

Office of Management and Budget for extension and approval.

In response to an operational crisis in the securities industry between 1967 and 1970, the Commission adopted Rule 17a-11 (17 CFR 240.17a-11) under the Exchange Act on July 11, 1971. The Rule requires broker-dealers that are experiencing financial or operational difficulties to provide notice to the Commission, the broker-dealer's designated examining authority ("DEA"), and the Commodity Futures Trading Commission ("CFTC") if the broker-dealer is registered with the CFTC as a futures commission merchant. Rule 17a-11 is an integral part of the Commission's financial responsibility program which enables the Commission, a broker-dealer's DEA, and the CFTC to increase surveillance of a broker-dealer experiencing difficulties and to obtain any additional information necessary to gauge the broker-dealer's financial or operational condition.

Rule 17a-11 also requires over-the-counter ("OTC") derivatives dealers and broker-dealers that are permitted to compute net capital pursuant to Appendix E to Exchange Act Rule 15c3-1 to notify the Commission when their tentative net capital drops below certain levels. OTC derivatives dealers must also provide notice to the Commission of backtesting exceptions identified pursuant to Appendix F of Rule 15c3-1 (17 CFR 15c3-1f).

Compliance with the Rule is mandatory. The Commission will generally not publish or make available to any person notices or reports received pursuant to Rule 17a-11. The Commission believes that information obtained under Rule 17a-11 relates to a condition report prepared for the use of the Commission, other federal governmental authorities, and securities industry self-regulatory organizations responsible for the regulation or supervision of financial institutions.

Only broker-dealers whose capital declines below certain specified levels or who are otherwise experiencing financial or operational problems have a reporting burden under Rule 17a-11. In 2011, the Commission received approximately 465 notices under this Rule, including one notice from an OTC derivatives dealer permitted to compute net capital pursuant to Appendix E to Exchange Act Rule 15c3-1.

Each broker-dealer reporting pursuant to Rule 17a-11 will spend approximately one hour preparing and transmitting the notice required by the rule. Accordingly, the total estimated annualized burden under Rule 17a-11 is 465 hours.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information 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 on respondents; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

The Commission may not conduct or sponsor a collection of information unless it displays a current valid control number. No person shall be subject to any penalty for failing to comply with a collection of information subject to the PRA that does not display a valid Office of Management and Budget (OMB) control number.

Please direct your written comments to: Thomas Bayer, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312 or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: April 19, 2012.

**Elizabeth M. Murphy,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Proposed Extension of Existing Collection; Comment Request

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of Investor Education and Advocacy, Washington, DC 20549-0213.

#### Extension:

Rule 17a-6; OMB Control No. 3235-0489; SEC File No. 270-433.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

Rule 17a-6 (17 CFR 240.17a-6) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) permits national securities exchanges, national securities associations, registered clearing agencies, and the Municipal Securities Rulemaking Board ("MSRB") (collectively, "SROs") to destroy or convert to microfilm or other recording media records maintained under Rule 17a-1, if they have filed a record destruction plan with the Commission and the Commission has declared such plan effective.

There are currently 26 SROs: 15 national securities exchanges, 1 national securities association, the MSRB, and 9 registered clearing agencies. Of the 26 SROs, 2 SRO respondents have filed a record destruction plan with the Commission. The staff calculates that the preparation and filing of a new record destruction plan should take 160 hours. Further, any existing SRO record destruction plans may require revision, over time, in response to, for example, changes in document retention technology, which the Commission estimates will take much less than the 160 hours estimated for a new plan. Thus, the total annual compliance burden is estimated to be 60 hours per year. The approximate cost per hour is \$305, resulting in a total cost of compliance for these respondents of \$18,300 per year (30 hours @ \$305 per hour).

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 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 writing within 60 days of this publication.

The Commission may not conduct or sponsor a collection of information unless it displays a currently valid control number. No person shall be subject to any penalty for failing to comply with a collection of information subject to the PRA that does not display a valid Office of Management and Budget (OMB) control number.

Comments should be directed to Thomas Bayer, Director/Chief Information Officer, Securities and

Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312 or send an email to [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: April 19, 2012.

**Elizabeth M. Murphy,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66829; File No. SR-FINRA-2012-020]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Granting Approval of Proposed Rule Change Relating to Post-Trade Transparency for Agency Pass-Through Mortgage-Backed Securities Traded TBA

April 18, 2012.

#### I. Introduction

On March 1, 2012, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change relating to post-trade transparency for Agency Pass-Through Mortgage-Backed Securities ("MBS") traded "to be announced" or "TBA." The proposed rule change was published for comment in the **Federal Register** on March 16, 2012.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

#### II. Description of the Proposal

FINRA utilizes the Trade Reporting and Compliance Engine ("TRACE") to collect from its members and publicly disseminate information on secondary over-the-counter transactions in corporate debt securities and Agency Debt Securities and certain primary market transactions.<sup>4</sup> FINRA also utilizes TRACE to collect information on transactions in Asset-Backed Securities, but FINRA currently does not disseminate such information publicly.<sup>5</sup> Agency Pass-Through

Mortgage-Backed Securities traded TBA ("MBS TBA") are a specific type of Asset-Backed Security.<sup>6</sup> FINRA has proposed to amend its rules to reduce the reporting timeframe for and to provide for public dissemination of MBS TBA transactions, and to make certain other changes.

#### Good Delivery and Not Good Delivery MBS TBA Transactions

FINRA has proposed to amend the definition of TBA set forth in Rule 6710(u) to identify two subsets of MBS TBA transactions: MBS TBA transactions "for good delivery" ("MBS TBA Good Delivery") and MBS TBA transactions "not for good delivery" ("MBS TBA Not Good Delivery"). MBS TBA Good Delivery meet certain market standards and conventions, known generally as "good delivery guidelines;" MBS TBA Not Good Delivery do not meet those guidelines.<sup>7</sup> Most newly issued MBS TBA are MBS TBA Good Delivery, and are composed primarily of standard loans such as 15- and 30-year fixed-rate single-family loans.<sup>8</sup> Newly issued MBS TBA Not Good Delivery, on the other hand, include primarily non-standard loans, such as interest-only mortgages, project/construction loans, and certain non-conforming mortgages on single family residences.<sup>9</sup> According to FINRA, MBS TBA Good Delivery are the most liquid and account for the vast majority of MBS TBA transactions.<sup>10</sup>

#### Reduction of Reporting Period

FINRA also has proposed to amend Rule 6730 to reduce the period for reporting MBS TBA transactions to TRACE. The reduction would occur in two stages for both MBS TBA Good Delivery and MBS TBA Not Good Delivery transactions, but the reduced reporting period for each type of MBS TBA transaction would be different.

With respect to MBS TBA Good Delivery transactions, first, for a pilot program of approximately 180 days duration, FINRA has proposed to reduce the reporting period from no later than the close of the TRACE system on the date of execution to no later than 45 minutes from the Time of Execution.<sup>11</sup>

(approving SR-FINRA-2009-065). The term "Asset Backed Security" is defined in FINRA Rule 6710(m).

<sup>6</sup> See FINRA Rules 6710(m), (u), and (v).

<sup>7</sup> See Notice, 77 FR at 15827-28.

<sup>8</sup> See Notice, 77 FR at 15828.

<sup>9</sup> See Notice, 77 FR at 15828 n.7.

<sup>10</sup> See Notice, 77 FR at 15828, 15830.

<sup>11</sup> See proposed Rule 6730(a)(3)(D)(i)b. Exceptions for transactions that are executed within 45 minutes of the close of the TRACE system and for transactions executed when it is closed are set forth in subparts a., c., and d. of proposed Rule

Second, after approximately 180 days, the pilot program would expire and the reporting period would be reduced from no later than 45 minutes from the Time of Execution to no later than 15 minutes from the Time of Execution.<sup>12</sup>

With respect to MBS TBA Not Good Delivery transactions, first, for a pilot program of approximately 180 days duration, FINRA has proposed to reduce the reporting period from no later than the close of the TRACE system on the date of execution to no later than two hours from the Time of Execution.<sup>13</sup> Second, after approximately 180 days, the pilot program would expire and the reporting period would be reduced from no later than two hours from the Time of Execution to no later than one hour from the Time of Execution.<sup>14</sup>

#### Dissemination of MBS TBA Transaction Information

FINRA Rule 6750(b)(4) currently provides that transactions in Asset-Backed Securities are not subject to dissemination. The proposal would amend Rule 6750(b)(4) to provide for dissemination of information on MBS TBA transactions immediately upon receipt of the transaction report. Specifically, FINRA has proposed to amend Rule 6750(b)(4) to provide that FINRA will not disseminate information on a transaction in an Asset-Backed Security, except an MBS TBA transaction. As a result of this proposed change and the reduced reporting periods that FINRA has proposed for MBS TBA transactions, information on MBS TBA Good Delivery and MBS TBA Not Good Delivery transactions would be disseminated within 45 minutes and two hours, respectively, of the Time of Execution during the pilot period. After the pilot period expires, information on MBS TBA Good Delivery and MBS TBA Not Good Delivery transactions would be disseminated within 15 minutes and

6730(a)(3)(D)(i). The term "Time of Execution" is defined in Rule 6710(d).

<sup>12</sup> See proposed Rule 6730(a)(3)(D)(ii), which incorporates by reference Rule 6730(a)(1). Rule 6730(a)(1) requires that transactions in TRACE-Eligible Securities be reported within 15 minutes of the Time of Execution, and also provides exceptions for transactions in TRACE-Eligible Securities that are executed shortly before the TRACE system closes and when it is closed.

<sup>13</sup> See proposed Rule 6730(a)(3)(E)(i)b. Exceptions for transactions that are executed within two hours of the close of the TRACE system and for transactions executed when it is closed are set forth in subparts a., c., and d. of proposed Rule 6730(a)(3)(E)(i).

<sup>14</sup> See proposed Rule 6730(a)(3)(E)(ii)b. Exceptions for transactions that are executed within one hour of the close of the TRACE system and for transactions executed when it is closed are set forth in subparts a., c., and d. of proposed Rule 6730(a)(3)(E)(ii).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 66577 (March 12, 2012), 77 FR 15827 (March 16, 2012) ("Notice").

<sup>4</sup> See Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (approving SR-FINRA-2009-010).

<sup>5</sup> See Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010)