

submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2016-07 and should be submitted on or before September 14, 2016.

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

The Commission finds good cause for approving the proposed rule change, as amended by Amendment No. 1, prior to the 30th day after the date of publication of notice in the **Federal Register**. As discussed above, Amendment No. 1 amends the proposed rule change by shortening the required time frame for firms to resolve an inter-dealer fail from 20 calendar days to 10 calendar days, and permitting the buyer to grant the seller a one-time 10 calendar day extension.

The MSRB has proposed the revisions included in Amendment No. 1 to further reduce the risk and cost associated with inter-dealer fails. As noted by the MSRB, the only substantive change to the proposed amendment, the shortening of the close-out period, was made to address concerns raised during the comment period. The MSRB has further noted that, in light of the stated goal of the original proposal to compress the timing for initiating and completing a close-out, the revisions are consistent with the original proposal and are unlikely to be controversial.

For the foregoing reasons, the Commission finds good cause for approving the proposed rule change, as modified by Amendment No. 1, on an accelerated basis, pursuant to Section 19(b)(2) of the Act.

#### VII. Conclusion

*It Is Therefore Ordered*, pursuant to Section 19(b)(2) of the Act,<sup>21</sup> that the proposed rule change (SR-MSRB-2016-07), as modified by Amendment No. 1, be, and hereby is, approved on an accelerated basis.

For the Commission, pursuant to delegated authority.<sup>22</sup>

**Robert W. Errett**,  
Deputy Secretary.

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#### SECURITIES AND EXCHANGE COMMISSION

##### Proposed Collection; Comment Request

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE., Washington, DC 20549-2736.

##### Extension:

Rule 17a-3, SEC File No. 270-026, OMB Control No. 3235-0033.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 *et seq.*) the Securities and Exchange Commission ("Commission") is soliciting comments on the existing collection of information provided for in Rule 17a-3 (17 CFR 240.17a-3), under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*). The Commission plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for extension and approval.

Rule 17a-3 under the Securities Exchange Act of 1934 establishes minimum standards with respect to business records that broker-dealers registered with the Commission must make and keep current. These records are maintained by the broker-dealer (in accordance with a separate rule), so they can be used by the broker-dealer and reviewed by Commission examiners, as well as other regulatory authority examiners, during inspections of the broker-dealer.

The collections of information included in Rule 17a-3 are necessary to provide Commission, self-regulatory organization ("SRO") and state examiners to conduct effective and efficient examinations to determine whether broker-dealers are complying with relevant laws, rules, and regulations. If broker-dealers were not required to create these baseline,

standardized records, Commission, SRO and state examiners could be unable to determine whether broker-dealers are in compliance with the Commission's antifraud and anti-manipulation rules, financial responsibility program, and other Commission, SRO, and State laws, rules, and regulations.

As of April 1, 2016 there were 4,104 broker-dealers registered with the Commission. The Commission estimates that these broker-dealer respondents incur a total burden of 2,763,566 hours per year to comply with Rule 17a-3.

In addition, Rule 17a-3 contains ongoing operation and maintenance costs for broker-dealers, including the cost of postage to provide customers with account information, and costs for equipment and systems development. The Commission estimates that under Rule 17a-3(a)(17), approximately 41,143,233 customers will need to be provided with information regarding their account on a yearly basis. The Commission estimates that the postage costs associated with providing those customers with copies of their account record information would be approximately \$13,577,267 per year (41,143,233 × \$0.33).<sup>1</sup> The staff estimates that broker-dealers establishing liquidity, credit, and market risk management controls pursuant to Rule 17a-3(a)(23) incur one-time startup costs of \$924,000, or \$308,000 amortized over a three-year approval period, to hire outside counsel to review the controls. The staff further estimates that the ongoing equipment and systems development costs relating to Rule 17a-3 for the industry would be about \$30,677,094 per year.

Consequently, the total cost burden associated with Rule 17a-3 would be approximately \$44,562,361 per year.

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

<sup>1</sup> Estimates of postage costs are derived from past conversations with industry representatives and have been adjusted to account for inflation and increases in postage costs.

<sup>21</sup> 15 U.S.C. 78s(b)(2).

<sup>22</sup> 17 CFR 200.30-3(a)(12).

writing within 60 days of this publication.

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

Please direct your written comments to: Pamela Dyson, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 100 F Street NE., Washington, DC 20549, or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: August 19, 2016.

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-78609; File No. SR-FINRA-2016-031]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Use of the Alternative Display Facility for Trade Reporting Purpose Only

August 18, 2016.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 11, 2016, 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. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing a proposed rule change relating to use of the Alternative Display Facility (“ADF”) by FINRA members for trade reporting purposes only.

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

#### II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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

On January 20, 2016, FINRA published a *Trade Reporting Notice* with guidance on firms’ over-the-counter (“OTC”) equity trade reporting obligations in the event of a systems issue during the trading day that prevents them from reporting OTC trades in NMS stocks in accordance with FINRA rules.<sup>4</sup> As set forth in the *Notice*, a firm that routinely reports its OTC trades in NMS stocks to only one FINRA trade reporting facility (a firm’s “primary facility”) must establish and maintain connectivity and report to a second FINRA trade reporting facility (a firm’s “secondary facility”), if the firm intends to continue to support OTC trading as an executing broker while its primary facility is experiencing a widespread systems issue.<sup>5</sup> FINRA currently has three facilities that support member reporting of OTC trades in NMS stocks, as defined in SEC Rule 600(b) of Regulation NMS: the ADF and two Trade Reporting Facilities (“TRFs”). The TRFs are facilities that are operated by both FINRA and its exchange partners (NASDAQ and NYSE).

<sup>4</sup> See *Trade Reporting Notice*, January 20, 2016 (OTC Equity Trading and Reporting in the Event of Systems Issues).

<sup>5</sup> As discussed in the *Notice*, if a firm chooses not to have connectivity to a secondary facility, it should cease executing OTC trades altogether when its primary trade reporting facility is experiencing a widespread systems issue. In that instance, the firm could route orders for execution to an exchange or another FINRA member (*i.e.*, a member with connectivity and the ability to report to a FINRA trade reporting facility that is operational).

Since publication of the *Trade Reporting Notice*, a number of firms have inquired about using the ADF as their secondary facility for trade reporting, and at least one has inquired about using the ADF as its primary facility. While the ADF historically has not been used by members for trade reporting without quoting activity, there is nothing in the ADF rules<sup>6</sup> to prohibit it. Thus, to better accommodate firms in their efforts to comply with the guidance in the *Trade Reporting Notice*, and to provide an alternative to connecting to both TRFs, FINRA will make the ADF available to members for trade reporting purposes only.<sup>7</sup> FINRA currently is making systems updates to the ADF and anticipates that the ADF will be available to members before the end of this year.<sup>8</sup> Members that use the ADF for trade reporting purposes only would not be able to quote on the ADF without registering under one of the two categories of “ADF Market Participant” under current ADF rules (*i.e.*, Registered Reporting ADF ECN and Registered Reporting ADF Market Maker) and satisfying all applicable requirements for quoting.<sup>9</sup>

Because the substantive trade reporting and trade reporting participation requirements under current ADF rules are consistent with the trade reporting and participation requirements applicable to the TRFs,<sup>10</sup> significant rulemaking is not needed to enable firms to use the ADF for trade reporting purposes only. However, FINRA is proposing the following additional requirements that would apply specifically to members that use the ADF for trade reporting purposes only.

<sup>6</sup> See Rule 6200 and 7100 Series.

<sup>7</sup> While members will have the option of using the ADF as their primary facility for trade reporting, FINRA anticipates that members would be more likely to use the ADF as their secondary facility. FINRA has historically operated the ADF as a utility and has not attempted to actively attract participants in the OTC trade reporting space. For example, FINRA does not offer a market data revenue share program for the ADF comparable to the TRFs. See Rules 7610A and 7610B.

<sup>8</sup> FINRA notes that in addition to the systems updates that will be completed this year, the ADF may need additional infrastructure enhancements to support significant trade reporting volume. However, the necessary enhancements, and the time it may take to make those enhancements, will not be known until FINRA has a more concrete understanding of the level of firms’ interest in using the ADF for trade reporting purposes only and their potential volume.

<sup>9</sup> For example, in addition to registration, FINRA rules include certification and deposit requirements for ADF quoting participants, as well as capacity fees and penalties. See, *e.g.*, Rules 6271 and 7580.

<sup>10</sup> See, *e.g.*, Rules 6282 and 7120; 6380A and 7220A; and 6380B and 7220B.

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

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

<sup>3</sup> 17 CFR 240.19b-4(f)(6).