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## 6000. QUOTATION AND TRANSACTION REPORTING FACILITIES

### 6100. QUOTING AND TRADING IN NMS STOCKS

#### 6110. Trading Otherwise than on an Exchange

Members are required to report transactions in NMS stocks, as defined in Rule 600(b)(47) of SEC Regulation NMS, effected otherwise than on or through a national securities exchange to FINRA. For purposes of the [Rule 6100 Series](#), "otherwise than on an exchange" means a trade effected by a FINRA member otherwise than on or through a national securities exchange. The determination of what constitutes a trade "on or through" a particular national securities exchange shall be determined by that exchange in accordance with all applicable statutes, rules and regulations, and with any necessary SEC approval.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

#### 6120. Trading Halts

##### (a) Authority to Initiate Halts In Trading Otherwise Than on an Exchange in NMS Stocks

FINRA, pursuant to the procedures set forth in paragraph (b):

(1) shall halt trading otherwise than on an exchange in any NMS stock, as defined in Rule 600(b)(47) of SEC Regulation NMS, whenever any market that has the authority to call a regulatory halt in the security imposes a trading halt, or suspends the listing, to:

- (A) permit dissemination of material news;
- (B) obtain information from the issuer relating to material news;
- (C) obtain information relating to the issuer's ability to meet listing qualification requirements; or
- (D) obtain any other information that is necessary to protect investors and the public interest.

(2) shall halt trading otherwise than on an exchange in any NMS stock when:

(A) extraordinary market activity in the security is occurring, such as the execution of a series of transactions for a significant dollar value at prices substantially unrelated to the current market for the security, as measured by the national best bid and offer, and

(B) FINRA determines that such extraordinary market activity is likely to have a material effect on the market for the security; and

(C)(i) FINRA determines that such extraordinary market activity is caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, FINRA; or

(ii) After consultation with a national securities exchange trading the security, FINRA determines that such extraordinary market activity is caused by the misuse or malfunction of an electronic quotation, communication, reporting, or execution system operated by, or linked to, such other national securities exchange.

(3) shall close the Alternative Display Facility (ADF) or any Trade Reporting Facility (TRF) to quotation and/or trade reporting activity, as applicable, whenever the ADF or such TRF is unable to transmit real-time trade reporting information to the applicable Securities Information Processor. If the ADF or any TRF closes trading pursuant to this subparagraph (3), members would not be prohibited from trading through other markets for which trading is not halted.

Members shall promptly notify FINRA whenever they have knowledge of any matter related to an NMS stock or the issuer thereof that has not been adequately disclosed to the public or where they have knowledge of a regulatory problem relating to such security.

#### **(b) Commencement and Termination of a Trading Halt**

(1) In the event FINRA determines that a basis exists under this Rule 6120 to initiate a trading halt or close the ADF or any TRF, the commencement of the trading halt or closure will be effective simultaneously with appropriate notice.

(2) Trading shall resume upon appropriate notice that a trading halt or closure is no longer in effect.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-104 eff. March 5, 2007.  
Amended by SR-NASD-2006-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

### **6121. Trading Halts Due to Extraordinary Market Volatility**

Pursuant to the procedures set forth in [Rule 6120\(b\)](#), FINRA shall halt all trading otherwise than on an exchange in any NMS stock, as defined in Rule 600(b)(47) of SEC Regulation NMS, if other major securities markets initiate market-wide trading halts in response to their rules or extraordinary market conditions or if otherwise directed by the Securities and Exchange Commission. Members must halt quoting and trading otherwise than on an exchange in any NMS stock as of the time the market-wide trading halt is publicly disseminated.

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••• **Supplementary Material:** -----

#### **.01 Trading Pauses**

(a) The Regulation NMS Plan to Address Extraordinary Market Volatility (Plan) sets forth the circumstances under which the Primary Listing Exchange shall declare a Trading Pause for an NMS Stock. The Plan expressly provides that no trades in an NMS Stock shall occur during a Trading Pause. The Plan also sets forth the circumstances under which trading in an NMS Stock can resume after a Trading Pause. FINRA may permit the resumption of trading otherwise than on an exchange in such NMS Stock if trading has commenced on at least one other national securities exchange. The provisions of this paragraph (a) shall be in effect during a pilot period to coincide with the pilot period for the Plan (including any extensions to the pilot period for the Plan).

(b) For any Tier 1 or Tier 2 NMS Stock for which the Plan has not yet been implemented, if a primary listing market has issued an individual stock trading pause under its Rules, FINRA will halt trading otherwise than on an exchange in that security until trading has resumed on the primary listing market. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor or the primary listing market has issued notice that it cannot resume trading for a reason other than a significant imbalance, FINRA may permit the resumption of trading otherwise than on an exchange in such stock if trading has commenced on at least one other national securities exchange. Upon implementation of the Plan for any Tier 1 or Tier 2 NMS Stock, this paragraph (b) will cease to apply to that security and paragraph (a) will apply to that security. The provisions of this paragraph (b) shall be in effect during a pilot period set to end upon implementation of Phase II of the Plan.

(c) For purposes of this Supplementary Material .01, the following terms shall have the meanings as set forth in the Regulation NMS Plan to Address Extraordinary Market Volatility: "NMS Stock," "Phase II," "Primary Listing Exchange," "Tier 1," "Tier 2" and "Trading Pause."

#### **.02 Market-wide Circuit Breakers in NMS Stocks**

(a) In the event of a Level 1, Level 2 or Level 3 Market Decline, as determined by a primary listing market and publicly disseminated, FINRA shall halt trading otherwise than on an exchange in all NMS stocks and shall not permit the resumption of trading for the time periods specified by the primary listing market, except as otherwise provided below.

(b) For purposes of this Rule, a Market Decline means a decline in the value of the S&P 500® Index between 9:30 a.m. and 4:00 p.m. on a trading day as compared to the closing value of the S&P 500® Index for the immediately preceding trading day.

(c) (1) If trading is halted in all NMS stocks for a Level 1 or a Level 2 Market Decline, FINRA will halt trading otherwise than on an exchange in all NMS stocks until trading has resumed on the primary listing market. If, however, the primary listing market does not reopen a security within 15 minutes following the end of the 15-minute halt period, FINRA may permit the resumption of trading otherwise than on an exchange in that security if trading in the security has commenced on at least one other national securities exchange.

(2) If a Level 3 Market Decline occurs at any time during the trading day, FINRA shall halt trading otherwise than on an exchange in all NMS stocks until the primary listing market opens the next trading day.

(d) The provisions of Supplementary Material .02 of this Rule shall be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility unless the pilot is either extended or approved permanently.

Amended by SR-FINRA-2013-016 eff. April 8, 2013.  
Amended by SR-FINRA-2011-054 and SR-FINRA-2013-011 eff. April 8, 2013.  
Amended by SR-FINRA-2013-010 eff. Feb. 1, 2013.  
Amended by SR-FINRA-2012-037 eff. July 23, 2012.  
Amended by SR-FINRA-2012-006 eff. Jan. 24, 2012.  
Amended by SR-FINRA-2011-068 eff. Nov. 21, 2011.  
Amended by SR-FINRA-2011-023 eff. Aug. 8, 2011.  
Amended by SR-FINRA-2011-038 eff. Aug. 5, 2011.  
Amended by SR-FINRA-2011-015 eff. Mar. 30, 2011.  
Amended by SR-FINRA-2010-064 eff. Dec. 7, 2010.  
Amended by SR-FINRA-2010-033 eff. Sept. 14, 2010.  
Amended by SR-FINRA-2010-025 eff. June 10, 2010.  
Adopted by SR-FINRA-2008-048 eff. Oct. 7, 2008.

**Selected Notices:** [10-30](#), [10-43](#), [13-12](#).

## 6130. Transactions Related to Initial Public Offerings

(a) No member or person associated with a member shall execute or cause to be executed, directly or indirectly, a transaction otherwise than on an exchange in a security subject to an initial public offering until such security has first opened for trading on the national securities exchange listing the security, as indicated by the dissemination of an opening transaction in the security by the listing exchange.

(b) A security is subject to an "initial public offering" for purposes of paragraph (a) of this Rule if:

(1) the offering of the security is registered under the Securities Act; and

(2) the issuer of the security, immediately prior to filing the registration statement with respect to such offering, was not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act.

Amended by SR-FINRA-2011-024 eff. June 17, 2011.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-087 eff. Aug. 1, 2006  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

## 6140. Other Trading Practices

(a) No member shall execute or cause to be executed or participate in an account for which there are executed

purchases of any NMS stock as defined in Rule 600(b)(47) of SEC Regulation NMS ("designated security") at successively higher prices, or sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

(b) No member shall, for the purpose of creating or inducing a false or misleading appearance of activity in a designated security or creating or inducing a false or misleading appearance with respect to the market in such security:

(1) execute any transaction in such security which involves no change in the beneficial ownership thereof; or

(2) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties; or

(3) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

(c) No member shall execute purchases or sales of any designated security for any account in which such member is directly or indirectly interested, which purchases or sales are excessive in view of the member's financial resources or in view of the market for such security.

(d) No member shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

(1) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of a designated security shall be deemed to be a manipulative operation.

(2) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.

(3) The carrying on margin of a position in such securities or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

(e) No member shall make any statement or circulate and disseminate any information concerning any designated security which such member knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

(f) No member or person associated with a member shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling a designated security, unless such joint account is promptly reported to FINRA. The report should contain the following information for each account:

(1) Name of the account, with names of all participants and their respective interests in profits and losses;

(2) a statement regarding the purpose of the account;

(3) name of the member carrying and clearing the account; and

(4) a copy of any written agreement or instrument relating to the account.

(g) No member shall offer that a transaction or transactions to buy or sell a designated security will influence the closing transaction in that security.

Amended by SR-FINRA-2012-026 and SR-FINRA-2013-004 eff. March 4, 2013.

Amended by SR-FINRA-2012-027 eff. July 9, 2012.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Adopted by SR-NASD-2006-104 eff. Feb. 12, 2007.

**Selected Notice:** [08-57](#), [12-50](#).

## 6150. Obligation to Provide Information

(a) A FINRA member operating in or participating in any FINRA system or facility shall provide information orally, in writing, or electronically (if such information is, or is required to be, maintained in electronic form) to the staff of FINRA when FINRA staff makes an oral, written or electronically communicated request for information relating to a specific FINRA rule, SEC rule, or provision of a joint industry plan (e.g., UTP, CTA and CQA) (as promulgated and amended from time to time).

(b) A failure to comply in a timely, truthful and/or complete manner with a request for information made pursuant to this Rule may be deemed conduct inconsistent with just and equitable principles of trade.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2006-104 eff. Feb. 12, 2007.

**Selected Notice:** [08-57](#).

## 6160. Multiple MPIDs for Trade Reporting Facility Participants

(a) Any Trade Reporting Facility Participant that wishes to use more than one Market Participant Symbol ("MPID") for purposes of reporting trades to a Trade Reporting Facility must submit a written request to, and obtain approval from, FINRA Operations for such additional MPID(s).

(b) A Trade Reporting Facility Participant that posts a quotation on a FINRA system and reports to that FINRA system or another FINRA system a trade resulting from such posted quotation must utilize the same MPID for reporting purposes (e.g., a member that is both a Trade Reporting Facility Participant and a Registered Reporting ADF ECN must use the same MPID when reporting a trade that resulted from its posted quotation on ADF).

(c) A Trade Reporting Facility Participant that operates an alternative trading system ("ATS") "dark pool" (defined for purposes of this Rule as an ATS that does not display quotations or subscribers' orders to any person or entity either internally within the ATS dark pool or externally beyond the ATS dark pool (other than employees of the ATS)) and opts to have its data included in published aggregate trading volume data must obtain a separate MPID designated for exclusive use for reporting its ATS dark pool transactions. The member must use such separate MPID to report all transactions executed within the ATS dark pool to a Trade Reporting Facility (or Facilities). The member shall not use such separate MPID to report any transaction that is not executed within the ATS dark pool. Any member that operates multiple ATS dark pools and opts to have the data for each ATS dark pool included in the published data must obtain a separate MPID for each ATS dark pool. Members must have policies and procedures in place to ensure that trades reported with a separate MPID obtained under this paragraph are restricted to trades executed within the ATS dark pool.

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### ••• Supplementary Material: -----

**.01** FINRA considers the issuance of, and trade reporting with, multiple MPIDs to be a privilege and not a right. A Trade Reporting Facility Participant must identify the purpose(s) and system(s) for which the multiple MPIDs will be used. If FINRA determines that the use of multiple MPIDs is detrimental to the marketplace, or that a Trade Reporting Facility Participant is using one or more additional MPIDs improperly or for other than the purpose(s) identified by the Participant, FINRA staff retains full discretion to limit or withdraw its grant of the additional MPID(s) to such Trade Reporting Facility Participant for purposes of reporting trades to a Trade Reporting Facility.

**.02** Any FINRA Trade Reporting Facility Business Member that chooses to publish aggregate daily trading volume for transactions executed within an ATS dark pool and reported to the Trade Reporting Facility will base such volume solely on transactions reported by the ATS dark pool for purposes of publication. The Business Member will prominently disclose that its web site may not reflect 100% of the volume for any given ATS dark pool and interested parties must consult all Business Members' web sites for purposes of obtaining an ATS dark pool's total volume.

A member's dark pool transaction data will not be included in the published volume unless the member affirmatively opts in to have its data included. A member operating an ATS dark pool must certify in writing to FINRA that (1) the member is affirmatively opting in for purposes of having its dark pool transaction data included in the published data and acknowledges that its data may be presented as an overall percentage volume only or may be broken down by security; (2) the member meets the definition of ATS dark pool in paragraph (c) of this Rule; and (3) the member has obtained a separate MPID that will be used exclusively for reporting all transactions executed within the ATS dark pool as required by paragraph (c) of this Rule.

Amended by SR-FINRA-2013-042 eff. Jan. 17, 2014.  
Amended by SR-FINRA-2013-008 eff. Jan. 25, 2013.

Amended by SR-FINRA-2011-074 eff. Jan. 27, 2012.  
Amended by SR-FINRA-2011-003 eff. Jan. 28, 2011.  
Amended by SR-FINRA-2010-001 eff. March 5, 2010.  
Amended by SR-FINRA-2009-094 eff. Jan. 29, 2010.  
Amended by SR-FINRA-2008-068 eff. Jan. 30, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2008-003 eff. Jan. 25, 2008.  
Amended by SR-NASD-2007-008 eff. Jan. 26, 2007.  
Adopted by SR-NASD-2006-108 eff. Nov. 27, 2006.

**Selected Notice:** [08-57](#), [14-07](#).

## 6170. Primary and Additional MPIDs for Alternative Display Facility Participants

(a) Terms used in this Rule 6170 shall have the same meaning as defined in [Rule 6220](#).

(b) The first Market Participant Identifier ("MPID") issued to a FINRA Market Participant shall be referred to as the FINRA Market Participant's "Primary MPID." A Registered Reporting ADF ECN may request the use of Additional MPIDs for displaying quotes/orders and reporting trades through TRACS for any ADF-Eligible Security. A Registered Reporting ADF ECN that ceases to meet the obligations appurtenant to its Primary MPID in any security shall not be permitted to use Additional MPIDs for any purpose in that security.

(c) A Registered Reporting ADF ECN that posts a quotation through either a Primary MPID or Additional MPID and reports a trade to TRACS as a result of such a posted quotation must utilize the corresponding Primary MPID or Additional MPID for reporting purposes through which the quotation was originally posted (i.e., Registered Reporting ADF ECNs must use the same MPID for TRACS trade reporting as was used for ADF quotation posting).

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### ••• Supplementary Material: -----

**.01** FINRA considers the issuance of, the display of, and the trade reporting with Additional MPIDs to be a privilege and not a right. FINRA has developed the following method for allocating the privilege of receiving, displaying, and trade reporting with Additional MPIDs in an orderly, predictable, and fair manner. While FINRA does not intend to place a numerical limit on the number of Additional MPIDs it may grant to Registered Reporting ADF ECNs, given the agent business model of ECNs, FINRA does not anticipate the granting of many additional MPIDs to Registered Reporting ADF ECNs.

**.02** FINRA will automatically designate a Registered Reporting ADF ECN's first MPID as a "Primary MPID." Additional MPIDs will be designated as such. Registered Reporting ADF ECNs are required to use their Primary MPID in accordance with the requirements of this Rule as well as all existing requirements for the use of MPIDs in FINRA systems and under FINRA rules. Each of an ECN's MPID will be subject to the requirements of [Rule 6279](#).

**.03** If it is determined that one or more Additional MPIDs are being used improperly, FINRA staff retains full discretion to limit or withdraw its grant of the Additional MPID(s) for all purposes for all securities. In addition, if a Registered Reporting ADF ECN no longer fulfills the conditions appurtenant to its Primary MPID (e.g., by being placed into an unexcused withdrawal), it may not use an Additional MPID for any purpose in that security.

**.04** The first priority of FINRA's method for allocating the privilege of displaying and trade reporting with Additional MPIDs is that each Registered Reporting ADF ECN should be permitted to display quotations and report trades under a Primary MPID before any is permitted to display additional quotations under and report trades with Additional MPIDs. If all requests for Primary MPIDs have been satisfied, FINRA will then register Additional MPIDs on a first-come-first-served basis, consistent with the procedures listed below.

**.05** A Registered Reporting ADF ECN shall contact FINRA in writing setting forth the bona fide business and/or regulatory reasons for requesting an Additional MPID. FINRA will consider the business and/or regulatory reasons demonstrated by the Registered Reporting ADF ECN and promptly respond to the Registered Reporting ADF ECN. If an Additional MPID is granted, it will be subject to the same requirements applicable to a Primary MPID. FINRA staff retains full discretion to limit or withdraw the Additional MPID privileges of a Registered Reporting ADF ECN.

Amended by SR-FINRA-2013-042 eff. Jan. 17, 2014.  
Amended by SR-FINRA-2013-008 eff. Jan. 25, 2013.  
Amended by SR-FINRA-2011-074 eff. Jan. 27, 2012.  
Amended by SR-FINRA-2011-003 eff. Jan. 28, 2011.

Amended by SR-FINRA-2009-094 eff. Jan. 29, 2010.  
Amended by SR-FINRA-2008-068 eff. Jan. 30, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2006-096 eff. Aug. 8, 2006.

**Selected Notice:** [08-57](#), [14-07](#).

## 6180. Transaction Reporting

### 6181. Timely Transaction Reporting

FINRA emphasizes the obligations of members to report securities transactions within the required time period. All reportable transactions not reported within the required time period shall be marked late, and FINRA routinely monitors members' compliance with the reporting requirements. If FINRA finds a pattern or practice of unexcused late reporting, that is, repeated reports of executions submitted after the required time period without reasonable justification or exceptional circumstances, the member may be found to be in violation of [Rule 2010](#). Exceptional circumstances will be determined on a case-by-case basis and may include 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. Timely reporting of all transactions is necessary and appropriate for the fair and orderly operation of the marketplace, and FINRA will view noncompliance as a rule violation.

Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2009-005 eff. Feb. 17, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#), [10-24](#).

### 6182. Trade Reporting of Short Sales

Pursuant to applicable trade reporting rules, members must indicate on trade reports submitted to FINRA whether a transaction is a short sale or a short sale exempt transaction ("short sale reporting requirements"). The short sale reporting requirements apply to transactions in all NMS stocks, as defined in Rule 600(b)(47) of SEC Regulation NMS. Thus, all short sale transactions in these securities reported to FINRA must carry a "short sale" indicator (or a "short sale exempt" indicator if it is a short sale transaction in a "covered security" that may be marked "short exempt" pursuant to SEC Regulation SHO).

Amended by SR-FINRA-2010-058 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2010-043 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2007-047 eff. July 6, 2007.  
Amended by SR-NASD-2006-087 eff. Aug. 1, 2006  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006

**Selected Notices:** [07-31](#), [08-57](#), [10-48](#).

### 6183. Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

(a) Pursuant to the [Rule 9600](#) Series, the staff for good cause shown after taking into consideration all relevant factors, may exempt, upon application and subject to specified terms and conditions, a member alternative trading system ("ATS") from the trade reporting obligation under paragraph (b) of Rules [6282](#), [6380A](#) and [6380B](#), if such exemption is consistent with the protection of investors and the public interest. The staff will grant an exemption only if all of the following criteria are satisfied:

(1) Trades are between ATS subscribers that are both FINRA members.

(2) The ATS demonstrates that:

(A) The member subscribers are fully disclosed to one another at all times on the ATS;

(B) The system does not permit automatic execution, and a member subscriber must take affirmative steps

beyond the submission of an order to agree to a trade with another member subscriber;

- (C) The trade does not pass through any ATS account, and the ATS does not in any way hold itself out to be a party to the trade; and
- (D) The ATS does not exchange shares or funds on behalf of the member subscribers, take either side of the trade for clearing or settlement purposes, including, but not limited to, at DTC or otherwise, or in any other way insert itself into the trade.
- (3) The ATS and the member subscribers acknowledge and agree in writing that the ATS shall not be deemed a party to the trade for purposes of trade reporting and that trades shall be reported by the member subscriber that, as between the two member subscribers, would satisfy the definition of "executing party" under FINRA trade reporting rules.
- (4) The ATS agrees to provide to FINRA on a monthly basis, or such other basis as prescribed by FINRA, data relating to the volume of trades by security executed by the ATS's member subscribers using the ATS's system, and the ATS acknowledges that failure to report such data to FINRA, in addition to constituting a violation of FINRA rules, will result in revocation of any exemption granted pursuant to this Rule.

(b) Where FINRA has granted an exemption under this Rule, trades shall be reported to FINRA by the member subscriber that, as between the two member subscribers, satisfies the definition of "executing party" under paragraph (b) of Rule [6282](#), [6380A](#) or [6380B](#).

Adopted by SR-FINRA-2011-051 eff. Nov. 4, 2011.

## **6190. Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility**

(a) A member that is a trading center in an NMS Stock shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the requirements of the Regulation NMS Plan to Address Extraordinary Market Volatility (Plan) and specifically to prevent:

- (1) the execution of trades at prices that are below the Lower Price Band or above the Upper Price Band for an NMS Stock, except as permitted under the Plan;
- (2) the display of offers below the Lower Price Band and bids above the Upper Price Band for an NMS Stock; and
- (3) the execution of trades in an NMS Stock during a Trading Pause; however, bids and offers may be displayed during a Trading Pause, as permitted under the Plan.

(b) This Rule shall be in effect during a pilot period to coincide with the pilot period for the Plan (including any extensions to the pilot period for the Plan).

### **••• Supplementary Material: -----**

**.01** For purposes of this Rule, the following terms shall have the meanings as set forth in the Regulation NMS Plan to Address Extraordinary Market Volatility: "Lower Price Band," "NMS Stock," "trading center," "Trading Pause" and "Upper Price Band."

Adopted by SR-FINRA-2013-016 eff. April 8, 2013.

**Selected Notice:** [13-12](#).

## **6200. ALTERNATIVE DISPLAY FACILITY**

### **6210. General**

The Alternative Display Facility ("ADF") is a facility operated by FINRA for members that choose to quote or effect trades in ADF-eligible securities otherwise than on an exchange. The ADF collects and disseminates quotations and trade reports, and compares trades. Those FINRA members that use ADF systems for quotation or trade reporting activities must comply with the [Rule 6200](#) and [7100](#) Series, as well as all other applicable FINRA rules and the federal securities laws.



Amended by SR-FINRA-2013-053 eff. Feb. 3, 2014.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2007-005 eff. Jan. 27, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2004-160 eff. Oct. 26, 2004.  
Amended by SR-NASD-2004-012 eff. Jan. 26, 2004.  
Amended by SR-NASD-2003-67 eff. April 7, 2003.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

## 6220. Definitions

(a) Unless the context requires otherwise, the terms used in the [Rule 6200](#) and [Rule 7100](#) Series shall have the meanings below. Terms not specifically defined below shall have the meaning in the FINRA By-Laws and rules and Rule 600 of SEC Regulation NMS.

(1) "Exchange Act" or "SEA" means the Securities Exchange Act of 1934.

(2) "ADF-eligible security" means an NMS stock as defined in Rule 600(b)(47) of SEC Regulation NMS.

(3) "ADF Market Participant" or "Market Participant" means a Registered Reporting ADF Market Maker, or a Registered Reporting ADF ECN.

(4) "ADF Trading Center" means a Registered Reporting ADF Market Maker, or a Registered Reporting ADF ECN that is a "Trading Center," as defined in Rule 600(b)(78) of SEC Regulation NMS, and that is certified, pursuant to [Rule 6250](#), to display its quotations or orders through the ADF.

(5) "Certification Record" means the document that an ADF Trading Center must execute and continue to comply with, pursuant to [Rule 6250](#), to display its quotations through the ADF.

(6) "CQS security" is a security that is eligible for inclusion in the Consolidated Quotation Plan and reported to the Consolidated Tape in accordance with the Consolidated Tape Association Plan. These securities include all common stocks, preferred stocks, long-term warrants, and rights entitling the holder to acquire an eligible security, listed or admitted to unlisted trading privileges on the BATS Exchange Inc., NYSE MKT LLC, NYSE Arca LLC or the New York Stock Exchange, and securities listed on regional stock exchanges that have been designated by such regional exchange as eligible for reporting to the Consolidated Tape.

(7) "Nasdaq" means the NASDAQ Stock Market, LLC other than any facilities operated by The NASDAQ Stock Market, LLC on behalf of FINRA.

(8) "Nasdaq security" means any security listed on The NASDAQ Stock Market, LLC.

(9) "Non-Registered Reporting Member" means a member of FINRA that is not a Registered Reporting Member.

(10) "Normal unit of trading" means 100 shares of a security unless, with respect to a particular security, the market where the security is listed determines that a normal unit of trading shall constitute other than 100 shares.

(11) "Otherwise than on an exchange" means a trade effected by a FINRA member otherwise than on or through the facilities of a national securities exchange. The determination of what constitutes a trade "on or through" a particular national securities exchange shall be determined by that exchange in accordance with all applicable statutes, rules and regulations, and with any necessary SEC approval.

(12) "Registered Reporting ADF ECN" means a member of FINRA that is an electronic communications network ("ECN") that elects to display orders in the ADF. A member shall cease being a Registered Reporting ADF ECN when it has withdrawn or voluntarily terminated its quotations on the ADF or when its quotations have been suspended or terminated by action of FINRA. This term also shall include a FINRA member that is an alternative trading system ("ATS") that displays orders in the ADF. A Registered Reporting ADF ECN may voluntarily withdraw from participation on the ADF upon providing, through electronic delivery, written notice to FINRA Market Operations of its intention to withdraw as an Registered Reporting ADF ECN, with such withdrawal to be effective upon the first trading day following the provision of such notice announcing the Registered Reporting ADF ECN's intention to withdraw, or such other date as specified in the written notice.

(13) "Registered Reporting ADF Market Maker" means a member of FINRA that is registered as a FINRA market maker in a particular designated security and, with respect to that security, holds itself out (by entering quotations in the Alternative Display Facility) as being willing to buy and sell such security for its own account on a regular and continuous basis. A member is a Registered Reporting ADF Market Maker in only those designated securities for which it is registered as an ADF market maker. A member shall cease being a Registered Reporting ADF Market Maker in a designated security when it has withdrawn or voluntarily terminated its quotations in that security on the ADF or when its quotations have been suspended or terminated by action of FINRA.

(14) "Registered Reporting Member" means a Registered Reporting ADF Market Maker or Registered Reporting ADF ECN.

(15) "Stop Stock Price" means the specified price at which a member and another party agree a Stop Stock Transaction shall be executed, and which price is based upon the prices at which the security is trading at the time the order is received by the member, taking into consideration that the specified price may deviate from the current market prices to factor in the size of the order and the number of shares available at those prices.

(16) "Stop Stock Transaction" means any transaction that meets both of the following conditions:

(A) the transaction is the result of an order in which a member and another party agree that the order will be executed at a Stop Stock Price or better; and

(B) the order is executed at the Stop Stock Price or better.

(b) For purposes of Rule [6275](#), the following terms shall have the meanings as defined in Rule 100 of SEC Regulation M: "affiliated purchaser," "covered security," "distribution," "distribution participant," "restricted period," and "selling security holder."

Amended by SR-FINRA-2013-053 eff. Feb. 3, 2014.  
Amended by SR-FINRA-2011-024 eff. June 17, 2011.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2006-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notices:** [08-57](#), [08-74](#).

## 6230. Use of Alternative Display Facility Data Systems

FINRA may at any time authorize the use of Alternative Display Facility data systems on a test basis for whatever studies it considers necessary and appropriate.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

## 6240. Prohibition from Locking or Crossing Quotations in NMS Stocks

(a) Definitions. For purposes of these Rules, the following definitions shall apply:

(1) The terms "automated quotation," "National Market System Plan" (NMS Plan), "intermarket sweep order," "manual quotation," "NMS stock," "protected quotation," and "trading center" shall have the meanings set forth in Rule 600(b) of SEC Regulation NMS.

(2) The term crossing quotation shall mean the display of a bid for an NMS stock at any time between 8:00 a.m. and 6:30 p.m. Eastern Time at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective NMS Plan, or the display of an offer for an NMS stock at any time between 8:00 a.m. and 6:30 p.m. Eastern Time at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective NMS Plan.

(3) The term locking quotation shall mean the display of a bid for an NMS stock at any time between 8:00 a.m. and 6:30 p.m. Eastern Time at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective NMS Plan, or the display of an offer for an NMS stock at any time between 8:00 a.m. and 6:30 p.m. Eastern Time at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective NMS Plan.

(b) Prohibition. Except for quotations that fall within the provisions of paragraph (d) of this Rule, members shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective NMS Plan.

(c) Manual quotations. FINRA prohibits the display of manual quotations in the Alternative Display Facility, as specified in [Rule 6250](#). However, if a member displays a manual quotation in another FINRA facility that locks or crosses a quotation previously disseminated pursuant to an effective NMS Plan, such member shall promptly either withdraw the manual quotation or route an intermarket sweep order to execute against the full displayed size of the locked or crossed quotation.

(d) Exceptions.

(1) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(2) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.

(3) The locking or crossing quotation was an automated quotation, and the member displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

(4) The locking or crossing quotation was a manual quotation that locked or crossed another manual quotation, and the member displaying the locking or crossing manual quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of the locked or crossed manual quotation.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Amended by SR-NASD-2007-001 eff. March 5, 2007.

Adopted by SR-NASD-2006-091 eff. March 5, 2007.

**Selected Notice:** [08-57](#).

## 6250. Quote and Order Access Requirements

(a) For each security in which an ADF Trading Center displays a bid and offer (for Registered Reporting ADF Market Makers), or a bid or offer (for Registered Reporting ADF ECNs), in the ADF, it must:

(1) Provide other ADF Trading Centers direct electronic access, as defined below;

(2) Provide registered broker-dealers that are not ADF Trading Centers direct electronic access and allow for indirect electronic access, as defined below. In any event, an ADF Trading Center is prohibited from: (A) in any way directly or indirectly influencing or prescribing the prices that its customer broker-dealer may choose to impose for providing indirect access; and (B) precluding or discouraging indirect electronic access, including through the imposition of discriminatory pricing or quality of service with regard to a broker-dealer that is providing indirect electronic access;

(3) Provide a level and cost of access to its quotations in an NMS stock displayed in the ADF that is substantially equivalent to the level and cost of access to quotations displayed by SRO trading facilities in that NMS stock;

(4) Demonstrate that it has sufficient technology to automatically update its quotations and immediately respond to orders for execution directly against the individual ADF Trading Center's best bid or offer;

(5) Ensure that it does not impose unfairly discriminatory terms that prevent or inhibit any person, through a registered broker-dealer, from obtaining efficient access to such quotations;

(6) Provide at least 14 calendar days advance written notice, via facsimile, personal delivery, courier or overnight mail, to FINRA Market Operations before denying any registered broker-dealer direct electronic access as defined

below. The notice provided hereunder must be based on the good faith belief of an ADF Trading Center that such denial of access is appropriate and does not violate any of the ADF Trading Center's obligations under FINRA rules or the federal securities laws. Further, any notification or publication of an ADF Trading Center's intent to deny access will have no bearing on the merits of any claim between the ADF Trading Center and any affected registered broker-dealer, nor will it insulate the ADF Trading Center from liability for violations of FINRA rules or the federal securities laws, such as Rule 602 of SEC Regulation NMS. The 14-day period begins on the first business day that FINRA Market Operations has receipt of the notice; and

(7) Comply with the minimum performance standards set forth in paragraph (e) of this Rule and the terms agreed to in the Certification Record.

(b) Subject to the terms and conditions contained herein, all ADF Trading Centers that display quotations in the ADF must record each item of information described in paragraphs (b)(1) and (2) of this Rule for all orders they receive from another broker-dealer via direct or indirect electronic access only if such order results in an execution, a cancellation, a correction or a rejection by the ADF Trading Center. All ADF Trading Centers must report this information to FINRA as specified below.

(1) ADF Trading Centers must record the following information for every order they receive from another broker-dealer via direct or indirect electronic access:

(A) Unique Order Identifier

(B) Order Entry Firm

(C) Order Side

(D) Order Quantity

(E) Symbol

(F) Order Price

(G) Time In Force (i.e. regular hours, entire day, other)

(H) Order Date

(I) Order Time (expressed in hours, minutes, seconds and milliseconds if the ADF Trading Center's system captures time in milliseconds based on Eastern Time in military format)

(J) Minimal Acceptable Quantity (i.e., all or none (AON), volume)

(K) ADF Trading Center

(L) Any other information as specified by FINRA or the SEC (e.g., Customer Order Handling Instructions)

The information described in subparagraphs (A) through (L) must be reported to FINRA by no later than 6:30 p.m. Eastern Time on the day of receipt of the order; provided, however, that an ADF Trading Center must report any information described in subparagraphs (A) through (L) to FINRA immediately upon request.

(2) In addition to the information previously provided pursuant to paragraph (b)(1), ADF Trading Centers must record the following information, as applicable, for every order received via direct or indirect access from another broker-dealer that has been acted upon or responded to:

(A) Unique Order Identifier (as provided in paragraph (b)(1)(A))

(B) Order Response (e.g., Execute, Cancel, Correct, Reject)

(C) Order Response Time (expressed in hours, minutes, seconds and milliseconds if the ADF Trading Center's system captures time in milliseconds based on Eastern Time in military format)

(D) Quantity

(E) Price

The information described in subparagraphs (A) through (E) must be reported to FINRA by no later than 6:30 p.m.

Eastern Time on the day of any response to or action taken regarding an order; provided, however, that an ADF Trading Center must report any information described in subparagraphs (A) through (E) to FINRA immediately upon request.

### **(3) Maintaining and Preserving Records**

(A) In addition to submitting the information described herein to FINRA, each member shall maintain and preserve records of the information required to be recorded under this Rule for the period of time and accessibility specified in SEA Rule 17a-4(b).

(B) The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on "micrographic media" as defined in SEA Rule 17a-4(f)(1)(i) or by means of "electronic storage media" as defined in SEA Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEA Rule 17a-4(f) and may be maintained and preserved for the required time in that form.

### **(4) Orders Not Required To Be Recorded**

Any order that results in being fully posted to the ADF Trading Center.

The recording and reporting requirements contained in paragraphs (a) and (b) of this Rule shall not apply to orders received via any system operated by a national securities exchange or national securities association such that the association or exchange operating the system has access to and regulates that order activity.

### **(5) Method of Transmitting Data**

Members shall transmit this information in such form as prescribed by FINRA.

### **(6) Reporting Agent Agreements**

(A) "Reporting Agent" shall mean a third party that enters into any agreement with a member pursuant to which such third party agrees to fulfill such member's obligations under this Rule.

(B) Any member may enter into an agreement with a Reporting Agent pursuant to which the Reporting Agent agrees to fulfill the obligations of such member under this Rule. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Rule.

(C) All written documents evidencing an agreement described in subparagraph (6)(B) shall be maintained by each party to the agreement.

(D) Each member remains responsible for compliance with the requirements of this Rule, notwithstanding the existence of an agreement described in this paragraph.

### **(7) Withdrawal of Quotations**

If an ADF Trading Center knows or has reason to believe that it or its Reporting Agent is not complying with the requirements of this Rule, the ADF Trading Center must withdraw its quotations from the ADF until such time that the member is satisfied that it is in compliance with the requirements of this Rule.

(c) For each bid or offer displayed by an ADF Trading Center on the ADF, the ADF Trading Center must record and report to FINRA the following information in such form as prescribed by FINRA.

(1) All ADF Trading Centers must record and report the following information for each order that is part of a displayed bid or offer, including:

- (A) Symbol;
- (B) Side;
- (C) Price;
- (D) Quantity (including displayed quantity);
- (E) Order date and time of receipt;
- (F) Order instructions (including order type);

- (G) Internal order identifiers;
- (H) Firm identifiers (including broker order identifier) and capacity information;
- (I) Quote identifier;
- (J) Quote price;
- (K) Quote time;
- (L) Short sale exemption reason, as applicable; and
- (M) Clearing member.

(2) All ADF Trading Centers must also record and report the execution details, if any, of each order that is part of a displayed bid or offer, including:

- (A) Date and time of receipt;
- (B) Side;
- (C) Price;
- (D) Quantity (including executed quantity);
- (E) Execution price;
- (F) Order instructions (including order type);
- (G) Internal order identifiers;
- (H) Firm identifiers (including broker order identifier);
- (I) Execution identifier;
- (J) Quote price;
- (K) Quote identifier; and
- (L) Quote time.

The information described in paragraphs (1) and (2) shall be reported to FINRA in "next day" file submission, with such information reported to FINRA no later than 8:00 a.m. Eastern Time on the day following receipt of the order; provided, however, that an ADF Trading Center must report any information described in paragraphs (1) and (2) to FINRA immediately upon request. Any information related to time must be reported in the finest increment (e.g., milliseconds) that is captured in the ADF Trading Center's system.

(d) ADF Trading Centers are required to specify as part of their Certification Record the method and terms by which they will comply with the requirements of this Rule. FINRA will not allow an ADF Trading Center to display quotations in the ADF unless the method and terms provided by the ADF Trading Center are in compliance with this Rule and applicable provisions of SEC Regulation NMS. Acceptance by FINRA of an ADF Trading Center's Certification Record does not relieve an ADF Trading Center of any of its on-going obligations. Moreover, FINRA's acceptance of such Certification Record, shall not constitute an estoppel as to FINRA or bind FINRA in any subsequent administrative, civil or disciplinary proceeding.

**(e) Definitions**

(1) "Direct electronic access" means the ability to deliver an order for execution directly against an individual ADF Trading Center's best bid or offer subject to applicable FINRA rules and the federal securities laws, including SEC Regulation NMS. As described herein, ADF Trading Centers must provide direct electronic access, in conformity with this Rule, through the use of a communications service(s) that is deemed to be sufficient by FINRA.

(2) "Indirect electronic access" means the ability to route an order through a FINRA member, subscriber broker-dealer, or customer broker-dealer of an ADF Trading Center that are not an affiliate of the ADF Trading Center, for execution against the ADF Trading Center's best bid or offer subject to applicable FINRA rules and the federal securities laws, including SEC Regulation NMS. An ADF Trading Center shall not impose unfairly discriminatory terms

that prevent or inhibit any person from obtaining efficient access to such quotation through a FINRA member, subscriber broker-dealer, or customer broker-dealer. A FINRA member that is providing indirect electronic access shall remain responsible for orders routed through it as though the orders were the firm's own orders.

#### **(f) Minimum Performance Standards**

(1) ADF Trading Centers must submit "Automated Quotations", as defined in Rule 600(b)(3) of SEC Regulation NMS to the ADF for posting. "Manual Quotations," as defined in Rule 600(b)(37) of SEC Regulation NMS, shall not be submitted to the ADF. As a precondition to becoming an ADF Trading Center, an ADF Trading Center must, among other things, certify to FINRA their compliance with this paragraph based on reasonable forecasts of peak volume activity and the establishment of policies and procedures to ensure only "Automated Quotations," as defined in Rule 600(b)(3) of SEC Regulation NMS, are submitted to the ADF.

(2) In the event that an ADF Trading Center experiences three (3) unexcused system outages during a period of five (5) business days, the ADF Trading Center may be suspended from quoting in the ADF in all or certain issues for a period of twenty (20) business days. With respect to an ADF Trading Center, a "system outage" shall mean an inability to post "Automated Quotations," as defined by Rule 600(b)(3) of SEC Regulation NMS, in the ADF or an inability to immediately and automatically respond to orders.

(3) Officers of FINRA or its subsidiaries designated by the Chief Executive Officer of FINRA shall, pursuant to the procedures set forth in paragraph (f) below, have the authority to review any system outage to determine whether the system outage should be excused. An officer may deem a system outage excused upon proof by the ADF Trading Center that the system outage resulted from circumstances not within the control of the ADF Trading Center. The burden shall rest with the ADF Trading Center to demonstrate that a system outage should be excused.

(4) An ADF Trading Center may contact FINRA Product Management and request that a system outage be deemed excused, whether or not the system outage resulted from circumstances within the control of the ADF Trading Center; however, if FINRA Product Management becomes aware of the system outage prior to the ADF Trading Center's request for an excused system outage, FINRA Product Management may, at its own discretion, deem the system outage to be unexcused, based on the specific facts and circumstances surrounding the outage.

#### **(g) Procedures for Reviewing System Outages**

(1) Any ADF Trading Center that seeks to have a system outage reviewed pursuant to paragraph (e)(3) hereof, shall submit a written request, via facsimile, e-mail, personal delivery, courier or overnight mail to FINRA Product Management by close of the business day on which the system outage occurs, or the following business day if the system outage occurs outside of normal market hours.

(2) An ADF Trading Center that seeks review of a system outage shall supply any supporting information for a determination under paragraph (e)(3) to FINRA staff by the close of business on the day following the system outage.

(3) An ADF Trading Center that seeks review of a system outage shall supply FINRA staff with any information requested to make a determination pursuant to paragraph (e)(3).

(4) An officer shall, in accordance with paragraph (e)(3), make a determination whether a system outage is excused by the close of business on the day following the receipt of information supplied pursuant to paragraphs (f)(2) and (f)(3).

(5) An ADF Trading Center may appeal a determination made under paragraph (e)(3) to a three-member subcommittee comprised of current or former industry members of FINRA's Market Regulation Committee in writing, via facsimile or otherwise, by the close of business on the day a determination is rendered pursuant to paragraph (e)(3). An appeal to the subcommittee shall operate as a stay of the determination made pursuant to paragraph (e)(3). Once a written appeal has been received, the ADF Trading Center may submit any additional supporting written documentation, via facsimile or otherwise, up until the time the appeal is considered by the subcommittee. The subcommittee shall render a determination by the close of business following the day a notice of appeal is received. The subcommittee's determination shall be final and binding.

#### **(h) Inactive Quoting**

In order to maintain ADF certification, Registered Reporting ADF ECNs must post at least one marketable quote/order through the ADF on each side of the market every 30 calendar days. A quote/order that is posted through the ADF will be presumptively a marketable quote/order if such quote/order is accessed (i.e., traded against) by another trading center or market participant (other than a subscriber of the Registered Reporting ADF ECN). A Registered Reporting ADF ECN that

fails to post at least one marketable quote/order through the ADF on each side of the market every 30 calendar days, shall lose its ADF certification at the sole discretion of FINRA staff. Registered Reporting ADF ECNs seeking to regain ADF certification shall be required to recertify pursuant to this [Rule 6250](#).

Amended by SR-FINRA-2013-053 eff. Feb. 3, 2014.  
Amended by SR-FINRA-2009-085 eff. Jan. 4, 2010.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2007-001 eff. March 5, 2007.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2004-02 eff. Oct. 20, 2004.  
Amended by SR-NASD-2003-145 eff. Jan. 6, 2004.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notices:** [04-68](#), [08-57](#).

## 6260. Review of Direct or Indirect Access Complaints

### (a) Authority to Receive Complaints

(1) For the purposes of this Rule, a "direct or indirect access complaint" is a complaint against an ADF Trading Center, as defined in [Rule 6220](#), that alleges a denial or limitation of access in contravention of [Rule 6250](#) or the federal securities laws.

(2) Any registered broker-dealer that wishes to file a direct or indirect access complaint shall submit a written complaint stating the pertinent facts that constitute the grounds for such complaint, via facsimile, e-mail, personal delivery, courier or overnight mail, to FINRA Market Operations and simultaneously serve by the same means the ADF Trading Center in accordance with [Rule 9134](#)(b). Officers of FINRA designated by the Chief Executive Officer of FINRA shall have the authority to review and make a determination regarding direct or indirect access complaints.

(3) Based upon a review of the complaint and such investigation that the officer, in his or her sole discretion, may decide to conduct, the officer shall promptly determine whether there has been a denial of access by the ADF Trading Center. If the officer determines that there has been a denial of access in contravention of [Rule 6250](#) or the federal securities laws, the officer shall direct the ADF Trading Center to provide access to its ADF quotes and may limit participation in the ADF by such party if it does not comply promptly with the directive, including the withdrawal of the ADF Trading Center's quotations from the ADF until access is provided. FINRA shall provide to the parties written notification of the determination by the close of business following the day the determination is rendered. The determination shall be sent to the facsimile number listed in the parties' contact questionnaire submitted to FINRA pursuant to Article IV, Section 3 of the FINRA By-Laws or another contact specifically designated by a party. The determination, and any directive to provide access or action to limit participation in the ADF, shall be effective when issued or as specified, and shall remain in effect during any review or appeal. The determination shall not constitute an estoppel as to FINRA nor bind FINRA in any subsequent administrative, civil, or disciplinary proceeding.

### (b) Procedures for Review of Determinations

(1) Any registered broker-dealer, including an ADF Trading Center, that seeks review of a determination issued pursuant to paragraph (a) hereof, shall submit a written appeal setting forth the grounds for such review. The written appeal shall be submitted via facsimile, e-mail, personal delivery, courier or overnight mail, to FINRA and served by the same means on the opposite party, in accordance with [Rule 9134](#)(b), by close of the next business day after receipt of the written determination. Written appeals that are not served upon FINRA and the opposite party by the close of the next business day after receipt of the written determination will not qualify for further administrative consideration, without prejudice as to the rights of a party to submit the dispute to arbitration or another adjudicatory forum.

(2) Once a written appeal has been received in accordance with paragraph (b)(1) above:

(A) the party seeking review shall have up to twenty-four (24) hours, or such longer period as specified by FINRA staff, to submit to FINRA and the opposite party via facsimile, personal delivery, courier or overnight mail, any supporting written information concerning the appeal;

(B) after receipt of the foregoing supporting written information, the party served with the appeal shall have up to twenty-four (24) hours, or such longer period as specified by FINRA staff, to submit any relevant written information to FINRA and the party seeking review via facsimile, personal delivery, courier or overnight mail;



(C) if the party seeking review fails to serve the opposite party any written information required pursuant to this subparagraph, that party's written complaint will not qualify for further administrative consideration, without prejudice as to the rights of a party to submit the dispute to arbitration or another adjudicatory forum.

(3) Each registered broker-dealer and/or person associated with a registered broker-dealer involved in the review shall provide FINRA with any information that it requests to resolve the matter on a timely basis notwithstanding the time parameters set forth in paragraph (b)(2) above. If a registered broker-dealer does not provide such requested information in a timely manner, FINRA may, in its discretion, consider the matter based upon the information provided. Moreover, if the registered broker-dealer and/or person associated with a registered broker-dealer is a member or person associated with a member, failure to provide requested information can constitute a violation of FINRA rules.

(4) All requests for information pursuant to this Rule shall be sent by the specified means to a receiving location that, from time to time, may be designated by FINRA.

### **(c) Review by a Subcommittee of the Market Regulation Committee**

(1) If a party has applied for review of a determination, and the procedural requirements of paragraph (b) above have been satisfied, the determination shall be reviewed and a decision rendered by a three-member subcommittee comprised of current or former industry members of FINRA's Market Regulation Committee. Upon consideration of the record, and after such hearings as it may in its discretion order, the subcommittee, in accordance with the requirements set forth in [Rule 6250](#), shall affirm or reverse the determination of the FINRA officer pursuant to paragraph (a)(3) above.

(2) The subcommittee shall provide written notification of its determination to the parties by the close of business following the day the determination is rendered. The subcommittee's determination shall not prejudice the rights of a party to submit the dispute to arbitration or another adjudicatory forum. The subcommittee's determination, including affirmation of any directive or action rendered in accordance with paragraph (a)(3), shall be effective when issued or as specified, constitute final FINRA action, and remain in effect during any review or appeal. The subcommittee's determination shall not constitute an estoppel as to FINRA nor bind FINRA in any subsequent administrative, civil, or disciplinary proceeding.

Amended by SR-FINRA-2013-053 eff. Feb. 3, 2014.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Amended by SR-NASD-2006-091 eff. March 5, 2007.

Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.

Adopted by SR-NASD-2004-159 eff. May 26, 2005.

**Selected Notices:** [05-30](#), [08-57](#).

## **6270. Quoting and Trading in ADF-Eligible Securities**

### **6271. Registration as an ADF Market Maker or ADF ECN**

(a) A member seeking registration as an ADF Market Participant shall:

(1) file an application with FINRA in which the member:

(A) specifies whether the member is seeking registration in Nasdaq and/or CQS securities;

(B) certifies the member's good standing with FINRA;

(C) demonstrates compliance with the net capital and other financial responsibility provisions of the Exchange Act;

(D) agrees that failing to submit quotes and report trades in NMS stocks to the ADF during the two-year term will result in the forfeiture of some or all of the ADF Deposit Amount pursuant to the ADF Deposit Terms;

(E) agrees that failing to submit 75% of the ADF Market Participant's quoting and trading volume to the ADF will result in the forfeiture of some or all of the ADF Deposit Amount pursuant to the ADF Deposit Terms;

(F) provides FINRA with reasonable monthly projections of the volume of data that the member anticipates submitting to the ADF;

(G) agrees to submit the ADF Deposit Amount in five equal installments into an escrow account at a bank mutually acceptable to the member and FINRA on a timetable as agreed to by the member and FINRA; and

(H) agrees to the ADF Deposit Terms; and

(2) execute the Certification Record, as defined in [Rule 6220](#); and

(3) execute a Participant Agreement with FINRA at least six months (or such other shorter time period as may be designated by FINRA) prior to quoting or reporting trades on the ADF.

(b) A member's registration as an ADF Market Participant shall not become effective until:

(1) the member has received a notice of approval from FINRA in the designated security types specified in the member's application pursuant to paragraph (a)(1)(A);

(2) the member has executed the Certification Record pursuant to paragraph (a)(2); and

(3) FINRA and the member have executed:

(A) the application pursuant to paragraph (a)(1); and

(B) the Participant Agreement pursuant to paragraph (a)(3).

(c) ADF Deposit Amount and ADF Deposit Terms

For purposes of this Rule:

(1) the "ADF Deposit Amount" shall be \$250,000; provided, however, that the ADF Deposit Amount shall be \$500,000 if the member:

(A) requests that FINRA accelerate the ADF migration onto FINRA's Multi Product Platform; or

(B) begins quoting on or reporting trades to the ADF within 90 calendar days after an ADF Market Participant that requested acceleration of the ADF migration begins quoting on or reporting trades to the ADF.

(2) the "ADF Deposit Terms" shall include the following, subject to any de minimis additions or qualifications in such terms to which FINRA and the member agree:

(A) One-fifth of the ADF Deposit Amount shall be released to FINRA if, in any calendar month beginning with the fourth calendar month following certification of the ADF Market Participant to quote on or report trades to the ADF, the ADF Market Participant fails to submit 75% of the member's quoting and trading activity to the ADF as agreed to by the member and FINRA pursuant to paragraph (a)(1)(E) above.

(B) For every \$1.00 received by FINRA from the National Market System Securities Information Processor data plans associated with ADF trade report activity that is attributable, in FINRA's sole discretion, to the member's trading activity on the ADF, the member shall receive \$0.50 out of the escrow account established pursuant to paragraph (a)(1)(G) above. Any such amount due to the member shall be paid to the member on a quarterly basis after FINRA has received its quarterly disbursement from the data plans; provided that the member shall only be entitled to receive up to four-fifths of the ADF Deposit Amount pursuant to this provision until the end of the two-year term agreed to pursuant to paragraph (a)(1)(D) above. At the end of the two-year term agreed to pursuant to paragraph (a)(1)(D) above, the member will be entitled to that portion of the remaining one-fifth of the ADF Deposit Amount on the same basis as the original four-fifths.

(C) If a member is sold, goes out of business, otherwise does not meet its obligations, or fails to complete the process for becoming an ADF Market Participant, the member will forfeit the ADF Deposit Amount, or any lesser amount remaining in the escrow account established pursuant to paragraph (a)(1)(G) above, and all funds will be released from such escrow account to FINRA; provided, that the member will not forfeit the ADF Deposit Amount if the member is sold to an entity that would meet the qualifications as an ADF Market Participant and agrees to be bound by the ADF Deposit Terms. If an amount less than the ADF Deposit Amount has been placed into the escrow account established pursuant to paragraph (a)(1)(G) above, the member shall pay FINRA any difference between that amount and the ADF Deposit Amount, if necessary.

(D) If FINRA fails to make the ADF available for a member within nine months of the date of the member's first deposit into the escrow account established pursuant to paragraph (a)(1)(G) above, one-fifth of the ADF

Deposit Amount will be released from such escrow account to the member. An additional one-fifth of the ADF Deposit Amount, or any lesser amount remaining in such escrow account, will be released to the member every month thereafter if FINRA fails to make the ADF available for the member until all funds have been released from such escrow account.

Amended by SR-FINRA-2013-031. eff. Feb. 3, 2014.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notices:** [08-57](#), [14-04](#).

## **6272. Character of Quotations**

### **(a) Quotation Requirements and Obligations**

A member registered as a Registered Reporting ADF Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Rule.

#### **(1) Two-Sided Quote Obligation.**

For each ADF-eligible security for which a member is a Registered Reporting ADF Market Maker, the member shall be willing to buy and sell such security for its own account on a continuous basis during regular market hours and shall enter and maintain a two-sided trading interest ("Two-Sided Obligation"), subject to the procedures for excused withdrawal set forth in [Rule 6275](#).

Interest eligible to be considered as part of the Registered Reporting ADF Market Maker's Two-Sided Obligation shall have a displayed quotation size of at least one normal unit of trading (or a larger multiple thereof); provided, however, that a Registered Reporting ADF Market Maker may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. Unless otherwise designated, a "normal unit of trading" shall be 100 shares. After an execution against its Two-Sided Obligation, a Registered Reporting ADF Market Maker must ensure that additional trading interest exists to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or by identifying existing interest on the ADF that will satisfy this obligation.

#### **(2) Pricing Obligations for Registered Reporting ADF Market Makers.**

For ADF-eligible securities, a Registered Reporting ADF Market Maker shall adhere to the pricing obligations established by this Rule during the trading day; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not recommence until after the first regular way transaction in the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor, except as permitted under the Regulation NMS Plan to Address Extraordinary Market Volatility.

##### **(A) Bid Quotations.**

At the time of entry of bid interest satisfying the Two-Sided Obligation, the price of the bid interest shall be not more than the Designated Percentage away from the then current National Best Bid, or if no National Best Bid, not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the National Best Bid (or if no National Best Bid, the last reported sale) increases to a level that would cause the bid interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Bid (or if no National Best Bid, the last reported sale), or if the bid is executed or cancelled, the Registered Reporting ADF Market Maker shall enter new bid interest at a price not more than the Designated Percentage away from the then current National Best Bid (or if no National Best Bid, the last reported sale), or identify to FINRA current resting interest that satisfies the Two-Sided Obligation.

##### **(B) Offer Quotations.**

At the time of entry of offer interest satisfying the Two-Sided Obligation, the price of the offer interest shall be

not more than the Designated Percentage away from the then current National Best Offer, or if no National Best Offer, not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the National Best Offer (or if no National Best Offer, the last reported sale) increases to a level that would cause the offer interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Offer (or if no National Best Offer, the last reported sale), or if the bid is executed or cancelled, the Registered Reporting ADF Market Maker shall enter new offer interest at a price not more than the Designated Percentage away from the then current National Best Offer (or if no National Best Offer, the last reported sale), or identify to FINRA current resting interest that satisfies the Two-Sided Obligation.

### **(3) Quotations Closer to the National Best Bid or Offer.**

Nothing in this Rule shall preclude a Registered Reporting ADF Market Maker from quoting at price levels that are closer to the National Best Bid and Offer than the levels required by this Rule.

### **(4) Definitions.**

For purposes of this Rule:

(A) the "Defined Limit" shall be:

(i) 9.5% for Designated Stocks (except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, the Defined Limit for Designated Stocks shall be 21.5%);

(ii) 29.5% for Other NMS Stocks with a price equal to or greater than \$1; and

(iii) 31.5% for Other NMS Stocks with a price less than \$1.

(B) the "Designated Percentage" shall be:

(i) 8% for Designated Stocks (except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, the Designated Percentage for Designated Stocks shall be 20%);

(ii) 28% for Other NMS Stocks with a price equal to or greater than \$1; and

(iii) 30% for Other NMS Stocks with a price less than \$1.

(C) the term "Designated Stock" shall mean an ADF-eligible security that is included in the S&P 500® Index, Russell 1000® Index, or a pilot list of Exchange Traded Products;

(D) the term "Other NMS Stock" shall mean any ADF-eligible security that is not a Designated Stock; and

(E) the determination of the price of a stock shall be based on the closing price on the previous trading day, or, if no closing price exists, the last sale reported to the Consolidated Tape on the previous trading day.

### **(b) Minimum Price Variation for Quotations**

The minimum quotation increment for quotations of \$1.00 or above in all ADF-eligible securities shall be \$0.01. The minimum quotation increment for quotations below \$1.00 in all ADF-eligible securities shall be \$0.0001. Quotations failing to meet this standard shall be rejected.

### **(c) Firm Quotations**

(1) Consistent with Rule 602(b)(2) of SEC Regulation NMS, an ADF Trading Center that receives an offer to buy or sell from another broker-dealer shall execute a transaction for at least a normal unit of trading at its displayed quotations as disseminated through the ADF at the time of receipt of any such offer. If an ADF Trading Center displays a quotation for a size greater than a normal unit of trading, it shall, upon receipt of an offer to buy or sell from another broker-dealer, execute a transaction at least at the size displayed.

(2) If an ADF Trading Center, upon receipt of an offer to buy or sell from another broker-dealer in any amount that is at least one normal unit of trading greater than its published quotation size as disseminated through the ADF at the time of receipt of any such offer, executes a transaction in an amount of shares less than the size of the offer, then such ADF Trading Center shall, immediately after such execution, display a revised quotation at a price that is inferior to its previous published quotation. The failure of an ADF Trading Center to execute the offer in an amount greater than its published quotation size shall not constitute a violation of paragraph (c)(1) of this Rule.

(d) Quotations and quotation sizes in ADF-eligible securities may be entered into the ADF only by a Registered Reporting ADF Market Maker or Registered Reporting ADF ECN or other entity approved by FINRA to function in such a capacity. The ADF's protected quotation will be identified by FINRA based upon price, size and time priority.

Amended by SR-FINRA-2014-016 eff. May 1, 2014.  
Amended by SR-FINRA-2013-053 eff. Feb. 3, 2014.  
Amended by SR-FINRA-2013-031 eff. Feb. 3, 2014.  
Amended by SR-FINRA-2011-023 eff. Aug. 8, 2011.  
Amended by SR-FINRA-2010-049 eff. Dec. 6, 2010.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2008-003 eff. Jan. 25, 2008.  
Amended by SR-NASD-2007-001 eff. March 5, 2007.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2007-008 eff. Jan 26, 2007.  
Amended by SR-NASD-2006-096 eff. Aug. 8, 2006.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2003-175 eff. Mar. 12, 2004.  
Amended by SR-NASD-2003-181 eff. Dec. 4, 2003.  
Amended by SR-NASD-2003-67 eff. April 7, 2003.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notices:** [08-57](#), [14-04](#).

### 6273. Normal Business Hours

An ADF Trading Center shall be open for business as of 9:30 a.m. Eastern Time and shall close no earlier than 4:00 p.m. Eastern Time. An ADF Trading Center may be open for business on a voluntary basis for any period of time between 8:00 a.m. Eastern Time and 9:30 a.m. Eastern Time or between 4:00 p.m. Eastern Time and 6:30 p.m. Eastern Time. An ADF Trading Center whose quotes are open before 9:30 a.m. Eastern Time or after 4:00 p.m. Eastern Time shall be obligated to comply, while its quotes are open, with all FINRA rules that are not by their express terms, or by an official interpretation of FINRA, inapplicable to any part of the 8:00 a.m. to 9:30 a.m. Eastern Time or the 4:00 p.m. to 6:30 p.m. Eastern Time periods.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2007-001 eff. March 5, 2007.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

### 6274. Clearance and Settlement

(a) A member shall clear and settle transactions effected on the ADF in ADF-eligible securities that are eligible for net settlement through the facilities of a registered clearing agency that uses a continuous net settlement system. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another member that clears trades through such an agency.

(b) Notwithstanding paragraph (a), transactions in ADF-eligible securities may be settled "ex-clearing" provided that both parties to the transaction agree.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

### 6275. Withdrawal of Quotations

(a) An ADF Trading Center that wishes to withdraw quotations in a security, other than instances when an ADF Trading Center is unable to submit automated quotations to the ADF, shall contact ADF Operations to obtain excused withdrawal status prior to withdrawing its quotations. If an ADF Trading Center cannot submit automated quotations or is unable to immediately and automatically respond to orders, as required by [Rule 6250](#)(e), the ADF Trading Center must immediately withdraw its quotations and promptly contact ADF Operations. An excused withdrawal of quotations may be granted by ADF Operations upon satisfying one of the conditions specified in this Rule.

(b) Excused withdrawal status based on circumstances beyond the ADF Trading Center's control may be granted for up to five (5) business days, unless extended by ADF Operations. Excused withdrawal status based on demonstrated legal or regulatory requirements, supported by appropriate documentation and accompanied by a representation that the condition necessitating the withdrawal of quotations is not permanent in nature, may, upon notification, be granted for not more than sixty (60) days (unless such request is required to be made pursuant to paragraph (d) below). Excused withdrawal status based on religious holidays may be granted only if notice is received by FINRA one business day in advance and is approved by FINRA. Excused withdrawal status based on vacation may be granted only if:

- (1) the request for withdrawal is received by FINRA one business day in advance, and is approved by FINRA; and
- (2) the request includes a list of the securities for which withdrawal is requested.

(c) Excused withdrawal status may be granted to a Registered Reporting ADF Market Maker that has withdrawn from an issue prior to the public announcement of a merger or acquisition and wishes to re-register in the issue pursuant to the same-day registration procedures contained in [Rule 6271](#), above, provided the Registered Reporting ADF Market Maker has remained registered in one of the affected issues. The withdrawal of quotations because of pending news, a sudden influx of orders or price changes, or to effect transactions with competitors shall not constitute acceptable reasons for granting excused withdrawal status.

(d) Excused withdrawal status may be granted by ADF Operations to an ADF Trading Center that experiences a documented problem or failure impacting the operation or utilization of any automated system operated by or on behalf of the ADF Trading Center (chronic system failures within the control of the member will not constitute a problem or failure impacting a firm's automated system).

(e) Excused withdrawal status may be granted by ADF Operations to an ADF Trading Center that fails to maintain a clearing arrangement with a registered clearing agency or with a member of such an agency, thereby terminating its registration as an ADF Trading Center; provided however, that if FINRA finds that the ADF Trading Center's failure to maintain a clearing arrangement is voluntary, the withdrawal of quotations will be considered voluntary and unexcused pursuant to [Rule 6276](#).

(f) Excused withdrawal status may be granted by ADF Operations to a Registered Reporting ADF Market Maker that is a distribution participant, affiliated purchaser, selling security holder or issuer of a distribution of a security that is a covered security subject to a restricted period under Rule 101 or 102 of SEC Regulation M on the following conditions:

(1) Such Registered Reporting ADF Market Maker shall, unless another member has assumed responsibility in writing for compliance with this Rule, provide a written request to FINRA, in such form as specified by FINRA, to withdraw the Registered Reporting ADF Market Maker's quotations, no later than the business day prior to the first complete trading session of the one-day or five-day restricted period under Rule 101 or 102 of SEC Regulation M, unless later notification is necessary under the specific circumstances.

(2) Such Registered Reporting ADF Market Maker shall submit a written request to FINRA, in such form as specified by FINRA, to rescind the Registered Reporting ADF Market Maker's excused withdrawal status, which request shall include the date and time of the pricing of the offering and the offering price, no later than the close of business the next business day following the pricing of the distribution.

(g) A three-member subcommittee comprised of current or former industry members of FINRA's Market Regulation Committee shall have jurisdiction over proceedings brought by market makers seeking review of a denial of an excused withdrawal pursuant to this Rule, or the conditions imposed on their reentry.

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••• **Supplementary Material:** -----

.01 If FINRA finds that an ADF Market Maker's failure to maintain a clearing arrangement pursuant to [Rule 7120](#) is voluntary, the withdrawal of quotations will be considered voluntary and unexcused under this Rule.

Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2003-145 eff. Jan. 6, 2004.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notices:** [08-57](#), [08-74](#).

## 6276. Voluntary Termination of Registration

A Registered Reporting ADF Market Maker may voluntarily terminate its registration in a security by (1) withdrawing its quotations from the Alternative Display Facility and not re-entering its quotations for five (5) minutes, or (2) failing to re-enter quotations within thirty (30) minutes of the end of a trading halt. A Registered Reporting ADF Market Maker that voluntarily terminates its registration in a security may not re-register as a market maker in that security for twenty (20) business days, absent an excused withdrawal specified in [Rule 6275](#). Withdrawal from participation as a Registered Reporting ADF Market Maker in the Alternative Display Facility shall constitute termination of registration as a market maker in that security for purposes of this Rule; provided, however, that a Registered Reporting ADF Market Maker that fails to maintain a clearing arrangement with a registered clearing agency or with a member of such an agency and thereby terminates its registration as a market maker in Nasdaq securities may register as a market maker at any time after a clearing arrangement has been reestablished.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

## 6277. Suspension and Termination of Quotations by FINRA Action

FINRA may suspend, condition, limit, prohibit or terminate an ADF Trading Center's authority to enter quotations in one or more ADF-eligible securities for violations of applicable requirements or prohibitions.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

## 6278. Termination of Alternative Display Facility Data System Service

FINRA may, upon notice, terminate ADF Data System service in the event that an ADF Trading Center fails to qualify under specified standards of eligibility or fails to pay promptly for services rendered by FINRA.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

## 6279. Alternative Trading Systems

(a) FINRA may provide a means to permit alternative trading systems ("ATSS"), as such term is defined in Regulation ATS, and electronic communications networks ("ECNs"), as such term is defined in Rule 600(b)(23) of SEC Regulation NMS, to comply with the display requirements of Rule 301(b)(3) of SEC Regulation ATS and the terms of the ECN display alternative provided for in Rule 602(b)(5)(ii)(A) and (B) of SEC Regulation NMS ("ECN display alternatives"). FINRA will not facilitate compliance with access requirements, which are the responsibility of ADF Trading Centers under [Rule 6250](#).

(b) An ATS or ECN that seeks to use FINRA-provided means to comply with Rule 301(b)(3) of SEC Regulation ATS and/or the ECN display alternatives, or to provide orders to the ADF voluntarily shall:

(1) demonstrate to FINRA that it is in compliance with Regulation ATS or that it qualifies as an ECN meeting the definition in the SEC Regulation NMS;

(2) be registered as a FINRA member;

(3) agree to provide for FINRA's dissemination in the quotation data made available to quotation vendors the prices and sizes of FINRA Registered Market Maker orders (and orders from other subscribers of the ATS or ECN, if the ATS or ECN so chooses or is required by Rule 301(b)(3) of SEC Regulation ATS to display a subscriber's order in the ADF), at the highest buy price and the lowest sell price for each ADF-eligible security entered in and disseminated by the ATS or ECN; and prior to entering such prices and sizes, register with FINRA Market Operations as a Registered Reporting ADF ECN; and

(4) comply with [Rule 6250](#).

(c) When a FINRA member attempts to access electronically an ATS or ECN-displayed order by sending an order that is larger than the ATS' or ECN's ADF-displayed size and the ATS or ECN is displaying the order on a reserved size basis, the FINRA member that operates the ATS or ECN shall execute such delivered order:

(1) up to the size of the delivered order, if the ATS or ECN order (including the reserved size and displayed portions) is the same size or larger than the delivered order; or

(2) up to the size of the ATS or ECN order (including the reserved size and displayed portions), if the delivered order is the same size or larger than the ATS or ECN order (including the reserved size and displayed portions).

No Registered Reporting ADF ECN operating through the ADF pursuant to this Rule is permitted to provide a reserved-size function unless the size of the order displayed through the ADF is 100 shares or greater. For purposes of this Rule, the term "reserved size" shall mean that a customer entering an order into an ATS or ECN has authorized the ATS or ECN to display publicly part of the full size of the customer's order with the remainder held in reserve on an undisplayed basis to be displayed in whole or in part as the displayed part is executed.

Amended by SR-FINRA-2013-053 eff. Feb. 3, 2014.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

## **6280. Transaction Reporting**

### **6281. Reporting Transactions in ADF-Eligible Securities**

This [Rule 6280](#) Series governs the reporting by members of transactions in ADF-eligible securities through the ADF. Transactions executed otherwise than on an exchange must be reported to the ADF, in accordance with [Rule 6282](#) and the [Rule 7100](#) Series, as well as all other applicable FINRA rules, unless they are reported to another reporting facility designated by the SEC as being authorized to accept trade reports for trades executed otherwise than on an exchange.

Amended by SR-FINRA-2013-053 eff. Feb. 3, 2014.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notice:** [08-57](#).

### **6282. Transactions Reported by Members to the ADF**

(a) **When and How Transactions are Reported**



### **(1) Transaction Reporting During Normal Market Hours**

Members shall, as soon as practicable but no later than 10 seconds after execution, transmit to the ADF, or if the ADF is unavailable due to system or transmission failure, by telephone, facsimile or e-mail to FINRA Market Operations, last sale reports of transactions in ADF-eligible securities executed between 9:30 a.m. and 4:00 p.m. Eastern Time otherwise than on an exchange. Transactions not reported within 10 seconds after execution shall be designated as late.

### **(2) Transaction Reporting Outside Normal Market Hours**

(A) Last sale reports of transactions in ADF-eligible securities executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be reported as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(B) Last sale reports of transactions in ADF-eligible securities executed between 4:00 p.m. and 6:30 p.m. Eastern Time shall be reported as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(C) Last sale reports of transactions in ADF-eligible securities executed between midnight and 8:00 a.m. Eastern Time shall be reported by 8:15 a.m. Eastern Time on trade date and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(D) Last sale reports of transactions in ADF-eligible securities executed between 6:30 p.m. and midnight Eastern Time shall be reported the following business day (T+1) by 8:15 a.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

### **(3) All Trade Tickets Must be Time-Stamped**

Members shall time-stamp all trade tickets at the time of execution for transactions in ADF-eligible securities. Execution time shall be reported to FINRA on all last sale reports and shall be expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included on the report.

### **(4) Other Modifiers Required to be Reported**

Reporting Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of "as/of" trades:

(A) if the trade is executed during normal market hours and it is reported later than 10 seconds after execution;

(B) if the trade is a Seller's Option Trade, denoting the number of days for delivery;

(C) if the trade is a Cash Trade;

(D) if the trade is a Next Day Trade;

(E) if the trade occurs at a price based on an average weighting or another special pricing formula;

(F) if the trade is a Stop Stock Transaction (as defined in [Rule 6220](#)) (Note: the time at which the member and the other party agreed to the Stop Stock Price must be given in lieu of including the time of execution on the trade report and the designated modifier shall not be appended to a report of a Stop Stock Transaction if the Stop Stock Transaction is executed and reported within 10 seconds of the time the member and the other party agree to the Stop Stock Price);

(G) if the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time (Note: the transaction report shall include the prior reference time in lieu of the actual time the trade was executed and the designated modifier shall not be appended to a report of a transaction whose price is based on a prior reference point in time if the trade is executed and reported within 10 seconds from the prior reference point in time);

(H) to identify pre-opening and after-hours trades (executed between 8:00 a.m. and 9:30 a.m. Eastern Time or between 4:00 p.m. and 6:30 p.m. Eastern Time) reported more than 10 seconds after execution;

(I) if the trade would be a trade-through of a protected quotation, but for the trade being qualified for an exception or exemption from Rule 611 of SEC Regulation NMS (Note: to ensure consistency in the usage of Rule 611 of SEC Regulation NMS related modifiers by registered broker-dealers, this modifier will be used in conformity with the specifications approved by the Operating Committee of the relevant National Market System Plans to identify trades executed pursuant to an exception or exemption from Rule 611 of SEC Regulation NMS);

(J) if the trade would be a trade-through of a protected quotation, but for the trade being qualified for an exception or exemption from Rule 611 of SEC Regulation NMS, members must, in addition to the modifier required in subparagraph (I) above, append an appropriate unique modifier, specified by FINRA, that identifies the specific applicable exception or exemption from Rule 611 of SEC Regulation NMS that a member is relying upon (Note: to ensure consistency in the usage of Rule 611 of SEC Regulation NMS related modifiers by registered broker-dealers, these modifiers will be used in conformity with the specifications approved by the Operating Committee of the relevant National Market System Plans to identify trades executed pursuant to an exception or exemption from Rule 611 of SEC Regulation NMS); and

(K) any other modifier as specified by FINRA or the SEC.

To the extent that any of the modifiers required by this Rule conflict, FINRA shall provide guidance regarding the priorities among modifiers and members shall report in accordance with such guidance, as applicable.

(5) The ADF will append the appropriate modifier to indicate that a trade was executed outside normal market hours or that a report was submitted late to the ADF, where such report contains the time of execution, but does not contain the appropriate modifier.

(6) To identify pre-opening and after-hours trades reported late, the ADF will convert to the late modifier, as applicable, on any pre-opening or after-hours report submitted to the ADF more than 10 seconds after execution.

#### **(7) Form T Reporting Obligations**

All members shall report as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in ADF-eligible securities for which electronic submission to the ADF is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active). Transactions that can be reported to the ADF, whether on trade date or on a subsequent date on an "as/of" basis (T+N), shall not be reported on Form T.

(8) Transactions not reported within 10 seconds after execution, or such other time period prescribed by rule, shall be designated as late. Any transaction that is required to be reported on trade date, but is not reported on trade date, must be reported on an "as/of" basis on a subsequent date (T+N) and shall be designated as late. Any transaction that is required to be reported on an "as/of" basis the following business day (T+1), but is not reported T+1, must be reported on a subsequent date (T+N) and shall be designated as late. A pattern or practice of late reporting without reasonable justification or exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of [Rule 2010](#).

#### **(b) Which Party Reports Transaction**

(1) In transactions between two members, the executing party shall report the trade.

(2) In transactions between a member and a customer or non-member, the member shall report the trade.

For purposes of this paragraph (b), "executing party" shall mean the member that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction. In a transaction between two members where both members may satisfy the definition of executing party (e.g., manually negotiated transactions via the telephone), the member representing the sell-side shall report the transaction, unless the parties agree otherwise and the member representing the sell-side contemporaneously documents such agreement.

#### **(c) Information To Be Reported**

Each last sale report shall contain the following information:

(1) Stock symbol of the designated security;

(2) Number of shares or bonds;

(3) Price of the transaction as required by paragraph (d) below;

(4) A symbol indicating whether the transaction is a buy, sell or cross, and if applicable, sell short or sell short exempt;

(5) The time of execution expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included in the report; and

(6) For any transaction in an order for which a member has recording and reporting obligations under Rules [7440](#) and [7450](#), the trade report must include an order identifier, meeting such parameters as may be prescribed by FINRA, assigned to the order that uniquely identifies the order for the date it was received (see [Rule 7440\(b\)\(1\)](#)).

#### **(d) Procedures for Reporting Price, Volume, Capacity and Identification of Other Members**

Members that report transactions pursuant to paragraph (b) above shall transmit last sale reports in the following manner:

##### **(1) Reporting Agency Transactions**

For agency transactions, report the number of shares (or bonds) and the price excluding the commission charged.

##### **Example:**

SELL as agent 100 shares at 40 less a commission of \$12.50;

REPORT 100 shares at 40.

##### **(2) Reporting Dual Agency Transactions**

For dual agency transactions, report the number of shares (or bonds) only once, and report the price excluding the commission charged.

##### **Example:**

SELL as agent 100 shares at 40 less a commission of \$12.50;

BUY as agent 100 shares at 40 plus a commission of \$12.50;

REPORT 100 shares at 40.

##### **(3) Reporting Principal and Riskless Principal Transactions**

(A) For principal transactions, except as provided below, report each purchase and sale transaction separately and report the number of shares (or bonds) and the price. For principal transactions that are executed at a price that includes a mark-up, mark-down or service charge, the price reported shall exclude the mark-up, mark-down or service charge. Such reported price shall be reasonably related to the prevailing market, taking into consideration all relevant circumstances including, but not limited to, market conditions with respect to the security, the number of shares (or bonds) involved in the transaction, the published bids and offers with size at the time of the execution (including the reporting firm's own quotation), the cost of execution and the expenses involved in clearing the transaction.

##### **Example:**

BUY as principal 100 shares from another member at 40 (no mark-down included);

REPORT 100 shares at 40.

##### **Example:**

BUY as principal 100 shares from a customer at 39.85 which includes a .15 mark-down from prevailing market at 40;

REPORT 100 shares at 40.

**Example:**

SELL as principal 100 shares to a customer at 40.15, which includes a .15 mark-up from the prevailing market of 40;

REPORT 100 shares at 40.

**Example:**

BUY as principal 10,000 shares from a customer at 39.75, which includes a .25 mark-down or service charge from the prevailing market of 40;

REPORT 10,000 shares at 40.

(B) Exception: A "riskless" principal transaction in which a member after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported to the ADF as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s):

(i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.

(ii) Where the initial leg of the transaction has been reported to FINRA, regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, "riskless" portion of the transaction, either:

a. a clearing-only report with a capacity indicator of "riskless principal," if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of "riskless principal," if a clearing report is not necessary to clear the transaction.

**Example:**

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting a single trade report marked with a "riskless principal" capacity indicator to the ADF or by submitting the following reports:

1. where required by this Rule, a tape report marked with a "principal" capacity indicator; and

2. either a non-tape, non-clearing report or a clearing-only report marked with a "riskless principal" capacity indicator.

In a riskless principal transaction in which a member purchases or sells the security on an exchange to satisfy a customer's order, the trade will be reported by the exchange. A member may, however, submit to the ADF a clearing only report or a non-tape, non-clearing report for the "riskless" leg of a riskless principal transaction where the initial leg has been reported on or through an exchange. Any such report submitted to the ADF shall comply with all applicable requirements for trade reports set forth in this [Rule 6282](#).

**Example:**

BUY as principal 100 shares on an exchange at 40 to fill an existing order;

DO NOT REPORT this leg (will be reported by exchange).

SELL as principal 100 shares to a customer at 40 plus a mark-up of \$12.50.

A member MAY submit to the ADF either a non-tape, non-clearing report or a clearing-only

report for this leg marked with a "riskless principal" capacity indicator.

#### **(4) Identification of Other Members for Agency and Riskless Principal Transactions**

Any member that has a reporting obligation pursuant to paragraph (b) above and is acting in a riskless principal or agency capacity on behalf of one or more other members shall submit to FINRA one or more non-tape (either non-tape, clearing-only or non-tape, non-clearing) report(s) identifying such other member(s) as a party to the transaction, if such other member(s) is not identified on the initial trade report submitted to FINRA or a report submitted to FINRA pursuant to Rule 6282(d)(3)(B) for the offsetting leg of a riskless principal transaction. Nothing in this Rule 6282(d)(4) shall negate or modify the riskless principal transaction reporting requirements set forth in Rule 6282(d)(3)(B).

##### **Example #1:**

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares from Member C at 40 (no mark-down included)

Member A has the reporting obligation under Rule 6282(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member C

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B

##### **Example #2A:**

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6282(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member B (or Member C)

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C (or Member B)

##### **Example #2B:**

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6282(b)

TAPE REPORT a CROSS of 100 shares at 40 By Member A

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B *and*

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C

##### **Example #3:**

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares on an exchange at 40

DO NOT TAPE REPORT this leg (will be reported by exchange)

NO NON-TAPE REPORT required; however, Member A *may* submit a NON-TAPE REPORT as between Member A and Member B

#### **(e) Prohibition on Aggregation of Transactions**

Individual executions of orders in a security at the same price may not be aggregated, for transaction reporting purposes, into a single transaction report.

#### **(f) Reporting Requirements For Certain Transactions and Transfers of Securities**

(1) The following shall not be reported to the ADF:

(A) transactions that are part of a primary distribution by an issuer or of a registered secondary distribution (other than "shelf distributions") or of an unregistered secondary distribution; for purposes of this subparagraph, the term "distribution" has the meaning set forth under Rule 100 of SEC Regulation M;

(B) transactions made in reliance on Section 4(2) of the Securities Act;

(C) transactions reported on or through an exchange;

(D) the acquisition of securities by a member as principal in anticipation of making an immediate exchange distribution or exchange offering on an exchange;

(E) purchases of securities off the floor of an exchange pursuant to a tender offer;

(F) transfers of securities made pursuant to an asset purchase agreement (APA) that is subject to the jurisdiction and approval of a court of competent jurisdiction in insolvency matters, provided that the purchase price under the APA is not based on, and cannot be adjusted to reflect, the current market prices of the securities on or following the effective date of the APA; and

(G) the transfer of equity securities for the sole purpose of creating or redeeming an instrument that evidences ownership of or otherwise tracks the underlying securities transferred (e.g., an American Depositary Receipt or exchange-traded fund).

(2) The following shall not be reported to the ADF for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under [Rule 7130\(c\)](#):

(A) transactions where the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the security, e.g., to enable the seller to make a gift;

(B) purchases or sales of securities effected upon the exercise of an option pursuant to the terms thereof or the exercise of any other right to acquire securities at a pre-established consideration unrelated to the current market; and

(C) transfers of proprietary securities positions where the transfer (1) is effected in connection with a merger or direct or indirect acquisition and (2) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

## **(g) Reporting Cancelled Trades**

### **(1) Obligation and Party Responsible for Reporting Cancelled Trades**

Members shall report the cancellation of any trade through the ADF that was previously submitted to FINRA through the ADF. The member responsible under the [Rule 6280](#) Series for submitting the original trade report shall submit the cancellation report in accordance with the procedures set forth in paragraph (g)(2).

### **(2) Deadlines for Reporting Cancelled Trades**

(A) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or before 4:00 p.m. on the date of execution, the member responsible under paragraph (j)(1) shall report the cancellation as soon as practicable but no later than 10 seconds after the time the trade is cancelled.

(B) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled after 4:00 p.m., but before 6:30 p.m. on the date of execution, the member responsible under paragraph (j)(1) shall use its best efforts to report the cancellation not later than 6:30 p.m. on the date of execution, and otherwise it shall report the cancellation on the following business day by 6:30 p.m.

(C) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or after 6:30 p.m. on the date of execution, the member responsible under paragraph (j)(1) shall report the cancellation on the following business day by 6:30 p.m.

(D) For trades executed outside the hours of 9:30 a.m. to 4:00 p.m. Eastern Time and cancelled prior to 6:30 p.m. on the date of execution, the member responsible under paragraph (j)(1) shall report the cancellation by 6:30 p.m.

(E) For trades executed outside the hours of 9:30 a.m. to 4:00 p.m. Eastern Time and cancelled at or after 6:30 p.m. on the date of execution, the member responsible under paragraph (j)(1) shall report the cancellation on the following business day by 6:30 p.m.

(F) For any trade cancelled on any date after the date of execution, the member responsible under paragraph (j)(1) shall report the cancellation (i) by 6:30 p.m. on the date of cancellation if the trade is cancelled before 6:30 p.m., or (ii) by 6:30 p.m. on the following business day if the trade is cancelled at or after 6:30 p.m.

(G) For purposes of determining the deadline by which a trade cancellation must be reported to FINRA pursuant to paragraph (j) of this Rule the term "cancelled" or "cancellation" shall mean the time at which (i) the member with the reporting responsibility informs its contra party, or is informed by its contra party, that a trade is being cancelled, (ii) the member with the reporting responsibility and its contra party agree to cancel a trade if neither party can unilaterally cancel the trade, or (iii) the member with the reporting responsibility takes an action to cancel the trade on its books and records, whichever event occurs first.

(h) A member may agree to allow a Participant to report and lock-in trades on its behalf, if both parties have completed an agreement to that effect as specified by FINRA and submitted it to FINRA Market Operations. However, the member with the reporting obligation remains responsible for the transaction submitted on its behalf. Further, both the member with the reporting obligation and the member submitting the trade to the ADF are responsible for ensuring that the information submitted is in compliance with all applicable rules and regulations.

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••• **Supplementary Material:** -----

**.01** Members that would otherwise have the trade reporting obligation under paragraph (b) of this Rule must provide to FINRA notice that they are relying on the exception from trade reporting under paragraph (f)(1)(A) of this Rule for transactions that are part of an unregistered secondary distribution. For each transaction that is part of the unregistered secondary distribution and not trade reported, the member must provide the following information to FINRA: security name and symbol, execution date, execution time, number of shares, trade price and parties to the trade. Such notice and information must be provided no later than three (3) business days following trade date and in such form as specified by FINRA. If the trade executions will occur over multiple days, then initial notice and available information must be provided no later than three (3) business days following the first trade date and final notice and information must be provided no later than three (3) business days following the last trade date. The member must retain records sufficient to document the basis for relying on this trade reporting exception, including but not limited to, the basis for determining that the definition of "distribution" under Rule 100 of SEC Regulation M has been satisfied, as well as evidence of compliance with applicable notification requirements under [Rule 5190](#).

**.02 Trade Reporting Time Frame**

(a) With respect to the requirement under paragraphs (a) and (j) of this Rule that members report trades and trade cancellations "as soon as practicable," a member with the trade reporting obligation under paragraph (b) of this Rule must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the "as soon as practicable" requirement because of delays in trade reporting that are due to extrinsic factors that are not reasonably predictable and where the member does not purposely intend to delay the reporting of the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the last permissible second.

(b) FINRA recognizes that a very small universe of trades are reported manually, and as a result, even where a member does not purposely withhold trade reports, the trade reporting process may not be completed within 10 seconds following execution. In these cases, for purposes of determining whether "reasonable justification" exists to excuse what otherwise may be deemed to be a pattern or practice of late trade reporting under this Rule and [Rule 6181](#), FINRA will take into consideration such factors as the complexity and manual nature of the execution and reporting of the trade, where the trade details must be manually entered into the trade reporting system following execution.

Amended by SR-FINRA-2013-053 eff. Feb. 3, 2014.  
Amended by SR-FINRA-2013-013 eff. Nov. 4, 2013.  
Amended by SR-FINRA-2011-027 eff. Nov. 1, 2011.  
Amended by SR-FINRA-2011-061 eff. Oct. 14, 2011.  
Amended by SR-FINRA-2010-058 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2010-043 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2009-082 eff. April 12, 2010.  
Amended by SR-FINRA-2009-031 eff. Jan. 11, 2010.  
Amended by SR-FINRA-2009-027 eff. Aug. 3, 2009.

Amended by SR-FINRA-2008-011 eff. Aug. 3, 2009.  
Amended by SR-FINRA-2009-024 eff. May 4, 2009.  
Amended by SR-FINRA-2008-060 eff. Jan. 12, 2009.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2007-017 eff. March 3, 2008.  
Amended by SR-NASD-2007-040 eff. Nov. 5, 2007.  
Amended by SR-NASD-2007-047 eff. July 6, 2007.  
Amended by SR-NASD-2007-001 eff. March 5, 2007.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2006-098 eff. Dec. 1, 2006.  
Amended by SR-NASD-2006-055 eff. Dec. 1, 2006.  
Amended by SR-NASD-2005-87 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2002-97 eff. July 29, 2002.

**Selected Notices:** [07-31](#), [07-33](#), [07-38](#), [07-63](#), [08-57](#), [09-08](#), [09-21](#), [09-52](#), [10-07](#), [10-24](#), [10-48](#), [11-40](#), [13-19](#), [14-21](#).

## 6300. TRADE REPORTING FACILITIES

### 6300A FINRA/NASDAQ TRADE REPORTING FACILITY

#### 6310A General

Members may use the FINRA/Nasdaq Trade Reporting Facility to report transactions executed otherwise than on an exchange in all NMS stocks as defined in Rule 600(b)(47) of SEC Regulation NMS ("designated securities"). Members that use the FINRA/Nasdaq Trade Reporting Facility must comply with the [Rule 6300A](#) and [7200A](#) Series, as well as all other applicable rules. The [Rule 6300A](#) and [7200A](#) Series shall apply only to members using the FINRA/Nasdaq Trade Reporting Facility.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-104 eff. March 5, 2007.  
Amended by SR-NASD-2006-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

#### 6320A Definitions

(a) For purposes of the [Rule 6300A](#) Series, unless the context requires otherwise:

(1) "Exchange Act" or "SEA" means the Securities Exchange Act of 1934.

(2) "Designated securities" means all NMS stocks as defined in Rule 600(b)(47) of SEC Regulation NMS.

(3) "Member" means a broker or dealer admitted to FINRA membership.

(4) "Market Maker" means an "exchange market maker" or "OTC market maker," as those terms are defined in Rule 600(b) of SEC Regulation NMS, that is registered in a particular designated security as such with an exchange or a registered securities association or a facility thereof. A member is considered a Market Maker only in those designated securities for which it is registered as such.

(5) "Nasdaq" means the NASDAQ Stock Market, LLC and its facilities.

(6) "Normal market hours" means 9:30 a.m. Eastern Time to 4:00 p.m. Eastern Time.

(7) "Normal unit of trading" means 100 shares of a security unless, with respect to a particular security, FINRA determines that a normal unit of trading shall constitute other than 100 shares.

(8) "Otherwise than on an exchange" means a trade effected by a FINRA member otherwise than on or through the facilities of a national securities exchange. The determination of what constitutes a trade "on or through" a



particular national securities exchange shall be determined by that exchange in accordance with all applicable statutes, rules and regulations, and with any necessary SEC approval.

(9) "Round lot holder" means a holder of a normal unit of trading.

(10) "Stop Stock Price" means the specified price at which a member and another party agree a Stop Stock Transaction shall be executed, and which price is based upon the prices at which the security is trading at the time the order is received by the member, taking into consideration that the specified price may deviate from the current market prices to factor in the size of the order and the number of shares available at those prices.

(11) "Stop Stock Transaction" means any transaction that meets both of the following conditions:

(A) the transaction is the result of an order in which a member and another party agree that the order will be executed at a Stop Stock Price or better; and

(B) the order is executed at the Stop Stock Price or better.

(12) "Trade Reporting Facility Participant" or "Participant" means any member in good standing that uses the FINRA/Nasdaq Trade Reporting Facility.

(13) Terms used in this [Rule 6300A](#) Series shall have the meaning as defined in FINRA By-Laws and rules, and Rule 600 of SEC Regulation NMS and the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation, and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis, unless otherwise defined herein.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Amended by SR-NASD-2006-104 eff. March 5, 2007.

Amended by SR-NASD-2006-087 eff. Aug. 1, 2006.

Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

## **6330A Use of FINRA/Nasdaq Trade Reporting Facility on a Test Basis**

FINRA may at any time authorize the use of the FINRA/Nasdaq Trade Reporting Facility on a test basis for whatever studies it considers necessary and appropriate.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Amended by SR-NASD-2006-104 eff. March 5, 2007.

Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

## **6340A Reports**

A Trade Reporting Facility Participant shall make such reports to FINRA as may be prescribed from time to time by FINRA.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

## **6350A Clearance and Settlement**

(a) A Trade Reporting Facility Participant shall clear and settle transactions in designated securities through the facilities of a registered clearing agency that uses a continuous net settlement system. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another member that clears trades through such an agency.

(b) Notwithstanding paragraph (a), transactions in designated securities may be settled "ex-clearing" provided that

both parties to the transaction agree.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

## **6360A Suspension and Termination by FINRA Action**

FINRA may, pursuant to the procedures set forth in the [Rule 9000 Series](#), suspend, condition, limit, prohibit or terminate a Trade Reporting Facility Participant's ability to use FINRA/Nasdaq Trade Reporting Facility services in one or more designated securities for violations of applicable requirements or prohibitions.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-104 eff. March 5, 2007.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

## **6370A Termination of FINRA/Nasdaq Trade Reporting Facility Service**

FINRA may, upon notice, terminate FINRA/Nasdaq Trade Reporting Facility service in the event that a Trade Reporting Facility Participant fails to qualify under specified standards of eligibility or fails to pay promptly for services rendered.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-104 eff. March 5, 2007.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notice:** [08-57](#).

## **6380A Transaction Reporting**

### **(a) When and How Transactions are Reported**

(1) Trade Reporting Facility Participants shall, as soon as practicable but no later than 10 seconds after execution, transmit to the FINRA/Nasdaq Trade Reporting Facility or if the FINRA/Nasdaq Trade Reporting Facility is unavailable due to system or transmission failure, by telephone to the FINRA/Nasdaq Trade Reporting Facility Operations Department, last sale reports of transactions in designated securities executed during normal market hours. Transactions not reported within 10 seconds after execution shall be designated as late.

### **(2) Transaction Reporting to the FINRA/Nasdaq Trade Reporting Facility Outside Normal Market Hours**

(A) Last sale reports of transactions in designated securities executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be reported as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(B) Last sale reports of transactions in designated securities executed between 4:00 p.m. and 8:00 p.m. Eastern Time shall be reported as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(C) Last sale reports of transactions in designated securities executed between midnight and 8:00 a.m. Eastern Time shall be reported by 8:15 a.m. Eastern Time on trade date and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(D) Last sale reports of transactions in designated securities executed between 8:00 p.m. and midnight Eastern Time shall be reported the following business day (T+1) by 8:15 a.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(3) Members shall time-stamp all trade tickets at the time of execution for transactions in designated securities. Execution time shall be reported to FINRA on all last sale reports and shall be expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included on the report.

(4) Transactions not reported within 10 seconds after execution, or such other time period prescribed by rule, shall be designated as late. Any transaction that is required to be reported on trade date, but is not reported on trade date, must be reported on an "as/of" basis on a subsequent date (T+N) and shall be designated as late. Any transaction that is required to be reported on an "as/of" basis the following business day (T+1), but is not reported T+1, must be reported on a subsequent date (T+N) and shall be designated as late. A pattern or practice of late reporting without reasonable justification or exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of [Rule 2010](#).

(5) Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of "as/of" trades:

(A) if the trade is executed during normal market hours and it is reported later than 10 seconds after execution;

(B) if the trade is a Seller's Option Trade, denoting the number of days for delivery;

(C) if the trade is a Cash Trade;

(D) if the trade is a Next Day Trade;

(E) if the trade occurs at a price based on an average weighting or another special pricing formula;

(F) if the trade is a Stop Stock Transaction (as defined in [Rule 6320A](#)) (Note: the time at which the member and the other party agreed to the Stop Stock Price must be given in lieu of including the time of execution on the trade report and the designated modifier shall not be appended to a report of a Stop Stock Transaction if the Stop Stock Transaction is executed and reported within 10 seconds of the time the member and the other party agree to the Stop Stock Price);

(G) if the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time (Note: the transaction report shall include the prior reference time in lieu of the actual time the trade was executed and the designated modifier shall not be appended to a report of a transaction whose price is based on a prior reference point in time if the trade is executed and reported within 10 seconds from the prior reference point in time);

(H) to identify pre-opening and after-hours trades (executed between 8:00 a.m. and 9:30 a.m. Eastern time or between 4:00 p.m. and 8:00 p.m. Eastern time) reported more than 10 seconds after execution;

(I) if the trade would be a trade-through of a protected quotation, but for the trade being qualified for an exception or exemption from Rule 611 of SEC Regulation NMS (Note: to ensure consistency in the usage of Rule 611 of SEC Regulation NMS related modifiers by registered broker-dealers, this modifier will be used in conformity with the specifications approved by the Operating Committee of the relevant National Market System Plans to identify trades executed pursuant to an exception or exemption from Rule 611 of SEC Regulation NMS);

(J) if the trade would be a trade-through of a protected quotation, but for the trade being qualified for an exception or exemption from Rule 611 of SEC Regulation NMS, members must, in addition to the modifier required in subparagraph (I) above, append an appropriate unique modifier, specified by FINRA, that identifies the specific applicable exception or exemption from Rule 611 of SEC Regulation NMS that a member is relying upon (Note: to ensure consistency in the usage of Rule 611 of SEC Regulation NMS related modifiers by registered broker-dealers, these modifiers will be used in conformity with the specifications approved by the Operating Committee of the relevant National Market System Plans to identify trades executed pursuant to an exception or exemption from Rule 611 of SEC Regulation NMS); and

(K) any other modifier as specified by FINRA or the SEC.

To the extent that any of the modifiers required by this Rule conflict, FINRA shall provide guidance regarding the priorities among modifiers and members shall report in accordance with such guidance, as applicable.

(6) The FINRA/Nasdaq Trade Reporting Facility will append the appropriate modifier to indicate that a trade was executed outside normal market hours or that a report was submitted late to the FINRA/Nasdaq Trade Reporting

Facility, where such report contains the time of execution, but does not contain the appropriate modifier.

(7) To identify pre-opening and after-hours trades reported late, the FINRA/Nasdaq Trade Reporting Facility will convert to the late modifier, as applicable, on any pre-opening or after-hours report submitted to the FINRA/Nasdaq Trade Reporting Facility more than 10 seconds after execution.

(8) All members shall report as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in designated securities for which electronic submission to the FINRA/Nasdaq Trade Reporting Facility is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active). Transactions that can be reported to the FINRA/Nasdaq Trade Reporting Facility, whether on trade date or on a subsequent date on an "as/of" basis (T+N), shall not be reported on Form T.

#### **(b) Which Party Reports the Transaction**

(1) In transactions between two members, the executing party shall report the trade.

(2) In transactions between a member and a non-member or customer, the member shall report the trade.

For purposes of this paragraph (b), "executing party" shall mean the member that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction. In a transaction between two members where both members may satisfy the definition of executing party (e.g., manually negotiated transactions via the telephone), the member representing the sell-side shall report the transaction, unless the parties agree otherwise and the member representing the sell-side contemporaneously documents such agreement.

#### **(c) Information To Be Reported**

Each last sale report shall contain the following information:

(1) Stock symbol of the designated security;

(2) Number of shares or bonds;

(3) Price of the transaction as required by paragraph (d) below;

(4) A symbol indicating whether the transaction is a buy, sell or cross, and if applicable, sell short or sell short exempt;

(5) The time of execution expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included in the report; and

(6) For any transaction in an order for which a member has recording and reporting obligations under Rules [7440](#) and [7450](#), the trade report must include an order identifier, meeting such parameters as may be prescribed by FINRA, assigned to the order that uniquely identifies the order for the date it was received (see [Rule 7440\(b\)\(1\)](#)).

#### **(d) Procedures for Reporting Price, Volume, Capacity and Identification of Other Members**

Members that report transactions to the FINRA/Nasdaq Trade Reporting Facility, pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in designated securities in the following manner:

##### **(1) Reporting Agency Transactions**

For agency transactions, report the number of shares and the price excluding the commission charged.

##### **Example:**

SELL as agent 100 shares at 40 less a commission of \$12.50;

REPORT 100 shares at 40.

##### **(2) Reporting Dual Agency Transactions**

For dual agency transactions, report the number of shares only once, and report the price excluding the commission charged.

##### **Example:**

SELL as agent 100 shares at 40 less a commission of \$12.50;

BUY as agent 100 shares at 40 plus a commission of \$12.50;

REPORT 100 shares at 40.

### **(3) Reporting Principal and Riskless Principal Transactions**

(A) For principal transactions, except as provided below, report each purchase and sale transaction separately and report the number of shares or bonds and the price. For principal transactions that are executed at a price that includes a mark-up, mark-down or service charge, the price reported shall exclude the mark-up, mark-down or service charge. Such reported price shall be reasonably related to the prevailing market, taking into consideration all relevant circumstances including, but not limited to, market conditions with respect to the security, the number of shares or bonds involved in the transaction, the published bids and offers with size at the time of the execution (including the reporting firm's own quotation), the cost of execution and the expenses involved in clearing the transaction.

**Example:**

BUY as principal 100 shares from another member at 40 (no mark-down included);

REPORT 100 shares at 40.

**Example:**

BUY as principal 100 shares from a customer at 39.90 which includes a \$0.10 mark-down from prevailing market at 40;

REPORT 100 shares at 40.

**Example:**

SELL as principal 100 shares to a customer at 40.10, which includes a \$0.10 mark-up from the prevailing market of 40;

REPORT 100 shares at 40.

**Example:**

BUY as principal 10,000 shares from a customer at 39.75, which includes a \$0.25 mark-down or service charge from the prevailing market of 40;

REPORT 10,000 shares at 40.

(B) Exception: A "riskless" principal transaction in which a member after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported to the FINRA/Nasdaq Trade Reporting Facility as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s):

(i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.

(ii) Where the initial leg of the transaction has been reported to FINRA, regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, "riskless" portion of the transaction, either:

a. a clearing-only report with a capacity indicator of "riskless principal," if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of "riskless principal," if a clearing report is not necessary to clear the transaction.

**Example:**

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting a single trade report marked with a "riskless principal" capacity indicator to the FINRA/Nasdaq Trade Reporting Facility or by submitting the following reports:

1. where required by this Rule, a tape report marked with a "principal" capacity indicator; and
2. either a non-tape, non-clearing report or a clearing-only report marked with a "riskless principal" capacity indicator.

In a riskless principal transaction in which a member purchases or sells the security on an exchange to satisfy a customer's order, the trade will be reported by the exchange. A member may, however, submit to the FINRA/Nasdaq Trade Reporting Facility a clearing only report or a non-tape, non-clearing report for the "riskless" leg of a riskless principal transaction where the initial leg has been reported on or through an exchange. Any such report submitted to the FINRA/Nasdaq Trade Reporting Facility shall comply with all applicable requirements for trade reports set forth in this Rule 6380A.

**Example:**

BUY as principal 100 shares on an exchange at 40 to fill an existing order;

DO NOT REPORT this leg (will be reported by exchange).

SELL as principal 100 shares to a customer at 40 plus a mark-up of \$12.50.

A member MAY submit to the FINRA/Nasdaq Trade Reporting Facility either a non-tape, non-clearing report or a clearing-only report for this leg marked with a "riskless principal" capacity indicator.

**(4) Identification of Other Members for Agency and Riskless Principal Transactions**

Any member that has a reporting obligation pursuant to paragraph (b) above and is acting in a riskless principal or agency capacity on behalf of one or more other members shall submit to FINRA one or more non-tape (either non-tape, clearing-only or non-tape, non-clearing) report(s) identifying such other member(s) as a party to the transaction, if such other member(s) is not identified on the initial trade report submitted to FINRA or a report submitted to FINRA pursuant to Rule 6380A(d)(3)(B) for the offsetting leg of a riskless principal transaction. Nothing in this Rule 6380A(d)(4) shall negate or modify the riskless principal transaction reporting requirements set forth in Rule 6380A(d)(3)(B).

**Example #1:**

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares from Member C at 40 (no mark-down included)

Member A has the reporting obligation under Rule 6380A(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member C

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B

**Example #2A:**

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6380A(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member B (or Member C)

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C (or Member B)

**Example #2B:**

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6380A(b)

TAPE REPORT a CROSS of 100 shares at 40 By Member A

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B *and*

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C

**Example #3:**

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares on an exchange at 40

DO NOT TAPE REPORT this leg (will be reported by exchange)

NO NON-TAPE REPORT required; however, Member A *may* submit a NON-TAPE REPORT as between Member A and Member B

**(e) Reporting Requirements For Certain Transactions and Transfers of Securities**

(1) The following shall not be reported to the FINRA/Nasdaq Trade Reporting Facility:

(A) transactions that are part of a primary distribution by an issuer or of a registered secondary distribution (other than "shelf distributions") or of an unregistered secondary distribution; for purposes of this subparagraph, the term "distribution" has the meaning set forth under Rule 100 of SEC Regulation M;

(B) transactions made in reliance on Section 4(2) of the Securities Act;

(C) transactions reported on or through an exchange;

(D) the acquisition of securities by a member as principal in anticipation of making an immediate exchange distribution or exchange offering on an exchange;

(E) purchases of securities off the floor of an exchange pursuant to a tender offer; . . .

(F) transfers of securities made pursuant to an asset purchase agreement (APA) that is subject to the jurisdiction and approval of a court of competent jurisdiction in insolvency matters, provided that the purchase price under the APA is not based on, and cannot be adjusted to reflect, the current market prices of the securities on or following the effective date of the APA; and

(G) the transfer of equity securities for the sole purpose of creating or redeeming an instrument that evidences ownership of or otherwise tracks the underlying securities transferred (e.g., an American Depositary Receipt or exchange-traded fund).

(2) The following shall not be reported to the FINRA/Nasdaq Trade Reporting Facility for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under [Rule 7230A\(g\)](#):

(A) transactions where the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the security, e.g., to enable the seller to make a gift;

(B) purchases or sales of securities effected upon the exercise of an option pursuant to the terms thereof or the exercise of any other right to acquire securities at a pre-established consideration unrelated to the current market; and

(C) transfers of proprietary securities positions where the transfer (1) is effected in connection with a merger or direct or indirect acquisition and (2) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

**(f) Prohibition on Aggregation of Transaction Reports**

Individual executions of orders in a security at the same price may not be aggregated, for purposes of transaction reporting to the FINRA/Nasdaq Trade Reporting Facility, into a single transaction report.

**(g) Reporting Cancelled Trades**

**(1) Obligation and Party Responsible for Reporting Cancelled Trades**

With the exception of trades cancelled in accordance with [Rule 11890](#) Series, members shall report to the FINRA/Nasdaq Trade Reporting Facility the cancellation of any trade previously submitted to the FINRA/Nasdaq Trade Reporting Facility. The member responsible for submitting the original trade report shall submit the cancellation report in accordance with the procedures set forth in paragraph (g)(2).

## **(2) Deadlines for Reporting Cancelled Trades**

(A) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or before 4:00 p.m. on the date of execution, the member responsible under paragraph (g)(1) shall report the cancellation as soon as practicable but no later than 10 seconds after the time the trade is cancelled.

(B) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled after 4:00 p.m., but before 8:00 p.m. on the date of execution, the member responsible under paragraph (g)(1) shall use its best efforts to report the cancellation not later than 8:00 p.m. on the date of execution, and otherwise it shall report the cancellation on the following business day by 8:00 p.m.

(C) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or after 8:00 p.m. on the date of execution, the member responsible under paragraph (g)(1) shall report the cancellation on the following business day by 8:00 p.m.

(D) For trades executed outside the hours of 9:30 a.m. to 4:00 p.m. Eastern Time and cancelled prior to 8:00 p.m. on the date of execution, the member responsible for reporting under paragraph (g)(1) shall report the cancellation by 8:00 p.m.

(E) For trades executed outside the hours of 9:30 a.m. to 4:00 p.m. Eastern Time and cancelled at or after 8:00 p.m. on the date of execution, the member responsible under paragraph (g)(1) shall report the cancellation on the following business day by 8:00 p.m.

(F) For any trade cancelled on any date after the date of execution, the member responsible under paragraph (g)(1) shall report the cancellation (i) by 8:00 p.m. on the date of cancellation if the trade is cancelled before 8:00 p.m., or (ii) by 8:00 p.m. on the following business day if the trade is cancelled at or after 8:00 p.m.

(G) For purposes of determining the deadline by which a trade cancellation must be reported pursuant to paragraph (g) of this rule the term "cancelled" shall mean the time at which (i) the member with the reporting responsibility informs its contra party, or is informed by its contra party, that a trade is being cancelled, (ii) the member with the reporting responsibility and its contra party agree to cancel a trade if neither party can unilaterally cancel the trade, or (iii) the member with the reporting responsibility takes an action to cancel the trade on its books and records, whichever event occurs first.

(h) A member may agree to allow a Participant to report and lock-in trades on its behalf, if both parties have completed an agreement to that effect as specified by FINRA and submitted it to the FINRA/Nasdaq Trade Reporting Facility. However, the member with the reporting obligation remains responsible for the transaction submitted on its behalf. Further, both the member with the reporting obligation and the member submitting the trade to the FINRA/Nasdaq Trade Reporting Facility are responsible for ensuring that the information submitted is in compliance with all applicable rules and regulations.

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### **••• Supplementary Material: -----**

**.01** Members that would otherwise have the trade reporting obligation under paragraph (b) of this Rule must provide to FINRA notice that they are relying on the exception from trade reporting under paragraph (e)(1)(A) of this Rule for transactions that are part of an unregistered secondary distribution. For each transaction that is part of the unregistered secondary distribution and not trade reported, the member must provide the following information to FINRA: security name and symbol, execution date, execution time, number of shares, trade price and parties to the trade. Such notice and information must be provided no later than three (3) business days following trade date and in such form as specified by FINRA. If the trade executions will occur over multiple days, then initial notice and available information must be provided no later than three (3) business days following the first trade date and final notice and information must be provided no later than three (3) business days following the last trade date. The member must retain records sufficient to document the basis for relying on this trade reporting exception, including but not limited to, the basis for determining that the definition of "distribution" under Rule 100 of SEC Regulation M has been satisfied, as well as evidence of compliance with applicable notification requirements under [Rule 5190](#).

### **.02 Trade Reporting Time Frame**



(a) With respect to the requirement under paragraphs (a) and (g) of this Rule that members report trades and trade cancellations "as soon as practicable," a member with the trade reporting obligation under paragraph (b) of this Rule must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the "as soon as practicable" requirement because of delays in trade reporting that are due to extrinsic factors that are not reasonably predictable and where the member does not purposely intend to delay the reporting of the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the last permissible second.

(b) FINRA recognizes that a very small universe of trades are reported manually, and as a result, even where a member does not purposely withhold trade reports, the trade reporting process may not be completed within 10 seconds following execution. In these cases, for purposes of determining whether "reasonable justification" exists to excuse what otherwise may be deemed to be a pattern or practice of late trade reporting under this Rule and [Rule 6181](#), FINRA will take into consideration such factors as the complexity and manual nature of the execution and reporting of the trade, where the trade details must be manually entered into the trade reporting system following execution.

Amended by SR-FINRA-2013-013 eff. Nov. 4, 2013.  
Amended by SR-FINRA-2011-027 eff. Nov. 1, 2011.  
Amended by SR-FINRA-2011-061 eff. Oct. 14, 2011.  
Amended by SR-FINRA-2010-058 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2010-043 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2009-082 eff. April 12, 2010.  
Amended by SR-FINRA-2010-002 eff. Feb. 15, 2010.  
Amended by SR-FINRA-2009-031 eff. Jan. 11, 2010.  
Amended by SR-FINRA-2008-011 eff. Aug. 3, 2009.  
Amended by SR-FINRA-2009-024 eff. May 4, 2009.  
Amended by SR-FINRA-2008-060 eff. Jan. 12, 2009.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2007-017 eff. March 3, 2008.  
Amended by SR-NASD-2007-040 eff. Nov. 5, 2007.  
Amended by SR-NASD-2007-037 eff. July 16, 2007.  
Amended by SR-NASD-2007-002 eff. July 9, 2007.  
Amended by SR-NASD-2007-047 eff. July 6, 2007.  
Amended by SR-NASD-2007-020 eff. March 5, 2007.  
Amended by SR-NASD-2006-104 eff. March 5, 2007.  
Amended by SR-NASD-2006-120 eff. Dec. 4, 2006.  
Amended by SR-NASD-2006-098 eff. Dec. 1, 2006.  
Amended by SR-NASD-2006-055 eff. Dec. 1, 2006.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notices:** [06-39](#), [07-23](#), [07-31](#), [07-33](#), [07-38](#), [07-63](#), [08-57](#), [09-08](#), [09-21](#), [09-52](#), [10-07](#), [10-24](#), [10-48](#), [11-40](#), [13-19](#), [14-21](#).

## **6300B. FINRA/NYSE TRADE REPORTING FACILITY**

### **6310B. General**

Members may use the FINRA/NYSE Trade Reporting Facility to report transactions executed otherwise than on an exchange in all NMS stocks as defined in Rule 600(b)(47) of SEC Regulation NMS ("designated securities"). Members that use the FINRA/NYSE Trade Reporting Facility must comply with the Rule [6300B](#) and [7200B](#) Series, as well as all other applicable rules. The Rule [6300B](#) and [7200B](#) Series shall apply only to members using the FINRA/NYSE Trade Reporting Facility.

Renumbered from Rule 6310C and amended by SR-FINRA-2008-066 eff. Jan. 1, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2007-011 eff. April 18, 2007.

## 6320B. Definitions

(a) For purposes of the [Rule 6300B](#) Series, unless the context requires otherwise:

(1) "Exchange Act" or "SEA" means the Securities Exchange Act of 1934.

(2) "Designated securities" means all NMS stocks as defined in Rule 600(b)(47) of SEC Regulation NMS.

(3) "Member" means a broker or dealer admitted to FINRA membership.

(4) "Market Maker" means an "exchange market maker" or "OTC market maker," as those terms are defined in Rule 600(b) of SEC Regulation NMS, that is registered in a particular designated security as such with an exchange or a registered securities association or a facility thereof. A member is considered a Market Maker only in those designated securities for which it is registered as such.

(5) "NYSE" means the NYSE Market, Inc.

(6) "Normal market hours" means 9:30 a.m. Eastern Time to 4:00 p.m. Eastern Time.

(7) "Normal unit of trading" means 100 shares of a security unless, with respect to a particular security, FINRA determines that a normal unit of trading shall constitute other than 100 shares.

(8) "Otherwise than on an exchange" means a trade effected by a FINRA member otherwise than on or through a national securities exchange. The determination of what constitutes a trade "on or through" a particular national securities exchange shall be determined by that exchange in accordance with all applicable statutes, rules and regulations, and with any necessary SEC approval.

(9) "Round lot holder" means a holder of a normal unit of trading.

(10) "Stop Stock Price" means the specified price at which a member and another party agree a Stop Stock Transaction shall be executed, and which price is based upon the prices at which the security is trading at the time the order is received by the member, taking into consideration that the specified price may deviate from the current market prices to factor in the size of the order and the number of shares available at those prices.

(11) "Stop Stock Transaction" means any transaction that meets both of the following conditions:

(A) the transaction is the result of an order in which a member and another party agree that the order will be executed at a Stop Stock Price or better; and

(B) the order is executed at the Stop Stock Price or better.

(12) "Trade Reporting Facility Participant" or "Participant" means any member of FINRA in good standing that uses the FINR/NYSE Trade Reporting Facility.

(13) Terms used in this [Rule 6300B](#) Series shall have the meaning as defined in the FINRA By-Laws and rules, Rule 600(b) of SEC Regulation NMS and the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation, and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privilege Basis, unless otherwise defined herein.

Renumbered from Rule 6320C and amended by SR-FINRA-2008-066 eff. Jan. 1, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2007-011 eff. April 18, 2007.

Selected Notice: [08-57](#).

## 6330B. Use of FINR/NYSE Trade Reporting Facility on a Test Basis

FINRA may at any time authorize the use of the FINR/NYSE Trade Reporting Facility on a test basis for whatever studies it considers necessary and appropriate.

Renumbered from Rule 6330C by SR-FINRA-2008-066 eff. Jan. 1, 2009.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2007-011 eff. April 18, 2007.

**Selected Notice:** [08-57](#).

## **6340B. Reports**

A Trade Reporting Facility Participant shall make such reports to FINRA as may be prescribed from time to time by FINRA.

Renumbered from Rule 6340C by SR-FINRA-2008-066 eff. Jan. 1, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2007-011 eff. April 18, 2007.

**Selected Notice:** [08-57](#).

## **6350B. Clearance and Settlement**

(a) A Trade Reporting Facility Participant shall clear and settle transactions in designated securities through the facilities of a registered clearing agency that uses a continuous net settlement system. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another member that clears trades through such an agency.

(b) Notwithstanding paragraph (a), transactions in designated securities may be settled "ex-clearing" provided that both parties to the transaction agree.

Renumbered from Rule 6350B by SR-FINRA-2008-066 eff. Jan. 1, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2007-011 eff. April 18, 2007.

**Selected Notice:** [08-57](#).

## **6360B. Suspension and Termination by FINRA Action**

FINRA may, pursuant to the procedures set forth in the [Rule 9000](#) Series, suspend, condition, limit, prohibit or terminate a Trade Reporting Facility Participant's ability to use FINRA/NYSE Trade Reporting Facility services in one or more designated securities for violations of applicable requirements or prohibitions.

Renumbered from Rule 6360C by SR-FINRA-2008-066 eff. Jan. 1, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2007-011 eff. April 18, 2007.

**Selected Notice:** [08-57](#).

## **6370B. Termination of FINRA/NYSE Trade Reporting Facility Service**

FINRA may, upon notice, terminate FINRA/NYSE Trade Reporting Facility service in the event that a Trade Reporting Facility Participant fails to qualify under specified standards of eligibility or fails to pay promptly for services rendered.

Renumbered from Rule 6370C by SR-FINRA-2008-066 eff. Jan. 1, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2007-011 eff. April 18, 2007.

**Selected Notice:** [08-57](#).

## **6380B. Transaction Reporting**

(a) **When and How Transactions are Reported**

(1) Trade Reporting Facility Participants shall, as soon as practicable but no later than 10 seconds after execution, transmit to the FINRA/NYSE Trade Reporting Facility or, if the FINRA/NYSE Trade Reporting Facility is unavailable due to system or transmission failure, by telephone to the FINRA/NYSE TRF Operations Department, last sale reports of transactions in designated securities executed during normal market hours. Transactions not reported within 10 seconds after execution shall be designated as late.

(2) Transaction Reporting to the FINRA/NYSE Trade Reporting Facility Outside Normal Market Hours

(A) Last sale reports of transactions in designated securities executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be reported as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(B) Last sale reports of transactions in designated securities executed between 4:00 p.m. and 8:00 p.m. Eastern Time shall be reported as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(C) Last sale reports of transactions in designated securities executed between midnight and 8:00 a.m. Eastern Time shall be reported by 8:15 a.m. Eastern Time on trade date and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(D) Last sale reports of transactions in designated securities executed between 8:00 p.m. and midnight Eastern Time shall be reported the following business day (T+1) by 8:15 a.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(3) Members shall time-stamp all trade tickets at the time of execution for transactions in designated securities. Execution time shall be reported to FINRA on all last sale reports and shall be expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included on the report.

(4) Transactions not reported within 10 seconds after execution, or such other time period prescribed by rule, shall be designated as late. Any transaction that is required to be reported on trade date, but is not reported on trade date, must be reported on an "as/of" basis on a subsequent date (T+N) and shall be designated as late. Any transaction that is required to be reported on an "as/of" basis the following business day (T+1), but is not reported T+1, must be reported on a subsequent date (T+N) and shall be designated as late. A pattern or practice of late reporting without reasonable justification or exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of [Rule 2010](#).

(5) Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of "as/of" trades:

(A) if the trade is executed during normal market hours and it is reported later than 10 seconds after execution;

(B) if the trade is a Seller's Option Trade, denoting the number of days for delivery;

(C) if the trade is a Cash Trade;

(D) if the trade is a Next Day Trade;

(E) if the trade occurs at a price based on an average weighting or another special pricing formula;

(F) if the trade is a Stop Stock Transaction (as defined in [Rule 6320B](#)) (Note: the time at which the member and the other party agreed to the Stop Stock Price must be given in lieu of including the time of execution on the trade report and the designated modifier shall not be appended to a report of a Stop Stock Transaction if the Stop Stock Transaction is executed and reported within 10 seconds of the time the member and the other party agree to the Stop Stock Price);

(G) if the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time (Note: the transaction report shall include the prior reference time in lieu of the actual time the trade was executed and the designated modifier shall not be appended to a report of a transaction whose price is based on a prior reference point in time if the trade is executed and reported within 10

seconds from the prior reference point in time);

(H) to identify pre-opening and after-hours trades (executed between 8:00 a.m. and 9:30 a.m. Eastern time or between 4:00 p.m. and 8:00 p.m. Eastern time) reported more than 10 seconds after execution;

(I) if the trade would be a trade-through of a protected quotation, but for the trade being qualified for an exception or exemption from Rule 611 of SEC Regulation NMS (Note: to ensure consistency in the usage of Rule 611 of SEC Regulation NMS related modifiers by registered broker-dealers, this modifier will be used in conformity with the specifications approved by the Operating Committee of the relevant National Market System Plans to identify trades executed pursuant to an exception or exemption from Rule 611 of SEC Regulation NMS);

(J) if the trade would be a trade-through of a protected quotation, but for the trade being qualified for an exception or exemption from Rule 611 of SEC Regulation NMS, members must, in addition to the modifier required in subparagraph (I) above, append an appropriate unique modifier, specified by FINRA, that identifies the specific applicable exception or exemption from Rule 611 of SEC Regulation NMS that a member is relying upon (Note: to ensure consistency in the usage of Rule 611 of SEC Regulation NMS related modifiers by registered broker-dealers, these modifiers will be used in conformity with the specifications approved by the Operating Committee of the relevant National Market System Plans to identify trades executed pursuant to an exception or exemption from Rule 611 of SEC Regulation NMS); and

(K) any other modifier as specified by FINRA or the SEC.

To the extent that any of the modifiers required by this Rule conflict, FINRA shall provide guidance regarding the priorities among modifiers and members shall report in accordance with such guidance, as applicable.

(6) The FINRANYSE Trade Reporting Facility will append the appropriate modifier to indicate that a trade was executed outside normal market hours or that a report was submitted late to the FINRANYSE Trade Reporting Facility, where such report contains the time of execution, but does not contain the appropriate modifier.

(7) To identify pre-opening and after-hours trades reported late, the FINRANYSE Trade Reporting Facility will convert to the late modifier, as applicable, on any pre-opening or after-hours report submitted to the FINRANYSE Trade Reporting Facility more than 10 seconds after execution.

(8) Participants must use an alternative mechanism, and comply with all rules applicable to such alternative mechanism, to report transactions to FINRA in designated securities for which electronic submission to the FINRANYSE Trade Reporting Facility is not possible. Where last sale reports of transactions in designated securities cannot be submitted to FINRA via an alternative electronic mechanism (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active), members shall report such transactions as soon as practicable to the FINRA Market Regulation Department on Form T. Transactions that can be reported to FINRA electronically, whether on trade date or on a subsequent date on an "as/of" basis (T+N), shall not be reported on Form T.

#### **(b) Which Party Reports the Transaction**

(1) In transactions between two members, the executing party shall report the trade.

(2) In transactions between a member and a non-member or customer, the member shall report the trade.

For purposes of this paragraph (b), "executing party" shall mean the member that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction. In a transaction between two members where both members may satisfy the definition of executing party (e.g., manually negotiated transactions via the telephone), the member representing the sell-side shall report the transaction, unless the parties agree otherwise and the member representing the sell-side contemporaneously documents such agreement.

#### **(c) Information To Be Reported**

Each last sale report shall contain the following information:

(1) Stock symbol of the designated security;

(2) Number of shares or bonds;

(3) Price of the transaction as required by paragraph (d) below;

(4) A symbol indicating whether the transaction is a buy, sell or cross, and if applicable, sell short or sell short exempt;

(5) The time of execution expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included in the report; and

(6) For any transaction in an order for which a member has recording and reporting obligations under Rules [7440](#) and [7450](#), the trade report must include an order identifier, meeting such parameters as may be prescribed by FINRA, assigned to the order that uniquely identifies the order for the date it was received (see [Rule 7440\(b\)\(1\)](#)).

#### **(d) Procedures for Reporting Price, Volume, Capacity and Identification of Other Members**

Members that report transactions to the FINRA/NYSE Trade Reporting Facility, pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in designated securities in the following manner:

##### **(1) Reporting Agency Transactions**

For agency transactions, report the number of shares or bonds and the price excluding the commission charged.

##### **Example:**

SELL as agent 100 shares at 40 less a commission of \$12.50;

REPORT 100 shares at 40.

##### **(2) Reporting Dual Agency Transactions**

For dual agency transactions, report the number of shares or bonds only once, and report the price excluding the commission charged.

##### **Example:**

SELL as agent 100 shares at 40 less a commission of \$12.50;

BUY as agent 100 shares at 40 plus a commission of \$12.50;

REPORT 100 shares at 40.

##### **(3) Reporting Principal and Riskless Principal Transactions**

(A) For principal transactions, except as provided below, report each purchase and sale transaction separately and report the number of shares or bonds and the price. For principal transactions that are executed at a price that includes a mark-up, mark-down or service charge, the price reported shall exclude the mark-up, mark-down or service charge. Such reported price shall be reasonably related to the prevailing market, taking into consideration all relevant circumstances including, but not limited to, market conditions with respect to the security, the number of shares or bonds involved in the transaction, the published bids and offers with size at the time of the execution (including the reporting firm's own quotation), the cost of execution and the expenses involved in clearing the transaction.

##### **Example:**

BUY as principal 100 shares from another member at 40 (no mark-down included);

REPORT 100 shares at 40.

##### **Example:**

BUY as principal 100 shares from a customer at 39.90 which includes a \$0.10 mark-down from prevailing market at 40;

REPORT 100 shares at 40.

##### **Example:**

SELL as principal 100 shares to a customer at 40.10, which includes a \$0.10 mark-up from the prevailing market of 40;

REPORT 100 shares at 40.

**Example:**

BUY as principal 10,000 shares from a customer at 39.75, which includes a \$0.25 mark-down or service charge from the prevailing market of 40;

REPORT 10,000 shares at 40.

(B) Exception: A "riskless" principal transaction in which a member after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported to the FINRA/NYSE Trade Reporting Facility as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s):

(i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.

(ii) Where the initial leg of the transaction has been reported to FINRA, regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, "riskless" portion of the transaction, either:

a. a clearing-only report with a capacity indicator of "riskless principal," if a clearing report is necessary to clear the transaction; or

b. a non-tape, non-clearing report with a capacity indicator of "riskless principal," if a clearing report is not necessary to clear the transaction.

**Example:**

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting a single trade report marked with a "riskless principal" capacity indicator to the FINRA/NYSE Trade Reporting Facility or by submitting the following reports:

1. where required by this Rule, a tape report marked with a "principal" capacity indicator; and

2. either a non-tape, non-clearing report or a clearing-only report marked with a "riskless principal" capacity indicator.

In a riskless principal transaction in which a member purchases or sells the security on an exchange to satisfy a customer's order, the trade will be reported by the exchange. A member may, however, submit to the FINRA/NYSE Trade Reporting Facility a clearing-only report or a non-tape, non-clearing report for the "riskless" leg of a riskless principal transaction where the initial leg has been reported on or through an exchange. Any such report submitted to the FINRA/NYSE Trade Reporting Facility shall comply with all applicable requirements for trade reports set forth in this [Rule 6380B](#).

**Example:**

BUY as principal 100 shares on an exchange at 40 to fill an existing order;

DO NOT REPORT this leg (will be reported by exchange).

SELL as principal 100 shares to a customer at 40 plus a mark-up of \$12.50.

A member MAY submit to the FINRA/NYSE Trade Reporting Facility either a non-tape, non-clearing report or a clearing-only report for this leg marked with a "riskless principal" capacity indicator.

**(4) Identification of Other Members for Agency and Riskless Principal Transactions**

Any member that has a reporting obligation pursuant to paragraph (b) above and is acting in a riskless principal

or agency capacity on behalf of one or more other members shall submit to FINRA one or more non-tape (either non-tape, clearing-only or non-tape, non-clearing) report(s) identifying such other member(s) as a party to the transaction, if such other member(s) is not identified on the initial trade report submitted to FINRA or a report submitted to FINRA pursuant to Rule 6380B(d)(3)(B) for the offsetting leg of a riskless principal transaction. Nothing in this Rule 6380B(d)(4) shall negate or modify the riskless principal transaction reporting requirements set forth in Rule 6380B(d)(3)(B).

**Example #1:**

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares from Member C at 40 (no mark-down included)

Member A has the reporting obligation under Rule 6380B(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member C

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B

**Example #2A:**

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6380B(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member B (or Member C)

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C (or Member B)

**Example #2B:**

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6380B(b)

TAPE REPORT a CROSS of 100 shares at 40 By Member A

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B *and*

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C

**Example #3:**

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares on an exchange at 40

DO NOT TAPE REPORT this leg (will be reported by exchange)

NO NON-TAPE REPORT required; however, Member A *may* submit a NON-TAPE REPORT as between Member A and Member B

**(e) Reporting Requirements For Certain Transactions and Transfers of Securities**

(1) The following shall not be reported to the FINRA/NYSE Trade Reporting Facility:

(A) transactions that are part of a primary distribution by an issuer or of a registered secondary distribution (other than "shelf distributions") or of an unregistered secondary distribution; for purposes of this subparagraph, the term "distribution" has the meaning set forth under Rule 100 of SEC Regulation M;

(B) transactions made in reliance on Section 4(2) of the Securities Act;

(C) transactions reported on or through an exchange;

(D) the acquisition of securities by a member as principal in anticipation of making an immediate exchange distribution or exchange offering on an exchange;

(E) purchases of securities off the floor of an exchange pursuant to a tender offer; . . .

(F) transfers of securities made pursuant to an asset purchase agreement (APA) that is subject to the



jurisdiction and approval of a court of competent jurisdiction in insolvency matters, provided that the purchase price under the APA is not based on, and cannot be adjusted to reflect, the current market prices of the securities on or following the effective date of the APA; and

(G) the transfer of equity securities for the sole purpose of creating or redeeming an instrument that evidences ownership of or otherwise tracks the underlying securities transferred (e.g., an American Depositary Receipt or exchange-traded fund).

(2) The following shall not be reported to the FINRA/NYSE Trade Reporting Facility for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under [Rule 7230B\(f\)](#):

(A) transactions where the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the security, e.g., to enable the seller to make a gift;

(B) purchases or sales of securities effected upon the exercise of an option pursuant to the terms thereof or the exercise of any other right to acquire securities at a pre-established consideration unrelated to the current market; and

(C) transfers of proprietary securities positions where the transfer (1) is effected in connection with a merger or direct or indirect acquisition and (2) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

#### **(f) Reporting Cancelled Trades**

##### **(1) Obligation and Party Responsible for Reporting Cancelled Trades**

With the exception of trades cancelled in accordance with [Rule 11890](#) Series, members shall report to the FINRA/NYSE Trade Reporting Facility the cancellation of any trade previously submitted to the FINRA/NYSE Trade Reporting Facility. The member responsible for submitting the original trade report shall submit the cancellation report in accordance with the procedures set forth in paragraph (f)(2).

##### **(2) Deadlines for Reporting Cancelled Trades**

(A) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or before 4:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation as soon as practicable but no later than 10 seconds after the time the trade is cancelled.

(B) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled after 4:00 p.m., but before 8:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall use its best efforts to report the cancellation not later than 8:00 p.m. on the date of execution, and otherwise it shall report the cancellation on the following business day by 8:00 p.m.

(C) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or after 8:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation on the following business day by 8:00 p.m.

(D) For trades executed outside the hours of 9:30 a.m. to 4:00 p.m. Eastern Time and cancelled prior to 8:00 p.m. on the date of execution, the member responsible for reporting under paragraph (f)(1) shall report the cancellation by 8:00 p.m.

(E) For trades executed outside the hours of 9:30 a.m. to 4:00 p.m. Eastern Time and cancelled at or after 8:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation on the following business day by 8:00 p.m.

(F) For any trade cancelled on any date after the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation (i) by 8:00 p.m. on the date of cancellation if the trade is cancelled before 8:00 p.m., or (ii) by 8:00 p.m. on the following business day if the trade is cancelled at or after 8:00 p.m.

(G) For purposes of determining the deadline by which a trade cancellation must be reported pursuant to paragraph (f) of this Rule the term "cancelled" shall mean the time at which (i) the member with the reporting responsibility informs its contra party, or is informed by its contra party, that a trade is being cancelled, (ii) the member with the reporting responsibility and its contra party agree to cancel a trade if neither party can unilaterally cancel the trade, or (iii) the member with the reporting responsibility takes an action to cancel the

trade on its books and records, whichever event occurs first.

(g) A member may agree to allow a Participant to report and lock-in trades on its behalf, if both parties have completed an agreement to that effect (a "give up agreement") as specified by FINRA and submitted it to the FINRA/NYSE Trade Reporting Facility. However, the member with the reporting obligation remains responsible for the transaction submitted on its behalf. Further, both the member with the reporting obligation and the member submitting the trade to the FINRA/NYSE Trade Reporting Facility are responsible for ensuring that the information submitted is in compliance with all applicable rules and regulations.

#### (h) Prohibition on Aggregation of Transaction Reports

Individual executions of orders in a security at the same price may not be aggregated, for purposes of transaction reporting to the FINRA/NYSE TRF, into a single transaction report.

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#### ••• Supplementary Material: -----

.01 Members that would otherwise have the trade reporting obligation under paragraph (b) of this Rule must provide to FINRA notice that they are relying on the exception from trade reporting under paragraph (e)(1)(A) of this Rule for transactions that are part of an unregistered secondary distribution. For each transaction that is part of the unregistered secondary distribution and not trade reported, the member must provide the following information to FINRA: security name and symbol, execution date, execution time, number of shares, trade price and parties to the trade. Such notice and information must be provided no later than three (3) business days following trade date and in such form as specified by FINRA. If the trade executions will occur over multiple days, then initial notice and available information must be provided no later than three (3) business days following the first trade date and final notice and information must be provided no later than three (3) business days following the last trade date. The member must retain records sufficient to document the basis for relying on this trade reporting exception, including but not limited to, the basis for determining that the definition of "distribution" under Rule 100 of SEC Regulation M has been satisfied, as well as evidence of compliance with applicable notification requirements under [Rule 5190](#).

#### .02 Trade Reporting Time Frame

(a) With respect to the requirement under paragraphs (a) and (f) of this Rule that members report trades and trade cancellations "as soon as practicable," a member with the trade reporting obligation under paragraph (b) of this Rule must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the "as soon as practicable" requirement because of delays in trade reporting that are due to extrinsic factors that are not reasonably predictable and where the member does not purposely intend to delay the reporting of the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the last permissible second.

(b) FINRA recognizes that a very small universe of trades are reported manually, and as a result, even where a member does not purposely withhold trade reports, the trade reporting process may not be completed within 10 seconds following execution. In these cases, for purposes of determining whether "reasonable justification" exists to excuse what otherwise may be deemed to be a pattern or practice of late trade reporting under this Rule and [Rule 6181](#), FINRA will take into consideration such factors as the complexity and manual nature of the execution and reporting of the trade, where the trade details must be manually entered into the trade reporting system following execution.

Amended by SR-FINRA-2013-013 eff. Nov 4, 2013.  
Amended by SR-FINRA-2011-027 eff. Nov. 1, 2011.  
Amended by SR-FINRA-2011-061 eff. Oct. 14, 2011.  
Amended by SR-FINRA-2010-058 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2010-043 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2009-082 eff. April 12, 2010.  
Amended by SR-FINRA-2010-002 eff. Feb. 15, 2010.  
Amended by SR-FINRA-2009-031 eff. Jan 11, 2010.  
Amended by SR-FINRA-2009-027 eff. Aug. 3, 2009.  
Amended by SR-FINRA-2008-011 eff. Aug. 3, 2009.  
Amended by SR-FINRA-2009-024 eff. May 4, 2009.  
Amended by SR-FINRA-2009-002 eff. Jan. 12, 2009.

Amended by SR-FINRA-2008-060 eff. Jan. 12, 2009.  
Renumbered from Rule 6380C and amended by SR-FINRA-2008-066 eff. Jan. 1, 2009.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2007-017 eff. March 3, 2008.  
Amended by SR-FINRA-2008-002 eff. Jan. 28, 2008.  
Amended by SR-NASD-2007-040 eff. Nov. 5, 2007.  
Amended by SR-FINRA-2007-015 eff. Sep. 19, 2007.  
Amended by SR-NASD-2007-037 eff. July 16, 2007.  
Amended by SR-NASD-2007-014 eff. July 9, 2007.  
Amended by SR-NASD-2007-047 eff. July 6, 2007.  
Adopted by SR-NASD-2007-011 eff. April 18, 2007.

**Selected Notices:** [07-23](#), [07-31](#), [07-33](#), [07-38](#), [07-63](#), [08-57](#), [09-08](#), [09-21](#), [09-52](#), [10-07](#), [10-24](#), [10-48](#), [11-40](#), [13-19](#), [14-21](#).

## 6400. QUOTING AND TRADING IN OTC EQUITY SECURITIES

### 6410. General

This [Rule 6400](#) Series sets forth quotation and trading requirements for "OTC Equity Securities" as that term is defined in [Rule 6420](#).

Members shall use the OTC Reporting Facility for trade reporting in OTC Equity Securities and Restricted Equity Securities in compliance with the [Rule 6600](#) and [7300](#) Series, as well as all other applicable rules and regulations.

Amended by SR-FINRA-2010-003 eff. June 28, 2010.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2004-076 eff. May 5, 2004.  
Amended by SR-NASD-2000-42 eff. June 27, 2003.

**Selected Notices:** [03-28](#), [08-57](#), [10-26](#).

### 6420. Definitions

(a) Terms used in this Rule shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified herein.

(b) "Direct participation program" or DPP, means a program which provides for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate programs, agricultural programs, cattle programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. A program may be composed of one or more legal entities or programs but when used herein, the term shall mean each of the separate entities or programs making up the overall program and/or the overall program itself. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code and individual retirement plans under Section 408 of that Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Internal Revenue Code, and any company, including separate accounts, registered pursuant to the Investment Company Act.

(c) "Inter-dealer quotation system" shall mean any system of general circulation to brokers or dealers which regularly disseminates quotations of identified brokers or dealers.

(d) "Non-Market Maker" means a member of FINRA that is not an OTC Market Maker with respect to a particular OTC Equity Security.

(e) "Normal market hours" means 9:30 a.m. Eastern Time to 4:00 p.m. Eastern Time.

(f) "OTC Equity Security" means any equity security that is not an "NMS stock" as that term is defined in Rule 600(b)(47) of SEC Regulation NMS; provided, however, that the term "OTC Equity Security" shall not include any Restricted Equity Security.

(g) "OTC Market Maker" means a member of FINRA that holds itself out as a market maker by entering proprietary quotations or indications of interest for a particular OTC Equity Security in any inter-dealer quotation system, including any system that the SEC has qualified pursuant to Section 17B of the Exchange Act. A member is an OTC Market Maker only in those OTC Equity Securities in which it displays market making interest via an inter-dealer quotation system.

(h) "Priced entry" shall mean a quotation consisting of a bid, offer, or both at a specified price.

(i) "Quotation" shall mean any bid or offer at a specified price with respect to an OTC Equity Security, or any indication of interest by a broker or dealer in receiving bids or offers from others for such a security, or any indication by a broker or dealer that it wishes to advertise its general interest in buying or selling a particular non-exchange-listed security.

(j) "Quotation medium" means any inter-dealer quotation system or any publication or electronic communications network or other device that is used by brokers or dealers to make known to others their interest in transactions in any OTC Equity Security, including offers to buy or sell at a stated price or otherwise, or invitations of offers to buy or sell.

(k) "Restricted Equity Security" means any equity security that meets the definition of "restricted security" as contained in Securities Act Rule 144(a)(3).

(l) "Stop Stock Price" means the specified price at which a member and another party agree a Stop Stock Transaction shall be executed, and which price is based upon the prices at which the security is trading at the time the order is received by the member, taking into consideration that the specified price may deviate from the current market prices to factor in the size of the order and the number of shares available at those prices.

(m) "Stop Stock Transaction" means any transaction that meets both of the following conditions:

(1) the transaction is the result of an order in which a member and another party agree that the order shall be executed at a Stop Stock Price or better; and

(2) the order is executed at the Stop Stock Price.

(n) "OTC Reporting Facility" means the service provided by FINRA that accommodates reporting for trades in OTC Equity Securities executed other than on or through an exchange and for trades in Restricted Equity Securities effected under Securities Act Rule 144A and dissemination of last sale reports. Regarding those OTC Equity Securities and Restricted Equity Securities that are not eligible for clearance and settlement through the facilities of the National Securities Clearing Corporation, the OTC Reporting Facility comparison function will not be available. However, the OTC Reporting Facility will support the entry and dissemination, as applicable, of last sale data on such securities.

(o) "OTC Reporting Facility Participant" means any member of FINRA in good standing that uses the OTC Reporting Facility.

Amended by SR-FINRA-2012-027 eff. July 9, 2012.

Amended by SR-FINRA-2010-060 eff. Dec. 15, 2010.

Amended by SR-FINRA-2010-051 eff. Nov. 1, 2010.

Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.

Amended by SR-FINRA-2010-003 eff. June 28, 2010.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.

Amended by SR-NASD-2004-151 eff. Oct. 12, 2004.

Amended by SR-NASD-2004-076 eff. May 5, 2004.

**Selected Notice:** [08-57](#), [10-24](#), [10-26](#).

## **6430. OTC Equity Quotation Requirements**

## **6431. Recording of Quotation Information**

### **(a) Quotation Recording Requirements**

(1) Subject to the terms and conditions contained herein, each OTC Market Maker that displays priced quotations (bid and/or offer) or unpriced indications of interest in OTC Equity Securities in an inter-dealer quotation system that permits quotation updates on a real-time basis shall record each item of information described in paragraph (b) of this Rule. This quote activity record must reflect all changes in an OTC Market Maker's priced quotation or quotation size

displayed or unpriced indication of interest, and the time any such change was effected.

(2) Members shall record each item of information required to be recorded under this Rule in such form as is prescribed by FINRA from time to time.

### **(3) Maintaining and Preserving Records**

(A) Each member shall maintain and preserve records of the information required to be recorded under this Rule for the period of time and accessibility specified in SEA Rule 17a-4(a).

(B) The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on "micrographic media" as defined in SEA Rule 17a-4(f)(1)(i) or by means of "electronic storage media" as defined in SEA Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEA Rule 17a-4(f) and may be maintained and preserved for the required time in that form.

### **(b) Information to be Recorded**

The quotation activity record required pursuant to paragraph (a) of this Rule shall contain, at a minimum, the following information for every priced quotation (bid and/or offer) or unpriced indication of interest displayed by the member during the trading day:

- (1) Submitting firm;
- (2) Inter-dealer quotation system or medium;
- (3) Trade date;
- (4) Time quotation displayed (expressed in hours, minutes and seconds);
- (5) Security name and symbol;
- (6) Bid and bid quotation size (if applicable);
- (7) Offer and offer quotation size (if applicable);
- (8) Prevailing Inside Bid; and
- (9) Prevailing Inside Offer

If no updates were entered to an OTC Market Maker's quotation or quotation size for any given trading day, the member must record the information in subparagraphs (b)(1) through (7).

### **(c) Quotations Not Required To Be Recorded**

The recording requirements contained in paragraphs (a) and (b) of this Rule shall not apply to quotations of OTC Equity Securities that are displayed on an inter-dealer quotation system that is:

- (1) operated by a registered securities association or a national securities exchange; or
- (2) operated by a member of FINRA.

### **(d) Reporting Requirements**

- (1) General Requirement

Members shall report information required to be recorded under this Rule to FINRA upon its request.

- (2) Method of Transmitting Data

Members shall transmit this information in such form prescribed by FINRA.

### **(e) Reporting Agent Agreements**

(1) "Reporting Agent" shall mean a third party that enters into any agreement with a member pursuant to which such third party agrees to fulfill such member's obligations under this Rule.

(2) Any member may enter into an agreement with a Reporting Agent pursuant to which the Reporting Agent agrees to fulfill the obligations of such member under this Rule. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Rule.

(3) All written documents evidencing an agreement described in paragraph (e)(2) shall be maintained by each party to the agreement.

(4) Each member remains responsible for compliance with the requirements of this Rule, notwithstanding the existence of an agreement described in this paragraph.

**(f) Withdrawal of Quotations or Unpriced Indications of Interest**

If a member knows or has reason to believe that it or its Reporting Agent is not complying with the requirements of this Rule, the member must withdraw its quotations or unpriced indications of interest until such time that the member is satisfied that its quotation data is being properly recorded and reported.

Amended by SR-FINRA-2009-054 eff. Feb. 11, 2011.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Adopted by SR-NASD-2000-42 eff. June 27, 2003.

**Selected Notices:** [03-28](#), [08-57](#), [10-42](#).

**6432. Compliance with the Information Requirements of SEA Rule 15c2-11**

(a) Except as provided in SEA Rules 15c2-11(f)(1), (2), (3) and (5) and 15c2-11(h), no member shall initiate or resume the quotation of a non-exchange-listed security in any quotation medium unless the member has demonstrated compliance with this Rule and the applicable requirements for information maintenance under SEA Rule 15c2-11. A member shall demonstrate compliance by making a filing with, and in the form required by, FINRA, which filing must be received at least three business days before the member's quotation is published or displayed in the quotation medium.

(b) The information to be filed shall contain:

(1) One copy of all information required to be maintained under SEA Rule 15c2-11(a)(1), (2), (3), (4), or (5), including any information that may be required by future amendments thereto. Members are not required to file with FINRA copies of any information that is available through the SEC's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system; provided, however, that the filing with FINRA shall contain identifying information for each issuer report or statement available through EDGAR that was relied upon in satisfying the member's obligations under this Rule and SEA Rule 15c2-11(a), including the type of report, report date and any other information as may be requested by FINRA.

(2) Identification of the issuer, the issuer's predecessor in the event of a merger or reorganization within the previous 12 months, the type of non-exchange-listed security to be quoted (e.g., ADR, warrant, unit, or common stock), the quotation medium to be used, the member's initial or resumed quotation, and the particular subsection of SEA Rule 15c2-11 with which the member is demonstrating compliance.

(3) If a member is initiating or resuming quotation of a non-exchange-listed security with a priced entry, the basis upon which that priced entry was determined and the factors considered in making that determination.

(4) A certification that neither the member nor persons associated with the member have accepted or will accept any payment or other consideration prohibited by FINRA [Rule 5250](#).

(c) If a member's initial or resumed quotation does not include a priced entry, a member shall supplement its prior filing under this Rule, in the form required by FINRA, before inserting a priced entry for the affected non-exchange-listed security in a quotation medium. The supplemental filing shall specify the basis upon which the proposed priced entry was determined and the factors considered in making that determination. The supplemental filing must be received by FINRA at least three business days before the member's priced entry first appears in a quotation medium.

(d) All filings made with FINRA under this Rule must be reviewed and signed by a principal of the member firm.

(e) For purposes of this Rule, the term "non-exchange-listed security" means any equity security, other than a Restricted Equity Security, that is not traded on any national securities exchange.

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••• **Supplementary Material:** -----

**01.** Any member initiating or resuming quotations in reliance on the exception provided by SEA Rule 15c2-11(f)(2) must be able to demonstrate eligibility for the exception by making a contemporaneous record of:

- (a) the identification of each associated person who receives the unsolicited customer order or indication of interest directly from the customer, if applicable;
- (b) the identity of the customer;
- (c) the date and time the unsolicited customer order or indication of interest was received; and
- (d) the terms of the unsolicited customer order or indication of interest that is the subject of the quotation (e.g., security name and symbol, size, side of the market, duration (if specified) and, if priced, the price).

Any member displaying a quote representing an unsolicited customer order or indication of interest that was received from another broker-dealer must contemporaneously record the identity of the person from whom information regarding the unsolicited customer order or indication of interest was received, if applicable; the date and time the unsolicited customer order or indication of interest was received by the member displaying the quotation; and the terms of the order that is the subject of the quotation.

Amended by SR-FINRA-2014-011 eff. July 7, 2014.  
Amended by SR-FINRA-2009-054 eff. Feb. 11, 2011.  
Amended by SR-FINRA-2010-047 eff. Oct. 15, 2010.  
Amended by SR-FINRA-2010-003 eff. June 28, 2010.  
Amended by SR-FINRA-2009-030 eff. Sep. 21, 2009.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-087 eff. Aug. 1, 2006  
Renumbered from Rule 6740 and amended by SR-NASD-2005-087 eff. Aug 1, 2006.  
Adopted eff. May 1, 1990.

**Selected Notices:** [08-57](#), [09-51](#), [10-26](#), [10-42](#), [14-26](#).

### **6433. Minimum Quotation Size Requirements For OTC Equity Securities**

Every member entering quotations in any inter-dealer quotation system that permits quotation updates on a real-time basis must enter and honor those quotations for at least the minimum size defined in the table below. In this regard, it is the member's responsibility to determine the minimum size requirement applicable to its quotation. Depending on the price level of the quotation, a different minimum size can apply to each side of the market being quoted by the member in a given security.

| <b>Price (Bid or Offer)</b> | <b>Minimum Quote Size</b> |
|-----------------------------|---------------------------|
| 0.0001–0.0999               | 10,000                    |
| 0.10-0.1999                 | 5,000                     |
| 0.20–0.5099                 | 2,500                     |
| 0.51–0.9999                 | 1,000                     |
| 1.00–174.99                 | 100                       |
| 175.00+                     | 1                         |

••• **Supplementary Material:** -----

.01 The amendments set forth in File No. SR-FINRA-2011-058 shall be in effect until November 14, 2014. If the pilot is not extended or approved as permanent by this date, the version of this Rule prior to SR-FINRA-2011-058 shall be in effect.

Amended by SR-FINRA-2013-049 eff. Nov. 5, 2013.  
Amended by SR-FINRA-2011-058 eff. Nov. 12, 2012.

Amended by SR-FINRA-2009-054 eff. Feb. 11, 2011.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Renumbered from Rule 6750 and amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2000-17 eff. September 5, 2000.  
Amended by SR-NASD-99-32 eff. September 23, 1999.  
Adopted by SR-NASD-93-17 eff. Sept. 8, 1993.

**Selected Notices:** [93-54](#), [08-57](#), [10-42](#), [12-37](#), [12-51](#).

#### **6434. Minimum Pricing Increment for OTC Equity Securities**

(a) No member shall display, rank, or accept a bid or offer, an order, or an indication of interest in any OTC Equity Security priced in an increment smaller than \$0.01 if that bid or offer, order or indication of interest is priced equal to or greater than \$1.00 per share.

(b) No member shall display, rank, or accept a bid or offer, an order, or an indication of interest in any OTC Equity Security priced in an increment smaller than \$0.0001 if that bid or offer, order or indication of interest is priced less than \$1.00 per share except, where an order or indication of interest is priced less than \$0.0001, a member may rank or accept (but not display) such order or indication of interest in an increment of \$0.000001 or greater.

Adopted by SR-FINRA-2009-054 eff. Feb. 11, 2011.

**Selected Notice:** [10-42](#).

#### **6435. Withdrawal of Quotations in an OTC Equity Security in Compliance with SEC Regulation M**

(a) A member that is a distribution participant, affiliated purchaser, selling security holder or issuer in a distribution of an OTC Equity Security that is a covered security subject to Rule 101 or 102 of SEC Regulation M and is entering quotations in such security shall, unless another member has assumed responsibility in writing for compliance with this Rule:

(1) withdraw all quotations in the OTC Equity Security to comply with the applicable restricted period under Rule 101 or 102 of SEC Regulation M; and

(2) not enter a stabilizing bid for the OTC Equity Security pursuant to Rule 104 of SEC Regulation M.

(b) For purposes of this Rule, the following terms shall have the meanings as defined in Rule 100 of SEC Regulation M: "affiliated purchaser," "covered security," "distribution," "distribution participant," "restricted period," "selling security holder," and "stabilizing."

Amended by SR-FINRA-2009-054 eff. Feb. 11, 2011.

Adopted by SR-FINRA-2008-039.

**Selected Notices:** [08-57](#), [08-74](#), [10-42](#).

#### **6437. Prohibition from Locking or Crossing Quotations in OTC Equity Securities**

(a) Members must implement policies and procedures that reasonably avoid displaying, or engaging in a pattern or practice of displaying, locking or crossing quotations in any OTC Equity Security.

(b) For purposes of this Rule, the following definitions shall apply:

(1) The term "crossing quotation" shall mean the display of a bid for an OTC Equity Security at a price that is higher than the displayed price of an offer for such OTC Equity Security in the same inter-dealer quotation system, or the display of an offer for an OTC Equity Security at a price that is lower than the displayed price of a bid for such OTC Equity Security in the same inter-dealer quotation system.

(2) The term "locking quotation" shall mean the display of a bid for an OTC Equity Security at a price that equals the displayed price of an offer for such OTC Equity Security in the same inter-dealer quotation system, or the display of an offer for an OTC Equity Security at a price that equals the displayed price of a bid for such OTC Equity Security in the same inter-dealer quotation system.



Adopted by SR-FINRA-2009-054 eff. Feb. 11, 2011.

**Selected Notice:** [10-42](#).

### **6438. Displaying Priced Quotations in Multiple Quotation Mediums**

Members that display priced quotations on a real-time basis for an OTC Equity Security in two or more quotation mediums that permit quotation updates on a real-time basis must display the same priced quotations for the security in each medium, except with respect to a price quotation that represents a customer limit order displayed on an electronic communications network in conformance with the exception to [Rule 6460](#) provided in paragraph (b)(5) of that rule.

Adopted by SR-FINRA-2011-052 eff. May 31, 2012.

**Selected Notice:** [12-13](#).

### **6440. Trading and Quotation Halt in OTC Equity Securities**

#### **(a) Authority for Initiating a Trading and Quotation Halt**

In circumstances in which it is necessary to protect investors and the public interest, FINRA may direct members, pursuant to the procedures set forth in paragraph (b), to halt trading and quotations in OTC Equity Securities (as such term is defined in [Rule 6420](#)) if:

(1) the OTC Equity Security or the security underlying an American Depository Receipt ("ADR") that is an OTC Equity Security ("OTC ADR") is listed on or registered with a foreign securities exchange or market, and the foreign securities exchange, market, or regulatory authority overseeing such issuer, exchange, or market, halts trading in such security for regulatory reasons because of public interest concerns or for news pending; provided, however, that FINRA will not impose a trading and quotation halt if the Foreign Regulatory Halt was imposed solely for a regulatory filing deficiency, or operational reasons ("Foreign Regulatory Halt");

(2) the OTC Equity Security or the security underlying an OTC ADR is a derivative or component of a security listed on or registered with a national securities exchange or foreign securities exchange or market ("listed security") and the national securities exchange, or foreign securities exchange or market imposes a trading halt in the listed security ("Derivative Halt"); or

(3) FINRA determines that an extraordinary event has occurred or is ongoing that has had a material effect on the market for the OTC Equity Security or the security underlying an OTC ADR or has caused or has the potential to cause major disruption to the marketplace or significant uncertainty in the settlement and clearance process ("Extraordinary Event Halt").

#### **(b) Procedure for Initiating a Trading and Quotation Halt**

(1) Upon notice of a Foreign Regulatory Halt or Derivative Halt from: (A) the national or foreign securities exchange or market on which the OTC Equity Security or the security underlying the OTC ADR is listed or registered, (B) a regulatory authority overseeing such issuer, exchange, or market, or (C) another reliable third-party source where FINRA can validate the information provided, FINRA will promptly initiate a trading and quotation halt in the OTC Equity Security. The commencement of the trading and quotation halt for the OTC Equity Security will be effective simultaneous with the issuance of appropriate public notice by FINRA.

(2) After FINRA initiates a halt in an OTC Equity Security as a result of a Foreign Regulatory Halt or a Derivative Halt, FINRA may continue the halt in trading and quoting in the OTC market for the OTC Equity Security until such time as FINRA receives notice that the applicable regulatory authority has or intends to resume trading in the security.

(3) After FINRA initiates a halt in an OTC Equity Security as a result of an Extraordinary Event Halt, trading and quotations in the OTC market for the OTC Equity Security may resume when FINRA determines that the basis for the halt no longer exists, or when ten business days have elapsed from the date FINRA initiated the trading and quotation halt in the security, whichever occurs first.

(4) FINRA shall disseminate appropriate public notice that a trading and quotation halt initiated under this Rule is no longer in effect.

#### **(c) Violation of OTC Trading and Quotation Halt Rule**

If a security is subject to a trading and quotation halt initiated pursuant to this Rule, it shall be deemed conduct inconsistent with just and equitable principles of trade and a violation of [Rule 2010](#) for a member:

(1) to effect, directly or indirectly, a trade in such security; or

(2) to publish a quotation, a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" and "offer wanted" indications), or a bid or offer accompanied by a modifier to reflect unsolicited customer interest, in any quotation medium. For purposes of this Rule, "quotation medium" shall mean any: system of general circulation to brokers or dealers that regularly disseminates quotations of identified brokers or dealers; or publication, alternative trading system or other device that is used by brokers or dealers to disseminate quotations to others.

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••• **Supplementary Material:** -----

**.01 Discretion for Extraordinary Event Halts.** FINRA may impose a trading and quotation halt in an OTC Equity Security pursuant to Rule 6440(a)(3) where FINRA determines, in its discretion, based on the facts and circumstances of the particular event, that halting trading in the security is the appropriate mechanism to protect investors and ensure a fair and orderly marketplace. As a general matter, FINRA does not favor imposing a trading and quotation halt in an OTC Equity Security and will exercise this authority in very limited circumstances. FINRA may also determine to extend an Extraordinary Event Halt that has been initiated pursuant to Rule 6440 (a)(3) to continue in effect for subsequent periods of up to 10 business days each if, at the time of any such extension, FINRA finds that the extraordinary event is ongoing and determines that the continuation of the halt beyond the prior 10 business day period is necessary in the public interest and for the protection of investors.

**.02 Factors Considered.** In determining whether to impose an Extraordinary Event Halt under Rule 6440(a)(3), FINRA will consider several factors in making its determination, including but not limited to: (1) the material nature of the event; (2) the material facts surrounding the event are undisputed and not in conflict; (3) the event has caused widespread confusion in the trading of the security; (4) there has been a material negative effect on the market for the subject security; (5) the potential exists for a major disruption to the marketplace; (6) there is significant uncertainty in the settlement and clearance process for the security; and/or (7) such other factors as FINRA deems relevant in making its determination. FINRA may review all or some of these factors as it determines appropriate.

**.03 Market-wide Circuit Breaker in OTC Equity Securities.** In the event FINRA has halted trading otherwise than on an exchange in all NMS stocks pursuant to [Rule 6121](#), FINRA also shall halt trading in all OTC Equity Securities until such time that the market-wide circuit breaker no longer is in effect for NMS stocks. Members must halt quoting and trading in all OTC Equity Securities as of the time the market-wide trading halt in NMS stocks is publicly disseminated.

Amended by SR-FINRA-2012-010 eff. May 9, 2013.  
Amended by SR-FINRA-2011-054 eff. Feb 4, 2013.  
Amended by SR-FINRA-2009-054 eff. Feb. 11, 2011.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Renumbered from Rule 6545 and amended by SR-NASD-2006-039 eff. March 16, 2007.  
Amended by SR-NASD-2005-089 eff. Oct. 1, 2005.  
Adopted by SR-NASD-99-33 eff. June 26, 2000.

**Selected Notice:** [00-41](#), [07-09](#), [07-22](#), [08-57](#), [10-42](#), [13-13](#).

## 6450. Restrictions on Access Fees

A member shall not impose, nor permit to be imposed, non-subscriber access or post-transaction fees against its published quotation in any OTC Equity Security that exceed or accumulate to more than:

(a) \$0.003 per share, if the published quotation is priced equal to or greater than \$1.00; or

(b) the lesser of 0.3% of the published quotation price on a per share basis or 30% of the minimum pricing increment under [Rule 6434](#) relevant to the display of the quotation on a per share basis if the published quotation is less than \$1.00.

Adopted by SR-FINRA-2009-054 eff. Feb. 11, 2011.

**Selected Notice:** [10-42](#).

## 6460. Display of Customer Limit Orders

(a) Each OTC Market Maker displaying a priced quotation in any OTC Equity Security in an inter-dealer quotation system shall publish immediately a bid or offer that reflects:

- (1) The price and the full size of each customer limit order held by the OTC Market Maker that is at a price that would improve the bid or offer of such OTC Market Maker in such security; and
- (2) The full size of each customer limit order held by the OTC Market Maker that:
  - (A) Is priced equal to the bid or offer of such OTC Market Maker for such security;
  - (B) Is priced equal to the best bid or best offer of the inter-dealer quotation system in which the OTC Market Maker is quoting; and
  - (C) Represents more than a de minimis change in relation to the size associated with the OTC Market Maker's bid or offer.

(b) The requirements in paragraph (a) of this Rule shall not apply to any customer limit order:

- (1) That is executed upon receipt of the order.
- (2) That is placed by a customer who expressly requests, either at the time that the order is placed or prior thereto pursuant to an individually negotiated agreement with respect to such customer's orders, that the order not be displayed.
- (3) That is an odd-lot order.
- (4) That is a block size order, unless a customer placing such order requests that the order be displayed.
- (5) That is delivered immediately upon receipt to a national securities exchange or an electronic communications network that widely disseminates such order and that complies with paragraph (c) below with respect to that order.
- (6) That is delivered immediately upon receipt to another OTC Market Maker that complies with the requirements of this Rule with respect to that order.
- (7) That is an all-or-none order.
- (8) That is priced less than \$0.0001 per share.

(c) The electronic communications network:

- (1) Provides to a national securities exchange, national securities association or inter-dealer quotation system the prices and sizes of the orders at the highest buy price and the lowest sell price for such security entered in, and widely disseminated by, the electronic communications network; and
- (2) Provides, to any broker or dealer, the ability to effect a transaction with a priced order widely disseminated by the electronic communications network entered therein by an OTC market maker that is:
  - (A) Equivalent to the ability of any broker or dealer to effect a transaction with an OTC market maker pursuant to the rules of the applicable national securities exchange, national securities association or inter-dealer quotation system to which the electronic communications network supplies such bids and offers; and
  - (B) At the price of the highest priced buy order or lowest priced sell order, or better, for the lesser of the cumulative size of such priced orders entered therein by OTC market makers at such price, or the size of the execution sought by the broker or dealer, for such security.

### (d) Definitions

For purposes of this Rule, the following definitions shall apply:

- (1) Best bid and best offer mean the highest priced bid and the lowest priced offer.
- (2) Block size with respect to an order means it is of at least 10,000 shares and has a market value of at least

\$100,000.

(3) Customer limit order means an order to buy or sell an OTC Equity Security at a specified price that is not for the account of either a broker or dealer; provided, however, that the term customer limit order shall include an order transmitted by a broker or dealer on behalf of a customer.

Adopted by SR-FINRA-2009-054 eff. May 9, 2011.

**Selected Notice:** [10-42](#).

## **6480. Multiple MPIDs for Quoting and Trading in OTC Equity Securities**

(a) Any member that wishes to use more than one Market Participant Symbol ("MPID") for purposes of quoting and trading OTC Equity Securities or for reporting trades to the OTC Reporting Facility must submit a written request to, and obtain approval from, FINRA Operations for such additional MPID(s).

(b) A member that posts a quotation in an OTC Equity Security and reports to a FINRA system a trade resulting from such posted quotation must utilize the same MPID for reporting purposes.

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### **••• Supplementary Material: -----**

.01 FINRA considers the issuance of, and trade reporting with, multiple MPIDs to be a privilege and not a right. A member must identify the purpose(s) and system(s) for which the multiple MPIDs will be used. If FINRA determines that the use of multiple MPIDs is detrimental to the marketplace, or that a member is using one or more additional MPIDs improperly or for other than the purpose(s) identified by the member, FINRA staff retains full discretion to limit or withdraw its grant of the additional MPID(s) to such member.

Amended by SR-FINRA-2013-042 eff. Jan. 17, 2014.

Amended by SR-FINRA-2013-008 eff. Jan. 25, 2013.

Amended by SR-FINRA-2011-074 eff. Jan. 27, 2012.

Amended by SR-FINRA-2011-003 eff. Jan. 28, 2011.

Amended by SR-FINRA-2009-094 eff. Jan. 29, 2010.

Adopted by SR-FINRA-2009-051 eff. July 23, 2009.

**Selected Notice:** [14-07](#)

## **6490. Processing of Company-Related Actions**

### **(a) General**

(1) In furtherance of FINRA's obligations to foster cooperation and coordination of the clearing, settling and processing of transactions in equity and debt securities of any issuer with a class of publicly traded, non-exchange listed, securities in the OTC market and, in general, to protect investors and the public interest, FINRA's Operations Department ("Department") reviews and processes documents related to announcements for SEA Rule 10b-17 Actions and Other Company-Related Actions to facilitate the orderly trading and settlement of OTC securities.

(2) For purposes of this Rule, the term "SEA Rule 10b-17 Actions" includes, dividends or other distributions in cash or kind, stock splits or reverse stock splits, or rights or other subscription offerings, and such other actions as are provided for in SEA Rule 10b-17; and the term "Other Company-Related Actions" includes, but is not limited to, any issuance or change to a symbol or name, mergers, acquisitions, dissolutions or other company control transactions; and bankruptcy or liquidations.

(3) This Rule details the advance notification, supporting documentation and fees required by FINRA to process documentation related to such requests.

### **(b) Request for FINRA Action**

(1) An issuer or other duly authorized representative of the issuer may request that FINRA process documentation related to an SEA Rule 10b-17 Action or Other Company-Related Action by submitting a signed request in the manner and form required by FINRA ("Requesting Party"). Initial symbol set up requests may also be submitted by members or associated persons of members in order to comply with regulatory reporting requirements.

(2) All requests to process documentation related to an SEA Rule 10b-17 Action must be complete and submitted to the Department, in the manner and form required, no later than the time frame specified in SEA Rule 10b-17. A Requesting Party that does not submit a completed request to the Department, in the manner and form required, within the time frame specified in SEA Rule 10b-17, shall be deemed "late" and, as set forth in this Rule, subject to an additional fee before the request may be processed. Nothing in the Rule shall alter the obligations of an issuer under SEA Rule 10b-17 and the processing of documentation related to a "late" SEA Rule 10b-17 Action request by FINRA shall not relieve an issuer of any violations under such rule.

(3) All requests to process documentation related to Other Company-Related Actions must be complete and submitted to the Department, in the manner and form required, no later than the time period prescribed for such Other Company-Related Action by FINRA. Notice and information submitted for Other Company-Related Actions must be submitted no later than 10 calendar days prior to the effective date of the company action. A Requesting Party that does not submit a completed FINRA action form to the Department, in the manner and form prescribed, at least ten (10) calendar days prior to the proposed effective date of the company action, shall be deemed "late" and as set forth in this Rule, subject to an additional fee before being processed.

(4) The Department may request such additional information or documentation as may be necessary for the Department to review the request to process documentation related to an SEA Rule 10b-17 Action or Other Company-Related Action and verify the accuracy of the information submitted.

**(c) Fees**

The Requesting Party shall pay the following non-refundable fees for the review and processing of documentation related to an SEA Rule 10b-17 Action and Other Company-Related Action:

| <b>SEA Rule 10b-17 Action</b>   | <b>Fee</b> |
|---|------------|
| Timely SEA Rule 10b-17 Notification   | \$200      |
| Late SEA Rule 10b-17 Notification Submitted at least 5 calendar days prior to Corporate Action Date | \$1,000    |
| Late SEA Rule 10b-17 Notification Submitted at least 1 calendar day prior to Corporate Action Date  | \$2,000    |
| Late SEA Rule 10b-17 Notification Submitted on or after Corporate Action Date                       | \$5,000    |
| <b>Other Company-Related Action</b>   | <b>Fee</b> |
| Voluntary Symbol Request Change   | \$500      |
| Initial Symbol Set Up   | No Charge  |
| Symbol Deletion   | No Charge  |
| <b>Appeals</b>  | <b>Fee</b> |
| Action Determination Appeal Fee   | \$4,000    |

**(d) Procedures for Reviewing Submissions**

**(1) Review**

The Department shall review all requests to process documentation related to SEA Rule 10b-17 Actions and Other Company-Related Actions that are submitted pursuant to this Rule, including any additional documents or information requested in accordance with paragraph (b) above. All such requests must be accompanied by proof of payment of the requisite fee when appropriate in accordance with paragraph (c) above.

**(2) Lapsed Requests**

Where a Requesting Party does not, in the reasonable determination of the Department, sufficiently respond to any request by the Department for additional information or documentation pursuant to paragraph (b)(3) above within 90 calendar days following such Department request, such party's request shall be deemed "lapsed" and be closed.

### **(3) Deficiency Determination**

In circumstances where an SEA Rule 10b-17 Action or Other Company-Related Action is deemed deficient, the Department may determine that it is necessary for the protection of investors, the public interest and to maintain fair and orderly markets, that documentation related to such SEA Rule 10b-17 Action or Other Company-Related Action will not be processed. In instances where the Department makes such a deficiency determination, the request to process documentation related to the SEA Rule 10b-17 Action or Other Company-Related Action, as applicable, will be closed, subject to paragraphs (d)(4) and (e) of this Rule. The Department shall make such deficiency determinations solely on the basis of one or more of the following factors: (1) FINRA staff reasonably believes the forms and all supporting documentation, in whole or in part, may not be complete, accurate or with proper authority; (2) the issuer is not current in its reporting requirements, if applicable, to the SEC or other regulatory authority; (3) FINRA has actual knowledge that the issuer, associated persons, officers, directors, transfer agent, legal adviser, promoters or other persons connected to the issuer or the SEA Rule 10b-17 Action or Other Company-Related Action are the subject of a pending, adjudicated or settled regulatory action or investigation by a federal, state or foreign regulatory agency, or a self-regulatory organization; or a civil or criminal action related to fraud or securities laws violations; (4) a state, federal or foreign authority or self-regulatory organization has provided information to FINRA, or FINRA otherwise has actual knowledge indicating that the issuer, associated persons, officers, directors, transfer agent, legal adviser, promoters or other persons connected with the issuer or the SEA Rule 10b-17 Action or Other Company-Related Action may be potentially involved in fraudulent activities related to the securities markets and/or pose a threat to public investors; and/or (5) there is significant uncertainty in the settlement and clearance process for the security.

### **(4) Notice Regarding Determination**

If the Department determines that a request to process documentation related to a SEA Rule 10b-17 Action or a Other Company-Related Action is deficient, FINRA staff shall provide written notice to the Requesting Party. Any notice issued under this paragraph shall state the specific factor(s) that caused the request to be deemed deficient and the Requesting Party may appeal a determination pursuant to paragraph (e) of this Rule.

### **(5) Notice Issuance**

A notice issued under this paragraph shall be issued by facsimile or electronic mail, or pursuant to [Rule 9134](#).

### **(e) Request for an Appeal to Subcommittee of Uniform Practice Code Committee**

A Requesting Party issued a notice under this Rule may appeal a determination made under paragraph (d)(3) of this Rule to a three-member subcommittee comprised of current or former industry members of FINRA's Uniform Practice Code Committee in writing, via facsimile, electronic mail or otherwise in writing, within seven (7) calendar days after service of the notice. The written request for an appeal must be accompanied by proof of payment of the non-refundable Action Determination Appeal Fee. A request for an appeal must set forth with specificity any and all defenses to the Department's determination that a request was unacceptable or otherwise deficient. An appeal to the subcommittee shall operate to stay the processing of the company-related action (i.e., the requested company-related action shall not be processed during the period that the Requesting Party requests an appeal or while any such appeal is pending). Once a written appeal has been received, the Requesting Party may submit any additional supporting written documentation, via facsimile, electronic mail or otherwise, up until the time the appeal is considered by the subcommittee. The subcommittee shall convene once each calendar month to consider all appeals received under this Rule during the prior month. The subcommittee shall render a determination within three (3) business days following the day the appeal is considered by the subcommittee. The subcommittee's determination shall constitute final action by FINRA. The subcommittee's determination shall not constitute an estoppel as to FINRA nor bind FINRA in any subsequent administrative, civil, or disciplinary proceeding. If the Requesting Party fails to file a written request for an appeal within seven (7) calendar days after service of the notice by the Department, the Department's determination shall constitute final action by FINRA.

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### **••• Supplementary Material: -----**

**.01 SEA Rule 10b-17 Fee Accumulations.** In accordance with the time-frames specified in SEA Rule 10b-17, OTC issuers must provide FINRA with written notice prior to a dividend or any other distribution in cash or in kind, rights or other subscription offerings, forward stock splits, and reverse stock splits. In addition, pursuant to Rule 6490 OTC issuers must pay any applicable fees. Notwithstanding the timeliness of the SEA Rule 10b-17 Action submission or the failure to pay applicable fees, FINRA will make its best efforts to process documentation related to SEA Rule 10b-17 Actions that are not otherwise deemed incomplete or otherwise deficient by FINRA because of the critical nature of this information to the marketplace. Although FINRA may process documentation related to SEA Rule 10b-17 Actions even if a fee remains unpaid, FINRA accumulates all unpaid SEA Rule 10b-17 Action fees associated with a specific OTC issuer symbol. Regardless of

the current ownership status or transaction history of an OTC issuer, FINRA will not process documentation related to Voluntary Symbol Request Changes until all unpaid accumulated late fees have been paid for the associated OTC symbol.

**.02 Requests by Third-Parties.** Pursuant to SEA Rule 10b-17, OTC issuers must provide FINRA with written notice generally within the time-frames specified in SEA Rule 10b-17. In certain circumstances, FINRA is contacted by a third-party, such as DTCC, foreign exchanges or regulators, members or associated persons, regarding an SEA Rule 10b-17 Action or Other Company Related Action. In such cases, FINRA requests that the third-party contact the issuer in question regarding its obligations under SEA Rule 10b-17 or other rules and regulations, as applicable, and instruct such issuer to contact FINRA directly to provide notice and complete the requisite forms. However, FINRA may in its discretion review and process an SEA Rule 10b-17 Action or Other Company-Related Action based on information from a third-party when it believes such action is necessary for the protection of the market and investors and/or FINRA has been unable to obtain notification from the issuer.

Amended by SR-FINRA-2010-057 eff. Nov. 12, 2010.  
Adopted by SR-FINRA-2009-089 eff. Sep. 27, 2010.

**Selected Notice:** [10-38](#).

## **6500. OTC BULLETIN BOARD® SERVICE**

### **6510. Applicability**

These Rules shall be known as the "OTC Bulletin Board Rules" and govern the operation and use of the OTC Bulletin Board® service (OTCBB or "Service") by broker-dealers admitted to membership in FINRA and their associated persons. Unless otherwise indicated, the requirements of the OTC Bulletin Board Rules are in addition to the requirements contained in the other FINRA rules, By-Laws, and Schedules to the By-Laws.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-93-56 eff. Jan. 5, 1994.

**Selected Notice:** [08-57](#).

### **6520. Operation of the Service**

The OTCBB provides an electronic quotation medium for subscribing members to reflect market making interest in OTCBB-eligible securities. Subscribing market makers can utilize the Service to enter, update, and display their proprietary quotations in individual securities on a real-time basis. Such quotation entries may consist of a priced bid and/or offer; an unpriced indication of interest (including "bid wanted" or "offer wanted" indications); or a bid/offer accompanied by a modifier to reflect unsolicited customer interest. A subscribing market maker can also access the proprietary quotations that other firms have entered into the Service along with highest bid and lowest offer (i.e., an inside bid-ask calculation) in any OTCBB-eligible security with at least two market makers displaying two-sided markets.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-93-56 eff. Jan. 5, 1994.

**Selected Notice:** [08-57](#).

### **6530. OTCBB-Eligible Securities**

A member shall be permitted to quote the following categories of securities in the Service:

(a) any domestic equity security that satisfies the requirements of subparagraph (1) and either subparagraph (2) or (3) or (4) below:

(1) the security is not listed on a national securities exchange in the U.S., except that an equity security shall be considered eligible if it:

(A) is listed on one or more regional stock exchanges, and

(B) does not qualify for dissemination of transaction reports via the facilities of the Consolidated Tape; and

(2) the issuer of the security is required to file reports pursuant to Section 13 or 15(d) of the Exchange Act or the

security is described in Section 12(g)(2)(B) of the Exchange Act, and, subject to a thirty calendar day grace period, the issuer of the security is current in its reporting obligations, or

(3) the security is described in Section 12(g)(2)(G) of the Exchange Act and, subject to a sixty calendar day grace period, the issuer of the security is current in its reporting obligations, or

(4) the issuer of the security is a bank or savings association (or a holding company for such an entity) that is not required to file reports with the SEC pursuant to Section 13 or 15(d) of the Exchange Act and, subject to a sixty calendar day grace period, the issuer of the security is current with all required filings with its appropriate Federal banking agency or State bank supervisor (as defined in 12 U.S.C. 1813).

(5) The grace periods set forth in paragraphs (a)(2), (a)(3) and (a)(4) above shall be calculated from the date notice is published on the . . . Daily List that the symbol of a delinquent issuer will be modified.

(b) any foreign equity security or American Depositary Receipt (ADR) that meets all of the following criteria:

(1) the security is registered with the SEC pursuant to Section 12 of the Exchange Act and the issuer of the security is current in its reporting obligations; or the security satisfies the requirements of paragraph (a)(2) or (3) or (4) above; and

(2) the security is not listed on a national securities exchange in the U.S., except that a foreign equity security or ADR shall meet this subparagraph (2) if it is:

(A) listed on one or more regional stock exchanges, and

(B) does not qualify for dissemination of transaction reports via the facilities of the Consolidated Tape.

(c) any equity security that meets the following criteria:

(1) the security is undergoing delisting from either the New York Stock Exchange, Inc. (NYSE), The NASDAQ Stock Market LLC (Nasdaq), or the American Stock Exchange, Inc. (AMEX) for non-compliance with maintenance-of-listing standards; and

(2) the security is subject to a trading suspension imposed by the NYSE, Nasdaq, or AMEX preceding the actual delisting; and

(3) the security satisfies the requirements of paragraph (a)(2) or (3) or (4) above.

(d) any Direct Participation Program as defined in [Rule 6420](#) that is not listed on a national securities exchange in the U.S. and that satisfies the requirements of paragraph (a)(2) or (3) or (4) above.

(e)(1) Notwithstanding the foregoing paragraphs, a member shall not be permitted to quote a security if:

(A) while quoted on the OTCBB, the issuer of the security has failed to file a complete required annual or quarterly report by the due date for such report (including, if applicable, any extensions permitted by SEA Rule 12b-25) three times in the prior two-year period; or

(B) the security has been removed from the OTCBB due to the issuer's failure to satisfy paragraph (a)(2), (3) or (4), above, two times in the prior two-year period.

(2) If an issuer's security becomes ineligible for quotation on the OTCBB pursuant to paragraph (e)(1)(A) above, the security will be removed from quotation on the OTCBB without the benefit of any grace period for the third delinquency, except that FINRA will provide seven calendar days from the date notification is mailed to the issuer pursuant to paragraph (f)(1) to permit an aggrieved party to request a review of the determination by a Hearing Officer (as defined in [Rule 9120\(r\)](#)) pursuant to paragraph (f) below. Following the removal of an issuer's security pursuant to this paragraph (e), such security shall not be eligible for quotation until the issuer has timely filed in a complete form all required annual and quarterly reports due in a one-year period. For purposes of this paragraph, a report filed within any applicable extensions permitted by SEA Rule 12b-25 will be considered timely filed.

(f) (1) Upon determining that an issuer's security would be ineligible for quotation under this Rule, FINRA will send a notification to the address on the cover of the issuer's last periodic report. This notification will state the date upon which the security will be removed, following any applicable grace period, unless the condition causing the ineligibility has been cured by that date. When a security becomes ineligible for quotation pursuant to paragraph (e) above, however, the issuer may not cure the condition that caused the ineligibility. In all cases, FINRA will provide at



least seven calendar days from the date the notification is mailed to the issuer to permit an aggrieved party to request review pursuant to paragraph (f)(2) below, before removal of the security.

(2) Pursuant to the [Rule 9700](#) Series, as modified herein, an aggrieved party may request a review by a Hearing Officer of the determination that an issuer's security is ineligible for quotation under this Rule. FINRA must receive the request for review at least two business days prior to the scheduled removal of the security, together with a \$4,000 hearing fee payable to FINRA to cover the cost of review. A request for review under this paragraph (f)(2) will stay the removal of the issuer's security from the Service until the Hearing Officer issues a decision under [Rule 9750](#). The Hearing Officer will consider only the issues of whether the issuer's security is then eligible for quotation in the Service and/or whether the issuer filed a complete report by the applicable due date taking into account any extensions pursuant to SEA Rule 12b-25. The Hearing Officer shall not have discretion to grant any extensions of time for ineligible securities to become eligible. Notwithstanding any contrary provision in the [Rule 9700](#) Series, hearings will be conducted via telephone and FINRA will provide the aggrieved party at least five business days notice of the hearing unless the aggrieved party waives such notice.

(3) The decision of the Hearing Officer may be called for review by the Review Subcommittee of the National Adjudicatory Council as set forth in [Rule 9760](#). This review will only consider whether the issuer's security, at the time of the initial review under paragraph (f)(2), was eligible for quotation in the Service and/or whether the issuer filed a complete report by the applicable due date taking into account any extensions pursuant to SEA Rule 12b-25. There will be no discretion to grant extensions of time for ineligible securities to become eligible. The removal of the issuer's security from the Service will be stayed until the earlier of written notice that the National Adjudicatory Council's Review Subcommittee will not call the decision for review, the expiration of the time allowed to exercise a call for review under [Rule 9760](#) or a decision is issued by the National Adjudicatory Council as set forth in [Rule 9760](#). Notwithstanding any contrary provision in the [Rule 9700](#) Series, a review under this paragraph (f)(3) will be based on the written record, unless additional hearings are ordered by the Subcommittee as set forth in [Rule 9760](#). If any further hearings are ordered, the hearings may be conducted via telephone and FINRA will provide the aggrieved party at least five business days notice of the hearing unless the aggrieved party waives such notice.

Amended by SR-FINRA-2012-048 eff. Dec. 3, 2012.  
Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2007-052 eff. Aug. 1, 2008.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2005-067 eff. June 21, 2006.  
Amended by SR-NASD-2006-029 eff. Feb. 27, 2006.  
Amended by SR-NASD-2005-011 eff. Nov. 16, 2005.  
Amended by SR-NASD-98-51 eff. Jan. 4, 1999 for newly quoted issues; eff. July 4, 1999 for issues quoted on Jan. 4, 1999.  
Amended by SR-NASD-92-07 eff. Apr. 1, 1998.  
Amended by SR-NASD-96-08 eff. Jan. 7, 1997.  
Adopted by SR-NASD-93-56 eff. Jan. 5, 1994.

**Selected Notices to Members:** [99-15](#), [99-43](#), [99-76](#), [08-34](#), [08-57](#), [10-24](#).

## 6540. Requirements Applicable to Market Makers

(a) Market-maker participation in the OTCBB is voluntary and open to any FINRA member firm that satisfies the financial/operational requirements applicable to member firms engaged in over-the-counter market making; subscribes to the service designated by FINRA that permits OTCBB quotations; and demonstrates compliance with (or qualifies for an exception or exemption from) SEA Rule 15c2-11 at the time of initiating (or resuming) the quotation of any OTCBB-eligible security in the Service. [Rule 6432](#) sets forth the procedure for demonstrating compliance with SEA Rule 15c2-11.

(b) An alternative trading system (ATS), as defined in Rule 300(a) of SEC Regulation ATS, or electronic communications network (ECN), as defined in Rule 600(b)(23) of SEC Regulation NMS, shall be eligible to participate in the Service, provided however, that such ATS or ECN is a FINRA member and otherwise meets the requirements for participation set forth in the OTC Bulletin Board Rules. Where used in the OTC Bulletin Board Rules, the term "market maker" shall be construed to include a participating ATS or ECN.

(c) OTCBB-eligible securities that meet the frequency-of-quotation requirement for the so called "piggyback" exception in SEA Rule 15c2-11(f)(3)(i) are identified in the Service as "active" securities. A member can commence market making in any active security by registering as a market maker through the service designated by FINRA that permits OTCBB

quotations. In all other instances, a member must follow the procedure contained in this Rule to become qualified as a market maker in a particular OTCBB-eligible security.

### **(1) Permissible Quotation Entries**

(A) A member firm that has qualified as a market maker in a particular OTCBB-eligible security may enter into the Service a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" and "offer wanted" indications) or a bid or offer accompanied by a modifier to reflect unsolicited customer interest. Every quotation entry must include the appropriate telephone number for the firm's trading desk.

(B) A priced bid and/or offer entered into the Service for a domestic equity security must be firm up to the minimum quotation size specified in [Rule 6433](#). This firmness requirement applies only during normal business hours, i.e., 9:30 a.m. to 4:00 p.m. Eastern Time.

(C) A priced bid and/or offer entered into the Service for a Direct Participation Program security shall be non-firm.<sup>1</sup> Moreover, a market maker is only permitted to update quotation entries in such securities twice daily, i.e., once between 8:30 a.m. and 9:30 a.m. Eastern Time, and once between noon and 12:30 p.m. Eastern Time.<sup>2</sup>

### **(2) Impermissible Quotation Entries**

(A) No member or person associated with a member shall enter into the Service a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" or "offer wanted" indications), or a bid or offer accompanied by a modifier to reflect unsolicited customer interest in any security that does not satisfy the requirements of [Rule 6530](#).

(B) No member or person associated with a member shall enter into the Service a priced bid and/or offer, an unpriced indication of interest (including "bid wanted" or "offer wanted" indications), or a bid or offer accompanied by a modifier to reflect unsolicited customer interest in any security of an issuer that does not make filings with the SEC through the Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system (or in paper format, if specifically permitted by SEC rules) unless the member:

(i) notifies FINRA of the issuer of the security's schedule for the filing of all periodic reports or financial reports required pursuant to the Exchange Act or regulatory authority, respectively, and the identity of the regulatory authority with which such reports are filed, or ensures that such notice is provided; and

(ii) provides to FINRA the issuer's periodic reports required pursuant to the Exchange Act, or the issuer's financial reports required by regulatory authority, prior to the expiration of the grace period described in [Rule 6530\(a\)\(3\)](#), or ensures that the required periodic reports are provided to FINRA within that time period.

### **(3) Voluntary Termination of Registration**

A market maker can voluntarily terminate its registration in an OTCBB-eligible security by withdrawing its quotations in that security from the Service. The firm may re-register to quote the security by satisfying the requirements specified above.

### **(4) More Than One Trading Location**

In cases where a market maker has more than one trading location, a fifth-character, geographic indicator shall be appended to the market maker's identifier for that security. Indicators are established by FINRA and published from time to time in the Nasdaq/CQS symbol directory.

### **(5) Clearance and Settlement**

(A) A market maker shall clear and settle transactions in OTCBB-quoted securities through the facilities of a registered clearing agency that uses a continuous net settlement system. This requirement applies only to transactions in OTCBB securities that are clearing eligible.

(B) The foregoing requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another member that clears trades through such an agency.

(C) Notwithstanding subparagraph (A) hereof, transactions in OTCBB-quoted securities may be settled "ex-

clearing" provided that both parties to the transactions agree.

#### **(d) Compliance with Market Maker Requirements**

Failure of a member or a person associated with a member to comply with this Rule may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of [Rule 2010](#).

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<sup>1</sup> The non-firm or indicative nature of a priced entry is specifically identified on the montage of market maker quotations for this subset of OTCBB-eligible securities.

<sup>2</sup> Examples of entries that would be considered an update include a market maker inserting a new, non-firm priced quotation, substituting an unpriced indication for a non-firm priced entry, or an initial registration without a price.

Amended by SR-FINRA-2009-054 eff. Feb. 11, 2011.  
Amended by SR-FINRA-2010-047 eff. Oct. 15, 2010.  
Amended by SR-FINRA-2009-030 eff. Sep. 21, 2009.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-091 eff. March 5, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2003-75 eff. July 9, 2003.  
Amended by SR-NASD-2001-44 eff. May 10, 2002.  
Amended by SR-NASD-98-51 eff. Jan. 4, 1999.  
Amended by SR-NASD-92-7 eff. April 1, 1998.  
Amended by SR-NASD-97-38 eff. Oct. 29, 1997.  
Amended by SR-NASD-97-18 eff. Mar. 14, 1997.  
Amended by SR-NASD-97-15 eff. Mar. 4, 1997.  
Amended by SR-NASD-96-08 eff. Jan. 7, 1997.  
Adopted by SR-NASD-93-56 eff. Jan. 5, 1994.

**Selected Notices:** [98-7](#), [99-15](#), [99-43](#), [99-76](#), [08-57](#), [08-74](#), [09-51](#), [10-42](#).

## **6550. Transaction Reporting**

Member firms that effect transactions in OTCBB-eligible securities shall report them pursuant to the requirements of the [Rule 6620](#) Series.

Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-97-68 eff. Oct. 3, 1997.  
Amended by SR-NASD-96-08 eff. Jan. 7, 1997.  
Amended by SR-NASD-94-28 eff. Oct. 11, 1994.  
Amended by SR-NASD-94-08 eff. Apr. 1, 1994.  
Amended by SR-NASD-93-74 eff. Mar. 14, 1994.  
Adopted by SR-NASD-93-56 eff. Jan. 5, 1994.  
Amended by SR-NASD-93-25 eff. Dec. 1, 1993.  
Rules adopted on a continuous temporary basis by SR-NASD-88-19 eff. May 1, 1990.

**Selected Notices:** [94-8](#), [94-29](#), [94-73](#), [97-80](#), [08-57](#), [10-24](#).

## **6600. OTC REPORTING FACILITY**

### **6610. General**

Members are required to report transactions (other than transactions executed on or through an exchange) in OTC Equity Securities, including secondary market transactions in non-exchange-listed Direct Participation Program securities, and Restricted Equity Securities to the OTC Reporting Facility in compliance with the [Rule 6600](#) and [7300](#) Series, as well as all other applicable rules and regulations.

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Amended by SR-FINRA-2010-051 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2010-003 eff. June 28, 2010.  
Adopted by SR-FINRA-2008-021 eff. Dec. 15, 2008.

**Selected Notices:** [08-57](#), [10-26](#), [10-24](#).

## **6620. Reporting Transactions in OTC Equity Securities and Restricted Equity Securities**

### **6621. Definitions**

Terms used in this [Rule 6620](#) Series shall have the same meanings as defined in [Rule 6420](#).

Adopted by SR-FINRA-2008-021.

**Selected Notice:** [08-57](#).

### **6622. Transaction Reporting**

#### **(a) When and How Transactions are Reported**

(1) OTC Reporting Facility Participants shall, as soon as practicable but no later than 10 seconds after execution, transmit to the OTC Reporting Facility, or if the OTC Reporting Facility is unavailable due to system or transmission failure, by telephone to the Operations Department, last sale reports of transactions in OTC Equity Securities executed during normal market hours. Transactions not reported within 10 seconds after execution shall be designated as late.

#### **(2) Transaction Reporting Outside Normal Market Hours**

(A) Last sale reports of transactions in OTC Equity Securities executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be reported as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(B) Last sale reports of transactions in OTC Equity Securities executed between 4:00 p.m. and 8:00 p.m. Eastern Time shall be reported as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(C) Last sale reports of transactions in OTC Equity Securities executed between midnight and 8:00 a.m. Eastern Time shall be reported by 8:15 a.m. Eastern Time on trade date and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(D) Last sale reports of transactions in OTC Equity Securities executed between 8:00 p.m. and midnight Eastern Time shall be reported the following business day (T+1) by 8:15 a.m. Eastern Time, be designated "as/of" trades to denote their execution on a prior day and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

#### **(3) Transaction Reporting for Restricted Equity Securities**

(A) Last sale reports of transactions in Restricted Equity Securities effected under Securities Act Rule 144A and executed between midnight and 8:00 p.m. Eastern Time shall be reported on the same business day as the transaction.

(B) Last sale reports of transactions in Restricted Equity Securities effected under Securities Act Rule 144A executed between 8:00 p.m. and midnight Eastern Time shall be reported the following business day (T+1) by 8:00 p.m. Eastern Time and be designated "as/of" trades to denote their execution on a prior day.

(4) Transactions not reported within 10 seconds after execution, or such other time period prescribed by rule, shall be designated as late. Any transaction that is required to be reported on trade date, but is not reported on trade date, must be reported on an "as/of" basis on a subsequent date (T+N) and shall be designated as late. Any transaction that is required to be reported on an "as/of" basis the following business day (T+1), but is not reported T+1, must be reported on a subsequent date (T+N) and shall be designated as late. A pattern or practice of late reporting

without reasonable justification or exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of [Rule 2010](#).

(5) Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of "as/of" trades:

(A) if the trade is executed during normal market hours and it is reported later than 10 seconds after execution;

(B) if the trade is a Seller's Option Trade, denoting the number of days for delivery;

(C) if the trade is a Cash Trade;

(D) if the trade is a Next Day Trade;

(E) if the trade occurs at a price based on an average weighting or another special pricing formula;

(F) if the trade is a Stop Stock Transaction (as defined in [Rule 6420](#)) (Note: the time at which the member and the other party agreed to the Stop Stock Price must be given in lieu of including the time of execution on the trade report and the designated modifier shall not be appended to a report of a Stop Stock Transaction if the Stop Stock Transaction is executed and reported within 10 seconds of the time the member and the other party agree to the Stop Stock Price);

(G) if the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time (Note: the transaction report shall include the prior reference time in lieu of the actual time the trade was executed and the designated modifier shall not be appended to a report of a transaction whose price is based on a prior reference point in time if the trade is executed and reported within 10 seconds from the prior reference point in time); and

(H) to identify pre-opening and after-hours trades (executed between 8:00 a.m. and 9:30 a.m. Eastern time or between 4:00 p.m. and 8:00 p.m. Eastern time) reported more than 10 seconds after execution.

To the extent that any of the modifiers required by this Rule conflict, FINRA shall provide guidance regarding the priorities among modifiers and members shall report in accordance with such guidance, as applicable.

(6) The OTC Reporting Facility will append the appropriate modifier to indicate that a trade was executed outside normal market hours or that a report was submitted late to the OTC Reporting Facility, where such report contains the time of execution, but does not contain the appropriate modifier.

(7) To identify pre-opening and after-hours trades in OTC Equity Securities reported late, the OTC Reporting Facility will convert to the late modifier, as applicable, on any pre-opening or after-hours report submitted to the OTC Reporting Facility more than 10 seconds after execution.

(8) All members shall report as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in OTC Equity Securities or Restricted Equity Securities for which electronic submission to the OTC Reporting Facility is not possible (e.g., the ticker symbol for the security is no longer available or a market participant identifier is no longer active). Transactions that can be reported to the OTC Reporting Facility, whether on trade date or on a subsequent date on an "as/of" basis (T+N), shall not be reported on Form T.

#### **(b) Which Party Reports Transaction**

(1) In transactions between two members, the executing party shall report the transaction.

(2) In transactions between a member and a non-member or customer, the member shall report the transaction.

For purposes of this paragraph (b), "executing party" shall mean the member that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction. In a transaction between two members where both members may satisfy the definition of executing party (e.g., manually negotiated transactions via the telephone), the member representing the sell-side shall report the transaction, unless the parties agree otherwise and the member representing the sell-side contemporaneously documents such agreement.

#### **(c) Information To Be Reported**

Each last sale report shall contain the following information:

- (1) Symbol of the OTC Equity Security or Restricted Equity Security;
- (2) Number of shares;
- (3) Price of the transaction as required by paragraph (d) below;
- (4) A symbol indicating whether the transaction is a buy, sell or cross, and if applicable, sell short; and
- (5) The time of execution expressed in hours, minutes, and seconds based on Eastern Time, unless another provision of FINRA rules requires that a different time must be included on the report.

**(d) Procedures for Reporting Price, Volume, Capacity and Identification of Other Members**

Members that are required to report pursuant to paragraph (b) above shall transmit last sale reports for all purchases and sales in OTC Equity Securities and Restricted Equity Securities in the following manner:

**(1) Reporting Agency Transactions**

For agency transactions, report the number of shares and the price excluding the commission charged.

**(2) Reporting Dual Agency Transactions**

For dual agency transactions, report the number of shares only once, and report the price excluding the commission charged.

**(3) Reporting Principal and Riskless Principal Transactions**

(A) For principal transactions, except as provided in subparagraph (B) hereof, report each purchase and sale transaction separately and report the number of shares and the price. For principal transactions that are executed at a price that includes a mark-up, mark-down or service charge, the price reported shall exclude the mark-up, mark-down or service charge. Such reported price shall be reasonably related to the prevailing market, taking into consideration all relevant circumstances including, but not limited to, market conditions with respect to the OTC Equity Security, the number of shares involved in the transaction, the published bids and offers with size displayed in any inter-dealer quotation system at the time of the execution (including the reporting firm's own quotation), the cost of execution and the expenses involved in clearing the transaction.

(B) Exception: A "riskless" principal transaction in which a member, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported as one transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s) to the OTC Reporting Facility:

- (i) The member with the obligation to report the transaction pursuant to paragraph (b) above must submit a last sale report for the initial leg of the transaction.
- (ii) Regardless of whether a member has a reporting obligation pursuant to paragraph (b) above, the firm must submit, for the offsetting, "riskless" portion of the transaction, either:
  - a. a clearing-only report with a capacity indicator of "riskless principal," if a clearing report is necessary to clear the transaction; or
  - b. a non-tape, non-clearing report with a capacity indicator of "riskless principal," if a clearing report is not necessary to clear the transaction.

**Example:**

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting to the OTC Reporting Facility either a single trade report marked with a "riskless principal" capacity indicator or by submitting the following reports:

- (1) where required by this Rule, a tape report marked with a "principal" capacity indicator; and

(2) either a non-tape, non-clearing report or a clearing-only report marked with a "riskless principal" capacity indicator.

#### **(4) Identification of Other Members for Agency and Riskless Principal Transactions**

Any member that has a reporting obligation pursuant to paragraph (b) above and is acting in a riskless principal or agency capacity on behalf of one or more other members shall submit to FINRA one or more non-tape (either non-tape, clearing-only or non-tape, non-clearing) report(s) identifying such other member(s) as a party to the transaction, if such other member(s) is not identified on the initial trade report submitted to FINRA or a report submitted to FINRA pursuant to Rule 6622(d)(3)(B) for the offsetting leg of a riskless principal transaction. Nothing in this Rule 6622(d)(4) shall negate or modify the riskless principal transaction reporting requirements set forth in Rule 6622(d)(3)(B).

##### **Example #1:**

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares from Member C at 40 (no mark-down included)

Member A has the reporting obligation under Rule 6622(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member C

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B

##### **Example #2A:**

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6622(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member B (or Member C)

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C (or Member B)

##### **Example #2B:**

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6622(b)

TAPE REPORT a CROSS of 100 shares at 40 By Member A

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B *and*

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C

##### **Example #3:**

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares on a foreign exchange at 40

DO NOT TAPE REPORT this leg if reported to foreign exchange

NO NON-TAPE REPORT required; however, Member A *may* submit a NON-TAPE REPORT as between Member A and Member B

#### **(e) Reporting Requirements For Certain Transactions and Transfers of Securities**

(1) The following shall not be reported to the OTC Reporting Facility:

(A) transactions that are part of a primary distribution by an issuer or a registered secondary distribution (other than "shelf distributions") or of an unregistered secondary distribution; for purposes of this subparagraph, the term "distribution" has the meaning set forth under Rule 100 of SEC Regulation M;

(B) transactions made in reliance on Section 4(2) of the Securities Act;

(C) transactions reported on or through an exchange;

(D) transfers of securities made pursuant to an asset purchase agreement (APA) that is subject to the jurisdiction and approval of a court of competent jurisdiction in insolvency matters, provided that the purchase price under the APA is not based on, and cannot be adjusted to reflect, the current market prices of the securities on or following the effective date of the APA; and

(E) the transfer of equity securities for the sole purpose of creating or redeeming an instrument that evidences ownership of or otherwise tracks the underlying securities transferred (e.g., an American Depositary Receipt or exchange-traded fund).

(2) The following shall not be reported to the OTC Reporting Facility for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under [Rule 7330\(g\)](#):

(A) Transactions where the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the security;

(B) Purchases or sales of securities effected upon the exercise of an option pursuant to the terms thereof or the exercise of any other right to acquire securities at a pre-established consideration unrelated to the current market; and

(C) Transfers of proprietary securities positions where the transfer (1) is effected in connection with a merger or direct or indirect acquisition and (2) is not in furtherance of a trading or investment strategy. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception.

#### **(f) Reporting Cancelled Trades**

##### **(1) Obligation and Party Responsible for Reporting Cancelled Trades**

With the exception of trades cancelled in accordance with [Rule 11890](#) Series, members shall report to the OTC Reporting Facility the cancellation of any trade previously submitted to the OTC Reporting Facility. The member responsible under Rule 6622 for submitting the original trade report shall submit the cancellation report in accordance with the procedures set forth in paragraph (f)(2).

##### **(2) Deadlines for Reporting Cancelled Trades in OTC Equity Securities**

(A) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or before 4:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation as soon as practicable but no later than 10 seconds after the time the trade is cancelled.

(B) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled after 4:00 p.m., but before 8:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall use its best efforts to report the cancellation not later than 8:00 p.m. on the date of execution, and otherwise it shall report the cancellation on the following business day by 8:00 p.m.

(C) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or after 8:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation on the following business day by 8:00 p.m.

(D) For trades executed outside the hours of 9:30 a.m. to 4:00 p.m. Eastern Time and cancelled prior to 8:00 p.m. on the date of execution, the member responsible for reporting under paragraph (f)(1) shall report the cancellation by 8:00 p.m.

(E) For trades executed outside the hours of 9:30 a.m. to 4:00 p.m. Eastern Time and cancelled at or after 8:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation on the following business day by 8:00 p.m.

(F) For any trade cancelled on any date after the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation (i) by 8:00 p.m. on the date of cancellation if the trade is cancelled before 8:00 p.m., or (ii) by 8:00 p.m. on the following business day if the trade is cancelled at or after 8:00 p.m.

(G) For purposes of determining the deadline by which a trade cancellation must be reported to the OTC Reporting Facility pursuant to paragraph (f) of this rule, the term "cancelled" shall mean the time at which (i) the member with the reporting responsibility informs its contra party, or is informed by its contra party, that a trade is being cancelled, (ii) the member with the reporting responsibility and its contra party agree to cancel a trade if



neither party can unilaterally cancel the trade, or (iii) the member with the reporting responsibility takes an action to cancel the trade on its books and records, whichever event occurs first.

### **(3) Deadlines for Reporting Cancelled Trades in Restricted Equity Securities**

(A) For trades previously submitted to the OTC Reporting Facility and cancelled before 8:00 p.m. Eastern Time on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation by 8:00 p.m.

(B) For trades cancelled at or after 8:00 p.m. Eastern Time on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation on the following business day by 8:00 p.m.

(C) For any trade cancelled on any date after the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation

(i) by 8:00 p.m. on the date of cancellation if the trade is cancelled before 8:00 p.m., or

(ii) by 8:00 p.m. on the following business day if the trade is cancelled at or after 8:00 p.m.

### **(g) Transactions in Foreign Equity Securities**

(1) For purposes of this paragraph, the term "foreign equity security" means any OTC Equity Security that is issued by a corporation or other entity incorporated or organized under the laws of any foreign country.

(2) Transactions in foreign equity securities shall be reported to the OTC Reporting Facility unless:

(A) the transaction is executed on and reported to a foreign securities exchange; or

(B) the transaction is executed over the counter in a foreign country and is reported to the regulator of securities markets for that country.

(h) A member may agree to allow another member to report and lock-in trades on its behalf, if both parties have completed an agreement to that effect (a "give up agreement") as specified by FINRA and submitted it to the OTC Reporting Facility. However, the member with the reporting obligation remains responsible for the transaction submitted on its behalf. Further, both the member with the reporting obligation and the member submitting the trade to the OTC Reporting Facility are responsible for ensuring that the information submitted is in compliance with all applicable rules and regulations.

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### **••• Supplementary Material: -----**

**.01** For purposes of reporting secondary market transactions in non-exchange-listed DPP securities pursuant to this Rule 6622, the following definitions shall apply. "Date of execution" means the date when the parties to a transaction in a DPP have agreed to all of the essential terms of the transaction, including the price and number of the units to be traded. "Time of execution" means the time when the parties to a transaction in a DPP have agreed to all of the essential terms of the transaction, including the price and number of the units to be traded.

**.02** Members that would otherwise have the trade reporting obligation under paragraph (b) of this Rule must provide to FINRA notice that they are relying on the exception from trade reporting under paragraph (e)(1)(A) of this Rule for transactions that are part of an unregistered secondary distribution. For each transaction that is part of the unregistered secondary distribution and not trade reported, the member must provide the following information to FINRA: security name and symbol, execution date, execution time, number of shares, trade price and parties to the trade. Such notice and information must be provided no later than three (3) business days following trade date and in such form as specified by FINRA. If the trade executions will occur over multiple days, then initial notice and available information must be provided no later than three (3) business days following the first trade date and final notice and information must be provided no later than three (3) business days following the last trade date. The member must retain records sufficient to document the basis for relying on this trade reporting exception, including but not limited to, the basis for determining that the definition of "distribution" under Rule 100 of SEC Regulation M has been satisfied, as well as evidence of compliance with applicable notification requirements under [Rule 5190](#).

### **.03 Trade Reporting Time Frame**

(a) With respect to the requirement under paragraphs (a) and (f) of this Rule that members report trades and trade cancellations "as soon as practicable," a member with the trade reporting obligation under paragraph (b) of this Rule must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that

commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the "as soon as practicable" requirement because of delays in trade reporting that are due to extrinsic factors that are not reasonably predictable and where the member does not purposely intend to delay the reporting of the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the last permissible second.

(b) FINRA recognizes that a very small universe of trades are reported manually, and as a result, even where a member does not purposely withhold trade reports, the trade reporting process may not be completed within 10 seconds following execution. In these cases, for purposes of determining whether "reasonable justification" exists to excuse what otherwise may be deemed to be a pattern or practice of late trade reporting under this Rule and [Rule 6623](#), FINRA will take into consideration such factors as the complexity and manual nature of the execution and reporting of the trade, where the trade details must be manually entered into the trade reporting system following execution.

#### **Cross Reference—**

#### **[6623](#), Transaction Reporting**

Amended by SR-FINRA-2013-013 eff. Nov 4, 2013.  
Amended by SR-FINRA-2011-027 eff. Nov. 1, 2011.  
Amended by SR-FINRA-2011-061 eff. Oct. 14, 2011.  
Amended by SR-FINRA-2011-024 eff. June 17, 2011.  
Amended by SR-FINRA-2010-058 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2010-043 eff. Feb. 28, 2011.  
Amended by SR-FINRA-2010-051 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2010-003 eff. June 28, 2010.  
Amended by SR-FINRA-2010-017 eff. June 1, 2010.  
Amended by SR-FINRA-2009-082 eff. April 12, 2010.  
Amended by SR-FINRA-2010-002 eff. Feb. 15, 2010.  
Amended by SR-FINRA-2009-031 eff. Jan. 11, 2010.  
Amended by SR-FINRA-2008-011 eff. Aug. 3, 2009.  
Amended by SR-FINRA-2009-024 eff. May 4, 2009.  
Amended by SR-FINRA-2008-060 eff. Jan. 12, 2009.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2007-030 eff. Apr. 20, 2007.  
Amended by SR-NASD-2006-120 eff. Dec. 4, 2006.  
Amended by SR-NASD-2006-055 eff. Dec. 1, 2006.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2005-062 eff. June 9, 2005.  
Amended by SR-NASD-2005-027 eff. Feb. 14, 2005.  
Amended by SR-NASD-2004-151 eff. Oct. 12, 2004.  
Amended by SR-NASD-2004-021 eff. Sept. 20, 2004.  
Amended by SR-NASD-2004-076 eff. May 5, 2004.  
Amended by SR-NASD-2004-034 eff. Feb. 25, 2004.  
Amended by SR-NASD-2003-154 eff. Nov. 3, 2003.  
Amended by SR-NASD-2003-98 eff. Sept. 4, 2003.  
Amended by SR-NASD-2003-14 eff. January 31, 2003.  
Amended by SR-NASD-2001-36 eff. July 6, 2001.  
Amended by SR-NASD-2000-52 eff. Aug. 30, 2000.  
Amended by SR-NASD-99-57 eff. Oct. 25, 1999.  
Amended by SR-NASD-98-59 eff. Sept. 30, 1999.  
Amended by SR-NASD-98-08 eff. Sept. 30, 1999.  
Amended by SR-NASD-98-47 eff. July 9, 1998.  
Amended by SR-NASD-94-35 eff. Dec. 12, 1994.  
Amended by SR-NASD-94-53 eff. Oct. 24, 1994.  
Amended by SR-NASD-92-48 eff. Dec. 20, 1993.  
Amended by SR-NASD-93-40 eff. Oct. 7, 1993.

**Selected Notices:** [93-62](#), [93-83](#), [99-65](#), [99-66](#), [07-25](#), [08-57](#), [09-08](#), [09-21](#), [09-52](#), [10-07](#),

## 6623. Timely Transaction Reporting

FINRA emphasizes the obligations of members to report securities transactions within the required time period. All reportable transactions not reported within the required time period shall be marked late, and FINRA routinely monitors members' compliance with the reporting requirements. If FINRA finds a pattern or practice of unexcused late reporting, that is, repeated reports of executions submitted after the required time period without reasonable justification or exceptional circumstances, the member may be found to be in violation of [Rule 2010](#). Exceptional circumstances will be determined on a case-by-case basis and may include 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. Timely reporting of all transactions is necessary and appropriate for the fair and orderly operation of the marketplace, and FINRA will view noncompliance as a rule violation.

Amended by SR-FINRA-2009-061 eff. Nov. 1, 2010.  
Amended by SR-FINRA-2010-003 eff. June 28, 2010.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notices:** [08-57](#), [10-24](#), [10-26](#).

## 6624. Trade Reporting of Short Sales

Pursuant to applicable trade reporting rules, members must indicate on trade reports submitted to FINRA whether a transaction is a short sale transaction ("short sale reporting requirements"). The short sale reporting requirements apply to transactions in all OTC Equity Securities, as defined in [Rule 6420](#). Thus, all short sale transactions in these securities reported to FINRA must carry a "short sale" indicator.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2007-047 eff. July 6, 2007.  
Amended by SR-NASD-2006-087 eff. Aug. 1, 2006.  
Adopted by SR-NASD-2005-087 eff. Aug. 1, 2006.

**Selected Notices:** [07-31](#), [08-57](#).

## 6625. Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

(a) Pursuant to the [Rule 9600](#) Series, the staff for good cause shown after taking into consideration all relevant factors, may exempt, upon application and subject to specified terms and conditions, a member alternative trading system ("ATS") from the trade reporting obligation under paragraph (b) of [Rule 6622](#), if such exemption is consistent with the protection of investors and the public interest. The staff will grant an exemption only if all of the following criteria are satisfied:

- (1) Trades are between ATS subscribers that are both FINRA members.
- (2) The ATS demonstrates that:
  - (A) The member subscribers are fully disclosed to one another at all times on the ATS;
  - (B) The system does not permit automatic execution, and a member subscriber must take affirmative steps beyond the submission of an order to agree to a trade with another member subscriber;
  - (C) The trade does not pass through any ATS account, and the ATS does not in any way hold itself out to be a party to the trade; and
  - (D) The ATS does not exchange shares or funds on behalf of the member subscribers, take either side of the trade for clearing or settlement purposes, including, but not limited to, at DTC or otherwise, or in any other way insert itself into the trade.
- (3) The ATS and the member subscribers acknowledge and agree in writing that the ATS shall not be deemed a

party to the trade for purposes of trade reporting and that trades shall be reported by the member subscriber that, as between the two member subscribers, would satisfy the definition of "executing party" under FINRA trade reporting rules.

(4) The ATS agrees to provide to FINRA on a monthly basis, or such other basis as prescribed by FINRA, data relating to the volume of trades by security executed by the ATS's member subscribers using the ATS's system, and the ATS acknowledges that failure to report such data to FINRA, in addition to constituting a violation of FINRA rules, will result in revocation of any exemption granted pursuant to this Rule.

(b) Where FINRA has granted an exemption under this Rule, trades shall be reported to FINRA by the member subscriber that, as between the two member subscribers, satisfies the definition of "executing party" under paragraph (b) of [Rule 6622](#).

Adopted by SR-FINRA-2011-051 eff. Nov. 4, 2011.

### **6630. Applicability of FINRA Rules to Securities Previously Designated as PORTAL Securities**

(a) The following are specifically applicable to transactions and business activities relating to securities that, prior to October 26, 2009, had been designated by The Nasdaq Stock Market LLC for inclusion in the PORTAL Market ("PORTAL securities"):

- (1) FINRA Rules [0130](#), [0140](#), [2010](#), [2020](#), [2111](#), [2121](#), [2232](#), [2251](#), [2261](#), [2262](#), [2269](#), [5310](#), [8210](#);
- (2) the [Rule 8100](#) and [8300](#) Series; and
- (3) FINRA Rules [5210](#), [5220](#), Supplementary Material to [Rule 2121](#), and NASD [IM-2420-1](#).

(b) The following are specifically applicable to transactions and business activities relating to PORTAL securities, with the exceptions specified below:

- (1) FINRA [Rule 2150](#). . . and [4330](#); and
- (2) [Rule 4510](#) Series.

(c) The following are applicable to members and persons associated with members regardless of whether the member participates in transactions in PORTAL securities:

- (1) FINRA Rules [0110](#), [0120](#), and [0160](#).
- (2) NASD Rules [3040](#), [3050](#), [3140](#) and FINRA Rules [2210](#), [3220](#), [3270](#), [4120](#), [4360](#), and [5260](#).

(d) The following are not applicable to transactions and business activities relating to PORTAL securities:

- (1) NASD Rule [2830](#), and FINRA Rules [2310](#), [2320](#), [2360](#), [4210](#), [4320](#), [4560](#), [5110](#), [5130](#), and [5141](#).

Amended by SR-FINRA-2014-023 eff. May 9, 2014.  
Amended by SR-FINRA-2014-016 eff. May 1, 2014.  
Amended by SR-FINRA-2013-001 eff. Feb. 4, 2013.  
Amended by SR-FINRA-2012-027 eff. July 9, 2012.  
Amended by SR-FINRA-2011-052 eff. May 31, 2012.  
Amended by SR-FINRA-2012-007 eff. Feb. 21, 2012.  
Amended by SR-FINRA-2011-065 eff. Jan. 1, 2012.  
Amended by SR-FINRA-2011-065 eff. Dec. 5, 2011.  
Amended by SR-FINRA-2011-024 eff. June 17, 2011.  
Amended by SR-FINRA-2010-060 eff. Feb. 8, 2011.  
Amended by SR-FINRA-2010-060 eff. Dec. 15, 2010.  
Amended by SR-FINRA-2010-047 eff. Oct. 15, 2010.  
Amended by SR-FINRA-2010-003 eff. June 28, 2010.  
Amended by SR-FINRA-2010-023 eff. June 14, 2010.  
Amended by SR-FINRA-2010-002 eff. Feb. 15, 2010.  
Amended by SR-FINRA-2010-002 eff. Feb. 8, 2010.  
Amended by SR-FINRA-2009-078 eff. Dec. 14, 2009.

Amended by SR-FINRA-2009-062 eff. Oct. 19, 2009.  
Amended by SR-FINRA-2007-024 eff. Sep. 8, 2009.  
Amended by SR-FINRA-2009-046 eff. Aug. 17, 2009.  
Amended by SR-FINRA-2009-005 eff. Feb. 17, 2009.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Renumbered from Rule 5350 and amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-99-60 eff. March 23, 2004.  
Amended by SR-NASD-99-66 eff. March 6, 2001.

**Selected Notices:** [08-57](#), [10-26](#), [12-13](#).

## **6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)**

### **6710. Definitions**

The terms used in this [Rule 6700](#) Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this [Rule 6700](#) Series, the following terms have the following meaning:

(a) "TRACE-Eligible Security" means a debt security that is United States ("U.S.") dollar-denominated and 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; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n). "TRACE-Eligible Security" does not include a debt security that is: issued by a foreign sovereign, a U.S. Treasury Security as defined in paragraph (p), or a Money Market Instrument as defined in paragraph (o).

(b) "Trade Reporting and Compliance Engine" or "TRACE" means the automated system developed by FINRA that, among other things, accommodates reporting and dissemination of transaction reports where applicable in TRACE-Eligible Securities.

(c) "Reportable TRACE Transaction" means any transaction in a TRACE-Eligible Security except: (1) a transaction that is not reported as specified in [Rule 6730](#)(e); and (2) a sale from an issuer to an underwriter(s) or initial purchaser(s) as part of an offering, except a sale of an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) from a Securitizer as defined in paragraph (s) to any purchaser.

(d) "Time of Execution" for a transaction in a TRACE-Eligible Security 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. The Time of Execution for transactions involving TRACE-Eligible Securities that are trading "when issued" on a yield basis shall be when the yield for the transaction has been agreed to by the Parties to a Transaction. For a transaction in a TRACE-Eligible Security in which the actual yield for the transaction is established by determining the yield from one or more designated securities (e.g., a "benchmark security" such as a U.S. Treasury Security maturing in 5 years, or a combination of such "benchmark securities") and adding the agreed upon "yield spread" (e.g., 150 basis points above the benchmark security), the Time of Execution occurs when the yield has been agreed to by the Parties to a Transaction.

(e) "Party to a Transaction" means an introducing broker-dealer, if any, an executing broker-dealer, or a customer. "Customer" includes a broker-dealer that is not a FINRA member.

(f) "TRACE Participant" means any FINRA member that reports transactions to the TRACE system, directly or indirectly.

(g) "Introducing Broker" means the FINRA member that has been identified in the TRACE system as a Party to a Transaction, but does not execute or clear the transaction.

(h) "Investment Grade" means a TRACE-Eligible Security that, if rated by only one nationally recognized statistical rating organization ("NRSRO"), is rated in one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated in one of the four highest generic rating categories by all or a majority of such NRSROs; provided that if the NRSROs assign ratings that are evenly divided between (i) the four highest generic ratings and (ii) ratings lower than the four highest generic ratings, FINRA will classify the TRACE-Eligible Security as Non-Investment Grade for purposes of TRACE. If a TRACE-Eligible Security is unrated, for purposes of TRACE, FINRA may classify the TRACE-Eligible Security as an Investment Grade security. FINRA will classify an unrated Agency Debt Security as defined in paragraph (l) as an Investment Grade security for purposes of the dissemination of transaction volume.

(i) "Non-Investment Grade" means a TRACE-Eligible Security that, if rated by only one NRSRO, is rated lower than one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated lower than one of the four highest generic rating categories by all or a majority of such NRSROs. Except as provided in paragraph (h), if a TRACE-Eligible Security is unrated, FINRA may classify the TRACE-Eligible Security as a Non-Investment Grade security.

(j) "Split-Rated" means an Investment Grade or a Non-Investment Grade security that is assigned ratings by multiple NRSROs that, for an Investment Grade security, are not in the same generic Investment Grade rating category, or, for a Non-Investment Grade security, are not in the same generic Non-Investment Grade rating category. After determining if a security is Investment Grade or Non-Investment Grade, FINRA will disregard any rating, if the security is Investment Grade, that is Non-Investment Grade, or, if the security is Non-Investment Grade, that is Investment Grade. With respect to an Investment Grade security, if multiple NRSROs assign ratings that are not in the same generic Investment Grade rating category, or, with respect to a Non-Investment Grade security, if multiple NRSROs assign ratings that are not in the same generic Non-Investment Grade rating category, FINRA will classify the TRACE-Eligible Security for purposes of TRACE by the generic rating that a majority or, if no majority, a plurality of the NRSROs assigns the security, provided that (i) if the NRSROs assign ratings that are evenly divided between two generic rating categories, FINRA will classify the TRACE-Eligible Security by the lower of the ratings; or (ii) if each NRSRO assigns a different generic rating, FINRA will classify the TRACE-Eligible Security by the lower or lowest of the ratings.

(k) "Agency" means a U.S. "executive agency" as defined in 5 U.S.C. 105 that is authorized to issue debt directly or through a related entity, such as a government corporation, or to guarantee the repayment of principal and/or interest of a debt security issued by another entity. The term excludes the U.S. Department of the Treasury ("Treasury") in the exercise of its authority to issue U.S. Treasury Securities as defined in paragraph (p).

(l) "Agency Debt Security" means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); or (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n). The term excludes a U.S. Treasury Security as defined in paragraph (p) and an Asset-Backed Security 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 Asset-Backed Security.

(m) "Asset-Backed Security" means a security collateralized by any type of financial asset, such as a loan, a lease, a mortgage, or a secured or unsecured receivable, and includes but is not limited to an asset-backed security as defined in Section 3(a)(77)(A) of the Exchange Act, a synthetic asset-backed security, and any residual tranche or interest of any security specified above, which tranche or interest is a debt security for purposes of Rule 6710(a) and the [Rule 6700 Series](#).

(n) "Government-Sponsored Enterprise" ("GSE") has the same meaning as defined in 2 U.S.C. 622(8).

(o) "Money Market Instrument" means a debt security that at issuance has a maturity of one calendar year or less, or, if a discount note issued by an Agency, as defined in Rule 6710(k), or a Government-Sponsored Enterprise, as defined in Rule 6710(n), a maturity of one calendar year and one day or less.

(p) "U.S. Treasury Security" means a security issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities.

(q) "List or Fixed Offering Price Transaction" means a primary market sale transaction sold on the first day of trading of a security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price.

(r) "Takedown Transaction" means a primary market sale transaction sold on the first day of trading of a security, except an Asset-Backed Security as defined in Rule 6710(m): (i) by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser or syndicate manager to a syndicate or selling group member at a discount from the published or stated fixed offering price.

(s) "Securitizer" has the same meaning as defined in Section 15G(a)(3) of the Exchange Act.

(t) "TRACE System Hours" means the hours the TRACE system is open, which are 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.

(u) "To Be Announced" ("TBA") means a transaction in 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").

(v) "Agency Pass-Through Mortgage-Backed Security" means a type of Asset-Backed Security issued in conformity with a program of an Agency or a Government-Sponsored Enterprise ("GSE"), 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.

(w) "Factor" means the decimal value representing the proportion of the outstanding principal value or remaining face amount of a pool of assets underlying a security to the original principal value or original face amount of such assets.

(x) "Specified Pool Transaction" means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) or an SBA-Backed ABS as defined in paragraph (bb) requiring the delivery at settlement of a pool or pool(s) that is identified by a unique pool identification number at the Time of Execution.

(y) "Stipulation Transaction" means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) where, at the Time of Execution, the parties agree that the seller will deliver to the buyer an Agency Pass-Through Mortgage-Backed Security of a specified face amount and coupon from a specified Agency or Government-Sponsored Enterprise program that represents a pool (or pools) of mortgages, at a specified price, and the parties stipulate that the pool or pools to be delivered meet certain conditions.

(z) "Dollar Roll" means a simultaneous sale and purchase of an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) for different settlement dates, where the initial seller agrees to take delivery, upon settlement of the re-purchase transaction, of the same or substantially similar securities.

(aa) "Remaining Principal Balance" or "RPB" means, for an Asset-Backed Security backed by a pool of mortgages or other assets that are self-amortizing, the total unpaid principal balance of all such mortgages, or the equivalent remaining value of such self-amortizing assets held in the asset pool, at a specific time, such as the Time of Execution.

(bb) "SBA-Backed ABS" means an Asset-Backed Security issued in conformity with a program of the Small Business Administration ("SBA"), for which the timely payment of principal and interest is guaranteed by the SBA, representing ownership interest in a pool (or pools) of loans and structured to "pass through" the principal and interest payments made by the borrowers in such loans to the holders of the security on a pro rata basis.

Amended by SR-FINRA-2012-042 eff. July 22, 2013.  
Amended by SR-FINRA-2012-020 eff. Nov. 12, 2012.  
Amended by SR-FINRA-2012-046 eff. Oct. 11, 2012.  
Amended by SR-FINRA-2011-012 eff. May 16, 2011.  
Amended by SR-FINRA-2009-065 eff. May 16, 2011.  
Amended by SR-FINRA-2011-001 eff. Jan. 4, 2011.  
Amended by SR-FINRA-2009-010 eff. March 1, 2010.  
Amended by SR-FINRA-2009-004 eff. June 15, 2009.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2007-007 eff. Dec. 13, 2007.  
Amended by SR-NASD-2006-110 eff. Jan. 9, 2007.  
Amended by SR-NASD-2004-94 eff. Oct. 1, 2004.  
Amended by SR-NASD-2003-182 eff. June 17, 2004.  
Amended by SR-NASD-2002-174 eff. March 3, 2003.  
Amended by SR-NASD-2002-46 eff. July 1, 2002.  
Amended by SR-NASD-2001-91 eff. July 1, 2002.  
Adopted by SR-NASD-99-65 eff. July 1, 2002.

**Selected Notices:** [02-76](#), [04-39](#), [04-65](#), [07-18](#), [07-61](#), [08-57](#), [09-24](#), [09-57](#), [10-23](#), [10-55](#), [11-20](#), [12-26](#), [12-48](#), [12-56](#).

## 6720. Participation in TRACE

### (a) Mandatory Member Participation

(1) Member participation in TRACE for trade reporting purposes is mandatory. Such mandatory participation obligates members to submit transaction reports in TRACE-Eligible Securities in conformity with the [Rule 6700](#) Series.

(2) Participation in TRACE shall be conditioned upon the TRACE Participant's initial and continuing compliance with the following requirements:

(A) Execution of, and continuing compliance with, a TRACE Participant application agreement and all applicable rules and operating procedures of FINRA and the SEC; and

(B) Maintenance of the physical security of the equipment located on the premises of the TRACE Participant to prevent unauthorized entry of information into TRACE.

(3) Each TRACE Participant shall be obligated to inform FINRA of non-compliance with, or changes to, any of the participation requirements set forth above.

#### **(b) Participant Obligations in TRACE**

Upon execution and receipt by FINRA of the TRACE Participant application agreement, a TRACE Participant may commence input of trade information in TRACE-Eligible Securities. TRACE Participants may access the service via a FINRA-approved facility during TRACE System Hours.

Amended by SR-FINRA-2009-065 eff. May 16, 2011.  
Amended by SR-FINRA-2011-001 eff. Jan. 4, 2011.  
Amended by SR-FINRA-2009-010 eff. March 1, 2010.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-NASD-2002-46 eff. July 1, 2002.  
Adopted by SR-NASD-99-65 eff. July 1, 2002.

**Selected Notices:** [08-57](#), [09-57](#), [10-23](#), [10-55](#).

## **6730. Transaction Reporting**

### **(a) When and How Transactions are Reported**

Each member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member must report a transaction in a TRACE-Eligible Security within 15 minutes of the Time of Execution, except as otherwise specifically provided below, or the transaction report will be "late." A member must transmit the report to TRACE during TRACE System Hours.

#### **(1) Reporting Requirements**

Except as otherwise specifically provided in paragraph (a)(2) and paragraph (a)(3), transactions in TRACE-Eligible Securities must be reported as provided in this paragraph (a)(1).

##### **(A) Transactions Executed At or After 12:00:00 A.M. Through 7:59:59 A.M. Eastern Time**

Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 15 minutes after the TRACE system opens.

##### **(B) Transactions Executed During TRACE System Hours**

Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 15 minutes of the Time of Execution, except as provided in paragraph (a)(1)(C) below.

##### **(C) Transactions Executed Less Than 15 Minutes Before TRACE System Closes**

Transactions executed on a business day less than 15 minutes before 6:30:00 p.m. Eastern Time 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" and include the date of execution.

##### **(D) Transactions Executed After TRACE System Hours or on Non-Business Days**

Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time 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 (determined using Eastern Time) must be reported the next business day



(T + 1), no later than 15 minutes after the TRACE system opens, designated "as/of" and include the date of execution.

## **(2) Reporting Requirements — List or Fixed Offering Price Transactions and Takedown Transactions**

(A) A List or Fixed Offering Price Transaction or a Takedown Transaction that is executed on a business day at or after 12:00:00 a.m. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day (T + 1) during TRACE System Hours and if reported on T + 1, designated "as/of" and include the date of execution.

(B) List or Fixed Offering Price Transactions or Takedown Transactions 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 (determined using Eastern Time) must be reported the next business day (T + 1) at any time during TRACE System Hours, designated "as/of" and include the date of execution.

## **(3) Reporting Requirements — Asset-Backed Securities Transactions**

Transactions in Asset-Backed Securities must be reported as provided in this paragraph (a)(3).

### **(A) General Reporting Requirements**

Except as provided in paragraphs (a)(3)(C), (a)(3)(D), (a)(3)(E), (a)(3)(F) and (a)(3)(G), transactions in Asset-Backed Securities executed on:

(i) a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours;

(ii) a business day after 5:00:00 p.m. Eastern Time but before the TRACE system closes must be reported no later than the next business day (T + 1) during TRACE System Hours, and, if reported on T + 1, designated "as/of" and include the date of execution; or

(iii) a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time, or 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 (determined using Eastern Time) must be reported the next business day (T + 1) during TRACE System Hours, designated "as/of" and include the date of execution.

(B) Reserved.

### **(C) Collateralized Mortgage Obligation and Real Estate Mortgage Investment Conduit Transactions Before Issuance**

Transactions in Asset-Backed Securities that are collateralized mortgage obligations ("CMOs") or real estate mortgage investment conduits ("REMICs") that are executed before the issuance of the security must be reported the earlier of:

(i) the business day that the security is assigned a CUSIP, a similar numeric identifier or a FINRA symbol during TRACE System Hours (unless such identifier is assigned after 1:00:00 p.m. Eastern Time, and in such case, such transactions must be reported no later than the next business day during TRACE System Hours), or

(ii) the date of issuance of the security during TRACE System Hours.

In either case, if the transaction is reported other than on the date of execution, the transaction report must be designated "as/of" and include the date of execution.

### **(D) Agency Pass-Through Mortgage-Backed Securities Traded To Be Announced For Good Delivery**

Transactions in Asset-Backed Securities that are Agency Pass-Through Mortgage-Backed Securities traded to be announced ("TBA") for good delivery ("GD") ("MBS TBA transactions GD") must be reported as provided in this paragraph (a)(3)(D).

(i) During a pilot program for MBS TBA transactions GD ("MBS TBA GD Pilot Program"), which shall expire at 11:59:59 p.m. Eastern Time May 17, 2013, such transactions must be reported as follows:

a. Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through

7:59:59 a.m. Eastern Time must be reported the same day no later than 45 minutes after the TRACE system opens.

b. Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 45 minutes of the Time of Execution, except as provided in paragraph (a)(3)(D)(i)c. below.

c. Transactions executed on a business day less than 45 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 45 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated "as/of" and include the date of execution.

d. Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time 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 (determined using Eastern Time) must be reported the next business day (T + 1), no later than 45 minutes after the TRACE system opens, designated "as/of" and include the date of execution.

(ii) After the MBS TBA GD Pilot Program expires, MBS TBA transactions GD must be reported as provided in paragraph (a)(1)(A) through paragraph (a)(1)(D).

**(E) Agency Pass-Through Mortgage-Backed Securities Traded To Be Announced Not For Good Delivery**

Transactions in Asset-Backed Securities that are Agency Pass-Through Mortgage-Backed Securities traded to be announced ("TBA") not for good delivery ("NGD") ("MBS TBA transactions NGD") must be reported as provided in this paragraph (a)(3)(E).

(i) During a pilot program for MBS TBA transactions NGD ("MBS TBA NGD Pilot Program"), which shall expire at 11:59:59 p.m. Eastern Time May 17, 2013, such transactions must be reported as follows:

a. Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 120 minutes after the TRACE system opens.

b. Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 120 minutes of the Time of Execution, except as provided in paragraph (a)(3)(E)(i)c. below.

c. Transactions executed on a business day less than 120 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 120 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated "as/of" and include the date of execution.

d. Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time 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 (determined using Eastern Time) must be reported the next business day (T + 1), no later than 120 minutes after the TRACE system opens, designated "as/of" and include the date of execution.

(ii) After the MBS TBA NGD Pilot Program expires, MBS TBA transactions NGD must be reported as follows:

a. Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 60 minutes after the TRACE system opens.

b. Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 60 minutes of the Time of Execution, except as provided in paragraph (a)(3)(E)(ii)c. below.

c. Transactions executed on a business day less than 60 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 60 minutes after the TRACE system opens the next business day (T + 1), and if reported on T + 1, designated "as/of" and include the date of execution.

d. Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time 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 (determined using Eastern Time) must be reported the next business day (T + 1), no later than 60 minutes after the TRACE system opens, designated "as/of" and include the date of execution.

**(F) Agency Pass-Through Mortgage-Backed Securities Traded in Specified Pool Transactions**

Agency Pass-Through Mortgage-Backed Securities traded in Specified Pool Transactions ("MBS Specified Pool transactions") must be reported as provided in this paragraph (a)(3)(F).

(i) During a pilot program for MBS Specified Pool transactions ("MBS Specified Pool Pilot Program"), which shall expire at 11:59:59 p.m. Eastern Time January 24, 2014, such transactions must be reported as provided in paragraph (a)(3)(E)(i)a. through paragraph (a)(3)(E)(i)d.

(ii) After the MBS Specified Pool Pilot Program expires, MBS Specified Pool transactions must be reported as provided in paragraph (a)(3)(E)(ii)a. through paragraph (a)(3)(E)(ii)d.

**(G) SBA-Backed ABS**

SBA-Backed ABS traded to be announced ("TBA") or in Specified Pool Transactions must be reported as provided in this paragraph (a)(3)(G).

(i) During a pilot program for SBA-Backed ABS traded TBA or in Specified Pool Transactions ("SBA-Backed ABS Pilot Program"), which shall expire at 11:59:59 p.m. Eastern Time January 24, 2014, such transactions must be reported as provided in paragraph (a)(3)(E)(i)a. through paragraph (a)(3)(E)(i)d.

(ii) After the SBA-Backed ABS Pilot Program expires, SBA-Backed ABS traded TBA or in Specified Pool Transactions must be reported as provided in paragraph (a)(3)(E)(ii)a. through paragraph (a)(3)(E)(ii)d.

**(4)** Members have an ongoing obligation to report transaction information promptly, accurately, and completely. The member may employ an agent for the purpose of submitting transaction information. However, the primary responsibility for the timely, accurate, and complete reporting of transaction information remains the non-delegable duty of the member obligated to report the transaction.

**(5)** A member may be required to report as soon as practicable to the Market Regulation Department on a paper form, the transaction information required under Rule 6730 if electronic submission into TRACE is not possible. Transactions that can be reported into TRACE, including transactions 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 (determined using Eastern Time), and transactions that can be submitted on the trade date or a subsequent date on an "as/of" basis shall not be reported on a paper form.

**(6)** If a member that is a Party to a Transaction makes a good faith determination that a transaction involves a TRACE-Eligible Security, the member must report the transaction as provided in this Rule, and if the TRACE-Eligible Security is not entered in the TRACE system, the member must promptly notify and provide FINRA Operations the information required under [Rule 6760\(b\)](#) prior to reporting the transaction.

**(b) Which Party Reports Transaction**

Trade data input obligations are as follows:

(1) In transactions between two members, both members shall submit a trade report to TRACE;

(2) In transactions involving a member and a non-member, including a customer, the member shall submit a trade report to TRACE.

**(c) Transaction Information To Be Reported**

Each TRACE trade report shall contain the following information:

(1) CUSIP number or if a CUSIP number is not available at the Time of Execution, a similar numeric identifier (e.g., a mortgage pool number) or a FINRA symbol;

(2) The size (volume) of the transaction as required by paragraph (d)(2) below;

(3) Price of the transaction (or the elements necessary to calculate price, which are contract amount and accrued interest) as required by paragraph (d)(1) below;

- (4) A symbol indicating whether the transaction is a buy or a sell;
- (5) Date of Trade Execution ("as/of" trades only);
- (6) Contra-party's identifier;
- (7) Capacity — Principal or Agent (with riskless principal reported as principal);
- (8) Time of Execution;
- (9) Reporting side executing broker as "give-up" (if any);
- (10) Contra side Introducing Broker in case of "give-up" trade;
- (11) The commission (total dollar amount);
- (12) Date of settlement; and
- (13) Such trade modifiers as required by either the TRACE rules or the TRACE users guide.

**(d) Procedures for Reporting Price, Capacity, Volume**

**(1) Price**

For principal transactions, report the price, which must include the mark-up or mark-down. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) For agency transactions, report the price, which must exclude the commission. (However, if a price field is not available, report the contract amount and, if applicable, the accrued interest.) Report the total dollar amount of the commission.

**(2) Size (Volume)**

**(A) General**

For a transaction in a TRACE-Eligible Security, except an Asset-Backed Security, report the total par value or principal value of the security traded.

**(B) Asset-Backed Securities**

(i) For a transaction in an Asset-Backed Security traded To Be Announced ("TBA transaction"), report the original face value of such security.

(ii) For a transaction, other than a TBA transaction, in an Asset-Backed Security that is subject to amortization, report the original face value of such security and, if a member uses a Factor to execute the transaction that is not the most current Factor publicly available at the Time of Execution, report the Factor used, except as provided in subparagraph (iv) below regarding certain transactions executed in an agency capacity.

(iii) For a transaction in an Asset-Backed Security that does not amortize, report the total par value, principal value or original face value of such security, except as provided in subparagraph (iv) below regarding certain transactions executed in an agency capacity.

(iv) For a transaction, other than a TBA transaction, in an Asset-Backed Security that is executed in an agency capacity and subject to a commission charge, report the original face value of such security and the Factor used to execute the transaction.

**(3) Crosses**

For in-house cross transactions, a member must report two transactions, which are the member's purchase transaction and the member's sale transaction.

**(4) Modifiers; Indicators**

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

**(A) Special Price Modifier**

If a transaction is not executed at a price that reflects the current market price, select the modifier, "special price." When the reporting method chosen provides a "special price memo" field, state why the transaction was executed at other than the current market price in the "special price memo" field (e.g., when a debt security is traded conventionally and in the current market does not have a due bill and/or a warrant attached, but in the transaction to be reported is traded with a due bill and/or warrant attached, the price of the transaction is a "special price"). Do not select the modifier, "special price," where the transaction price is determined using a weighted average price.

**(B) Weighted Average Price Modifier**

If the price of the transaction is determined using a weighted average price method, select the modifier, ".w."

**(C) List or Fixed Offering Price Transaction or Takedown Transaction Indicator**

If reporting a primary market transaction that is a List or Fixed Offering Price Transaction or a Takedown Transaction, select the appropriate indicator.

**(D) Asset-Backed Security Indicators**

Select the indicator:

- (i) ".O," if the transaction is a Specified Pool Transaction;
- (ii) ".N," if the transaction is a Stipulation Transaction;
- (iii) ".D," if the transaction is a Dollar Roll; or
- (iv) ".L," if the transaction is a Dollar Roll and a Stipulation Transaction.

**(e) Reporting Requirements for Certain Transactions and Transfers of Securities**

The following shall not be reported:

(1) Transfers of TRACE-Eligible Securities for the sole purpose of creating or redeeming an instrument that evidences ownership of or otherwise tracks the underlying securities transferred (e.g., an exchange-traded fund).

(2) Transactions in TRACE-Eligible Securities that are listed on a national securities exchange, when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly.

(3) Transactions where the buyer and the seller have agreed to trade at a price substantially unrelated to the current market for the TRACE-Eligible Security (e.g., to allow the seller to make a gift).

(4) Provided that a data sharing agreement between FINRA and NYSE related to transactions covered by this Rule remains in effect, for a pilot program expiring on October 23, 2015, transactions in TRACE-Eligible Securities that are executed on a facility of NYSE in accordance with NYSE Rules 1400, 1401 and 86 and reported to NYSE in accordance with NYSE's applicable trade reporting rules and disseminated publicly by NYSE.

(5) Transactions resulting from the exercise or settlement of an option or a similar instrument, or the termination or settlement of a credit default swap, other type of swap, or a similar instrument.

(6) Transfers of securities made pursuant to an asset purchase agreement (APA) that is subject to the jurisdiction and approval of a court of competent jurisdiction in insolvency matters, provided that the purchase price under the APA is not based on, and cannot be adjusted to reflect, the current market prices of the securities on or following the effective date of the APA.

**(f) Compliance With Reporting Obligations**

A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of [Rule 2010](#).

••• **Supplementary Material:** -----

**.01 Scope of Factor Reporting Requirement.** For transactions, other than TBA transactions, in Asset-Backed Securities executed in an agency capacity and subject to a commission charge, members must report the Factor for every such transaction, including a transaction where the Factor is 1.0.

Amended by SR-FINRA-2013-038 eff. Oct. 25, 2013.  
Amended by SR-FINRA-2012-052 eff. July 22, 2013.  
Amended by SR-FINRA-2012-042 eff. July 22, 2013.  
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Amended by SR-FINRA-2012-047 eff. Oct. 12, 2012.  
Amended by SR-FINRA-2012-034 eff. Aug. 10, 2012.  
Amended by SR-FINRA-2011-053 eff. Feb. 6, 2012.  
Amended by SR-FINRA-2011-072 eff. Jan. 27, 2012.  
Amended by SR-FINRA-2011-025 eff. July 8, 2011.  
Amended by SR-FINRA-2011-012 eff. May 16, 2011.  
Amended by SR-FINRA-2009-065 eff. May 16, 2011.  
Amended by SR-FINRA-2011-002 eff. Jan. 5, 2011.  
Amended by SR-FINRA-2011-001 eff. Jan. 4, 2011.  
Amended by SR-FINRA-2009-010 eff. March 1, 2010.  
Amended by SR-FINRA-2009-002 eff. Jan 12, 2009.  
Amended by SR-FINRA-2008-060 eff. Jan. 12, 2009.  
Amended by SR-FINRA-2008-065 eff. Jan. 8, 2009.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2007-007 eff. Dec. 13, 2007.  
Amended by SR-NASD-2006-110 eff. Jan. 9, 2007.  
Amended by SR-NASD-2004-57 Stage 2 eff. July 1, 2005.  
Amended by SR-NASD-2004-57 Stage 1 eff. Oct. 1, 2004.  
Amended by SR-NASD-2003-182 eff. June 17, 2004.  
Amended by SR-NASD-2003-78 eff. Oct. 1, 2003.  
Amended by SR-NASD-2002-46 eff. July 1, 2002.  
Amended by SR-NASD-2001-04 eff. July 1, 2002.  
Adopted by SR-NASD-99-65 eff. July 1, 2002.

**Selected Notices:** [02-76](#), [03-36](#), [04-39](#), [04-51](#), [07-18](#), [07-61](#), [08-57](#), [09-57](#), [10-23](#), [10-55](#), [11-20](#), [11-53](#), [12-26](#), [12-48](#), [12-56](#), [13-15](#).

## **6731. Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems**

(a) Pursuant to the [Rule 9600](#) Series, the staff for good cause shown after taking into consideration all relevant factors, may exempt, upon application and subject to specified terms and conditions, a member alternative trading system ("ATS") from the trade reporting obligation under [Rule 6730](#), if such exemption is consistent with the protection of investors and the public interest. The staff will grant an exemption only if all of the following criteria are satisfied:

(1) Trades are between ATS subscribers that are both FINRA members.

(2) The ATS demonstrates that:

(A) The member subscribers are fully disclosed to one another at all times on the ATS;

(B) The system does not permit automatic execution, and a member subscriber must take affirmative steps beyond the submission of an order to agree to a trade with another member subscriber;

(C) The trade does not pass through any ATS account, and the ATS does not in any way hold itself out to be a party to the trade; and

(D) The ATS does not exchange TRACE-Eligible Securities or funds on behalf of the member subscribers, take either side of the trade for clearing or settlement purposes, including, but not limited to, at DTC or otherwise, or in any other way insert itself into the trade.

(3) The ATS and the member subscribers acknowledge and agree in writing that the ATS shall not be deemed a party to the trade for purposes of trade reporting and that trades shall be reported by each member subscriber that satisfies the definition of "Party to a Transaction" under [Rule 6710](#).

(4) The ATS agrees to provide to FINRA on a monthly basis, or such other basis as prescribed by FINRA, data relating to the volume of trades by security executed by the ATS's member subscribers using the ATS's system, and the ATS acknowledges that failure to report such data to FINRA, in addition to constituting a violation of FINRA rules, will

result in revocation of any exemption granted pursuant to this Rule.

(b) Where FINRA has granted an exemption under this Rule, trades shall be reported to FINRA in accordance with [Rule 6730](#) by each member subscriber that satisfies the definition of "Party to a Transaction" under [Rule 6710\(e\)](#).

Adopted by SR-FINRA-2012-016 eff. Feb. 28, 2012.

## 6740. Termination of TRACE Service

FINRA may, upon notice, terminate TRACE service to a member in the event that a member fails to abide by any of the rules or operating procedures of the TRACE service or FINRA, or fails to honor contractual agreements entered into with FINRA or its subsidiaries, or fails to pay promptly for services rendered by the TRACE service.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Adopted by SR-NASD-99-65 eff. July 1, 2002.

**Selected Notice:** [08-57](#).

## 6750. Dissemination of Transaction Information

### (a) Dissemination

FINRA will disseminate information on all transactions in TRACE-Eligible Securities, including transactions effected pursuant to Securities Act Rule 144A, immediately upon receipt of the transaction report, except as provided below.

### (b) Transaction Information Not Disseminated

FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is:

(1) Reserved;

(2) a transfer of proprietary securities positions where the transfer (A) is effected in connection with a merger or direct or indirect acquisition and (B) is not in furtherance of a trading or investment strategy. Such transfers shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Members must provide FINRA at least three business days advance written notice of their intent to use this exception, including the basis for their determination that the transfer meets the terms of the exception. Members must report such transfers on the same day as the ultimate transfer of the positions on their books and records, unless later reporting is warranted under specific circumstances;

(3) a List or Fixed Offering Price Transaction or a Takedown Transaction; or

(4) an Asset-Backed Security, except:

(A) an Agency Pass-Through Mortgage-Backed Security; and

(B) an SBA-Backed ABS.

Amended by SR-FINRA-2013-029 eff. June 30, 2014.

Amended by SR-FINRA-2012-042 eff. July 22, 2013.

Amended by SR-FINRA-2012-020 eff. Nov. 12, 2012.

Amended by SR-FINRA-2011-061 eff. Oct. 14, 2011.

Amended by SR-FINRA-2009-065 eff. May 16, 2011.

Amended by SR-FINRA-2009-010 eff. March 1, 2010.

Amended by SR-FINRA-2009-024 eff. May 4, 2009.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Amended by SR-NASD-2005-120 eff. Jan. 9, 2006.

Amended by SR-NASD-2004-189 Stage 2 eff. Feb. 7, 2005.

Amended by SR-NASD-2004-148 eff. Oct. 1, 2004.

Amended by SR-NASD-2004-94 Stage 1 eff. Oct. 1, 2004 & Stage 2 eff. Feb. 7, 2005.

Amended by SR-NASD-2003-41 eff. April 14, 2003.

Amended by SR-NASD-2002-174 eff. March 3, 2003.

Amended by SR-NASD-2002-46 eff. July 1, 2002.

Adopted by SR-NASD-99-65 eff. July 1, 2002.

**Selected Notices:** [02-76](#) [03-12](#), [03-22](#), [04-39](#), [04-65](#), [04-90](#), [05-02](#), [08-43](#), [08-57](#), [09-21](#), [09-57](#), [10-23](#), [10-55](#), [12-26](#), [12-48](#), [12-56](#), [13-35](#).

## 6760. Obligation To Provide Notice

### (a) Members Required to Provide Notice

(1) To facilitate trade reporting and dissemination of transactions in TRACE-Eligible Securities, a member that is a managing underwriter of a distribution or offering ("offering"), other than a secondary offering, of a TRACE-Eligible Security must obtain information and provide notice to FINRA Operations as set forth in this Rule. If a managing underwriter is not designated, an underwriter must provide such notice. In offerings where managing underwriters and/or underwriters are not designated, the lead initial purchaser must provide such notice, and if there is no lead initial purchaser, an initial purchaser must provide such notice. If more than one person is obligated to provide notice (e.g., multiple underwriters), such persons may submit jointly a single notice containing the required information to FINRA Operations. A member that is an underwriter or a Securitizer of an Asset-Backed Security is a managing underwriter for purposes of this Rule. A member that is required to provide notice must make a good faith determination that the security is a TRACE-Eligible Security before providing such notice.

(2) The information must be provided using the method of communication or media specified by FINRA.

### (b) Information Required

The notice must contain the following information: (1) the CUSIP number or if a CUSIP number is not available, a similar numeric identifier (e.g., a mortgage pool number); (2) the issuer name, or, for an Asset-Backed Security, the names of the Securitizers; (3) the coupon rate; (4) the maturity; (5) whether Securities Act Rule 144A applies; (6) the time that the new issue is priced, and, if different, the time that the first transaction in the offering is executed; (7) a brief description of the issue (e.g., senior subordinated note, senior note); and, (8) such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-Eligible Security, or if any of items (2) through (8) has not been determined or a CUSIP number (or a similar numeric identifier as referenced above) is not assigned or is not available when notice must be given, such other information that FINRA deems necessary and is sufficient to identify the security accurately.

### (c) When Required

A notice required under this Rule must be provided to FINRA Operations prior to the execution of the first transaction of the offering, except as provided below.

(1) If an offering of a security is priced and commences on the same business day between 9:30:00 a.m. Eastern Time and 4:00:00 p.m. Eastern Time, a person that is required to provide notice must provide to FINRA Operations as much of the information set forth in paragraph (b) that is available prior to the execution of the first transaction of the offering, which must be sufficient to identify the security accurately, and such other information that FINRA deems necessary and provide all other information required under paragraph (b) within 15 minutes of the Time of Execution of the first transaction.

(2) If one or more transactions in a collateralized mortgage obligation (CMO) or a real estate mortgage investment conduit (REMIC) are effected prior to the issuance of the security and are subject to [Rule 6730\(a\)\(3\)\(C\)](#), a member that is required to provide notice to FINRA Operations regarding such CMO or REMIC must do so promptly on the date of issuance or other event that establishes the reference date that determines when a reporting period begins under [Rule 6730\(a\)\(3\)\(C\)](#).

Amended by SR-FINRA-2011-012 eff. May 16, 2011.

Amended by SR-FINRA-2009-065 eff. May 16, 2011.

Amended by SR-FINRA-2011-001 eff. Jan. 4, 2011.

Amended by SR-FINRA-2009-010 eff. March 1, 2010.

Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.

Amended by SR-NASD-2004-94 eff. Oct. 1, 2004.

Amended by SR-NASD-2003-99 eff. Aug. 25, 2003.

Amended by SR-NASD-2002-174 eff. March 3, 2003.

Amended by SR-NASD-2002-46 eff. July 1, 2002.

Adopted by SR-NASD-99-65 eff. July 1, 2002.



**Selected Notices:** [02-76](#), [03-12](#), [03-45](#), [04-65](#), [08-57](#), [09-57](#), [10-23](#), [10-55](#), [11-20](#).

## **6770. Emergency Authority**

As market conditions may warrant, in consultation with the SEC, FINRA may suspend the reporting and/or dissemination of certain transactions in TRACE-Eligible Securities, or the reporting of certain data elements otherwise required under [Rule 6730](#) and/or the dissemination of certain data elements for such period of time as FINRA deems necessary.

Adopted by SR-FINRA-2009-010 eff. March 1, 2010.

**Selected Notice:** [09-57](#).