

September 14, 2017

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: File No. SR-FINRA-2017-020 – Partial Amendment No. 2**

Dear Mr. Fields:

As a courtesy to commenters, attached is Partial Amendment No. 2 to the above-referenced proposed rule change that was filed with the Securities and Exchange Commission on September 13, 2017.

If you have any questions, please contact me at [REDACTED].

Sincerely,

  
Julia Bogolin  
Counsel

Attachment

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 14

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No.\* SR - 2017 - \* 020

Amendment No. (req. for Amendments \*) 2

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Security-Based Swap Submission pursuant  
to the Securities Exchange Act of 1934

Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
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Section 3C(b)(2) \*  

Exhibit 2 Sent As Paper Document



Exhibit 2 Sent As Paper Document

**Description**

Provide a brief description of the action (limit 250 characters, required when "Initial" is checked \*)

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Julia	Last Name * Bogolin
Title * Counsel	
E-mail * <input type="text"/>	
Telephone * <input type="text"/>	Fax <input type="text"/>

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 09/13/2017

By Stephanie M. Dumont

(Name \*)

Senior Vice President and Director of Capital Markets  
Policy

Stephanie Dumont,

NOTE: Clicking the button at right will digitally sign and lock  
this form. A digital signature is as legally binding as a physical  
signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

SR-FINRA-2017-020, Partial Amendment No. 2

On June 19, 2017, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) proposed rule change SR-FINRA-2017-020 (“Proposal”), pursuant to which FINRA proposed rules to establish procedures for resolving potential disputes related to CAT Fees charged to Industry Members.<sup>1</sup> On September 6, 2017, FINRA filed Partial Amendment No. 1 to the Proposal, and this Amendment No. 2 to the Proposal replaces and supersedes Partial Amendment No. 1.

The Commission published the proposed rule change for public comment in the Federal Register on July 6, 2017.<sup>2</sup> No comments were received to the Proposal.

With this Partial Amendment No. 2, FINRA is including Exhibit 4, which reflects changes to the text of the proposed rule change pursuant to this Partial Amendment No. 2, and Exhibit 5, which reflects the changes to the current rule text that are proposed in the Proposal, as amended by this Partial Amendment No. 2.

In the Proposal, “CAT Fee” is defined in paragraph (a)(1) as: “For purposes of this Rule . . . the term “CAT Fee” is defined as set forth in Rule 6897 (Consolidated Audit Trail Funding Fees).” Further, paragraph (a)(3) of the proposed Consolidated

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<sup>1</sup> Unless otherwise specified, capitalized terms used in this filing are defined as set forth herein, the CAT Compliance Rule Series or in the CAT NMS Plan.

<sup>2</sup> See Securities Exchange Act Release No. 81053 (June 29, 2017), 82 FR 31366 (July 6, 2017) (Notice of Filing of File No. SR-FINRA-2017-020). On August 7, 2017, the Commission published a Notice of Designation of a Longer Period for Commission Action in the Federal Register. Securities Exchange Act Release No. 81275 (August 1, 2017), 82 FR 36836 (August 7, 2017) (Designation of a Longer Period for Commission Action on File No. SR-FINRA-2017-020).

Audit Trail Funding Fees,<sup>3</sup> in turn, defines “CAT Fee” as meaning “the Consolidated Audit Trail Funding Fee(s) to be paid by Industry Members as set forth in paragraph (b) of this Rule [6897].”

Given the proposed Consolidated Audit Trail Funding Fees are currently in suspension proceedings,<sup>4</sup> FINRA proposes to amend paragraphs (a)(1), (b) and (c)(1) of the proposed Rule 6898 of the Proposal to remove references to the Consolidated Audit Trail Funding Fees.

This Partial Amendment No. 2 proposes to amend paragraphs (a)(1), (b) and (c)(1) of proposed Rule 6898 of the Proposal and adopt new paragraph (a)(3), as follows (additions underlined; deletions bracketed):

**(a) Definitions**

(1) For purposes of this Rule, the terms “CAT NMS Plan”, “Industry Member”, “Operating Committee”, and “Participant” are defined as set forth in [the] Rule 6810 (Consolidated Audit Trail – Definitions) [and the term “CAT Fee” is defined as set forth in Rule 6897 (Consolidated Audit Trail Funding Fees)].

(2) “Subcommittee” means a subcommittee designated by the Operating Committee pursuant to the CAT NMS Plan.

(3) “CAT Fee” means any fees contemplated by the CAT NMS Plan and imposed on Industry Members pursuant to FINRA Rules.

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<sup>3</sup> See Securities Exchange Act Release No. 80710 (May 17, 2017), 82 FR 23639 (May 23, 2017) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2017-011).

<sup>4</sup> Securities Exchange Act Release No. 81067 (June 30, 2017), 82 FR 31656 (July 7, 2017) (Suspension Order on File No. SR-FINRA-2017-011).

**(b) Fee Dispute Resolution**

Disputes initiated by an Industry Member with respect to CAT Fees charged to such Industry Member [pursuant to the Consolidated Audit Trail Funding Fees], including disputes related to the designated tier and the fee calculated pursuant to such tier, shall be resolved by the Operating Committee, or a Subcommittee designated by the Operating Committee, of the CAT NMS Plan, pursuant to the Fee Dispute Resolution Procedures adopted pursuant to the CAT NMS Plan and set forth in paragraph (c) of this Rule. Decisions on such matters shall be binding on Industry Members, without prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

**(c) Fee Dispute Resolution Procedures under the CAT NMS Plan**

**(1) Scope of Procedures**

These Fee Dispute Resolution Procedures provide the procedure for Industry Members that dispute CAT Fees charged to such Industry Member [pursuant to one or more Participant's Consolidated Audit Trail Funding Fees], including disputes related to the designated tier and the fee calculated pursuant to such tier, to apply for an opportunity to be heard and to have the CAT Fees charged to such Industry Member reviewed.

\* \* \* \* \*

**EXHIBIT 4**

Exhibit 4 shows the changes proposed in this Partial Amendment No. 2, with the proposed changes in the original filing shown as if adopted. Proposed new language in this Partial Amendment No. 2 is underlined; proposed deletions in this Partial Amendment No. 2 are in brackets.

\* \* \* \* \*

**6000. QUOTATION, ORDER, AND TRANSACTION REPORTING FACILITIES**

\* \* \* \* \*

**6800. CONSOLIDATED AUDIT TRAIL COMPLIANCE RULE AND FEES**

\* \* \* \* \*

**6898. Consolidated Audit Trail – Fee Dispute Resolution**

**(a) Definitions**

(1) For purposes of this Rule, the terms “CAT NMS Plan”, “Industry Member”, “Operating Committee”, and “Participant” are defined as set forth in [the] Rule 6810 (Consolidated Audit Trail – Definitions) [and the term “CAT Fee” is defined as set forth in Rule 6897 (Consolidated Audit Trail Funding Fees)].

(2) “Subcommittee” means a subcommittee designated by the Operating Committee pursuant to the CAT NMS Plan.

(3) “CAT Fee” means any fees contemplated by the CAT NMS Plan and imposed on Industry Members pursuant to FINRA Rules.

**(b) Fee Dispute Resolution**

Disputes initiated by an Industry Member with respect to CAT Fees charged to such Industry Member [pursuant to the Consolidated Audit Trail Funding Fees], including disputes related to the designated tier and the fee calculated pursuant to such

tier, shall be resolved by the Operating Committee, or a Subcommittee designated by the Operating Committee, of the CAT NMS Plan, pursuant to the Fee Dispute Resolution Procedures adopted pursuant to the CAT NMS Plan and set forth in paragraph (c) of this Rule. Decisions on such matters shall be binding on Industry Members, without prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

**(c) Fee Dispute Resolution Procedures under the CAT NMS Plan**

**(1) Scope of Procedures**

These Fee Dispute Resolution Procedures provide the procedure for Industry Members that dispute CAT Fees charged to such Industry Member [pursuant to one or more Participant's Consolidated Audit Trail Funding Fees], including disputes related to the designated tier and the fee calculated pursuant to such tier, to apply for an opportunity to be heard and to have the CAT Fees charged to such Industry Member reviewed.

**(2) through (9) No Change.**

\* \* \* \* \*



**EXHIBIT 5**

Below is the text of the proposed rule change. Proposed new language is underlined.

\* \* \* \* \*

**6000. QUOTATION, ORDER, AND TRANSACTION REPORTING FACILITIES**

\* \* \* \* \*

**6800. CONSOLIDATED AUDIT TRAIL COMPLIANCE RULE AND FEES**

\* \* \* \* \*

**6898. Consolidated Audit Trail – Fee Dispute Resolution**

**(a) Definitions**

(1) For purposes of this Rule, the terms “CAT NMS Plan”, “Industry Member”, “Operating Committee”, and “Participant” are defined as set forth in Rule 6810 (Consolidated Audit Trail – Definitions).

(2) “Subcommittee” means a subcommittee designated by the Operating Committee pursuant to the CAT NMS Plan.

(3) “CAT Fee” means any fees contemplated by the CAT NMS Plan and imposed on Industry Members pursuant to FINRA Rules.

**(b) Fee Dispute Resolution**

Disputes initiated by an Industry Member with respect to CAT Fees charged to such Industry Member, including disputes related to the designated tier and the fee calculated pursuant to such tier, shall be resolved by the Operating Committee, or a Subcommittee designated by the Operating Committee, of the CAT NMS Plan, pursuant to the Fee Dispute Resolution Procedures adopted pursuant to the CAT NMS Plan and set forth in paragraph (c) of this Rule. Decisions on such matters shall be binding on

Industry Members, without prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

**(c) Fee Dispute Resolution Procedures under the CAT NMS Plan**

**(1) Scope of Procedures**

These Fee Dispute Resolution Procedures provide the procedure for Industry Members that dispute CAT Fees charged to such Industry Member, including disputes related to the designated tier and the fee calculated pursuant to such tier, to apply for an opportunity to be heard and to have the CAT Fees charged to such Industry Member reviewed.

**(2) Submission and Time Limitation on Application to CAT NMS, LLC (“Company”)**

An Industry Member that disputes CAT Fees charged to such Industry Member and that desires to have an opportunity to be heard with respect to such disputed CAT Fees shall file a written application with the Company within 15 business days after being notified of such disputed CAT Fees. The application shall identify the disputed CAT Fees, state the specific reasons why the applicant takes exception to such CAT Fees, and set forth the relief sought. In addition, if the applicant intends to submit any additional documents, statements, arguments or other material in support of the application, the same should be so stated and identified.

**(3) Procedure Following Applications for Hearing**

**(A) Fee Review Subcommittee**

The Company will refer applications for hearing and review promptly to the Subcommittee designated by the Operating Committee pursuant to Section 4.12 of the CAT NMS Plan with responsibility for conducting the reviews of CAT Fee disputes pursuant to these Fee Dispute Resolution Procedures. This Subcommittee will be referred to as the Fee Review Subcommittee. The members of the Fee Review Subcommittee will be subject to the provisions of Section 4.3(d) of the CAT NMS Plan regarding recusal and Conflicts of Interest.

(B) Record

The Fee Review Subcommittee will keep a record of the proceedings.

(C) Hearings and Documents

The Fee Review Subcommittee will hold hearings promptly. The Fee Review Subcommittee will set a hearing date. The parties to the hearing (as described in paragraph (c)(4)(A) below) shall furnish the Fee Review Subcommittee with all materials relevant to the proceedings at least 72 hours prior to the date of the hearing. Each party shall have the right to inspect and copy the other party's materials prior to the hearing.

**(4) Hearing and Decision**

(A) Parties

The parties to the hearing shall consist of the applicant and a representative of the Company who shall present the reasons for the action taken by the Company that allegedly aggrieved the applicant.

(B) Counsel

The applicant is entitled to be accompanied, represented and advised by counsel at all stages of the proceedings.

(C) Conduct of Hearing

The Fee Review Subcommittee shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the hearing. Each of the parties shall be permitted to make an opening statement, present witnesses and documentary evidence, cross examine opposing witnesses and present closing arguments orally or in writing as determined by the Fee Review Subcommittee. The Fee Review Subcommittee also shall have the right to question all parties and witnesses to the proceeding. The Fee Review Subcommittee shall keep a record of the hearing. The formal rules of evidence shall not apply.

(D) Decision

The Fee Review Subcommittee shall set forth its decision in writing and send the written decision to the parties to the proceeding. Such decisions shall contain the reasons supporting the conclusions of the Fee Review Subcommittee.

**(5) Review**

(A) Petition

The decision of the Fee Review Subcommittee shall be subject to review by the Operating Committee either on its own motion within 20 business days after issuance of the decision or upon written request

submitted by the applicant within 15 business days after issuance of the decision. The applicant's petition shall be in writing and specify the findings and conclusions to which the applicant objects, together with the reasons for such objections. Any objection to a decision not specified in writing shall be considered to have been abandoned and may be disregarded. Parties may petition to submit a written argument to the Operating Committee and may request an opportunity to make an oral argument before the Operating Committee. The Operating Committee shall have sole discretion to grant or deny either request.

**(B) Conduct of Review**

The Operating Committee shall conduct the review. The review shall be made upon the record and shall be made after such further proceedings, if any, as the Operating Committee may order. Based upon such record, the Operating Committee may affirm, reverse or modify, in whole or in part, the decision of the Fee Review Subcommittee. The decision of the Operating Committee shall be in writing, shall be sent to the parties to the proceeding and shall be final.

**(6) Time Limit for Review**

A final decision regarding the disputed CAT Fees by the Operating Committee, or the Fee Review Subcommittee (if there is no review by the Operating Committee), must be provided within 90 days of the date on which the Industry Member filed a written application regarding disputed CAT Fees with the Company pursuant to paragraph (c)(2) of these Fee Dispute Resolution

Procedures. The Operating Committee may extend the 90-day time limit under this paragraph (c)(6) at its discretion.

**(7) Miscellaneous Provisions**

**(A) Service of Notice**

Any notices or other documents may be served upon the applicant either personally or by leaving the same at its, his or her place of business or by deposit in the United States post office, postage prepaid, by registered or certified mail, addressed to the applicant at its, his or her last known business or residence address.

**(B) Extension of Certain Time Limits**

Any time limits imposed under these Fee Dispute Resolution Procedures for the submission of answers, petitions or other materials may be extended by permission of the Operating Committee. All papers and documents relating to review by the Fee Review Subcommittee or the Operating Committee must be submitted to the Fee Review Subcommittee or Operating Committee, as applicable.

**(8) Agency Review**

Decisions on such CAT Fee disputes made pursuant to these Fee Dispute Resolution Procedures shall be binding on Industry Members, without prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

**(9) Payment of Disputed CAT Fees**

**(A) Timing of Fee Payment**

An Industry Member that files a written application with the Company regarding disputed CAT Fees in accordance with these Fee Dispute Resolution Procedures is not required to pay such disputed CAT Fees until the dispute is resolved in accordance with these Fee Dispute Resolution Procedures, including any review pursuant to paragraph (c)(8). For the purposes of this paragraph (c)(9), the disputed CAT Fees means the amount of the invoiced CAT Fees that the Industry Member has asserted pursuant to these Fee Dispute Resolution Procedures that such Industry Member does not owe to the Company. The Industry Member must pay any invoiced CAT Fees that are not disputed CAT Fees when due as set forth in the original invoice.

(B) Interest on Unpaid CAT Fees

Once the dispute regarding CAT Fees is resolved pursuant to these Fee Dispute Resolution Procedures, if it is determined that the Industry Member owes any of the disputed CAT Fees, then the Industry Member must pay such disputed CAT Fees that are owed as well as interest on such disputed CAT Fees from the original due date (that is, 30 days after receipt of the original invoice of such CAT Fees) until such disputed CAT Fees are paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

\* \* \* \* \*