7. This estimate assumes that two-thirds (1,934) of the internal hours are spent by in-house attorneys to prepare the plan (1,934 hours × $484 estimated hourly rate = $936,056 per year) and that one-third (967) are spent by the fund's board of directors to approve the plan (967 hours × $4,770 per hour = $4,612,590).

8. $936,056 + $4,612,590 = $5,548,646.

The information provided under rule 18f–3 will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: *www.reginfo.gov.* Find this particular information collection by selecting ''Currently under 30-day Review—Open for Public Comments'' or by using the search function. Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice by February 26, 2024 to (i) *MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov* and (ii) David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o John Pezzullo, 100 F Street NE, Washington, DC 20549, or by sending an email to: *PRA_Mailbox@sec.gov.*

Dated: January 22, 2024.

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2024–01437 Filed 1–24–24; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–99404; File No. SR–FINRA–2024–004]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 6730 (Transaction Reporting) To Reduce the 15-Minute TRACE Reporting Timeframe to One Minute

January 19, 2024.

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 January 11, 2024, 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 amend FINRA Rule 6730 to reduce the 15-minute TRACE reporting timeframe to one minute, with exceptions for member firms with *de minimis* reporting activity and for manual trades.

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

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

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

(i) Background

FINRA has collected and disseminated transaction information in fixed income securities through TRACE since 2002.[3] Since the implementation of TRACE, the fixed income markets have changed dramatically, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. With these changes, FINRA has been considering ways to modernize the reporting rules and provide for more timely, granular and informative data to enhance the value of disseminated transaction data.

FINRA rules specify the applicable outer-limit reporting timeframe for different types of TRACE-Eligible Securities,[4] and these timeframes have been adjusted over time in line with changes in the markets. A 15-minute outer-limit reporting timeframe currently applies to most transactions [5] in corporate bonds, agency debt securities,[6] asset-backed securities (ABS) [7] and agency pass-through mortgage-backed securities (MBS) traded to-be-announced (TBA) for good delivery (GD).[8] The 15-minute reporting

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

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 43873 (January 23, 2001), 66 FR 8131 (January 29, 2001) (Order Approving File No. SR–NASD–99–65).

[4] ''TRACE-Eligible Security'' means a debt security that is United States (U.S.) dollar-denominated and is: (1) 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; (2) issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); (3) a U.S. Treasury Security as defined in paragraph (p); or (4) a Foreign Sovereign Debt Security as defined in paragraph (kk). ''TRACE-Eligible Security'' does not include a debt security that is a Money Market Instrument as defined in paragraph (o). *See* Rule 6710(a).

[5] A ''List or Fixed Offering Price Transaction,'' as defined in Rule 6710(q), and a ''Takedown Transaction,'' as defined in Rule 6710(r) are required to be reported to TRACE by the next business day (T+1). *See* Rule 6730(a)(2).

[6] ''Agency Debt Security'' means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n); or (iii) issued by a trust or other entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. The term excludes a U.S. Treasury Security as defined in paragraph (p) and a Securitized Product as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the Securitizer as defined in paragraph (s) (or similar person), or the guarantor of the Securitized Product. *See* Rule 6710(l).

[7] ''Asset-Backed Security'' means a type of Securitized Product where the Asset-Backed Security is collateralized by any type of financial asset, such as a consumer or student loan, a lease, or a secured or unsecured receivable, and excludes: (i) a Securitized Product that is backed by residential or commercial mortgage loans, mortgage-backed securities, or other financial assets derivative of mortgage-backed securities; (ii) an SBA-Backed ABS as defined in paragraph (bb) traded To Be Announced as defined in paragraph (u) or in a Specified Pool Transaction as defined in paragraph (x); and (iii) a collateralized debt obligation. *See* Rule 6710(cc).

[8] ''Agency Pass-Through Mortgage-Backed Security'' means a type of Securitized Product issued in conformity with a program of an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise (GSE) as defined in paragraph (n), 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. *See* Rule 6710(v). ''To Be Announced'' (TBA) means a transaction in

timeframe has been in place for corporate bonds since 2005, and later was implemented for agency debt, ABS, and MBS TBA GD.[9]

Thus, today, transactions in these securities are generally required to be reported as soon as practicable[10] but no later than 15 minutes from the time of execution, and FINRA publicly disseminates information on the transaction immediately upon receipt.[11] As discussed in more detail below, FINRA has found that 82.9 percent of trades in the TRACE-Eligible Securities that are currently subject to the 15-minute outer-limit reporting timeframe were reported within one minute of execution. In light of the technological advances in the intervening 18 years since FINRA first adopted the 15-minute reporting requirement, including the increase in electronic trading, and consistent with FINRA's longstanding goals of increasing transparency and improving access to timely transaction data, FINRA is proposing updates to modernize the reporting timeframes and provide timelier transparency. FINRA will continue to assess its TRACE reporting requirements and member reporting and consider whether any adjustments to the one-minute requirement are warranted.

(ii) Proposed Rule Change To Implement One-Minute Reporting

FINRA is proposing amendments to Rule 6730 (Transaction Reporting) to reduce the trade reporting timeframe for securities currently subject to the 15-minute reporting outer limit to one minute, with exceptions for member firms with *de minimis* reporting activity and for manual trades, discussed further below. As is the case today, FINRA would make information on the transactions publicly available immediately upon receipt of the trade reports.

Under existing Rule 6730(a)(1), transactions in corporate bonds, agency debt, ABS, and MBS TBA GD generally must be reported as soon as practicable, but no later than within 15 minutes of execution. Specifically, transactions executed on a business day at or after 12:00:00 a.m. ET through 7:59:59 a.m. ET must be reported the same day no later than 15 minutes after the TRACE system opens. Transactions executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported no later than within 15 minutes of the Time of Execution, except for transactions executed on a business day less than 15 minutes before 6:30 p.m. ET, which must be reported no later than 15 minutes after the TRACE system opens the next day (and, if reported on T+1, designated ''as/of'' with the date of execution). Finally, transactions executed on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, must be reported on the next business day no later than 15 minutes after the TRACE system opens (and must be designated ''as/of'' and include the date of execution).

To provide more timely information about transactions in corporate bonds, agency debt, ABS, and MBS TBA GD, subject to the exceptions discussed below and as provided in Rule 6730(a)(2), FINRA is proposing to amend Rule 6730(a)(1) to reduce the trade reporting timeframe as follows. Amended Rule 6730(a)(1) would provide that transactions must be reported as soon as practicable, but no later than within one minute of the Time of Execution.[12] Amended Rule 6730(a)(1)(B) would require that a transaction executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported as soon as practicable, but no later than one minute from the Time of Execution, except that, a transaction executed on a business day less than one minute before 6:30:00 p.m. ET, must be reported no later than 15 minutes after the TRACE system opens the next business day (T+1) (and, if reported on T+1, designated ''as/of'' with the date of execution). Any trades executed on a business day prior to the open of the TRACE system, on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day would continue to be reportable as soon as practicable on the next business day (T+1), but no later than within 15 minutes after the TRACE system opens (and must be designated ''as/of,'' as appropriate, and include the date of execution).

(iii) Exceptions From One-Minute Reporting

FINRA is proposing two exceptions from the one-minute reporting timeframe for: (1) member firms with ''limited trading activity'' in the TRACE-Eligible Securities that are subject to one-minute reporting; and (2) manual trades.[13]

an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) or an SBA-Backed ABS as defined in paragraph (bb) where the parties agree that the seller will deliver to the buyer a pool or pool(s) of a specified face amount and meeting certain other criteria but the specific pool or pool(s) to be delivered at settlement is not specified at the Time of Execution, and includes TBA transactions ''for good delivery'' (GD) and TBA transactions ''not for good delivery'' (NGD). *See* Rule 6710(u).

[9] In 2004, FINRA (then NASD) reduced the timeframe for reporting corporate bonds to within 15 minutes of the time of execution. *See* Securities Exchange Act Release No. 49845 (June 14, 2004), 69 FR 35088 (June 23, 2004) (Order Approving File No. SR–NASD–2004–057); *see* also Notice to Members 04–51 (July 2004). Agency debt has been subject to the 15-minute reporting timeframe since it became TRACE-Eligible in 2010. *See* Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (Order Approving File No. SR–FINRA–2009–010); *see also* Regulatory Notice 09–57 (September 2009). MBS TBA GD became subject to the 15-minute reporting timeframe in 2013, and the reporting timeframe for ABS was reduced to 15 minutes in 2015. *See* Securities Exchange Act Release No. 66829 (April 18, 2012), 77 FR 24748 (April 25, 2012) (Order Approving File No. SR–FINRA–2012–020); Securities Exchange Act Release No. 71607 (February 24, 2014), 79 FR 11481 (February 28, 2014) (Order Approving File No. SR–FINRA–2013–046); *see also* Regulatory Notices 12–26 (May 2012) and 14–34 (August 2014).

[10] In 2015, the SEC approved amendments to FINRA rules to require firms to report transactions in TRACE-Eligible Securities as soon as practicable. *See* Securities Exchange Act Release No. 75782 (August 28, 2015), 80 FR 53375 (September 3, 2015) (Order Approving File No. SR–FINRA 2015–025).

[11] FINRA Rule 6730(a)(1) sets forth the requirements for when trades executed during different time periods throughout the day must be reported to TRACE. Currently, corporate, agency, ABS, and MBS TBA GD transactions executed on a business day at or after 12:00:00 a.m. Eastern Time (ET) through 7:59:59 a.m. ET must be reported the same day, no later than 15 minutes after the TRACE system opens. Transactions executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported as soon as practicable, but no later than 15 minutes of the Time of Execution, except for transactions executed on a business day less than 15 minutes before 6:30 p.m. ET, which must be reported no later than 15 minutes after the TRACE system opens the next day (and, if reported on T+1, designated ''as/of'' with the date of execution). Finally, transactions executed on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, must be reported on the next business day, no later than 15 minutes after the TRACE system opens (and must be designated ''as/of'' and include the date of execution).

[12] Under Rule 6710(d), the ''Time of Execution'' generally means the time when the parties to a transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade. For transactions involving TRACE-Eligible Securities that are trading ''when issued'' on a yield basis, the ''Time of Execution'' is when the yield for the transaction has been agreed to by the parties to the transaction.

[13] FINRA is also proposing a conforming amendment to Supplementary Material .03 to refer to the Rule generally rather than ''paragraph (a)'' to reflect that members reporting pursuant to one of the exceptions in new Supplementary Material .08 and .09 are still required to report their trades ''as soon as practicable.''

Exception for Members With ''Limited Trading Activity''

New Supplementary Material .08 would provide an exception to the one-minute reporting timeframe for members with ''limited trading activity.'' A member with ''limited trading activity'' would be defined as a member that, during one of the prior two calendar years, reported to TRACE fewer than 4,000 transactions in the TRACE-Eligible Securities that are subject to paragraphs (a)(1)(A) through (a)(1)(D) of Rule 6730 (*i.e.,* corporate bonds, agency debt, ABS and MBS TBA GD), including any manual trades. Supplementary Material .08(b) would require members relying on the exception to confirm annually their qualification for the exception.[14] As outlined in Supplementary Material .08(c), members qualifying for the exception would be required to report these trades as soon as practicable, but no later than within 15 minutes of the Time of Execution (or in the case of a trade executed outside of TRACE system hours, less than 15 minutes before 6:30 p.m. ET, or on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, as soon as practicable, but no later than within 15 minutes after the TRACE system opens the next business day (T+1)).

Members that exceeded the 4,000-trade threshold two calendar years in a row would be required to comply with the one-minute reporting requirements of paragraphs (a)(1)(A) through (a)(1)(D) of the Rule beginning 90 days after the firm no longer meets the criteria for the exception (*i.e.,* beginning 90 days after January 1 of the next calendar year). If a member's reporting activity subsequently dropped below the 4,000-trade threshold, the member would once again be eligible for the exception. For example, a member that reported 3,000 trades in the relevant TRACE-Eligible Securities to TRACE in 2022 and then 4,150 trades in 2023 would continue to be eligible for the exception in 2024; however, if the member then reported 4,100 trades in 2024, the member would be required to comply with the one-minute reporting requirements starting 90 days after January 1, 2025 (with January 1 being day one of 90). If the member proceeded to report 3,500 trades in 2025, the member would once again be eligible for the exception from one-minute reporting for 2026 under the two-year lookback. FINRA believes that the two-year lookback period for eligibility for the exception will accommodate fluctuations in trading activity that may be due to unusual market-wide events or unique client demands.

Manual Trades Exception

New Supplementary Material .09 would provide an exception for manual trades that would afford firms additional time to report transactions that are not electronic from end to end, as described further below. Where a trade qualifies for the manual trades exception, a 15-minute outer limit would apply for the first year following implementation; a 10-minute outer limit would apply for the second year; and a five-minute outer limit would apply thereafter.

The manual trades exception would apply narrowly only to ''transactions that are manually executed'' or where a ''member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQS website or into a system that facilitates trade reporting to TRACE.'' Thus, a trade that requires manual intervention at any point to complete the trade execution or reporting process would qualify for the manual trades exception. In that regard, while an exhaustive list cannot be provided here, FINRA contemplates that the exception would be available for a variety of situations that meet the specified criteria, including, for example:

- where a member executes a trade[15] by manual or hybrid means, such as by telephone, email, or through a chat/messaging function,[16] and subsequently must manually enter into a system that facilitates trade reporting all or some of the information required to book the trade and report it to TRACE;
- where allocations to individual accounts must be manually input in connection with a trade by a dually-registered broker-dealer/investment adviser;
- where an electronic trade is subject to manual review for risk management or regulatory compliance purposes and, as part of or following the review, the trade must be manually approved, amended, or released before the trade is reported to TRACE (*e.g.,* a firm's risk management procedures require a secondary approver for trades over a certain threshold; a firm's best execution procedures require manually checking another market to confirm that a better price is not available to the customer);
- where a member trades a bond for the first time and additional manual steps are necessary to set the bond up in the firm's systems to book and report the trade (*e.g.,* entering the CUSIP number and associated bond data into the firm's system); and
- where a member agrees to trade a basket of securities at a single price and manual action is required to calculate the price of component securities in the basket or to book and report the trade in component securities to TRACE.

The above examples are illustrative of the types of circumstances in which, due to the manual nature of components of the trade execution or reporting process, reporting a transaction within one minute of the Time of Execution may be unfeasible, even where a member makes reasonable efforts to report the trade as soon as practicable (as required). FINRA also will assess members' trade reporting in connection with manual trades to determine whether the five-minute trade reporting timeframe (to become applicable after two years) is appropriate, and will be prepared to make adjustments, as necessary.

FINRA has extensive experience and data regarding members' historic behaviors reporting transactions to TRACE under a myriad of scenarios. FINRA will be reviewing the use of the manual trades exception—members may not, in any case, purposely delay the execution or reporting of a transaction by handling any aspect of a trade manually or introducing manual steps following the Time of Execution. Additionally, in light of the overarching obligation to report trades as soon as practicable, members should consider the types of transactions in which they regularly engage and whether they can reasonably reduce the time between a trade's Time of Execution and its reporting, and more generally must make a good faith effort to report their trades as soon as practicable.

In addition, FINRA proposes to amend Rule 6730(d)(4) to require that any member that executes or reports a trade manually append a manual trade

[14] Evidence of this confirmation should be retained as part of the member's books and records; however, members eligible for the exception will not need to take affirmative steps to have their trade reports processed pursuant to the exception's 15-minute reporting timeframe (*e.g.,* members eligible for the exception will not need to submit a certification of eligibility to FINRA or add a modifier or indicator to their trade reports).

[15] As noted above, for purposes of Rule 6730, the reporting timeframe is measured from the Time of Execution as defined by Rule 6710(d), which generally refers to the time that the parties have agreed to all of the terms of the transaction sufficient to calculate the dollar price of the trade (or yield, in the case of when-issued securities priced to a spread).

[16] FINRA reminds members of their obligation to retain these electronic communications as part of their books and records, consistent with FINRA and SEC recordkeeping requirements. *See, e.g.,* Notice to Members 03–33 (July 2003).

indicator to the trade report so that FINRA can identify manual trades. The new manual trade indicator would be required regardless of whether the member reported the manual trade outside of the one-minute timeframe in reliance on the manual trades exception, which would provide FINRA with important insights into manual trading and the use of the exception. The manual trade indicator would be used for regulatory purposes and would not be included in the TRACE data publicly disseminated.

Finally, FINRA is proposing to amend Rule 6730(f) to provide that a pattern or practice of late reporting may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010, absent ''reasonable justification'' (in addition to the rule's existing reference to ''exceptional circumstances'').[17] FINRA believes that the addition of ''reasonable justification'' as a relevant factor in FINRA's evaluation of a firm experiencing a pattern or practice of late reporting is appropriate given the proposed reduction in the trade reporting timeframe; [18] for example, to enable FINRA to determine that reasonable justification exists due to circumstances that could not reasonably be anticipated or prevented and that could not be resolved by the firm within the one minute reporting timeframe.[19] However, members must have sufficiently robust systems with adequate capability and capacity to enable them to report in accordance with FINRA rules; thus, recurring systems issues in a member firm's or a vendor's systems would not be considered reasonable justification or exceptional circumstances under Rule 6730(f) to excuse a pattern or practice of late trade reporting.[20]

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a *Regulatory Notice.*

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[21] 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, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest.

FINRA believes that reducing the reporting timeframe to as soon as practicable, but no later than within one minute from the time of execution for corporate, agency, ABS and MBS TBA GD transactions helps achieve the purposes of the Act. As discussed above, the 15-minute reporting timeframe has been in place for corporate bonds and agency debt securities since 2005. Since that time, the fixed income markets have changed dramatically, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. With these changes, FINRA has been considering ways to modernize the rule and provide for more timely, granular and informative data to enhance the value of disseminated transaction data. FINRA believes that the proposed rule change helps achieve the purposes of the Act in that it will improve the timeliness of information reported to TRACE, thereby benefiting transparency and allowing investors and other market participants to obtain and evaluate more timely pricing information for these securities. FINRA also believes that the proposed exceptions from the one-minute reporting requirement for members with *de minimis* reporting activity and manual trades are appropriate in that they are tailored to balance the burdens on members with the benefits to transparency.

B. 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.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to further analyze the regulatory need for the proposed rule change, its potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives considered in assessing how best to meet its regulatory objective.

[17] *See, e.g.,* Rule 6623 describing ''exceptional circumstances'' as instances of system failure by a member or service bureau, or unusual market conditions, such as extreme volatility in a security, or in the market as a whole.

[18] This proposed rule change would also make Rule 6730(f) consistent with other FINRA trade reporting rules that impose shorter reporting timeframes. *See, e.g.,* Rule 6622(a)(4).

[19] As is the case today, late trade statistics regarding trades reported outside of the applicable timeframe would be reflected in the Report Cards available to members. FINRA would update its Report Cards to take into consideration the proposed exception for firms with *de minimis* reporting activity and for manual trades. In addition, FINRA plans to enhance its TRACE Report Cards to include metrics that will facilitate members' ability to track their eligibility for the *de minimis* exception. While these trade statistics will continue to be available to members on their TRACE Report Cards, these statistics are not publicly available.

[20] *See, e.g.,* FINRA Trade Reporting Frequently Asked Questions, Q206.21 available at *https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq.*

[21] 15 U.S.C. 78*o*–3(b)(6).

As described below in more detail, approximately 83 percent of transactions in TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe are reported within one minute of execution. However, there is significant variation in reporting timeframes within and across member firms of different sizes and across different products. The proposed *de minimis* and manual trades exceptions balance the benefits of timelier reporting with the potential costs of disrupting markets and disproportionally impacting less active and smaller participants. FINRA estimates that, as a result of this proposed rule change, after adjusting for the proposed *de minimis* exception, up to 16.4 percent of current annual trading volume, or 6.1 million trades and 20 trillion dollars in par value, might potentially be reported faster (this represents an upper end estimate—impacted by the extent to which firms do or do not rely on the proposed manual trades exception with respect to such trades (manual trades are not currently identifiable as such in TRACE data)).[22]

Regulatory Need

As discussed previously, over the last 18 years there have been significant advancements in the fixed income markets, and in recognition of those advancements, FINRA is proposing to reduce the TRACE trade reporting timeframe for transactions in all TRACE-Eligible Securities that currently are subject to a 15-minute reporting timeframe. Timelier reporting provides more timely transaction information to the market, supporting more effective price formation and potentially decreasing trading costs and increasing liquidity.

Economic Baseline

The economic baseline stems from current Rule 6730, establishing a reporting requirement of as soon as practicable but no later than within 15 minutes of the Time of Execution. Factors that may affect the speed with which firms can report executions include, but are not limited to, security characteristics, recency of trading in a particular security, trading platform, execution method, reporting process and level of automation.

Overall, in 2022 838 member firms reported trades in TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe, with 803, 443, 79, 216 and 173 member firms reporting trades in corporate bonds, agency debt, MBS TBA GD, equity-linked notes (ELNs) and ABS respectively.[23] FINRA found that 83 percent of trades across TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe were reported within one minute of execution. Examining reporting times for these securities by individual reporters, FINRA found that within one minute: 43 percent of reporters submitted 75 percent of their trades; 34 percent of reporters submitted 85 percent of their trades; and 18 percent of reporters submitted 95 percent of their trades.

Specifically, FINRA analyzed trade reporting times by dealers and alternative trading systems (ATSs) under the current 15-minute reporting timeframe using TRACE data from January 2022 through December 2022.[24] The analysis measured the time between the trade Time of Execution and report time (and in cases where reports were later corrected or canceled, to the time of the initial report). The analysis focused on transactions executed at or after 8:00 a.m. ET and before 6:15 p.m. ET on business days, the time window during which trades must be reported on that day as soon as practicable, but no later than within 15 minutes of the Time of Execution.[25] The sample excluded covered depository institutions' trade reports in MBS TBA GD and agency-issued fixed income securities, as they are subject to the Federal Reserve's rule rather than FINRA's rule.[26]

Reporting Times Across Products

FINRA examined the distribution of trade reports from one to 15 minutes from the Time of Execution for corporate bonds, agency debt, MBS TBA GD, ELNs and ABS.[27] Table 1 shows that corporate bonds and MBS TBA GD were, on average, reported the fastest among the products, with around 83 and 84 percent of the trades reported within one minute, respectively. Agency debt followed closely behind at 81 percent. ELNs were at 67 percent and ABS were at 52 percent of trades reported within one minute. Commenters, discussion with FINRA advisory committees, and outreach to members indicated that ELNs and ABS trading and reporting frequently involve manual handling of some aspect of the trade execution or reporting process.

TABLE 1—REPORTING TIMES ACROSS PRODUCT TYPES

Minutes from execution	All products (%)	Corporate (%)	Agency (%)	MBS TBA GD (%)	ELN (%)	ABS (%)
1	82.9	83.1	80.7	84.1	66.5	51.5
2	91.7	91.7	92.4	93.8	70.9	66.9
3	96.1	96.3	94.9	95.8	74.8	75.2
4	97.0	97.3	96.0	96.7	76.3	80.5
5	97.6	97.8	96.6	97.3	77.3	85.1
10	99.0	99.2	98.8	98.6	80.7	93.2
15	99.4	99.5	99.2	99.5	81.8	97.6
Share of Reports	100.0	88.9	2.8	7.4	0.5	0.3

Reporting Time by Trade Size

FINRA examined whether reporting timeframes differ across trade sizes. For certain products, large trades are more likely to be more complex or a voice trade, or otherwise require manual handling. FINRA examined the distribution of trade reports from one to 15 minutes from the Time of Execution

[22] *See* Discussion: Economic Impacts, Anticipated Benefits.

[23] FINRA aggregated reports across MPIDs (market participant identifier) belonging to the same CRD (central registration depository) number and excluded covered depository institutions.

[24] All analysis used this sample period unless otherwise specified.

[25] *See supra* note 11.

[26] Covered depository institutions started to report to TRACE on September 1, 2022. In the first three quarters of 2023, reports by covered depository institutions represented 6.6 percent, 0.8 percent and 0.7 percent of the total MBS TBA GD, agency debt and ABS trade reports, respectively.

[27] Corporate bond trades represented 88.9 percent of the 37,252,591 total reports in the sample while MBS TBA GD, agency debt, ELN and ABS accounted for 7.4 percent, 2.8 percent, 0.5 percent, and 0.3 percent, respectively.

for trades with a par value of less than $1 million, greater than or equal to $1 million but less than $5 million, greater than or equal to $5 million but less than $10 million, greater than or equal to $10 million but less than $25 million, and greater than or equal to $25 million. Panel A of Table 2 shows that approximately 93 percent of reported trades were for less than $5 million, with 74 to 84 percent reported within one minute and 95 to 98 percent reported within five minutes. Similarly, for trades greater than or equal to $5 million, 77 to 81 percent were reported within one minute and 95 to 96 percent were reported within five minutes.

Panel B of Table 2 shows that, for corporate bonds and agency debt, smaller trades were reported faster while larger trades took longer to report. FINRA found that 84 percent of corporate bond trades smaller than $1 million were reported within one minute whereas 62 percent of trades greater than or equal to $25 million were reported within one minute. For agency debt, 84 percent of trades smaller than $1 million were reported within one minute whereas 44 percent of trades greater than or equal to $25 million were reported within one minute. Trade size did not appear to be strongly associated with reporting time for other products.[28]

TABLE 2—REPORTING TIME ACROSS TRADE SIZE

Minutes from execution	<$1M (%)	$1–<$5M (%)	$5–<$10M (%)	$10–<$25M (%)	>=$25M (%)
Panel A: Reporting Time by Trade Size (Par Value Traded)					
1	84.1	74.3	81.0	77.3	81.0
2	92.7	83.8	89.0	87.3	91.9
3	96.8	91.0	93.7	92.6	94.6
4	97.6	93.3	95.2	94.3	95.7
5	98.0	94.8	96.2	95.4	96.4
10	99.2	97.9	98.4	97.9	98.3
15	99.4	98.9	99.2	99.1	99.2
Share of reports	84.1	9.3	3.2	1.5	1.9
Panel B: Percentages of Trades Reported Within One Minute by Trade Size (Par Value Traded)					
Product:					
Corporate	84.3	73.1	65.8	64.8	61.7
Agency	83.6	62.6	56.0	50.8	44.2
MBS TBA GD	80.4	80.9	90.1	84.1	82.0
ELN	66.6	62.8	61.0	57.9	61.5
ABS	53.5	48.2	47.8	48.7	49.6

Reporting Time by Reporter Activity Level

FINRA compared trade reporting times across firms with different levels of activity to assess how the potential burdens stemming from the proposed rule change would be distributed across firms. The analysis measured reporters' activity by number of trades in 2022 and assigned them to three activity groups: where a reporter's trades accounted for less than 0.01 percent, 0.01 through 0.1 percent, or greater than 0.1 percent of total reported trades.[29] Table 3 shows that the distribution of par value traded was concentrated in more active reporters. Eighty-four different reporters were in the most active group (accounting for over 0.1 percent of reported trades each), and together their activity represented 95.5 percent of the total par value traded. There were 149 different reporters with 0.01 to 0.1 percent of reported trades each and their reports accounted for 4.2 percent of the total par value traded. The last activity group had 605 different reporters with less than 0.01 percent of reported trades each and together their activity represented 0.3 percent of the par value traded.

TABLE 3—REPORTING TIMES BY REPORTER ACTIVITY LEVEL

Reporter activity level	Number of reporters	Market share (trade counts) (%)	Market share (par value) (%)	Trades reported within one minute (%)	Reporters reporting at least 95% of trades within one minute (%)	Trades reported within five minutes (%)	Reporters reporting at least 95% of trades within five minutes (%)
Activity Group 1—Reporters with >0.1% of Trade Counts	84	94.1	95.5	84.0	34.5	98.0	86.9
Activity Group 2—Reporters with 0.01 to 0.1 of Trade Counts	149	4.9	4.2	67.7	14.8	91.7	55.7
Activity Group 3—Reporters with <0.01 of Trade Counts	605	0.9	0.3	50.8	17.0	86.2	48.6
All Reporters	838	100.0	100.0	82.9	18.4	97.6	53.7

On average, the most active trade reporters reported their trades to TRACE more quickly. Specifically, 84 percent of trades executed by the most active reporters (with more than 0.1 percent of reported trades) were reported within

[28] MBS TBA GD trades represented 96 percent of the trades larger than $25M and 82 percent of them were reported within one minute.

[29] FINRA looked at finer distinctions of reporter activity level, but it did not yield additional insight.

one minute, and 98 percent of their trades were reported within five minutes. In comparison, approximately 51 percent of trades executed by reporters with less than 0.01 percent of reported trades were reported within one minute, and 86 percent were reported within five minutes. FINRA notes that even less-active reporters reported at least some material portion of their trades within one minute.

In addition, FINRA examined the reporting times by individual reporters by measuring the percentage of firms that reported at least 95 percent of their trades within one minute. Overall, approximately 18 percent of reporters submitted 95 percent of their trades within one minute. When examined by reporter activity level, 35 percent of reporters with greater than 0.1 percent of trade reports submitted 95 percent of their trades within one minute, compared to 17 percent of reporters with less than 0.01 percent of trade reports. FINRA notes that most firms reported some material portion of their trades after one minute, regardless of their level of trading activity.

Reporting Time for After Hours Trades

FINRA examined trades that were executed during TRACE system hours and compared the findings to trades that were executed outside of these hours, which are subject to different reporting timeframe requirements. Table 4 shows that trades executed and reported after hours represented only 1.18 percent of total par value. In all cases, these trades took longer to report. For instance, less than 21 percent of trades executed between 6:15 and 6:29 p.m. ET were reported within one minute,[30] while just over 49 percent of trades executed between 6:29 p.m. and 8:00 a.m. ET the next day or on non-business days were reported within one minute after the TRACE system opened.[31]

TABLE 4—REPORTING TIMES BY TIME OF DAY

Minutes from execution	Time group 1: 8:00 a.m. to 6:15 p.m. ET (%)	Time group 2: 6:15 p.m. to 6:29 p.m. ET (%)	Time group 3: before 8:00 a.m. or after 6:29 p.m. ET or non-business day* (%)
1	82.9	20.9	49.2
2	91.7	26.3	81.4
3	96.1	36.7	90.4
4	97.0	57.1	92.9
5	97.6	71.9	93.9
10	99.0	96.2	96.6
15	99.4	96.2	96.8
Share of Reports	98.8	0.0	1.2

* For time group three, for trades before 8:00 a.m. ET, FINRA measured the reporting time from TRACE opening on the same business day; for trades after 6:29 p.m. ET or on non-business day, FINRA measured the reporting time from TRACE opening on the next business day.

Execution and Trade Reporting Scenarios

FINRA examined several trading scenarios, described further below, where trading or reporting could involve manual processes.

When a bond starts to trade, the security may not be on the member firm's security master (or on FINRA's security master), which requires firms to engage in a set-up process to facilitate execution or trade reporting. FINRA examined the reporting time for bonds when they first start to trade in the secondary market. Table 5 shows that in the three-day period after secondary market trading commenced in a newly issued bond, 63 percent of trades were reported within one minute, as compared to 83 percent for trades executed more than three days after the first trade. Longer reporting times were associated with the commencement of secondary market trading in newly issued bonds, but not in cases where a firm first started to trade a bond that was not new to market (but where the firm had not previously traded the security).

TABLE 5—REPORTING OF TRADES IN NEWLY ISSUED BONDS

Minutes from execution	First three days of S1 trading (%)	All other days (%)
1	63.1	83.3
2	77.3	91.9
3	83.5	96.3
4	86.3	97.2
5	88.0	97.8
10	92.0	99.1
15	93.5	99.5
Share of Reports	1.7	98.3

[30] Under the current rule, these trades can be reported either on the same day before TRACE closes or the next business day no later than 15 minutes after the TRACE system opens. Under the proposed rule change, such trades must be reported as soon as practicable on the same day, but no later than within one minute of the time of execution.

[31] Under the current and proposed rules, these trades must be reported as soon as practicable, but no later than 15 minutes after the TRACE system opens.

FINRA examined transaction reporting times for self-cleared trades as well as those cleared through third-party clearing firms and found that trades that are cleared through third-party clearing firms overall took longer to report. For trades cleared through a third party, 71 percent were reported within one minute, as compared to 85 percent for self-cleared trades. FINRA found that trades through some third-party clearing firms were reported as fast as self-cleared trades. There were also significant variations in trade reporting time by correspondent firms through the same third-party clearing firm.

TABLE 6—THIRD-PARTY CLEARING

Minutes from execution	Third party clearing (%)	Self-clearing (%)
1	71.4	85.2
2	91.9	91.6
3	96.0	96.1
4	97.1	97.0
5	97.7	97.6
10	99.1	99.0
15	99.4	99.4
Share of Reports	16.5	83.5

FINRA examined transaction reporting times for trades that were subsequently suballocated across multiple accounts and found that, for allocated trades,[32] 68 percent were reported within one minute, as compared to 84 percent for other trades. FINRA found significant variation in reporting time for allocated trades by different reporters.[33]

TABLE 7—ALLOCATED TRADES

Minutes from execution	Allocation (%)	Non-allocation (%)
1	68.2	83.7
2	86.6	92.0
3	90.6	96.4
4	92.2	97.3
5	93.0	97.8
10	97.7	99.1
15	99.0	99.4
Share of Reports	5.2	94.8

FINRA examined transaction reporting times for basket or portfolio trades and found that overall, these trades take longer to report. For portfolio trades,[34] 65 percent were reported within one minute, as compared to 85 percent for other trades. Within five minutes, 97.5 percent of portfolio trades were reported, as compared to 97.7 percent for other trades. FINRA also examined the reporting time by portfolio size. While larger baskets do tend to be reported more slowly, FINRA observed a range of reporting times for portfolio trades within the same basket size band—for example, 57.0 percent of portfolio trades in the 300–1,000 securities band are reported within one minute and 20.1 percent of portfolio trades in the 1,000+ securities band are reported within one minute.[35] There were also significant variations in the reporting time of portfolio trades by different reporters. This suggests that other factors (*e.g.,* the technology employed) besides the size of the portfolio trade may be driving the reporting timeframe.

TABLE 8—PORTFOLIO TRADES

Minutes from execution	Portfolio trade (%)	Non-portfolio trade (%)
1	65.3	85.0
2	83.1	92.8
3	94.2	96.4
4	96.5	97.2

[32] An allocation flag does not exist in TRACE, so FINRA used heuristics to identify those trades.

[33] Five out of 29 reporters that reported allocation trades were able to report 90 percent of their allocation trades within one minute. Seven more were able to report 90 percent of their allocation trades within five minutes.

[34] FINRA used heuristics to identify portfolio trades since a portfolio trade identifier did not exist before May 15, 2023.

[35] Over 99 percent of portfolio trades include a basket of less than 1,000 securities and the vast majority—nearly 85 percent—are baskets of less than 300 securities. Of the nearly 85 percent of portfolio trades for baskets of less than 300 securities, over 97.9 percent of these are reported within five minutes; 96.9 percent of portfolio trades for baskets of between 300 and 1,000 securities are reported within five minutes; and 40.0 percent of the 0.69 percent of portfolio trades larger than 1,000 securities are reported within five minutes.

TABLE 8—PORTFOLIO TRADES—Continued

Minutes from execution	Portfolio trade (%)	Non-portfolio trade (%)
5	97.5	97.7
10	99.1	99.1
15	99.5	99.4
Share of Reports	9.5	90.5

FINRA analyzed the number of transactions executed on or through an ATS, which approximates a subset of electronically executed and reported transactions. ATS trades represented 28.1 percent of total trade reports during the sample period. Of those, 81.0 percent were reported within one minute and 93.9 percent were reported within two minutes. For non-ATS trades, which represented 71.9 percent of total reports (some of which may qualify for the phased-in five-minute reporting timeframe available for manual trades), 83.7 percent were reported within one minute and 96.9 percent were reported within five minutes.

TABLE 9—ATS TRADES

Minutes from execution	ATS trade (%)	Non-ATS trade (%)
1	81.0	83.7
2	93.9	90.8
3	98.7	95.1
4	99.1	96.2
5	99.3	96.9
10	99.7	98.7
15	99.8	99.2
Share of Reports	28.1	71.9

Economic Impacts

Anticipated Benefits

The proposed reporting timeframe reduction would require members to adopt enhancements to their current trade reporting processes to facilitate timelier reporting for transactions that currently are not reported within one minute (in 2022, 82.9 percent of the trades executed after 8:00 a.m. and before 6:15 p.m. E.T. were reported within one minute of execution). The proposed rule change therefore likely would result in quicker reporting and thus dissemination of transaction information for at least a portion of the approximately 17 percent of transactions that are not currently reported within one minute of execution. FINRA estimates that, after adjusting for the proposed *de minimis* exception, up to 16.4 percent, or 6.1 million trades and 20 trillion dollars in par value annually, might potentially be reported faster than today (these estimates would be adjusted further to account for manual trades—to the extent firms rely on the proposed exception with respect to such trades—which FINRA is currently unable to identify in the TRACE data).

FINRA analyzed the number of transactions executed on or through an ATS, which approximates a subset of electronically executed and reported transactions for which the manual trades exception will not be applicable. ATS trades represented 28.1 percent of total reports during the sample period. Of those, 81.0 percent were reported within one minute and 93.9 percent were reported within two minutes. This indicates that the proposed rule change will likely result in at least an additional 5.3 percent (28.1 percent $\times$ $(1-.81)$) of total trades being reported within one minute (not accounting for the impact of the proposed *de minimis* exception). For the 71.9 percent non-ATS trades (some of which may qualify for the manual trades exception), 96.9 percent were reported within five minutes. This indicates that the proposed rule change will likely result in at least another 2.2 percent (71.9 percent $\times$ $(1-.969)$) of total trades being reported within five minutes in three years (not accounting for the impact of the proposed *de minimis* exception).[36]

A reduction in the time between trade execution and price dissemination would enhance transparency in the fixed income market and is consistent with the purposes of TRACE. Timelier reporting would allow FINRA to provide more timely pricing and other transaction information to the market, which supports more efficient price formation. Timely reporting has also been shown to increase dealer market-making activities in the municipal markets.[37] While members may benefit

[36] FINRA also examined the reporting time for trades that were manually entered into the TRACE system through the TRAQS web interface rather than through the automated messaging protocol. The median time for web entry is four to five minutes.

[37] In the municipal bond market, research has shown that customer trade costs measured as effective spread decreased after the 2005 change in the trade reporting time requirement, which was from the end of a trading day to 15 minutes after execution. To the extent that more timely reporting may have a similar impact on other fixed income markets, FINRA expects that shortening the reporting timeframe would reduce customer trading costs. Timely reporting has also been shown to increase dealer market-making activities in the municipal markets, indicated by an increase in the overnight and over-the-week dealer capital committed to inventory, an increase in the number of dealers involved in completing a round-trip transaction, and more round-trip transactions that involve inventory taking. No similar studies were done in the corporate bond market, possibly due to the fact that the previous reporting timeframe reduction for corporate bonds coincided with other TRACE rule changes, so the effect was difficult to isolate. *See* Erik R. Sirri, Report on Secondary Market Trading in the Municipal Securities Market, July 2014 (Research Paper, Municipal Securities Rulemaking Board), *https://www.msrb.org/sites/default/files/2022-09/MSRB-Report-on-Secondary-Market-Trading-in-the-Municipal-Securities-Market.pdf;* John Chalmers, Yu (Steve) Liu & Z. Jay Wang, The Differences a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market, 139(1) Journal of Financial Economics 313–335 (2021).

directly from the expedited price discovery, investors are also likely to benefit from better execution prices from members. In particular, the proposed rule change would aid investors and other market participants in obtaining and evaluating pricing and other market information more quickly. For example, FINRA identified trades that fell into the one to 15-minute window after a prior trade of the same bond but executed before the prior trade was reported. These trades could have potentially benefited from the knowledge of the material terms of the prior (as yet unreported) trade had the prior trade been reported within one minute instead of 15 minutes.[38] For corporate bonds, these trades represented 1.6 percent of the sample reports or 3.4 percent of par value (not accounting for the impact of the proposed *de minimis* or manual trades exceptions).

Large trades took longer on average to report than smaller trades. Large trades may also have a greater impact on the direction of the market. To the extent the proposed rule change results in faster dissemination of pricing information for large trades, the market could benefit from earlier access to information that could be more indicative of market movement.[39]

Anticipated Costs

FINRA believes that the proposed rule change would likely result in direct and indirect costs for members to implement changes to their processes and systems for reporting transactions to TRACE within the new timeframes. While members currently using a third-party reporting service may incur less costs, as these costs will likely be borne largely by the third-party reporting service which may spread the costs across all of the reporting firms using its services, those firms that do not currently use a third-party reporting service may opt to do so if the costs would be lower than building or augmenting their own system. However, as discussed above, FINRA proposes to provide relief for members with respect to manual trades and for members with *de minimis* reporting activity, which should mitigate these costs. All members that execute or report a trade manually would incur costs to append the manual trade indicator.

Most firms reported some material portion of their trades after one minute. This is true even for very active firms that may have a more sophisticated trade reporting infrastructure in place. For these trades, members may incur costs to modify their reporting systems and procedures to report more quickly and to monitor that the trades are reported in the required timeframe. The costs may be mitigated by the proposed relief for members with respect to manual trades and for members with *de minimis* reporting activity.

Given current differences in access to trading and reporting technologies across firms, some firms may be impacted by the proposed rule change more than others. FINRA understands that larger and more active firms already employ reporting services and technologies to automate trade reporting and would be better positioned to absorb the costs of the proposal. Any impact on competition is likely to be limited, given the proposed exceptions described above. In particular, the *de minimis* exception would provide relief for those members for which the technological changes required may be more significant relative to their level of activity in this space. Based on 2022 data, the proposed *de minimis* threshold would provide relief to 640 (out of 838 currently active) members that, in the aggregate, accounted for 1.41 percent of trades or 0.43 percent of the total par value traded.

Additionally, given trading in the fixed income products covered by the proposed rule change in many instances continues to involve manual intervention at some point to complete the trade execution or reporting process (*e.g.,* trades executed by telephone, email, or chat or trades subject to manual review), requiring these trades to be reported in one minute could negatively impact market efficiency and competition. For example, customers might participate less in fixed income markets without the availability of voice brokerage services, or if these trades were pushed to electronic platforms, trading may become concentrated among fewer member firms, potentially reducing trading opportunities and liquidity. FINRA believes that the five-minute exception for manual trades, coupled with the phase-in period, will allow firms relying upon some manual components in their trading or reporting process to continue to trade in these markets while complying with the new requirements, and therefore limit the potential for a negative impact on these markets.

Some firms close to exceeding the *de minimis* threshold may choose to reduce the number of trades to qualify for the exception. However, this may only happen infrequently given the two-calendar year lookback period. Coupled with the fact that members can again qualify for the exception and that members under the *de minimis* threshold accounted for only a very small portion of the market volume, FINRA expects that the impact on overall trading will be minimal. FINRA notes that as markets evolve or firms adjust to the new requirements, the number of dealers meeting the *de minimis* exception and the par value of their trades may change over time, even if the threshold for qualifying for the exception remains the same.

Members qualifying for the *de minimis* exception will be exempted from the one-minute requirement for all of their trade reports, and therefore will not incur costs to modify their reporting procedures and systems to report more quickly. On the other hand, the proposed relief for manual trades will likely apply to only some reports of a firm. Thus, members that do not qualify for the *de minimis* exception—depending upon the circumstances—would be required to incur costs to comply with the five-minute reporting requirement for manual trades and one-minute reporting requirement for other trades. All members that execute or report a trade manually would be required to append the manual trade indicator, and members relying on the manual trades exception would be required to document their eligibility for the relief.

Depending on the relative costs of investing in systems to report in a timelier manner, members may opt to change their practices around executing and reporting trades to comply in ways other than improving the reporting process, and such modifications might have implications for the way in which a member operates its business and manages competing tasks. Members may also be reluctant to conduct trades for which it will be difficult to comply with the shortened reporting timeframe instead of making system changes necessary to comply. However, any indirect costs incurred as a result are bounded by the costs of improving the reporting process. FINRA expects that members will choose to improve their reporting process if it is more cost effective than other compliance approaches. The cost effectiveness of improving the reporting process through

[38] The analysis excluded trades by a reporter that was also a party to the prior trade.

[39] Faster reporting of large trades may also level the information playing field in the market between dealers and other investors. Research shows that investors obtained economically large cost reductions on offsetting trades of a block position by dealers that occurred after, relative to before, the report of the block trade. *See* Stacey E. Jacobsen & Kumar Venkataraman, Asymmetric Information and Receiving Investor Outcomes in the Block Market for Corporate Bonds (March 23, 2023), available at SSRN: *https://ssrn.com/abstract=4398494* or *http://dx.doi.org/10.2139/ssrn.4398494.*

direct investment is likely positively correlated with the percentage of a firm's trades subject to the shortened reporting timeframes. Those firms that find it less cost effective—because a small number of trades will be impacted—are more likely to qualify for the *de minimis* exception.

Alternatives Considered

FINRA considered requiring members to report trades as soon as practicable but no later than five minutes from execution. In 2022, 82.9 percent of trades were reported within one minute after a trade execution. By comparison, in 2022 more than 97.6 percent of trades were reported in five minutes or less. Accordingly, reducing the required reporting time to as soon as practicable but no later than five minutes would enhance the timeliness of up to only 2.4 percent of the trades as compared to 17.1 percent by moving to no later than one minute. FINRA believes a five-minute reporting requirement would not meaningfully advance the immediacy of information transparency for market participants.

FINRA considered several alternatives to the threshold for the *de minimis* trading exception from the one-minute reporting requirement. First, FINRA considered basing the relief on the par value traded rather than the number of trade reports. A par value-based *de minimis* exception would require even less-active dealers to meet the one-minute reporting requirement if they engaged in significant aggregate dollar volume trading and thus this approach could result in more large trades being subject to the one-minute reporting requirement. However, FINRA believes that the number of trade reports submitted over the period is a more appropriate measurement. The number of trade reports tracks more closely the costs that firms incur when reporting and the necessary investments in speeding up their reporting. Additionally, the proposed exception (using the proposed 4,000-trade report threshold) would only impact a *de minimis* percent of par value traded. FINRA also considered a combination of the par value and the number of trades as the threshold for the *de minimis* exception, but that would have unnecessarily increased the complexity of the exception. FINRA also considered basing the exception on different levels of trading activity, for example, up to 10,000 trades. However, FINRA determined that a threshold above 4,000 trades would result in the loss of more timely information from members that trade significant volumes (74 members reporting between 4,000 and 10,000 trades traded more than $1 billion par value, with the highest par value traded being $452 billion). Accordingly, FINRA believes that the scope of the proposed one-minute requirement will apply to firms that are active participants in the relevant TRACE-Eligible Securities and should be required to implement the reporting changes. Therefore, the proposed threshold for the *de minimis* exception (less than 4,000 trades during one of the prior two calendar years) will ensure that markets receive more timely information from more active firms.

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

FINRA solicited comment on a proposal to reduce the 15-minute reporting timeframe to one minute in *Regulatory Notice* 22–17 (August 2022). Forty-four comments were received in response to the *Regulatory Notice.* A copy of the *Regulatory Notice* is available on FINRA's website at *http://www.finra.org.* A list of the comment letters received in response to the *Regulatory Notice* is available on FINRA's website.[40] Copies of the comment letters received in response to the *Regulatory Notice* are also available on FINRA's website. Three commenters expressed overall support for the proposal,[41] while other commenters expressed concerns about the proposal. The comments are summarized below.

Small Firm Impact

Commenters expressed concerns that implementation of the proposal would be costly for all member firms,[42] but many commenters expressed particular concern that small member firms, including many minority, women, and veteran-owned broker-dealers, would be the most burdened by the implementation costs.[43] Commenters believed that these firms would be most affected by the change (and stated that a significant portion of their trades are not already reported within or near one-minute) and would have fewer resources to make changes needed to meet the new timeframe.[44] Some of these commenters expressed concern that many small broker-dealers would exit the market for fixed income secondary market trading because of the high implementation and compliance costs, harming the smaller retail investors that depend on small member firms for access to the market.[45]

To address these concerns, as described above, FINRA is proposing to provide an exception for members with *de minimis* reporting activity. FINRA believes that this exception, which would except firms with fewer than 4,000 transactions in the TRACE-Eligible Securities subject to paragraphs (a)(1)(A) through (a)(1)(D) of Rule 6730, is calibrated to provide relief to firms that engage in limited activity in the TRACE-Eligible Securities subject to the proposed one-minute reporting timeframe, and therefore may not have systems in place that would enable reporting within one minute. Member firms with ''limited trading activity'' as defined in proposed Supplementary Material .08(a) would continue to be subject to the 15-minute outer limit reporting timeframe.

Reporting Feasibility

Commenters identified several circumstances under which the nature of the execution or reporting process may make it unfeasible to report within one minute. In particular, commenters argued that manually executed or reported trades,[46] including large trades that must then be manually allocated to multiple subaccounts[47] and some complex transactions that involve multiple securities,[48] cannot feasibly be reported within one-minute. Some commenters argued that reducing the reporting timeframe to one minute in these instances would threaten the viability of these types of trades, negatively impacting liquidity[49] and harming the retail investors, who may not be accustomed to electronic trading, serviced by these firms.[50] Commenters also raised other scenarios that they believe present operational obstacles to

[40] *See* SR–FINRA–2024–004 (Form 19b–4, Exhibit 2b) for a list of abbreviations assigned to commenters (available on FINRA's website at *http://www.finra.org*). Commenters Anonymous, Barrientos, Coker, Dapena, Kienbaum, Moise, Purpura, Rogan, Seinfeld, Sosa, Steichen, and Tovar are collectively referred to as ''Individual Commenters.'' Commenter Crescent expressed its support of ASA's letter, which is referenced specifically below.

[41] *See* Dimensional; FIA PTG; HMA.

[42] *See* ASA; BDA; Beech; Colliers; Falcon Square; HJS; ICE Bonds; InspereX; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; Wiley.

[43] *See* Arkadios; ASA; BDA; Beech; Colliers; Falcon Square; IBI 1 and 2; Individual Commenters; InspereX; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; VFM; Wiley.

[44] *See* Arkadios; BDA; Beech; Colliers; Falcon Square; IBI 1 and 2; InspereX; Individual Commenters; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; VFM; Wiley.

[45] *See* Arkadios; BDA; IBI 1 and 2; Individual Commenters; ISC; SIFMA; UPitt Clinic; VFM.

[46] *See* ASA; BDA; Beech; BMO CM; Cambridge; FIF; HJS; HTD; IBI 1 and 2; ICI; InspereX; ISC; Lynch; SAMCO; Seaport; SIFMA; Wells Fargo; Wiley; WMBAA.

[47] *See* BDA; BetaNXT; SIFMA; Wells Fargo.

[48] *See* SAMCO; SIFMA; Wells Fargo.

[49] *See* IBI 1; ICI; SIFMA.

[50] *See* HJS; IBI 2; ISC; SIFMA.

reporting trades within one minute, such as where the security is not already in the firm's security master (or on FINRA's master list) due to the set-up process (internally or with FINRA),[51] as well as trades executed when the TRACE system is not open that must be reported within one minute after the TRACE system re-opens the next trading day.[52]

With respect to commenters' concern that certain types of transactions cannot feasibly be reported within one minute, FINRA believes that the exception for manual trades included in the proposed rule change will adequately address these concerns. New Supplementary Material .09 would phase in a five-minute reporting standard for trades that involve manual intervention in the execution or reporting process. This exception would address commenters' concern that reducing the reporting timeframe to one minute would threaten the viability of manual trades. Similarly, based on feedback from commenters and outreach to members, FINRA understands that other types of trades raised by commenters, such as some allocation trades and portfolio or list trades, may involve manual intervention in either the execution or reporting process[53] and, if so, would therefore qualify for the manual trades exception's extended reporting timeframe. In that regard, 96.9 percent of non-ATS trades are already reported within five minutes; 97.5 percent of portfolio trades are already reported within five minutes; and 93 percent of allocation trades are already reported within five minutes. The phase-in period from implementation is intended to provide members with time to implement a reasonable process to comply with the reduced reporting timeframe with respect to their manual trades. Trades that do not qualify for the manual trades exception must be reported as soon as practical but no later than within one minute of the time of execution. As discussed above, FINRA has observed a range of reporting times for portfolio trades within the same basket size band[54] and similar variation in reporting times for allocation trades depending on the reporter.[55] This suggests that even large portfolio and allocation trades can be reported within one minute and other factors (*e.g.,* the technology employed to execute or report the trade) contribute to the reporting timeframe.

Commenters raised additional concerns that other operational obstacles might make reporting trades within one minute unfeasible. As mentioned above, FINRA believes many of the concerns raised should be addressed with the proposed exceptions; however, other instances described by commenters do not appear to warrant an exception. For example, with respect to comments that TRACE reporting through a third-party clearing firm presents an operational obstacle to one minute reporting, FINRA has observed that 71 percent of third-party cleared trades are reported within one minute (as compared to 85 percent for self-cleared trades), and there are significant variations in trade reporting time by correspondent firms through the same third-party clearing firm, which suggests that other factors contribute to the reporting timeframe. FINRA notes that many smaller members rely on their third-party clearing firms to report trades to TRACE. Under the proposed rule change, members with ''limited trading activity'' would continue to be subject to a 15-minute outer limit reporting standard.

With respect to trades in securities that are not already in the member firm's security master (or on FINRA's master list), FINRA believes that the proposed rule change's exception for manual trades should help alleviate commenters' concerns. FINRA understands that setting up a security in a firm's security master (or with FINRA) typically involves manual intervention. Thus, initial trades in such securities—where manual steps must be taken to set up the security at the firm or with FINRA before the trade(s) can be booked or reported—would be subject to the phased-in five-minute reporting standard for manual trades rather than the one-minute standard. In addition, in response to commenters' concern regarding trades reportable to FINRA on the next business day, FINRA is proposing to retain a reporting timeframe of as soon as practicable but no later than within 15 minutes of when the TRACE system opens.

Market Impact

While some commenters argued that the benefits associated with shortening the timeframe for trade reporting have not been sufficiently explained,[56] FINRA agrees with other commenters that the proposed rule change will increase transparency,[57] which has historically been shown to improve price discovery and reduce trading costs.[58] FINRA believes that the proposed rule change's exceptions for members with *de minimis* reporting activity and for manual trades will mitigate the potential for the proposed rule change to have a negative impact on liquidity or execution quality.[59] With respect to commenters' concerns that the more rapid dissemination of trades could negatively impact liquidity for block trades[60] and benefit algorithmic traders at the expense of retail and institutional investors,[61] FINRA believes the current trade dissemination caps effectively mitigate these concerns, and note that members already have an obligation under the current Rule to report trades as soon as practicable and are not permitted to delay the reporting (and thus dissemination) of trades.

FINRA recognizes that covered depository institutions will not be subject to the proposed rule change.[62] However, FINRA continues to believe that the proposed rule change is appropriate at this time. First, until recently, covered depository institutions did not report transactions to TRACE at all,[63] and they are not subject to the TRACE reporting requirement for all TRACE-Eligible Securities. In addition, covered depository institutions do not

[51] *See* Anonymous; ASA; BDA; BetaNXT; FIF; SAMCO; SIFMA; Wells Fargo.

[52] *See* FIF; SIFMA. FINRA notes that these trades would not be subject to the one-minute reporting timeframe under the proposed rule change and would continue to be subject to the current 15-minute outer limit.

[53] *See* SAMCO; SIFMA; Wells Fargo.

[54] For example, 57.0 percent of portfolio trades in the 300–1,000 securities band were reported within one minute and 20.1 percent of portfolio trades in the 1,000+ securities band were reported within one minute.

[55] Sixty-eight percent of allocated trades were reported within a minute, with five out of 29 members that reported allocation trades able to report 90 percent of their allocation trades within one minute.

[56] *See* Arkadios; ASA; BDA; Cambridge; Falcon Square; HJS; HTD; IBI 2; InspereX; ISC; RBI; SAMCO; SIFMA; TRADEliance; Wells Fargo.

[57] *See* Dimensional; FIA PTG; HMA.

[58] *See* Discussion: Economic Impacts, Anticipated Benefits.

[59] As discussed above, the proposed rule change's exception for members with ''limited trading activity'' should address commenters' concern that the proposal's implementation costs may cause many small firms to exit the fixed income market, negatively impacting liquidity. *See* Falcon Square; IBI 1 and 2; Individual Commenters; InspereX; ISC; SIFMA; VFM; Wiley. Likewise, FINRA believes that the manual trades exception should address commenters' concerns regarding the continued viability of manual trades and the ability to hedge large trades and trades in thinly traded securities, which FINRA understands are often executed manually. *See* IBI 1; ICI; SIFMA. Similarly, the exception for manual trades would provide an extended reporting timeframe to accommodate manual intervention in the trade execution or reporting process to conduct best execution and fair pricing reviews. *See* ASA; SIFMA.

[60] *See* ICI; SIFMA.

[61] *See* BMO CM; SIFMA; VFM.

[62] *See* InspereX; SIFMA.

[63] Covered depository institutions started to report to TRACE on September 1, 2022. *See* 86 FR 59716, 59717 (October 28, 2021).

report a significant number of trades in agency debt since they began reporting to TRACE.[64] While covered depository institutions are more active in the MBS TBA GD market, this activity has historically been concentrated in a few large institutions. FINRA believes that any potential competitive disadvantage is speculative. On balance, FINRA thinks the proposed rule change is appropriate and should improve the timing of market information.

Other Issues

While the proposed rule change may lead to an increase in reporting errors, corrections, and late reporting rates, particularly at the outset as members adapt to the proposed rule change's new standards,[65] FINRA expects that the impact to members' accuracy and late reporting rates will largely be temporary, as accuracy and timeliness will increase as members adapt to the proposed rule change's new standards. FINRA also intends to provide members with a sufficient implementation timeframe to make the changes necessary to comply with the reduced reporting timeframe (for example, approximately within 18 months from any SEC approval). As stated above, FINRA will announce the effective date of the proposed rule change in a *Regulatory Notice.*

FINRA also believes that the extended reporting timeframes available for members with *de minimis* reporting activity and for manual trades will help mitigate these issues. FINRA likewise believes that the exception for manual trades will help mitigate commenters' concern that errors will be less likely to be corrected within the reporting timeframe as FINRA understands that trade report corrections often involve manual intervention (*e.g.,* a customer calling or instant messaging/chatting to request a change to the trade, which change is then manually made to the trade ticket/booking entry).[66] Under such circumstances, the trade would qualify for the extended reporting timeframe applicable to manual trades.[67] Additionally, in the event a trade report correction cannot be completed within the applicable timeframe, FINRA has historically taken into account whether cancels and corrections are driving untimely reporting and the reason(s) for the cancels and corrections in monitoring members for compliance with the Rule and assessing whether a firm has a ''pattern or practice'' of late reporting. Accordingly, FINRA believes that potential issues related to errors, corrections, and late reporting will not be significant and do not outweigh the proposed rule change's potential benefits.

Finally, commenters also suggested a number of alternatives to the proposal that they believed would improve the TRACE reporting regime, including implementing a phased-in approach to shortening the reporting timeframe,[68] establishing a global securities master list,[69] improving TRACE's web-based reporting interfaces, reducing TRACE system latencies and providing more transparency regarding systems issues that may impact reporting,[70] and providing additional guidance on members' ''as soon as practicable'' reporting obligation and additional TRACE reporting metrics to members.[71] FINRA determined to implement a phased-in approach to reducing the reporting timeframe to five minutes for manual trades in light of commenters' concerns. However, FINRA does not believe that the alternatives proposed by commenters will provide improvements to the TRACE reporting regime similar to those of the proposed rule change. Accordingly, FINRA determined to move forward with the proposal while it also continues to consider other ways to provide more timely, granular and informative data to market participants and enhance the value of disseminated transaction data.

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 (*https://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include file number SR–FINRA–2024–004 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–2024–004. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*https://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 the filing also will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–FINRA–2024–004 and should be submitted on or before February 15, 2024.

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[64] Covered depository institutions' transactions in ABS are limited to SBA-Backed ABS.

[65] *See* Arkadios; BDA; Beech; BMO CM; Cambridge; HJS; HTD; IBI 2; ICI; Individual Commenters; InspereX; SAMCO; Seaport; SIFMA; VFM.

[66] *See* Arkadios; ASA; BDA; Beech; BMO CM; Cambridge; HJS; HTD; ICI; InspereX; SAMCO; Seaport; SIFMA; VFM.

[67] To the extent the trade was originally fully electronic, when the member amends the trade report, it should add the Manual Trade Indicator.

[68] *See* Arkadios; ICE Bonds; ICI; InspereX; TRADEliance; UPitt Clinic; SIFMA; VFM.

[69] *See* SIFMA. For corporate bonds, FINRA has proposed establishing a reference data service for new issues. *See* Securities Exchange Act Release No. 85488 (April 2, 2019), 84 FR 13977 (April 8, 2019) (Notice of Filing of File No. SR–FINRA–2019–008) (Proposed Rule Change to Establish a Corporate Bond New Issue Reference Data Service).

[70] *See* SIFMA.

[71] *See* FIF; SIFMA.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[72]

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2024–01395 Filed 1–24–24; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270–574, OMB Control No. 3235–0648]

Submission for OMB Review; Comment Request; Extension: Rule 498

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

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) (''Paperwork Reduction Act''), the Securities and Exchange Commission (''the Commission'') has submitted to the Office of Management and Budget (''OMB'') a request for extension of the previously approved collection of information discussed below.

Rule 498 (17 CFR 230.498) under the Securities Act of 1933 (15 U.S.C. 77a *et seq.*) (''Securities Act'') permits open-end management investment companies (''funds'') to satisfy their prospectus delivery obligations under the Securities Act by sending or giving key information directly to investors in the form of a summary prospectus (''Summary Prospectus'') and providing the statutory prospectus on a website. Upon an investor's request, funds are also required to send the statutory prospectus to the investor. In addition, under rule 498, a fund that relies on the rule to meet its statutory prospectus delivery obligations must make available, free of charge, the fund's current Summary Prospectus, statutory prospectus, statement of additional information, and most recent annual and semi-annual reports to shareholders at the website address specified in the required Summary Prospectus legend (17 CFR 270.498(e)(1)). A Summary Prospectus that complies with rule 498 is deemed to be a prospectus that is authorized under Section 10(b) of the Securities Act and Section 24(g) of the Investment Company Act of 1940 (15 U.S.C. 80a–1 *et seq.*).

The purpose of rule 498 is to enable a fund to provide investors with a Summary Prospectus containing key information necessary to evaluate an investment in the fund. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is primarily for the use and benefit of investors. The information filed with the Commission also permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

Based on an analysis of fund filings, the Commission estimates that approximately 11,241 funds are using a Summary Prospectus. The Commission estimates that the annual hourly burden per fund associated with the compilation of the information required on the cover page or the beginning of the Summary Prospectus is 0.5 hours, and estimates that the annual hourly burden per fund to comply with the website posting requirement is approximately 1 hour, requiring a total of 1.5 hours per fund per year.[1] Thus the total annual hour burden associated with these requirements of the rule is approximately 16,862.[2] The Commission estimates that the annual cost burden is approximately $21,400 per fund, for a total annual cost burden of approximately $240,557,400.[3]

Estimates of the average burden hours are made solely for the purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms. Under rule 498, use of the Summary Prospectus is voluntary, but the rule's requirements regarding provision of the statutory prospectus upon investor request are mandatory for funds that elect to send or give a Summary Prospectus in reliance upon rule 498. The information provided under rule 498 will not be kept confidential. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The public may view background documentation for this information collection at the following website: *www.reginfo.gov.* Find this particular information collection by selecting ''Currently under 30-day Review—Open for Public Comments'' or by using the search function. Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice by February 26, 2024 to (i) *MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov* and (ii) David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o John Pezzullo, 100 F Street NE, Washington, DC 20549, or by sending an email to: *PRA_Mailbox@sec.gov.*

Dated: January 22, 2024.

Sherry R. Haywood,

Assistant Secretary.

[FR Doc. 2024–01436 Filed 1–24–24; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–99396; File No. SR–ISE–2024–03]

Self-Regulatory Organizations; Nasdaq ISE LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, To List and Trade Options on iShares Bitcoin Trust

January 19, 2024.

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 January 9, 2024, Nasdaq ISE, LLC (''ISE'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. On January 11, 2024, the Exchange filed Amendment No. 1 to the proposal, which supersedes the original filing in its entirety. The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment No. 1, from interested persons.

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

The Exchange proposes to amend Options 4, Section 3, Criteria for Underlying Securities. This Amendment No. 1 supersedes the original filing in its entirety.

The text of the proposed rule change is available on the Exchange's website at *https://listingcenter.nasdaq.com/rulebook/ise/rules,* at the principal office of the Exchange, and at the Commission's Public Reference Room.

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[72] 17 CFR 200.30–3(a)(12).

[1] 0.5 hours per fund + 1 hour per fund = 1.5 hours per fund.

[2] 1.5 hours per fund x 11,241 funds = 16,862 hours.

[3] $21,400 per fund x 11,241 funds = $240,557,400.

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

[2] 17 CFR 240.19b–4.