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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-81722; File No. SR-FINRA-2017-029)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Delay the Implementation Date of Certain Amendments to FINRA Rule 4210 Approved Pursuant to SR-FINRA-2015-036

September 26, 2017

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 19, 2017, 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 and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

FINRA is proposing to delay, until June 25, 2018, the implementation date of the amendments to FINRA Rule 4210 (Margin Requirements) pursuant to SR-FINRA-2015-036, other than the amendments pursuant to SR-FINRA-2015-036 that were implemented

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

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

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

on December 15, 2016. The proposed rule change would not make any changes to FINRA rules.

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

On October 6, 2015, FINRA filed with the Commission proposed rule change SR-FINRA-2015-036, which proposed to amend FINRA Rule 4210 to establish margin requirements for (1) To Be Announced ("TBA") transactions, inclusive of adjustable rate mortgage ("ARM") transactions; (2) Specified Pool Transactions; and (3) transactions in Collateralized Mortgage Obligations ("CMOs"), issued in conformity with a program of an agency or Government-Sponsored Enterprise ("GSE"), with forward settlement dates,

as defined more fully in the filing (collectively, “Covered Agency Transactions”). The Commission approved SR-FINRA-2015-036 on June 15, 2016 (the “Approval Date”).<sup>4</sup>

FINRA proposed in Amendment No. 3 to SR-FINRA-2015-036 to implement the rule change 18 months from the Approval Date, except that the risk limit determination requirements as set forth in paragraphs (e)(2)(F), (e)(2)(G) and (e)(2)(H) of Rule 4210 and in new Supplementary Material .05, each as respectively amended or established by SR-FINRA-2015-036 (collectively, the “risk limit determination requirements”), would be implemented six months from the Approval Date.<sup>5</sup> As FINRA announced in Regulatory Notice 16-31 (the “Notice”), the amendments relating to the risk limit determination requirements became effective on December 15, 2016.<sup>6</sup> FINRA announced in the Notice that December 15, 2017 would be the effective date for all other amendments pursuant to SR-FINRA-2015-036 (the “December 15, 2017 implementation date”).

FINRA has received questions regarding implementation of the requirements of SR-FINRA-2015-036. In response, FINRA has engaged in extensive discussions with industry participants and other regulators, including staff of the SEC, and has made

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<sup>4</sup> See Securities Exchange Act Release No. 78081 (June 15, 2016), 81 FR 40364 (June 21, 2016) (Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval to a Proposed Rule Change to Amend FINRA Rule 4210 (Margin Requirements) to Establish Margin Requirements for the TBA Market, as Modified by Amendment Nos. 1, 2, and 3; File No. SR-FINRA-2015-036).

<sup>5</sup> See Partial Amendment No. 3 to SR-FINRA-2015-036, available at: [www.finra.org](http://www.finra.org); see also Regulatory Notice 16-31 (August 2016) (announcing December 15, 2016 as the effective date for the amendments relating to the risk limit determination requirements pursuant to SR-FINRA-2015-036 and announcing December 15, 2017 as the effective date for all other amendments pursuant to the rule change).

<sup>6</sup> See Regulatory Notice 16-31.

available a set of Frequently Asked Questions & Guidance to facilitate members' efforts to comply with the rule change.<sup>7</sup> In addition, industry participants have requested additional time to make systems changes necessary to comply with the requirements of SR-FINRA-2015-036, including time to test the systems changes, and have requested time to update or amend margining agreements and related documentation. Given the systems changes necessary, and industry participants' request for additional time to update or amend margining agreements and related documentation, FINRA believes it is appropriate to extend the December 15, 2017 implementation date to June 25, 2018. FINRA notes that the risk limit determination requirements pursuant to SR-FINRA-2015-036 became effective on December 15, 2016 and, as such, the implementation of such requirements is not affected by the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing. The operative date will be the date of filing of the proposed rule change.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>8</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote

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<sup>7</sup> Available at: [www.finra.org/industry/guidance](http://www.finra.org/industry/guidance). Further, staff of the SEC's Division of Trading and Markets have made available a set of Frequently Asked Questions regarding Exchange Act Rule 15c3-1 and Rule 15c3-3 in connection with Covered Agency Transactions under FINRA Rule 4210, also available at: [www.finra.org/industry/guidance](http://www.finra.org/industry/guidance).

<sup>8</sup> 15 U.S.C. 78o-3(b)(6).

just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change provides industry participants additional time to complete the systems changes necessary to comply with SR-FINRA-2015-036, and provides them additional time to update or amend margining agreements and related documentation. FINRA believes that providing such additional time is consistent with the Act in that it thereby facilitates implementation of SR-FINRA-2015-036, which, by establishing margin requirements for Covered Agency Transactions, will help among other things to reduce the risk of loss due to counterparty failure in one of the largest fixed income markets and thereby help protect investors and the public interest by ensuring orderly and stable markets.

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. FINRA believes that providing additional time for industry participants to make and test the systems changes necessary to comply with SR-FINRA-2015-036, and providing additional time to update or amend margining agreements and related documentation, will benefit all interested parties.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on

competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder.<sup>10</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>11</sup> normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>12</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. FINRA has asked the Commission to waive the 30-day operative delay so that the proposal may become operative upon filing. FINRA has stated that the purpose of the proposed rule change is to provide industry participants additional time to make systems changes necessary to comply with the requirements of SR-FINRA-2015-036, including time to test the systems changes, and time to update or amend margining agreements and related documentation. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest and will help to facilitate the implementation of the margin requirements for Covered Agency Transactions. Therefore,

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires FINRA to give the Commission written notice of FINRA's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. FINRA has satisfied this requirement.

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

the Commission hereby waives the 30-day operative delay requirement and designates the proposed rule change as operative upon filing.<sup>13</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

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

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2017-029 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.

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<sup>13</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-FINRA-2017-029. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2017-029 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

[FR Doc. 2017-21001 Filed: 9/29/2017 8:45 am; Publication Date: 10/2/2017]