified Pool Dissemination Filing"). Among other things, the filing provided for dissemination of transactions in Agency Pass-Through Mortgage-Backed Securities traded in specified pools and transactions in SBA-Backed Asset-Backed Securities traded in specified pools or to be announced ("TBA"), and reduced the reporting timeframe for such transactions.

4 FINRA Rule 6710(v) generally defines an "Agency Pass-Through Mortgage-Backed Security" as a type of Securitized Product issued in conformity with a program of an Agency or a Government-Sponsored Enterprise ("GSE") for which the timely payment of principal and interest is guaranteed by the Agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to "pass through" the principal and interest payments to the holders of the security on a pro rata basis.

5 FINRA Rule 6710(bb) defines an "SBA-Backed ABS" as a Securitized Product issued in conformity with a program of the SBA, for which the timely payment of principal and interest is guaranteed by the SBA, representing ownership interest in

pools that is identified by a unique pool identification number at the Time of Execution.[6] As described in the Specified Pool Dissemination Filing, FINRA currently does not disseminate a CUSIP for Specified Pool transactions, but rather disseminates reference data elements, including approximations of information widely used to project cash flows and prepayment rates, such as loan-to-value (LTV) information. FINRA is proposing changes to the LTV rounding convention used for the information publicly disseminated through TRACE for these types of transactions in Agency Pass-Through MBSs and SBA-Backed ABSs.

In the process of developing the approach adopted in the Specified Pool Dissemination Filing, FINRA, among other things, considered industry feedback regarding the nature of the market for Specified Pool Transactions (also, "Specified Pools"), including concerns regarding information leakage. Market participants' concerns included that dissemination of the specific CUSIP of a Specified Pool may result in information leakage regarding trading strategies, positions and other sensitive information, which may negatively impact trading interest and liquidity in the market for these securities.[7] In response, FINRA modified the proposal such that the disseminated information regarding Specified Pool Transactions would not include the CUSIP. Instead, FINRA adopted an approach whereby, in lieu of a CUSIP, FINRA disseminates

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a pool (or pools) of loans or debentures and structured to "pass through" the principal and interest payments made by the borrowers in such loans or debentures to the holders of the security on a pro rata basis.

6 See FINRA Rule 6710(x).

7 See Specified Pool Dissemination Filing, supra note 3.

reference data elements, including approximations of information widely used to project cash flows and prepayment rates.

Pursuant to this approach, FINRA groups Agency Pass-Through MBSs and SBA-Backed ABSs into cohorts, as discussed further below, using data elements that are integral to describing and valuing these types of securities, such as the pool's LTV ratio. The cohort groupings are established using rounded or truncated figures for the underlying data elements, so that numeric values within each cohort may be understood within defined ranges. Each cohort is assigned a unique identification number — the Reference Data Identifier ("RDID"). After a member reports a Specified Pool Transaction to TRACE, FINRA disseminates the corresponding RDID in lieu of disseminating the CUSIP. The underlying data elements that correspond to each RDID are made available to members through the TRACE system.

Specifically, FINRA uses the following ten data elements[8] to form the RDID cohorts that describe the underlying security traded in a Specified Pool Transaction: (1) Issuer; (2) Product Type; (3) Amortization Type; (4) Coupon; (5) Original Maturity; (6) Weighted Average Coupon ("WAC"); (7) Weighted Average Maturity ("WAM"); (8) Weighted Average Loan Age ("WALA"); (9) Current Average Loan Size ("ALS"); and (10) Loan-to-Value ratio ("LTV"). For example, RDID #A1234 may represent: (1) Issuer = FNMA; (2) Product Type = Co-Op; (3) Amortization Type = ARM; (4) Coupon = 2.0; (5) Original Maturity = 360; (6) WAC = 2.5; (7) WAM = 200; (8) WALA = 160; (9) ALS = 100; and (10) Original LTV = 50. Whenever a transaction in a CUSIP that falls within this cohort occurs, TRACE would disseminate RDID #A1234 along with

[8] Issuing agencies make the data elements publicly available on a monthly basis. Therefore, TRACE updates RDIDs at least monthly.

transaction-related (rather than security-related) information, such as the price, execution time, reporting and contra-party types and whether the transaction was a buy or a sell.

The values for items (4) through (10) are rounded or truncated in creating cohort groupings to reduce the risk that the specific security traded and the market participant that engaged in the transaction may be identified. Currently, the rounding and truncation conventions that are used for Specified Pool Transactions are as follows.[9]

- Coupon - Rounded down to the nearest quarter percentage point – e.g., an interest rate of 5.12% is rounded to 5%.
- Original Maturity - Rounded up to the nearest 10 – e.g., an original maturity of 358 months is rounded to 360 months.
- WAC - Truncated to a single decimal – e.g., a WAC of 7.13% is truncated to 7.1%.
- WAM - Rounded down to the nearest 10 – e.g., a WAM of 87 months is rounded to 80 months.
- WALA - Rounded up to the nearest 10 – e.g., a WALA of 163 months is rounded to 170 months.
- ALS - Rounded down to the nearest 25 – e.g., an ALS of 113 (i.e., $113,000 average loan size) is rounded to 100 (i.e., $100,000 average loan size).
- LTV - Rounded down to the nearest 25 – e.g., an original LTV of 72% is rounded to 50%.

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9 In Regulatory Notice 12-56 (December 2012), FINRA published summary information regarding the data elements and the truncation or rounding conventions that would apply to dissemination for Specified Pools.

As noted in the Specified Pool Dissemination Filing, FINRA believes that the transaction information disseminated through TRACE should provide investors with sufficient information to assess the value and price of a security, which, for Securitized Products, includes information necessary to make assumptions about cash flows and prepayment rates. FINRA anticipated that providing the data elements, as described above, would supply market participants with information that would allow them to perform this analysis.

Since that time, FINRA has continued to evaluate the market for Specified Pools, including discussing with market participants the value of the information currently disseminated by TRACE. As a result of these efforts, FINRA is proposing to modify the LTV rounding convention used for purposes of the dissemination protocols for Specified Pool Transactions. FINRA believes that the currently disseminated LTV information is useful, but can be improved upon, as discussed below, to create more granular cohorts and, therefore, more meaningful information to the marketplace.[10]

Proposal

As described above, one of the data elements FINRA uses for organizing cohorts is the original LTV, which currently is rounded down to the nearest 25 (e.g., an original LTV of 72% is shown as 50%). FINRA is proposing to revise the rounding methodology used for purposes of cohort groupings for Specified Pool Transaction dissemination to increase the granularity and usefulness of the information available to market participants. Specifically, FINRA proposes a revised rounding convention whereby LTV ratios would be segmented into eight categories between zero and 121+, and FINRA

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[10] The original LTV ratio expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property.

would organize the cohorts such that each cohort would represent the LTV as the upper limit of the applicable category, as follows: for an LTV up to 20%, the cohorts would represent the LTV as 20% (such that an original LTV of 12% would be shown as 20%); for an LTV between 21% and 40%, the cohorts would represent the LTV as 40% (such that an original LTV of 21% would be shown as 40%); for an LTV between 41% and 60%, the cohorts would represent the LTV as 60% (such that an original LTV of 60% would be shown as 60%); for an LTV between 61% and 80%, the cohorts would represent the LTV as 80% (such that an original LTV of 70% would be shown as 80%); for an LTV between 81% and 93%, the cohorts would represent the LTV as 93% (such that an original LTV of 90% would be shown as 93%); for an LTV between 94% and 100%, the cohorts would represent the LTV as 100% (such that an original LTV of 100% would be shown as 100%); for an LTV between 101% and 120%, the cohorts would represent the LTV as 120% (such that an original LTV of 105% would be shown as 120%); and for an LTV of 121% or greater, the cohorts would represent the LTV as 121+ (such that an original LTV of 125% would be shown as 121+).

Proposed LTV Ratio Segments		
LTV Ratio (%)		Disseminated (%)
up to 20		20
21 to 40		40
41 to 60		60
61 to 80		80
81 to 93		93
94 to 100		100
101 to 120		120
121 or greater		121+

In developing the proposed approach, FINRA sought to balance the goal of making more detailed information available to the market with concerns regarding the potential risk of identifying the particular security being traded and the market participant that engaged in the transaction. FINRA believes that the revised LTV rounding convention will provide more meaningful information to market participants by grouping securities with more similar characteristics. In particular, the groupings are anticipated to improve how disseminated TRACE data reflects the role of LTV ratios in MBS valuations. For example, separating pools with LTV ratios at or below 80 from those with LTV ratios of 81 or higher delineates the pools with mortgages that may require mortgage insurance from those that may not require mortgage insurance. Similarly, the revised rounding methodology for LTV ratios of 81 or more are more consistent with the way mortgage originators view loan characteristics and the way that the market determines pricing.[11] For instance, a LTV ratio of 95 or higher may reflect a "pay-up" in the Fannie Mae market because that is the threshold at which Fannie Mae loan level price adjustments increase significantly.[12]

FINRA considered that the revised LTV rounding convention may increase the potential risk that market participants may be able to identify the particular security being traded and the market participant that engaged in the transaction. FINRA believes that

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[11] CUSIPs with LTVs from 81% to 100% are likely to have a greater proportion of underlying mortgages that carry insurance or that have the minimum down payment required for a mortgage to conform to GSE guidelines.

[12] "MBS pools typically receive specified pay-ups when the underlying loans have characteristics that make the borrower less likely to refinance as compared to other loans with similar note rates. . . . Given the projected stable behavior of these loans, investors are willing to pay a premium above generic To Be Announced (TBA) security prices for pools of loans of this type. The premium over a TBA security is referred to as the specified pool pay-up." See Fannie Mae, Specified Pay-ups in Pricing & Execution – Whole Loan®, https://singlefamily.fanniemae.com/media/5056/display.

the highest potential risk regarding information leakage is present for cohorts with only one CUSIP. Therefore, FINRA analyzed the changes to the total number of cohorts, and the total number of cohorts with only one CUSIP. Applying the proposed LTV tiers to TRACE reference data as of December 2019 would have resulted in an increase of 10.9% in the number of total cohorts, and an increase of 14.3% in the number of cohorts with only one CUSIP. FINRA also analyzed the 787,691 Specified Pool Transactions executed in 2019 totaling $5.8 trillion in volume. Applying the proposed LTV tiers to the 2019 transaction data would have resulted in a 12.8% increase in the number of trades for cohorts with only one CUSIP, and a 10.2% increase in the number of trades for cohorts with only one CUSIP and by only one dealer.

FINRA believes, however, that the proposed modifications to the LTV rounding convention represents an improvement to the current framework by increasing the precision in the RDID cohorts, particularly around a significant threshold. Thus, the proposal balances the goal of providing information of increased value to the marketplace with risks relating to the possible reverse engineering of disseminated transactions to identify a specific pool or market participant. FINRA believes that this change to LTV rounding is a measured change that provides more granular information regarding the LTV of the pool traded, which should improve the value of the disseminated information for market participants.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 270 days following publication of the Regulatory Notice announcing Commission approval.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[13] 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 believes that the proposed rule change to improve transparency for Specified Pool Transactions is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, generally to protect investors and the public.

FINRA believes that the proposed changes to the LTV ratio rounding convention for Specified Pool Transactions should enhance the usefulness of TRACE data. FINRA believes that this change to LTV dissemination is a measured change that provides more granular information regarding the LTV of the pool traded, which should improve the value of the disseminated information for market participants.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. FINRA has undertaken an economic impact assessment, as set forth below, to analyze the regulatory need for the proposed rule change, its potential economic impacts, including anticipated costs and benefits, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.

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[13] 15 U.S.C. 78<u>o</u>-3(b)(6).

Economic Impact Assessment

(a) Regulatory Need

The transaction information made available through TRACE provides market participants with information to assess the value and price of a TRACE-Eligible Security. FINRA is proposing changes to modify the LTV rounding convention to increase the precision of the cohort groupings, thereby providing more valuable information to the market.

(b) Economic Baseline

The economic baseline for the proposal is the current rounding convention for Agency Pass-Through MBS or an SBA-Backed ABS traded in Specified Pool Transactions. The proposal is expected to affect market participants that transact in these securities or related derivatives.

As discussed above, FINRA groups Specified Pools into cohorts identified by a unique RDID. When a transaction in a Specified Pool occurs, FINRA disseminates the corresponding RDID in lieu of the CUSIP to reduce the disclosure of information regarding trading strategies, positions, and other sensitive information. Potential information leakage may negatively impact trading interest and liquidity in the market for these securities. Although disseminating RDIDs in lieu of specific CUSIPs may reduce the amount of information leakage, it also may decrease the value of the disseminated information. The value of RDIDs and corresponding reference information, and its resultant effect on price transparency, is dependent on the similarity of the CUSIPs within each cohort (i.e., how well a cohort assignment represents the characteristics of all CUSIPs within a given cohort).

(c) Economic Impact

The application of the proposed LTV tiers to the December 2019 data would have increased the total number of cohorts by 10.9% (from 287,802 to 319,188). The average number of CUSIPs in a cohort would have decreased by 10.0% (from 4.0 to 3.6), and the number of cohorts with only one CUSIP would have increased 14.3% (from 163,215 to 186,521). We discuss the benefits and costs of the application of the proposed LTV dissemination categories below, including the potential risk to market participants relating to the number of transactions for cohorts with only one CUSIP.[14]

FINRA believes that the proposal will enhance transparency by increasing the precision of the RDID cohorts. The rounding convention under the proposal will create tighter bands around LTVs within a cohort. Currently, the median difference between the minimum and maximum LTV within a cohort (i.e., LTV spread) is 17.0. The LTV spread also has an interquartile range (the difference between the 25th and 75th percentile) of 12.0. Under the proposal, however, the median LTV spread within a cohort would be 11.0, a decrease of 35.3%, and an interquartile range of 10.0.[15]

The tighter bands around LTV would increase the similarity of the CUSIPs within a given cohort, and therefore the representativeness of prices, in the cohort. This would

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14 The economic analysis will more accurately reflect the potential impact of the proposal to the extent that previous market conditions and distribution of LTVs remain similar. For example, the distribution of LTVs remained similar from 2015 to 2019 with a mean and median of approximately 78.

15 These measures include only those 898,345 CUSIPs that are in a cohort with more than one CUSIP both before and after the application of the proposed revised rounding convention.

benefit market participants by increasing the value of price information as it relates to LTV, and thereby contributing to more efficient pricing and better execution quality.[16]

The rounding convention under the proposal also would increase the similarity of CUSIPs when LTV is relatively more important for pricing purposes (i.e., LTVs from 81% up to 100%). Various factors may be more important for mortgages in this range (e.g., the premium or "pay-up" for Specified Pools relative to generic TBA security prices),[17] and further demarcation around LTV ratios also would mirror mortgage origination practices. The rounding conventions with respect to the other security characteristics and its effect on price variation, however, would not change.

Alternatively, the rounding convention under the proposal could increase the potential for and the costs associated with information leakage. In particular, the rounding convention may increase the potential for information leakage as a result of an increase in the number of cohorts with only one CUSIP and the small number of dealers

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16 Transactions in Securitized Products began being reported to TRACE in May 2011 on a next-day basis. See Securities Exchange Act Release No. 63223 (November 1, 2010), 75 FR 68654 (November 8, 2010) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2010-054). In 2015, transactions were required to be reported to TRACE within 15 minutes of execution. See Securities Exchange Act Release No. 71607 (February 24, 2014), 79 FR 11481 (February 28, 2014) (Order Approving File No. SR-FINRA-2013-046). See An He & Bruce Mizrach, Analysis of Securitized Asset Liquidity, (2017), FINRA Office of the Chief Economist, Research Note. The authors study the changes in the liquidity of securitized assets between 2012 and 2016. Although they did not directly test for a causal link between transparency and liquidity, the improved liquidity for MBS securities during a time of increasing trade transparency is a positive indicator of the value of transparency for these securities. The authors also note that the bid-ask spread for MBSs decreased by 37% during the period while average daily trading volume increased. An improvement in execution quality as a result of the proposal may further decrease the bid-ask spreads for MBSs.

17 See supra note 12.

that trade any one CUSIP.[18] This may negatively impact trading interest and liquidity in the market for these securities.

The proposal would increase the number of cohorts with only one CUSIP from 163,215 to 186,521. As noted above, the number of Specified Pool Transactions for cohorts with only one CUSIP would increase under the proposal by 12.8% from 77,234 (9.8% of all transactions) to 87,096 (11.1% of all transactions). The percentage of transactions for cohorts with only one CUSIP that were made by only one dealer also would increase under the proposal by 10.2% from 12,203 (1.5% of total trades) to 13,445 (1.7% of total trades).

The 12.8% increase in the number of transactions for cohorts with only one CUSIP and the 10.2% increase in the number of transactions for those cohorts by only one dealer may increase the risk to market participants from disclosing information relating to trading strategies, positions, and other sensitive information. As noted above, this may reduce market participation and liquidity in those CUSIPs.[19] However, FINRA believes that the proposal properly balances this potential risk related to information leakage with providing more valuable information to market participants.

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[18] For example, among the 123,481 CUSIPs that traded in 2019, 47.7% (58,859) were traded by one dealer (as proxied by the market participant identifier (MPID)). In addition, two dealers traded 20.8% (or 25,671) of the CUSIPs, and three dealers traded 12.0% (or 14,840) of the CUSIPs. Four or more dealers traded the remaining 19.5% (or 24,111) of CUSIPs.

[19] The number of counterparties for MBS securities decreased between 2012 and 2016, consistent with brokers experiencing higher risk from increased transparency. See He & Mizrach (2017), supra note 16.

(d) Alternatives Considered

Plausible alternatives to the proposal would be using different LTV categories and rounding conventions. For example, the rounding convention could have further segmented the LTV ratios in the range of 81% to 100%. The rounding convention also could have incorporated a catch-all tier of 141+ for LTVs of 141% or more instead of the catch-all tier of 121+ for LTVs of 121% or more. In general, tighter (looser) bands would increase (decrease) the number of cohorts with only one CUSIP but increase (decrease) the similarity of the specified pools within the same cohort. FINRA believes that the costs associated with the LTV rounding convention proposed herein is appropriate given the potential increase in the precision of the cohorts and value of the transaction information. FINRA will continue to evaluate the market for Specified Pools and evaluate the conventions that are used for disseminating these transactions.

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

Written comments were neither solicited nor received.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2020-034 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2020-034. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2020-034 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[20]

Jill M. Peterson
Assistant Secretary

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[20] 17 CFR 200.30-3(a)(12).