

**ATTACHMENT A to *Regulatory Notice 10-23***

**New text is underlined; deletions are in brackets.**

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**6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)**

**6710. Definitions**

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) “TRACE-Eligible Security” means a debt security that is United States (“U.S.”) dollar-denominated and issued by a U.S. or foreign private issuer, and, if a “restricted security” as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n). “TRACE-Eligible Security” does not include a debt security that is:

(1) Issued by a foreign sovereign or is a U.S. Treasury Security as defined in paragraph (p); or

(2) A Money Market Instrument as defined in paragraph (o); or

[(3) An Asset-Backed Security as defined in paragraph (m).]

(b) No Change.

(c) “Reportable TRACE Transaction” means any transaction in a TRACE-Eligible Security except: (1) a transaction[s] that [are]is not reported as specified in Rule 6730(e); and (2) a sale from an issuer to an underwriter(s) or initial purchaser(s) as part of

an offering, except a sale of an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) from an Issuing Entity as defined in paragraph (t) or a Sponsor as defined in paragraph (s) to any purchaser.

(d) through (k) No Change.

(l) “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); or (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n). The term excludes a U.S. Treasury Security as defined in paragraph (p) and an Asset-Backed Security as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the S[s]ponsor as defined in paragraph (s) (or similar person) or Issuing Entity as defined in paragraph (t) (or similar person), [of the trust or other entity that issues the Asset-Backed Security,] or [is] the guarantor of the Asset-Backed Security.

(m) “Asset-Backed Security” means a security collateralized by any type of financial asset, such as loans, leases, mortgages, or secured or unsecured receivables, and includes but is not limited to an asset-backed security as used in [Securities Act]SEC Regulation AB, [Section]Item 1101(c), a mortgage-backed security, a collateralized mortgage obligation, a synthetic asset-backed security, [or any instrument involving or based on the securitization of mortgages or other credits or assets, including but not limited to] a collateralized debt obligation, a collateralized bond obligation, a collateralized debt obligation of A[a]sset-B[b]acked S[s]ecurities or a collateralized debt obligation of collateralized debt obligations, including any residual tranche of such instruments.

(n) through (p) No Change.

(q) “List or Fixed Offering Price Transaction” means a primary market sale transaction sold on the first day of trading of a [new issue:] security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price.

(r) “Takedown Transaction” means a primary market sale transaction sold on the first day of trading of a [new issue:] security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser or syndicate manager to a syndicate or selling group member at a discount from the published or stated fixed offering price.

(s) “Sponsor” has the same meaning as defined in SEC Regulation AB, Item 1101(l).

(t) “Issuing Entity” has the same meaning as defined in SEC Regulation AB, Item 1101(f).

(u) “TBA” means “to be announced” and refers to a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-

Sponsored Enterprise program representing a pool (or pools) of mortgages (that are not specified by unique pool number).

(v) “Agency Pass-Through Mortgage-Backed Security” means a mortgage-backed security issued by an Agency or a Government-Sponsored Enterprise, for which the timely payment of principal and interest is guaranteed by an Agency or a Government-Sponsored Enterprise, representing ownership interests in a pool or pools of residential mortgage loans with the security structured to “pass through” the principal and interest payments made by the mortgagees to the owners of the pool(s) on a pro rata basis.

(w) “Factor” means the decimal value representing the proportion of the outstanding principal value or remaining face amount of a pool of assets underlying a security to the original principal value or original face amount of such assets.

(x) “Specified Pool Transaction” means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) requiring the delivery at settlement of one or more pools of mortgages that, at the Time of Execution, are identified by their unique pool identification numbers and original principal value.

(y) “Stipulation Transaction” means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where, at the Time of Execution, the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program that represents a pool (or pools) of mortgages, at a specified price, and the parties stipulate that the pool or pools to be delivered meet certain conditions.

(z) “Dollar Roll” means a simultaneous sale and purchase of an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) for different settlement dates, where the initial seller agrees to take delivery, upon settlement of the re-purchase transaction, of the same or substantially similar securities.

(aa) “Remaining Principal Balance” or “RPB” means, for an Asset-Backed Security backed by a pool of mortgages or other assets that are self-amortizing, the total unpaid principal balance of all such mortgages, or the equivalent remaining value of such self-amortizing assets held in the asset pool, at a specific time, such as the Time of Execution.

(bb) “TRACE System Hours” means the hours the TRACE system is open, which are 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.

#### **6720. Participation in TRACE**

(a) No Change.

##### **(b) Participant Obligations in TRACE**

Upon execution and receipt by FINRA of the TRACE Participant application agreement, a TRACE Participant may commence input of trade information in TRACE-Eligible Securities. TRACE Participants may access the service via a FINRA-approved facility during [the hours of operation] TRACE System Hours.

#### **6730. Transaction Reporting**

##### **(a) When and How Transactions are Reported**

Each member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member must report transaction information within 15 minutes

of the Time of Execution, except as otherwise provided below, or the transaction report will be “late.” The member must transmit the report to TRACE during TRACE System Hours. [the hours the TRACE system is open, which are 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time, unless otherwise announced by FINRA (“TRACE system hours”).] Specific trade reporting obligations during a 24-hour cycle are set forth below.

**(1) Transactions Executed During TRACE System Hours**

Transactions in TRACE-Eligible Securities executed on a business day at or after 8:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 15 minutes of the Time of Execution. If a transaction is executed on a business day less than 15 minutes before 6:30 p.m. Eastern Time, a member may report the transaction the next business day within 15 minutes after the TRACE system opens. If reporting the next business day, the member must indicate “as/of” and provide the actual transaction date.

(2) through (4) No Change.

**(5) Reporting List or Fixed Offering Price Transactions and Takedown Transactions**

A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no[t] later than T + 1 during TRACE S[s]ystem H[h]ours. If a member reports the transaction on T + 1, the member must indicate “as/of” and provide the actual transaction date. If a List or Fixed Offering Price or a Takedown Transaction is executed on a Saturday, a

Sunday or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE S[s]ystem H[h]ours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); and the modifier, “special price,” must be selected. In addition, the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the member must enter the actual date and Time of Execution in the field.

**(6) Reporting Asset-Backed Securities Transactions**

(A) (i) A transaction in an Asset-Backed Security executed on a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours, except as provided in subparagraph (A)(ii) during the pilot program.

(ii) For a pilot program which shall expire on [six months from the effective date], a transaction in an Asset-Backed Security that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day during TRACE System Hours, and, if the next business day, indicate “as/of” and provide the actual transaction date.

(B) Except during the pilot program as provided in subparagraph (A)(ii), if a transaction in an Asset-Backed Security is executed on:

(i) a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes, a member may report the transaction no later than the next business day at any time during TRACE System Hours, and, if the next business day, indicate “as/of” and provide the actual transaction date.

(ii) a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time, a member must report the transaction the next business day at any time during TRACE



System Hours, indicate “as/of” and provide the actual transaction date.

(iii) a Saturday, a Sunday, or a federal or religious holiday on which the TRACE system is closed, at any time during that day (determined using Eastern Time), a member must report the next business day at any time during TRACE System Hours. The transaction must be reported as follows: the date of execution must be the first business day (the same day the report must be made); the execution time must be “12:01:00 a.m. Eastern Time” (stated in military time as “00:01:00”); and the modifier, “special price,” must be selected. In addition, the transaction must not be designated “as/of”. When the reporting method chosen provides a “special price memo” field, the member must enter the actual date and Time of Execution in the field.

([6]7) Members have an ongoing obligation to report transaction information promptly, accurately, and completely. The member may employ an agent for the purpose of submitting transaction information. However, the primary responsibility for the timely, accurate, and complete reporting of transaction information remains the non-delegable duty of the member obligated to report the transaction.

([7]8) A member may be required to report as soon as practicable to the Market Regulation Department on a paper form, the transaction information required under Rule 6730 if electronic submission into TRACE is not possible.

Transactions that can be reported into TRACE, including transactions executed on a Saturday, a Sunday or a federal or religious holiday as provided in paragraphs (a)(4), [and paragraph] (a)(5) and (a)(6) above, and transactions that can be submitted on the trade date or on a subsequent date on an “as/of” basis, shall not be reported on a paper form.

(b) No Change.

**(c) Transaction Information To Be Reported**

Each TRACE trade report shall contain the following information:

(1) CUSIP number or if a CUSIP number is not available at the Time of Execution, a similar numeric identifier (e.g., a mortgage pool number) or a FINRA symbol;

(2) Number of bonds or, for transactions in certain Asset-Backed Securities, the transaction size (volume) as required by paragraph (d)(2) below;

(3) through (7) No Change.

(8) Time of Execution [trade execution];

(9) through (12) No Change.

**(d) Procedures for Reporting Price, Capacity, Volume**

**(1) Price**

For principal transactions, report the price, which must include the mark-up or mark-down. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) For agency transactions, report the price, which must exclude the commission. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.)

Except for Asset-Backed Securities[Then], report the commission, stated in points per bond (e.g., for corporate bonds, [with] 1 point equals [to] \$10.00 per bond).

For Asset-Backed Securities, report the total dollar amount of the commission.

**(2) Size (Volume)**

Except for Asset-Backed Securities, [For agency and principal transactions,] report the actual number of bonds traded, with \$1,000 par value equal to 1 bond. If a bond has a par value of less than \$1,000 (“baby bond”) or the par value is not an even multiple of \$1,000, report the fractional portion of \$1,000 in decimals. For amortizing Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, report the original face value of such security and the Factor the member used to execute the transaction, if such Factor is not the most current Factor publically available at the Time of Execution. For Asset-Backed Securities that do not amortize, report the total par value of the transaction.

**(3) Crosses**

For in-house cross transactions, a member must report two transactions, which are the member’s purchase transaction and the member’s sale transaction.

**(4) Modifiers; Indicators**

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

**(A) No Change.**

**(B) Settlement Modifiers**

(i) Except for Asset-Backed Securities transactions, if a transaction will be settled other than on T + 3, select the modifier:

a. “.c,” to indicate agreement to settle on the same day the transaction is executed;

b. “.nd,” to indicate agreement to settle on the next day; or

c. “.sNN,” when a. and b. do not apply, to indicate agreement to settle in a specified number of days (e.g., “.s05” or “.s45”).

(ii) For transactions in Asset-Backed Securities, report the actual settlement date of the transaction and an indicator that:

a. the transaction will settle “regular way” (i.e., T + 3 or in conformity with the uniform practices established as “good delivery” for the type of Asset-Backed Security traded); or

b. the transaction will not settle “regular way” (i.e., not T + 3 or not in conformity with the uniform practices established as “good delivery” for the type of Asset-Backed Security traded). [If a transaction is to be settled other than the regular way, report the settlement terms by selecting the appropriate modifier. If the parties agree to settlement on the same day the transaction is executed (i.e., cash settlement), select the modifier, “.c.” If a trade

will be settled the next day, select the modifier, “.nd.” If a trade will be settled other than on the date of trade, the next day, or T+3, select the modifier, “.sNN,” and enter the appropriate number of days (e.g., if a trade will be settled in 5 business days, the reporting party will enter “.s05” in the data field).]

(C) through (D) No Change.

**(E) Asset-Backed Security Indicators**

Select the indicator:

(i) “.O,” if the transaction is a Specified Pool Transaction;

(ii) “.N,” if the transaction is a Stipulation Transaction;

(iii) “.D,” if the transaction is a Dollar Roll;

or

(iv) “.L,” if the transaction is a Dollar Roll and a

Stipulation Transaction.

**(e) Reporting Requirements [F]for Certain Transactions and Transfers of Securities**

The following shall not be reported:

(1) through (6) No Change.

(f) No Change.

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**6750. Dissemination of Transaction Information**

(a) No Change.

**(b) Transaction Information Not Disseminated**

FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is:

(1) No Change.

(2) a transfer of proprietary securities positions between a member and another member or non-member broker-dealer where the transfer (A) is effected in connection with a merger of one broker-dealer with the other broker-dealer or a direct or indirect acquisition of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company and (B) is not in furtherance of a trading or investment strategy. Such transfers shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances; [or]

(3) a List or Fixed Offering Price Transaction or a Takedown Transaction;  
or.]

(4) an Asset-Backed Security.

**6760. Obligation To Provide Notice**

**(a) Members Required to Provide Information and Notice**

(1) In order to facilitate trade reporting and dissemination of transactions in TRACE-Eligible Securities, a member that is the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser, of a distribution or offering, excluding a secondary distribution or offering, of a debt security that, upon issuance will be a TRACE-Eligible Security (“new issue”), must obtain and provide information to FINRA Operations as required below. For purposes of this Rule, a member that is a Sponsor or an Issuing Entity of an Asset-Backed Security shall be treated as a managing underwriter. If a managing underwriter (or a lead initial purchaser) is not appointed by the issuer, an underwriter, or, if there are no underwriters, an initial purchaser must provide the information required under this Rule. If a managing underwriter (or a lead initial purchaser) is not appointed, and there are multiple underwriters (or initial purchasers), the underwriters (or initial purchasers) may submit a single notice containing the required information to FINRA Operations.

(2) No Change.

**(b) Notices**

For such new issues, the managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must provide to FINRA Operations: (1) the CUSIP number or if a CUSIP number is not available, a similar numeric identifier (e.g., a mortgage pool number) or a FINRA symbol ([or, a TRACE symbol, which is] assigned by FINRA upon request); (2) the issuer name, or, for an Asset-Backed Security, the names of the Issuing Entity and the Sponsor; (3) the

coupon rate; (4) the maturity; (5) whether Securities Act Rule 144A applies; (6) the time that the new issue is priced, and, if different, the time that the first transaction in the distribution or offering is executed; (7) a brief description of the issue (e.g., senior subordinated note, senior note); and, (8) such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-Eligible Security, or if any of items (2) through (8) has not been determined or a CUSIP number (or a similar numeric identifier or a FINRA symbol as referenced above) will not be assigned or is not available when notice must be given, such other information as FINRA deems necessary. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must obtain the CUSIP number (or a similar numeric identifier or a FINRA symbol as referenced above) [or a similar numeric identifier] and provide it and the information listed as (2) through (8) prior to the execution of the first transaction in the distribution or offering. For distributions or offerings of new issues that are priced and commence on the same business day between 9:30 a.m. Eastern Time and 4:00 p.m. Eastern Time, the person or persons required to provide information to FINRA Operations must provide as much of the information set forth above that is available prior to the execution of the first transaction in the distribution or offering and all other information required under this Rule within 15 minutes of the Time of Execution of the first transaction in such distribution or offering. The managing underwriter, or if a managing underwriter is not appointed, an underwriter, or, if there are no underwriters, an initial purchaser must make a good faith determination that the security is a TRACE-Eligible Security before submitting the information to FINRA Operations.



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**7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES**

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**7730. Trade Reporting and Compliance Engine (TRACE)**

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine (“TRACE”):

<b>System Fees</b>	<b>Transaction Reporting Fees</b>	<b>Data Fees</b>
Level I Trade Report Only Web Browser Access — \$20/month per user ID	Trades up to and including \$200,000 par value — \$0.475/trade_[;] ( <u>For Asset- Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, size (volume) is the lesser of original face value or Remaining Principal Balance (or the equivalent) at the Time of Execution of the transaction.</u> )	Market Data: BTDS Professional Real-Time Data Display — \$60/month per terminal per Data Set of Real-Time TRACE transaction data, or a flat fee of \$7,500/month per Data Set of Real-Time TRACE transaction data, entitling Professionals to make unlimited internal use of such Data Set(s) on any number of interrogation or display devices.
Level II Full Service Web Browser Access — Subscription for a single user ID or the first user ID - \$50/month (includes one Data Set); \$80/month (includes two Data Sets) Subscription for additional user IDs - \$80/month per user ID		

<p>(includes one Data Set); \$140/month per user ID  (includes two Data Sets)</p>	<p>Trades between \$200,001 and \$999,999 par value —  \$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000).  <u>(See note above regarding certain Asset-Backed Securities.)</u>  Trades of \$1,000,000 par value or more —  \$2.375/trade. <u>(See note above regarding certain Asset-Backed Securities.)</u></p>	
<p>CTCI/Third Party —  \$25/month/per firm</p>	<p>Cancel/Correct —  \$1.50/trade</p>	<p>Market Data: Vendor Real-Time Data Feed —  \$1,500/month per Data Set of Real-Time TRACE transaction data for receipt of continuous Real-Time TRACE transaction data in such Data Sets, except for qualifying Tax-Exempt</p>

		Organizations, or \$250/month per Data Set of Snapshot Real-Time TRACE transaction data for daily receipt of such Data Set(s).
	“As/of” Trade Late – \$3/trade	Market Data: Vendor Real- Time Data Feed — \$400/month per Data Set of Real-Time TRACE transaction data for such Data Set(s) for qualifying Tax-Exempt Organizations.
		Market Data: BTDS Non- Professional Real-Time Data Display — No charge.
		Historic TRACE Data: Set- Up Fee - a single fee of \$2,000 for development and set-up to receive Historic TRACE Data, except for qualifying Tax-Exempt Organizations.

		<p>Historic TRACE Data:  Set-Up Fee - a single fee of \$1,000 for development and set-up to receive Historic TRACE Data for qualifying Tax-Exempt Organizations.</p>
		<p>Historic TRACE Data: Fee - \$2,000/calendar year per Data Set for receipt of Historic TRACE Data, except for qualifying Tax-Exempt Organizations. The 2003 Historic Corporate Bond Data Set also includes the 2002 Historic Corporate Bond Data Set. The data is enabled for internal use and internal and/or external desktop display distribution. Bulk re-distribution of data is not permitted.</p>
		<p>Historic TRACE Data:  Bulk Re-Distribution Fee –</p>

		<p>except for qualifying Tax-Exempt Organizations, \$1/CUSIP per calendar year (or part thereof) within a single Data Set of Historic TRACE Data per each recipient of re-distributed data; maximum fee per Data Set of \$1,000/calendar year (or part thereof) per each recipient of re-distributed data.</p>
		<p>Historic TRACE Data: Bulk Re-Distribution Fee – for qualifying Tax-Exempt Organizations, \$500/calendar year per Data Set for receipt of Historic TRACE Data. The 2003 Historic Corporate Bond Data Set also includes the 2002 Historic Corporate Bond Data Set. The data is</p>

		<p>enabled for internal use and internal and/or external desktop display. Bulk re-distribution of data is permitted with certain restrictions.</p>
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(a) No Change.

**(b) Transaction Reporting Fees**

For each transaction in a TRACE-Eligible Security that is reportable to FINRA pursuant to the Rule 6700 Series, the following charges shall be assessed against each member responsible for reporting the transaction:

**(1) Trade Reporting Fee**

(A) A member shall be charged a Trade Reporting Fee based upon a sliding scale ranging from \$0.475 to \$2.375 per transaction based on the size of the reported transaction. Except as set forth in subparagraph (B) below, [T]trades up to and including \$200,000 par value will be charged a \$0.475 fee per trade; trades between \$200,001 par value and \$999,999 par value will be charged a fee of \$0.000002375 times the par value of the transaction (i.e., \$0.002375 per \$1,000) per trade; and trades of \$1,000,000 par value or more will be charged a fee of \$2.375 per trade.

(B) For Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, the size (volume) of a transaction is the lesser of the

original face value or the Remaining Principal Balance. A member shall be charged a trade reporting fee based upon the sliding scale as set forth in subparagraph (A) above.

(C) A member that is required to report a List or Fixed Offering Price Transaction or a Takedown Transaction shall not be charged the fees in [this sub]paragraphs (b)(1)(A) and (B) for such transactions.

**(2)** through **(3)** No Change.

**(c)** through **(f)** No Change.

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