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Page 1 of \* 58

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

File No. \* SR 2023 - \* 017

Amendment No. (req. for Amendments \*)

Filing by Financial Industry Regulatory Authority

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

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

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)

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

Section 806(e)(1) \*

Section 806(e)(2) \*

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

Section 3C(b)(2) \*

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

### Description

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

Proposed Rule Change to Amend FINRA Rules to Conform to Exchange Act Rules 15c6-1 and 15c6-2 to Shorten the Standard Settlement Cycle for Most Broker-Dealer Transactions from Two Business Days after the Trade Date to One Business Day after the Trade Date

### Contact Information

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

First Name \* John Last Name \* Nachmann

Title \* Associate General Counsel

E-mail \* john.nachmann@finra.org

Telephone \* (240) 386-4816 Fax

### Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 11/28/2023

(Title \*)

By Kosha Dalal

Vice President and Associate General Counsel

(Name \*)

Kosha Dalal

Digitally signed by Kosha Dalal  
Date: 2023.11.28 13:37:54 -05'00'

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

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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FINRA-2023-017 19b-4.docx

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

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

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FINRA-2023-017 Exhibit 1.docx

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

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

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

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

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

Exhibit Sent As Paper Document

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

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

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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FINRA-2023-017 Exhibit 5.docx

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

**Partial Amendment**

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

**1. Text of the Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),<sup>1</sup> the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA Rules 2341 (Investment Company Securities), 4515 (Approval and Documentation of Changes in Account Name or Designation), 6282 (Transactions Reported by Members to the ADF), 6380A (Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting), 7140 (Trade Report Processing), 7240A (Trade Report Processing), 7340 (Trade Report Processing), 11140 (Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”), 11150 (Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”), 11210 (Sent by Each Party), 11320 (Dates of Delivery), 11620 (Computation of Interest), 11860 (COD Orders), 11893 (Clearly Erroneous Transactions in OTC Equity Securities), and 11894 (Review by the Uniform Practice Code (“UPC”) Committee) to conform to the Commission’s final amendments to Exchange Act Rule 15c6-1 and adoption of Exchange Act Rule 15c6-2 to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date (“T+2”) to one business day after the trade date (“T+1”).<sup>2</sup>

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

<sup>2</sup> See Securities Exchange Act Release No. 96930 (February 15, 2023), 88 FR 13872 (March 6, 2023) (File No. S7-05-22) (Shortening the Securities Transaction Settlement Cycle) (“SEC T+1 Adopting Release”). The effective date of final Exchange Act Rules changes is May 5, 2023, and the compliance date is May 28, 2024.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

The FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. The operative date of the proposed rule change will be May 28, 2024, or such later date as may be announced by the SEC for compliance for Exchange Act Rules 15c6-1 and 15c6-

2.

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

(a) Purpose

Background

In October 1993, the Commission adopted Exchange Act Rule 15c6-1 to shorten the standard U.S. trade settlement cycle for most securities transactions from five business days after the trade date ("T+5") to three business days after the trade date ("T+3").<sup>3</sup> In March 2017, the Commission amended Exchange Act Rule 15c6-1 to

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<sup>3</sup> See Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 (October 13, 1993) (File No. S7-5-93). The implementation date of Exchange Act Rule 15c6-1 was June 7, 1995. See Securities Exchange Act Release No. 34592 (November 9, 1994), 59 FR 59137 (November 16, 1994) (File No. S7-5-93). When adopted, Exchange Act Rule 15c6-1 prohibited broker-dealers from effecting or entering into a contract for the purchase or sale of a security (other than an exempted security, government security, municipal security, commercial

further shorten the trade settlement cycle from T+3 to T+2.<sup>4</sup> On both occasions, FINRA amended its settlement-related rules to conform to the Commission's changes to the trade settlement cycle.<sup>5</sup>

Even before the adoption of the T+2 settlement cycle, the concept of a T+1 settlement cycle already was being considered.<sup>6</sup> In this regard, the Depository Trust &

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paper, bankers' acceptances, or commercial bills) that provides for payment of funds and delivery of securities later than the third business day after the date of the contract unless otherwise expressly agreed to by the parties at the time of the transaction. Although not covered by Exchange Act Rule 15c6-1, in 1995, the Commission approved the Municipal Securities Rulemaking Board's ("MSRB") rule change requiring transactions in municipal securities to settle by T+3. See Securities Exchange Act Release No. 35427 (February 28, 1995), 60 FR 12798 (March 8, 1995) (Order Approving File No. SR-MSRB-94-10).

<sup>4</sup> See Securities Exchange Act Release No. 80295 (March 22, 2017), 82 FR 15564 (March 29, 2017) (File No. S7-22-16). The compliance date for the T+2 settlement cycle was September 5, 2017. In April 2016, the Commission approved the MSRB's rule change requiring transactions in municipal securities to settle by T+2. See Securities Exchange Act Release No. 77744 (April 29, 2016), 81 FR 26851 (May 4, 2016) (Order Approving File No. SR-MSRB-2016-04).

<sup>5</sup> See Securities Exchange Act Release No. 35507 (March 17, 1995), 60 FR 15616 (March 24, 1995) (Order Approving File No. SR-NASD-94-56); Securities Exchange Act Release No. 80004 (February 9, 2017), 82 FR 10835 (February 15, 2017) (Order Approving File No. SR-FINRA-2016-047) and Securities Exchange Act Release No. 80004A (March 6, 2017), 82 FR 13517 (March 13, 2017) (Correction to Order Approving File No. SR-FINRA-2016-047). Other self-regulatory organizations ("SROs"), including, as previously noted, the MSRB, also amended their rules to conform to the shortening of the settlement cycle to T+3 and then T+2.

<sup>6</sup> See, e.g., Deloitte & Touche LLP ("Deloitte"), T+2 Industry Implementation Playbook (12/18/2015), <https://www.ust2.com/pdfs/T2-Playbook-12-21-15.pdf>; Investor Advisory Committee, U.S. Securities and Exchange Commission Recommendation of the Investor Advisory Committee: Shortening the Settlement Cycle in U.S. Financial Markets (February 12, 2015), <https://www.sec.gov/spotlight/investor-advisory-committee-2012/settlement-cycle-recommendation-final.pdf>.

Clearing Corporation (“DTCC”) published a white paper in February 2021 highlighting the benefits of moving to a T+1 settlement cycle, particularly in light of the unprecedented market activity and volatility that had occurred in 2020 and early 2021.<sup>7</sup> Following the publication of the DTCC White Paper, the industry formed an Industry Steering Committee (“ISC”)<sup>8</sup> and an Industry Working Group (“IWG”)<sup>9</sup> to develop an industry consensus for the transition to a T+1 settlement cycle. In December 2021, SIFMA, ICI, DTCC, and Deloitte published a report summarizing the work conducted by the ISC and IWG and setting forth the ISC’s recommendations for transitioning to a T+1 settlement cycle.<sup>10</sup> Thereafter, in August 2022, SIFMA, ICI, and Deloitte published a T+1 implementation playbook to help market participants prepare for the implementation of T+1 settlement.<sup>11</sup>

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<sup>7</sup> See DTCC, Advancing Together: Leading the Industry to Accelerated Settlement (February 2021) (“DTCC White Paper”), <https://www.dtcc.com/-/media/Files/PDFs/White%20Paper/DTCC-Accelerated-Settle-WP-2021.pdf>.

<sup>8</sup> Participants in the ISC include, among others, DTCC, the Securities Industry and Financial Markets Association (“SIFMA”), and the Investment Company Institute (“ICI”). See <https://www.dtcc.com/ust1>.

<sup>9</sup> The IWG included over 800 subject matter advisors representing over 160 firms from buy- and sell-side firms, custodians, vendors, and clearinghouses. See *infra* note 10.

<sup>10</sup> See SIFMA, ICI, DTCC & Deloitte, Accelerating the U.S. Securities Settlement Cycle to T+1 (December 1, 2021), <https://www.sifma.org/wp-content/uploads/2021/12/Accelerating-the-U.S.-Securities-Settlement-Cycle-to-T1-December-1-2021.pdf>.

<sup>11</sup> See SIFMA, ICI & Deloitte, T+1 Securities Settlement Industry Implementation Playbook (August 2022), [https://www.sifma.org/wp-content/uploads/2022/08/T1\\_Industry\\_Implementation\\_Playbook.pdf](https://www.sifma.org/wp-content/uploads/2022/08/T1_Industry_Implementation_Playbook.pdf).

On February 9, 2022, the Commission published a proposal to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1.<sup>12</sup> In the SEC T+1 Proposing Release, the Commission noted its belief that shortening the settlement cycle from T+2 to T+1 can promote investor protection, reduce risk, and increase operational and capital efficiency. Moreover, the Commission noted that two episodes involving increased market volatility—the outbreak of the COVID-19 pandemic in March 2020 and the “meme” stock phenomenon in January 2021—refocused attention on a T+1 standard settlement cycle. In the SEC T+1 Proposing Release, the Commission further noted that substantial progress has been made toward identifying the technological and operational changes that are necessary to establish a T+1 settlement cycle, including the industry-level changes that would be necessary to transition from a T+2 standard to a T+1 standard settlement cycle. In proposing new Exchange Act Rule 15c6-2, the Commission stated that additional regulatory steps were “necessary to improve the processing of institutional transactions, advancing two other longstanding objectives shared by the Commission and the securities industry: the completion of trade allocations, confirmations, and affirmations on trade date (an objective often referred to as “same-day affirmation”) and the straight-through processing of securities transactions.”<sup>13</sup> The Commission received numerous comment letters on the proposal, specifically regarding the proposed amendments to Exchange Act Rule 15c6-1 and proposed new Exchange Act Rule 15c6-2.<sup>14</sup>

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<sup>12</sup> See Securities Exchange Act Release No. 94196 (February 9, 2022), 87 FR 10436 (February 24, 2022) (File No. S7-05-22) (“SEC T+1 Proposing Release”).

<sup>13</sup> See SEC T+1 Adopting Release, supra note 2, 88 FR 13872, 13873.

<sup>14</sup> Copies of all comment letters received by the Commission are available at <https://www.sec.gov/comments/s7-05-22/s70522.htm>.

Following consideration of the comments, on February 15, 2023, the Commission adopted final rules to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1.<sup>15</sup> In addition to the amendments to Exchange Act Rule 15c6-1 to shorten the settlement cycle, the Commission adopted new Exchange Act Rule 15c6-2 regarding same-day allocations and affirmations.

Final Exchange Act Rule 15c6-1 requires most broker-dealer transactions to settle by T+1, subject to certain exceptions. Final Exchange Act Rule 15c6-2 addresses same day allocations, confirmations and affirmations to improve institutional trades and straight-through processing. Certain transactions, primarily involving institutional trades, require post-trade exchange of confirmations and affirmations, in order for the parties to compare trade details and facilitate settlement with third-party custodians. In addition, investment managers that effect block trades for the accounts of several customers simultaneously need to provide post-trade underlying account allocation instructions to the broker or custodian before these transactions can settle. Final Exchange Act Rule 15c6-2 requires a broker-dealer to either enter into a written agreement or establish, maintain, and enforce written policies and procedures reasonably designed to ensure the completion of allocations, confirmations, and affirmations (or any combination thereof) as soon as technologically practicable and no later than the end of trade date in order to complete settlement by T+1.

#### Proposed Rule Change

Given the Commission's recent changes to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1, FINRA is proposing amendments

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<sup>15</sup> See supra note 2.



to its rules to align them with the changes set forth in the T+1 Adopting Release. As such, FINRA is proposing to amend FINRA Rules 2341 (Investment Company Securities), 4515 (Approval and Documentation of Changes in Account Name or Designation), 6282 (Transactions Reported by Members to the ADF), 6380A (Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting), 7140 (Trade Report Processing), 7240A (Trade Report Processing), 7340 (Trade Report Processing), 11140 (Transactions in Securities “Ex- Dividend,” “Ex-Rights” or “Ex-Warrants”), 11150 (Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”), 11210 (Sent by Each Party), 11320 (Dates of Delivery), 11620 (Computation of Interest), 11860 (COD Orders), 11893 (Clearly Erroneous Transactions in OTC Equity Securities), and 11894 (Review by the Uniform Practice Code (“UPC”) Committee).

The details of the proposed rule change are described below.

FINRA Rule 2341 (Investment Company Securities)

Rule 2341(m)(1) requires members, including underwriters, that engage in direct retail transactions for investment company shares to transmit payments received from customers for the purchase of investment company shares to the payee by the end of the second business day after receipt of a customer’s order to purchase such shares, or by the end of one business day after receipt of a customer’s payment for such shares, whichever is later. FINRA is proposing to amend Rule 2341(m)(1) to change the two-business day transmittal requirement to one business day. FINRA is not proposing any changes to the one-business day alternative.

4515 (Approval and Documentation of Changes in Account Name or Designation)

Rule 4515 requires that, before a customer order is executed, the account name or designation must be placed upon the order form or other similar record for the transaction, and addresses the approval and documentation procedures for changes in such account name or designation. Additionally, Rule 4515.01 provides that when accepting orders from investment advisers, the member firm may allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, as long as the firm receives specific account designations or customer names from such investment advisers by noon of the next business day following the trading session.<sup>16</sup> FINRA is proposing to amend Rule 4515.01 to provide that when accepting orders from investment advisers, a member firm may allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, as long as the member firm receives specific account designations or customer names from such investment advisers by no later than the end of the day on the trade date. FINRA is proposing to amend the

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<sup>16</sup> Rule 4515.01 applies only where there is more than one customer for any particular order and it extends to investment advisers that are registered under the Investment Advisers Act or that, but for Investment Advisers Act Section 203(b) or 203A, would be required to register under the Investment Advisers Act. In addition, Rule 4515.01 clarifies that member firms may not knowingly facilitate the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser's intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser's fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.

timeframe by which a member firm must receive the specific account designations or customer names from the investment adviser to conform Rule 4515.01 with the same-day confirmation, allocation, and affirmation requirements of new Exchange Act Rule 15c6-2.

FINRA Rules 6282 (Transactions Reported by Members to the ADF), 6380A (Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting)

Rules 6282(a)(4)(D), 6380A(a)(5)(D), 6380B(a)(5)(D), and 6622(a)(5)(D) address transaction reporting with respect to the Alternative Display Facility (“ADF”), the FINRA/Nasdaq Trade Reporting Facility (“NQTRF”), the FINRA/NYSE Trade Reporting Facility, and the Over-the-Counter Reporting Facility (“ORF”), respectively. Specifically, these rules require a reporting firm to identify a Next Day Trade by appending the appropriate modifier to a last sale report. FINRA is proposing to delete Rules 6282(a)(4)(D), 6380A(a)(5)(D), 6380B(a)(5)(D), and 6622(a)(5)(D) because, upon implementation of a T+1 trade settlement cycle, a Next Day Trade will become a Regular Way Trade, which is the default settlement type for transaction reporting and does not require a modifier.

FINRA Rules 7140 (Trade Report Processing), 7240A (Trade Report Processing), and 7340 (Trade Report Processing)

Rules 7140(a)(3), 7240A(a)(3), and 7340(a)(3) address the automatic lock-in of trades in the ADF, the NQTRF, and the ORF, respectively. These rules provide that any trade that remains open at the end of its entry day will be carried over and automatically locked-in by the corresponding system. The trade is then submitted to the National Securities Clearing Corporation (“NSCC”) at 2:30 p.m. Eastern Time (“ET”) on the next

business day. FINRA is proposing to amend Rules 7140(a)(3), 7240A(a)(3), and 7340(a)(3) to change the time a trade is submitted to the NSCC from 2:30 p.m. ET to noon ET to allow for sufficient time for NSCC to process the trade.

FINRA Rule 11140 (Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”)

Rule 11140(b)(1) provides that for dividends or distributions, and the issuance or distribution of warrants, that are less than 25 percent of the value of the subject security, if definitive information is received sufficiently in advance of the record date, the date designated as the “ex-dividend date” shall be the first business day preceding the record date if the record date falls on a business day, or the second business day preceding the record date if the record date falls on a day designated by FINRA’s Uniform Practice Code Committee (“Committee”) as a non-delivery date. FINRA is proposing to shorten the timeframes in Rule 11140(b)(1) by one business day. As such, the date designated as the “ex-dividend date” would be the record date if the record date falls on a business day, or the first business day preceding the record date if the record date falls on a day designated by the Committee as a non-delivery date. In addition, the proposed rule change would make a non-substantive technical change to the rule.

FINRA Rule 11150 (Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”)

Rule 11150(a) prescribes the manner for establishing “ex-interest dates” for transactions in bonds or other similar evidences of indebtedness which are traded “flat.” Such transactions are “ex-interest” on (1) the first business day preceding the record date if the record date falls on a business day, (2) the second business day preceding the

record date if the record date falls on a day other than a business day, or (3) the second business day preceding the date on which an interest payment is to be made if no record date has been fixed. FINRA is proposing to shorten the timeframes in Rule 11150(a) by one business day. Therefore, the transactions would be “ex-interest” on (1) the record date if the record date falls on a business day, (2) the first business day preceding the record date if the record date falls on a day other than a business day, or (3) the first business day preceding the date on which an interest payment is to be made if no record date has been fixed.

FINRA Rule 11210 (Sent by Each Party)

Rule 11210(a) requires each party to a transaction, other than a cash transaction, to send a Uniform Comparison or Confirmation of the transaction on or before the first business day following the date of the transaction. FINRA is proposing to shorten the timeframe in Rule 11210(a) and require the sending of the Uniform Comparison or Confirmation of a transaction by the end of the day on the trade date. In addition, the proposed rule change would clarify that, as a result of this change, the timeframe for the exchange of comparisons or confirmations for all transactions (cash and non-cash) would be the same.

Paragraphs (c) and (d) of Rule 11210 set forth the “Don’t Know” (“DK”) voluntary procedures for using “DK Notices” (FINRA Form No. 101) or other forms of notices, respectively. Depending upon the notice used, a confirming member may follow the “DK” procedures when it sends a comparison or confirmation of a trade (other than one that clears through the National Securities Clearing Corporation or other registered clearing agency), but does not receive a comparison or confirmation or a signed “DK”

from the contra-member by the close of one business day following the trade date of the transaction. The procedures generally provide that after this time period, the confirming member shall send a “DK Notice” (or similar notice) to the contra-member. The contra-member then has two business days after receipt of the confirming member’s notice to either confirm or “DK” the transaction.

FINRA is proposing to amend paragraphs (c) and (d) of Rule 11210 to provide that the “DK” procedures may be used by the confirming member if it does not receive a comparison or confirmation or signed “DK” from the contra-member by the end of the day on the trade date of the transaction, rather than by the current close of one business day following the trade date of the transaction. In addition, FINRA is proposing amendments to paragraphs (c)(2)(A), (c)(3), and (d)(5) of Rule 11210 to adjust the time in which a contra-member has to respond to a “DK Notice” (or similar notice) from two business days after the contra-member’s receipt of the notice to one business day after the contra-member’s receipt of the notice.

FINRA Rule 11320 (Dates of Delivery)

Rule 11320 prescribes delivery dates for various transactions. Paragraph (b) states that for a “regular way” transaction, delivery must be made on, but not before, the second business day after the date of the transaction. FINRA is proposing to amend Rule 11320(b) to change the reference to the second business day following the date of the transaction to the first business day following the date of the transaction.

Rule 11320(c) provides that in a “seller’s option” transaction, delivery may be made by the seller on any business day after the second business day following the date of the transaction and prior to the expiration of the option. FINRA is proposing to amend

Rule 11320(c) to change the reference to the second business day following the date of the transaction to the first business day following the date of the transaction.

FINRA Rule 11620 (Computation of Interest)

In the settlement of contracts in interest-paying securities other than for cash, Rule 11620(a) requires the calculation of interest at the rate specified in the security up to, but not including, the second business day after the date of the transaction. FINRA is proposing to amend Rule 11620(a) to shorten the timeframe to the first business day following the date of the transaction.

FINRA Rule 11860 (COD Orders)

Rule 11860(a) directs members to follow various procedures before accepting collect on delivery (“COD”) or payment on delivery (“POD”) orders.<sup>17</sup> Rule 11860(a)(3) provides that the member must deliver to the customer a confirmation, or all relevant data customarily contained in a confirmation with respect to the execution of the order, not later than the close of business on the next business day after any such execution. FINRA is proposing to amend Rule 11860(a)(3) to shorten the timeframe for delivery in the rule to no later than the end of the day on the trade date. In addition, the proposed rule change would make a non-substantive technical change to the rule.

Rule 11860(a)(4) requires that the member have obtained an agreement from the customer that the customer will furnish its agent instructions with respect to the receipt or

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<sup>17</sup> A COD order is a purchase by the customer where the agent is to receive the securities against payment for the purchase and a POD order is a sale by the customer where the agent is to deliver the securities against payment of the sale proceeds. Alternative industry terms for COD and POD orders are delivery vs. payment (“DVP”) and receipt vs. payment (“RVP”).

delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order, and that in any event the customer will assure that such instructions are delivered to its agent no later than the close of business on the first business day after the date of execution of a COD or POD order.

In light of the Commission's recent adoption of final Exchange Act Rule 15c6-2, FINRA is proposing to amend Rule 11860(a)(4) to provide that prior to accepting a COD or POD order, the member shall have entered into the written agreement, or established the written policies and procedures, required by SEA Rule 15c6-2 with respect to any resulting transaction.

FINRA Rule 11893. Clearly Erroneous Transactions in OTC Equity Securities

Rule 11893 governs clearly erroneous determinations involving transactions in OTC Equity Securities. Pursuant to Rule 11893(a), a FINRA officer may declare any transaction involving an OTC Equity Security arising out of or reported through a trade reporting system owned or operated by FINRA or FINRA Regulation and authorized by the Commission null and void if the officer determines that (1) the transaction is clearly erroneous, or (2) such actions are necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest; provided, however, that the officer shall take action pursuant to this paragraph as soon as possible after becoming aware of the transaction, but in all cases by 3:00 p.m., Eastern Time, on the next trading day following the date of the transaction(s) at issue. FINRA is proposing to amend Rule 11893(a) to require a FINRA officer to take action as soon as possible after becoming aware of the transaction, but in all cases no later than the start of trading on the day



following the date of the transaction(s) at issue. FINRA is proposing this change to the rule so that, in the new T+1 environment, a determination regarding whether a transaction is null and void is made before the trade settles. The proposed change also closely aligns the timeframe for a FINRA officer to take action with respect to the review of a clearly erroneous transaction in OTC Equity Securities with the timeframe for such action in exchange-listed securities provided in FINRA Rule 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities).

FINRA Rule 11894. Review by the Uniform Practice Code (“UPC”) Committee

Rule 11894 governs the appeal to the UPC Committee of a FINRA officer's determination to declare an execution null and void. Under the rule, an appeal must be made in writing and must be received by FINRA within 30 minutes after the person making the appeal is given the notification of the determination being appealed. If the appeal pertains to OTC Equity Securities, Rule 11894(b)(2) requires the UPC committee to render a determination as soon as practicable, but in no case later than two trading days following the date of the execution(s) under review. In connection with the shortening of the settlement cycle to T+1, FINRA is proposing to amend Rule 11894(b)(2) to require the UPC Committee to render a determination as soon as practicable, but in no case later than the trading day following the date of the execution(s) under review. This proposed rule change also more closely aligns the timeframe for UPC Committee determinations with respect to OTC Equity Securities with those for exchange-listed securities set forth in Rule 11894(b)(1).

Effective Date of Proposed Rule Change

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The operative date of the proposed rule change will be May 28, 2024, or such later date as may be announced by the Commission for compliance for Exchange Act Rules 15c6-1 and 15c6-2.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>18</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will minimize potential confusion and help industry participants comply with the T+1 settlement cycle by harmonizing FINRA rules with final Exchange Act Rules 15c6-1 and 15c6-2. FINRA further believes that by defining “regular way” settlement as occurring on T+1, the proposed rule change will result in a reduction of the overall level of systemic risk in the financial system and an increase in operational and capital efficiency of the clearance and settlement process. In addition, FINRA believes that the shortening of the settlement cycle will benefit investors by more quickly providing them access to the proceeds of their securities transactions.

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<sup>18</sup> 15 U.S.C. 78q-3(b)(6).

**4. Self-Regulatory Organization's Statement on Burden on Competition**

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Economic Impact Assessment

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

A. Regulatory Need

The proposed rule change will harmonize FINRA rules with final Exchange Act Rules 15c6-1 and 15c6-2, minimizing potential confusion and helping industry participants comply with the T+1 settlement cycle.

B. Economic Baseline

The economic baseline for the proposed rule change consists of current FINRA Rules 2341, 4515, 6282, 6380A, 6380B, 6622, 7140, 7240A, 7340, 11140, 11150, 11210, 11320, 11620, 11860, 11893, and 11894 as well as the amendments adopted by the SEC in final Rules 15c6-1 and 15c6-2.

C. Economic Impacts

The proposed changes to FINRA rules conform trade processing and asset servicing activities to the shortened settlement cycle and do not impose any burdens on

industry beyond those that industry must incur to implement the SEC's final rules pertaining to a T+1 settlement cycle.<sup>19</sup>

D. Alternatives Considered

An alternative to the proposed changes to FINRA Rule 11860 to shorten the relevant timeframes to facilitate the transition to T+1 consistent with final Exchange Act Rule 15c6-2 (no later than the end of the day on trade date) is to specify the exact hours on the trade date by which a member must deliver a confirmation and a customer must deliver instructions on the receipt or delivery of the securities. While this alternative would create more uniform practices, we believe that the proposed changes to FINRA Rule 11860 would provide greater flexibility and allow members and customers to establish the timelines that are more suitable for their operational capacities and constraints.

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

Written comments were neither solicited nor received.

6. **Extension of Time Period for Commission Action**

Not applicable.

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<sup>19</sup> The proposed rule changes are also largely consistent with recommendations by industry trade groups. See supra note 11.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act<sup>20</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>21</sup> in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

In accordance with Rule 19b-4(f)(6),<sup>22</sup> FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.<sup>23</sup>

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

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<sup>20</sup> 15 U.S.C. 78s(b)(3).

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

<sup>22</sup> 17 CFR 240.19b-4(f)(6).

<sup>23</sup> 17 CFR 240.19b-4(f)(6)(iii).

**11. Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of the proposed rule.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2023-017)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rules to Conform to Exchange Act Rules 15c6-1 and 15c6-2 to Shorten the Standard Settlement Cycle for Most Broker-Dealer Transactions from Two Business Days after the Trade Date to One Business Day after the Trade Date

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

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

FINRA is proposing to amend FINRA Rules 2341 (Investment Company Securities), 4515 (Approval and Documentation of Changes in Account Name or Designation), 6282 (Transactions Reported by Members to the ADF), 6380A

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

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

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

(Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting), 7140 (Trade Report Processing), 7240A (Trade Report Processing), 7340 (Trade Report Processing), 11140 (Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”), 11150 (Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”), 11210 (Sent by Each Party), 11320 (Dates of Delivery), 11620 (Computation of Interest), 11860 (COD Orders), 11893 (Clearly Erroneous Transactions in OTC Equity Securities), and 11894 (Review by the Uniform Practice Code (“UPC”) Committee) to conform to the Commission’s final amendments to Exchange Act Rule 15c6-1 and adoption of Exchange Act Rule 15c6-2 to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date (“T+2”) to one business day after the trade date (“T+1”).<sup>4</sup>

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

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

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

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<sup>4</sup> See Securities Exchange Act Release No. 96930 (February 15, 2023), 88 FR 13872 (March 6, 2023) (File No. S7-05-22) (Shortening the Securities Transaction Settlement Cycle) (“SEC T+1 Adopting Release”). The effective date of final Exchange Act Rules changes is May 5, 2023, and the compliance date is May 28, 2024.



the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

Background

In October 1993, the Commission adopted Exchange Act Rule 15c6-1 to shorten the standard U.S. trade settlement cycle for most securities transactions from five business days after the trade date (“T+5”) to three business days after the trade date (“T+3”).<sup>5</sup> In March 2017, the Commission amended Exchange Act Rule 15c6-1 to further shorten the trade settlement cycle from T+3 to T+2.<sup>6</sup> On both occasions, FINRA

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<sup>5</sup> See Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 (October 13, 1993) (File No. S7-5-93). The implementation date of Exchange Act Rule 15c6-1 was June 7, 1995. See Securities Exchange Act Release No. 34592 (November 9, 1994), 59 FR 59137 (November 16, 1994) (File No. S7-5-93). When adopted, Exchange Act Rule 15c6-1 prohibited broker-dealers from effecting or entering into a contract for the purchase or sale of a security (other than an exempted security, government security, municipal security, commercial paper, bankers’ acceptances, or commercial bills) that provides for payment of funds and delivery of securities later than the third business day after the date of the contract unless otherwise expressly agreed to by the parties at the time of the transaction. Although not covered by Exchange Act Rule 15c6-1, in 1995, the Commission approved the Municipal Securities Rulemaking Board’s (“MSRB”) rule change requiring transactions in municipal securities to settle by T+3. See Securities Exchange Act Release No. 35427 (February 28, 1995), 60 FR 12798 (March 8, 1995) (Order Approving File No. SR-MSRB-94-10).

<sup>6</sup> See Securities Exchange Act Release No. 80295 (March 22, 2017), 82 FR 15564 (March 29, 2017) (File No. S7-22-16). The compliance date for the T+2 settlement cycle was September 5, 2017. In April 2016, the Commission approved the MSRB’s rule change requiring transactions in municipal securities to settle by T+2. See Securities Exchange Act Release No. 77744 (April 29, 2016), 81 FR 26851 (May 4, 2016) (Order Approving File No. SR-MSRB-2016-04).

amended its settlement-related rules to conform to the Commission's changes to the trade settlement cycle.<sup>7</sup>

Even before the adoption of the T+2 settlement cycle, the concept of a T+1 settlement cycle already was being considered.<sup>8</sup> In this regard, the Depository Trust & Clearing Corporation ("DTCC") published a white paper in February 2021 highlighting the benefits of moving to a T+1 settlement cycle, particularly in light of the unprecedented market activity and volatility that had occurred in 2020 and early 2021.<sup>9</sup> Following the publication of the DTCC White Paper, the industry formed an Industry

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<sup>7</sup> See Securities Exchange Act Release No. 35507 (March 17, 1995), 60 FR 15616 (March 24, 1995) (Order Approving File No. SR-NASD-94-56); Securities Exchange Act Release No. 80004 (February 9, 2017), 82 FR 10835 (February 15, 2017) (Order Approving File No. SR-FINRA-2016-047) and Securities Exchange Act Release No. 80004A (March 6, 2017), 82 FR 13517 (March 13, 2017) (Correction to Order Approving File No. SR-FINRA-2016-047). Other self-regulatory organizations ("SROs"), including, as previously noted, the MSRB, also amended their rules to conform to the shortening of the settlement cycle to T+3 and then T+2.

<sup>8</sup> See, e.g., Deloitte & Touche LLP ("Deloitte"), T+2 Industry Implementation Playbook (12/18/2015), <https://www.ust2.com/pdfs/T2-Playbook-12-21-15.pdf>; Investor Advisory Committee, U.S. Securities and Exchange Commission Recommendation of the Investor Advisory Committee: Shortening the Settlement Cycle in U.S. Financial Markets (February 12, 2015), <https://www.sec.gov/spotlight/investor-advisory-committee-2012/settlement-cycle-recommendation-final.pdf>.

<sup>9</sup> See DTCC, Advancing Together: Leading the Industry to Accelerated Settlement (February 2021) ("DTCC White Paper"), <https://www.dtcc.com/-/media/Files/PDFs/White%20Paper/DTCC-Accelerated-Settle-WP-2021.pdf>.

Steering Committee (“ISC”)<sup>10</sup> and an Industry Working Group (“IWG”)<sup>11</sup> to develop an industry consensus for the transition to a T+1 settlement cycle. In December 2021, SIFMA, ICI, DTCC, and Deloitte published a report summarizing the work conducted by the ISC and IWG and setting forth the ISC’s recommendations for transitioning to a T+1 settlement cycle.<sup>12</sup> Thereafter, in August 2022, SIFMA, ICI, and Deloitte published a T+1 implementation playbook to help market participants prepare for the implementation of T+1 settlement.<sup>13</sup>

On February 9, 2022, the Commission published a proposal to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1.<sup>14</sup> In the SEC T+1 Proposing Release, the Commission noted its belief that shortening the settlement cycle from T+2 to T+1 can promote investor protection, reduce risk, and increase operational and capital efficiency. Moreover, the Commission noted that two episodes involving increased market volatility—the outbreak of the COVID-19 pandemic in March 2020 and the “meme” stock

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<sup>10</sup> Participants in the ISC include, among others, DTCC, the Securities Industry and Financial Markets Association (“SIFMA”), and the Investment Company Institute (“ICI”). See <https://www.dtcc.com/ust1>.

<sup>11</sup> The IWG included over 800 subject matter advisors representing over 160 firms from buy- and sell-side firms, custodians, vendors, and clearinghouses. See infra note 12.

<sup>12</sup> See SIFMA, ICI, DTCC & Deloitte, Accelerating the U.S. Securities Settlement Cycle to T+1 (December 1, 2021), <https://www.sifma.org/wp-content/uploads/2021/12/Accelerating-the-U.S.-Securities-Settlement-Cycle-to-T1-December-1-2021.pdf>.

<sup>13</sup> See SIFMA, ICI & Deloitte, T+1 Securities Settlement Industry Implementation Playbook (August 2022), [https://www.sifma.org/wp-content/uploads/2022/08/T1\\_Industry\\_Implementation\\_Playbook.pdf](https://www.sifma.org/wp-content/uploads/2022/08/T1_Industry_Implementation_Playbook.pdf).

<sup>14</sup> See Securities Exchange Act Release No. 94196 (February 9, 2022), 87 FR 10436 (February 24, 2022) (File No. S7-05-22) (“SEC T+1 Proposing Release”).

phenomenon in January 2021—refocused attention on a T+1 standard settlement cycle. In the SEC T+1 Proposing Release, the Commission further noted that substantial progress has been made toward identifying the technological and operational changes that are necessary to establish a T+1 settlement cycle, including the industry-level changes that would be necessary to transition from a T+2 standard to a T+1 standard settlement cycle. In proposing new Exchange Act Rule 15c6-2, the Commission stated that additional regulatory steps were “necessary to improve the processing of institutional transactions, advancing two other longstanding objectives shared by the Commission and the securities industry: the completion of trade allocations, confirmations, and affirmations on trade date (an objective often referred to as “same-day affirmation”) and the straight-through processing of securities transactions.”<sup>15</sup> The Commission received numerous comment letters on the proposal, specifically regarding the proposed amendments to Exchange Act Rule 15c6-1 and proposed new Exchange Act Rule 15c6-2.<sup>16</sup>

Following consideration of the comments, on February 15, 2023, the Commission adopted final rules to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1.<sup>17</sup> In addition to the amendments to Exchange Act Rule 15c6-1 to shorten the settlement cycle, the Commission adopted new Exchange Act Rule 15c6-2 regarding same-day allocations and affirmations.

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<sup>15</sup> See SEC T+1 Adopting Release, supra note 4, 88 FR 13872, 13873.

<sup>16</sup> Copies of all comment letters received by the Commission are available at <https://www.sec.gov/comments/s7-05-22/s70522.htm>.

<sup>17</sup> See supra note 4.

Final Exchange Act Rule 15c6-1 requires most broker-dealer transactions to settle by T+1, subject to certain exceptions. Final Exchange Act Rule 15c6-2 addresses same day allocations, confirmations and affirmations to improve institutional trades and straight-through processing. Certain transactions, primarily involving institutional trades, require post-trade exchange of confirmations and affirmations, in order for the parties to compare trade details and facilitate settlement with third-party custodians. In addition, investment managers that effect block trades for the accounts of several customers simultaneously need to provide post-trade underlying account allocation instructions to the broker or custodian before these transactions can settle. Final Exchange Act Rule 15c6-2 requires a broker-dealer to either enter into a written agreement or establish, maintain, and enforce written policies and procedures reasonably designed to ensure the completion of allocations, confirmations, and affirmations (or any combination thereof) as soon as technologically practicable and no later than the end of trade date in order to complete settlement by T+1.

#### Proposed Rule Change

Given the Commission's recent changes to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1, FINRA is proposing amendments to its rules to align them with the changes set forth in the T+1 Adopting Release. As such, FINRA is proposing to amend FINRA Rules 2341 (Investment Company Securities), 4515 (Approval and Documentation of Changes in Account Name or Designation), 6282 (Transactions Reported by Members to the ADF), 6380A (Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting), 7140 (Trade Report Processing), 7240A (Trade Report Processing), 7340 (Trade Report Processing), 11140 (Transactions in Securities "Ex- Dividend," "Ex-Rights" or "Ex-

Warrants”), 11150 (Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”), 11210 (Sent by Each Party), 11320 (Dates of Delivery), 11620 (Computation of Interest), 11860 (COD Orders), 11893 (Clearly Erroneous Transactions in OTC Equity Securities), and 11894 (Review by the Uniform Practice Code (“UPC”) Committee).

The details of the proposed rule change are described below.

FINRA Rule 2341 (Investment Company Securities)

Rule 2341(m)(1) requires members, including underwriters, that engage in direct retail transactions for investment company shares to transmit payments received from customers for the purchase of investment company shares to the payee by the end of the second business day after receipt of a customer’s order to purchase such shares, or by the end of one business day after receipt of a customer’s payment for such shares, whichever is later. FINRA is proposing to amend Rule 2341(m)(1) to change the two-business day transmittal requirement to one business day. FINRA is not proposing any changes to the one-business day alternative.

4515 (Approval and Documentation of Changes in Account Name or Designation)

Rule 4515 requires that, before a customer order is executed, the account name or designation must be placed upon the order form or other similar record for the transaction, and addresses the approval and documentation procedures for changes in such account name or designation. Additionally, Rule 4515.01 provides that when accepting orders from investment advisers, the member firm may allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, as long as the firm receives specific account

designations or customer names from such investment advisers by noon of the next business day following the trading session.<sup>18</sup> FINRA is proposing to amend Rule 4515.01 to provide that when accepting orders from investment advisers, a member firm may allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, as long as the member firm receives specific account designations or customer names from such investment advisers by no later than the end of the day on the trade date. FINRA is proposing to amend the timeframe by which a member firm must receive the specific account designations or customer names from the investment adviser to conform Rule 4515.01 with the same-day confirmation, allocation, and affirmation requirements of new Exchange Act Rule 15c6-2.

FINRA Rules 6282 (Transactions Reported by Members to the ADF), 6380A (Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting)

Rules 6282(a)(4)(D), 6380A(a)(5)(D), 6380B(a)(5)(D), and 6622(a)(5)(D)

address transaction reporting with respect to the Alternative Display Facility (“ADF”), the FINRA/Nasdaq Trade Reporting Facility (“NQTRF”), the FINRA/NYSE Trade

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<sup>18</sup> Rule 4515.01 applies only where there is more than one customer for any particular order and it extends to investment advisers that are registered under the Investment Advisers Act or that, but for Investment Advisers Act Section 203(b) or 203A, would be required to register under the Investment Advisers Act. In addition, Rule 4515.01 clarifies that member firms may not knowingly facilitate the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser’s intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser’s fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.

Reporting Facility, and the Over-the-Counter Reporting Facility (“ORF”), respectively. Specifically, these rules require a reporting firm to identify a Next Day Trade by appending the appropriate modifier to a last sale report. FINRA is proposing to delete Rules 6282(a)(4)(D), 6380A(a)(5)(D), 6380B(a)(5)(D), and 6622(a)(5)(D) because, upon implementation of a T+1 trade settlement cycle, a Next Day Trade will become a Regular Way Trade, which is the default settlement type for transaction reporting and does not require a modifier.

FINRA Rules 7140 (Trade Report Processing), 7240A (Trade Report Processing), and 7340 (Trade Report Processing)

Rules 7140(a)(3), 7240A(a)(3), and 7340(a)(3) address the automatic lock-in of trades in the ADF, the NQTRF, and the ORF, respectively. These rules provide that any trade that remains open at the end of its entry day will be carried over and automatically locked-in by the corresponding system. The trade is then submitted to the National Securities Clearing Corporation (“NSCC”) at 2:30 p.m. Eastern Time (“ET”) on the next business day. FINRA is proposing to amend Rules 7140(a)(3), 7240A(a)(3), and 7340(a)(3) to change the time a trade is submitted to the NSCC from 2:30 p.m. ET to noon ET to allow for sufficient time for NSCC to process the trade.

FINRA Rule 11140 (Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”)

Rule 11140(b)(1) provides that for dividends or distributions, and the issuance or distribution of warrants, that are less than 25 percent of the value of the subject security, if definitive information is received sufficiently in advance of the record date, the date designated as the “ex-dividend date” shall be the first business day preceding the record



date if the record date falls on a business day, or the second business day preceding the record date if the record date falls on a day designated by FINRA's Uniform Practice Code Committee ("Committee") as a non-delivery date. FINRA is proposing to shorten the timeframes in Rule 11140(b)(1) by one business day. As such, the date designated as the "ex-dividend date" would be the record date if the record date falls on a business day, or the first business day preceding the record date if the record date falls on a day designated by the Committee as a non-delivery date. In addition, the proposed rule change would make a non-substantive technical change to the rule.

FINRA Rule 11150 (Transactions "Ex-Interest" in Bonds Which Are Dealt in "Flat")

Rule 11150(a) prescribes the manner for establishing "ex-interest dates" for transactions in bonds or other similar evidences of indebtedness which are traded "flat." Such transactions are "ex-interest" on (1) the first business day preceding the record date if the record date falls on a business day, (2) the second business day preceding the record date if the record date falls on a day other than a business day, or (3) the second business day preceding the date on which an interest payment is to be made if no record date has been fixed. FINRA is proposing to shorten the timeframes in Rule 11150(a) by one business day. Therefore, the transactions would be "ex-interest" on (1) the record date if the record date falls on a business day, (2) the first business day preceding the record date if the record date falls on a day other than a business day, or (3) the first business day preceding the date on which an interest payment is to be made if no record date has been fixed.

FINRA Rule 11210 (Sent by Each Party)

Rule 11210(a) requires each party to a transaction, other than a cash transaction, to send a Uniform Comparison or Confirmation of the transaction on or before the first business day following the date of the transaction. FINRA is proposing to shorten the timeframe in Rule 11210(a) and require the sending of the Uniform Comparison or Confirmation of a transaction by the end of the day on the trade date. In addition, the proposed rule change would clarify that, as a result of this change, the timeframe for the exchange of comparisons or confirmations for all transactions (cash and non-cash) would be the same.

Paragraphs (c) and (d) of Rule 11210 set forth the “Don’t Know” (“DK”) voluntary procedures for using “DK Notices” (FINRA Form No. 101) or other forms of notices, respectively. Depending upon the notice used, a confirming member may follow the “DK” procedures when it sends a comparison or confirmation of a trade (other than one that clears through the National Securities Clearing Corporation or other registered clearing agency), but does not receive a comparison or confirmation or a signed “DK” from the contra-member by the close of one business day following the trade date of the transaction. The procedures generally provide that after this time period, the confirming member shall send a “DK Notice” (or similar notice) to the contra-member. The contra-member then has two business days after receipt of the confirming member’s notice to either confirm or “DK” the transaction.

FINRA is proposing to amend paragraphs (c) and (d) of Rule 11210 to provide that the “DK” procedures may be used by the confirming member if it does not receive a comparison or confirmation or signed “DK” from the contra-member by the end of the

day on the trade date of the transaction, rather than by the current close of one business day following the trade date of the transaction. In addition, FINRA is proposing amendments to paragraphs (c)(2)(A), (c)(3), and (d)(5) of Rule 11210 to adjust the time in which a contra-member has to respond to a “DK Notice” (or similar notice) from two business days after the contra-member’s receipt of the notice to one business day after the contra-member’s receipt of the notice.

FINRA Rule 11320 (Dates of Delivery)

Rule 11320 prescribes delivery dates for various transactions. Paragraph (b) states that for a “regular way” transaction, delivery must be made on, but not before, the second business day after the date of the transaction. FINRA is proposing to amend Rule 11320(b) to change the reference to the second business day following the date of the transaction to the first business day following the date of the transaction.

Rule 11320(c) provides that in a “seller’s option” transaction, delivery may be made by the seller on any business day after the second business day following the date of the transaction and prior to the expiration of the option. FINRA is proposing to amend Rule 11320(c) to change the reference to the second business day following the date of the transaction to the first business day following the date of the transaction.

FINRA Rule 11620 (Computation of Interest)

In the settlement of contracts in interest-paying securities other than for cash, Rule 11620(a) requires the calculation of interest at the rate specified in the security up to, but not including, the second business day after the date of the transaction. FINRA is proposing to amend Rule 11620(a) to shorten the timeframe to the first business day following the date of the transaction.

FINRA Rule 11860 (COD Orders)

Rule 11860(a) directs members to follow various procedures before accepting collect on delivery (“COD”) or payment on delivery (“POD”) orders.<sup>19</sup> Rule 11860(a)(3) provides that the member must deliver to the customer a confirmation, or all relevant data customarily contained in a confirmation with respect to the execution of the order, not later than the close of business on the next business day after any such execution.

FINRA is proposing to amend Rule 11860(a)(3) to shorten the timeframe for delivery in the rule to no later than the end of the day on the trade date. In addition, the proposed rule change would make a non-substantive technical change to the rule.

Rule 11860(a)(4) requires that the member have obtained an agreement from the customer that the customer will furnish its agent instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order, and that in any event the customer will assure that such instructions are delivered to its agent no later than the close of business on the first business day after the date of execution of a COD or POD order.

In light of the Commission’s recent adoption of final Exchange Act Rule 15c6-2, FINRA is proposing to amend Rule 11860(a)(4) to provide that prior to accepting a COD or POD order, the member shall have entered into the written agreement, or established

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<sup>19</sup> A COD order is a purchase by the customer where the agent is to receive the securities against payment for the purchase and a POD order is a sale by the customer where the agent is to deliver the securities against payment of the sale proceeds. Alternative industry terms for COD and POD orders are delivery vs. payment (“DVP”) and receipt vs. payment (“RVP”).

the written policies and procedures, required by SEA Rule 15c6-2 with respect to any resulting transaction.

FINRA Rule 11893. Clearly Erroneous Transactions in OTC Equity Securities

Rule 11893 governs clearly erroneous determinations involving transactions in OTC Equity Securities. Pursuant to Rule 11893(a), a FINRA officer may declare any transaction involving an OTC Equity Security arising out of or reported through a trade reporting system owned or operated by FINRA or FINRA Regulation and authorized by the Commission null and void if the officer determines that (1) the transaction is clearly erroneous, or (2) such actions are necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest; provided, however, that the officer shall take action pursuant to this paragraph as soon as possible after becoming aware of the transaction, but in all cases by 3:00 p.m., Eastern Time, on the next trading day following the date of the transaction(s) at issue. FINRA is proposing to amend Rule 11893(a) to require a FINRA officer to take action as soon as possible after becoming aware of the transaction, but in all cases no later than the start of trading on the day following the date of the transaction(s) at issue. FINRA is proposing this change to the rule so that, in the new T+1 environment, a determination regarding whether a transaction is null and void is made before the trade settles. The proposed change also closely aligns the timeframe for a FINRA officer to take action with respect to the review of a clearly erroneous transaction in OTC Equity Securities with the timeframe for such action in exchange-listed securities provided in FINRA Rule 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities).

FINRA Rule 11894. Review by the Uniform Practice Code (“UPC”) Committee

Rule 11894 governs the appeal to the UPC Committee of a FINRA officer's determination to declare an execution null and void. Under the rule, an appeal must be made in writing and must be received by FINRA within 30 minutes after the person making the appeal is given the notification of the determination being appealed. If the appeal pertains to OTC Equity Securities, Rule 11894(b)(2) requires the UPC committee to render a determination as soon as practicable, but in no case later than two trading days following the date of the execution(s) under review. In connection with the shortening of the settlement cycle to T+1, FINRA is proposing to amend Rule 11894(b)(2) to require the UPC Committee to render a determination as soon as practicable, but in no case later than the trading day following the date of the execution(s) under review. This proposed rule change also more closely aligns the timeframe for UPC Committee determinations with respect to OTC Equity Securities with those for exchange-listed securities set forth in Rule 11894(b)(1).

Effective Date of Proposed Rule Change

FINRA has filed the proposed rule change for immediate effectiveness. The operative date of the proposed rule change will be May 28, 2024, or such later date as may be announced by the Commission for compliance for Exchange Act Rules 15c6-1 and 15c6-2.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>20</sup> which requires, among other things, that FINRA rules

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<sup>20</sup> 15 U.S.C. 78o-3(b)(6).

must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will minimize potential confusion and help industry participants comply with the T+1 settlement cycle by harmonizing FINRA rules with final Exchange Act Rules 15c6-1 and 15c6-2. FINRA further believes that by defining “regular way” settlement as occurring on T+1, the proposed rule change will result in a reduction of the overall level of systemic risk in the financial system and an increase in operational and capital efficiency of the clearance and settlement process. In addition, FINRA believes that the shortening of the settlement cycle will benefit investors by more quickly providing them access to the proceeds of their securities transactions.

B. Self-Regulatory Organization’s Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Economic Impact Assessment

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

1. Regulatory Need

The proposed rule change will harmonize FINRA rules with final Exchange Act Rules 15c6-1 and 15c6-2, minimizing potential confusion and helping industry participants comply with the T+1 settlement cycle.

2. Economic Baseline

The economic baseline for the proposed rule change consists of current FINRA Rules 2341, 4515, 6282, 6380A, 6380B, 6622, 7140, 7240A, 7340, 11140, 11150, 11210, 11320, 11620, 11860, 11893, and 11894 as well as the amendments adopted by the SEC in final Rules 15c6-1 and 15c6-2.

3. Economic Impacts

The proposed changes to FINRA rules conform trade processing and asset servicing activities to the shortened settlement cycle and do not impose any burdens on industry beyond those that industry must incur to implement the SEC's final rules pertaining to a T+1 settlement cycle.<sup>21</sup>

4. Alternatives Considered

An alternative to the proposed changes to FINRA Rule 11860 to shorten the relevant timeframes to facilitate the transition to T+1 consistent with final Exchange Act Rule 15c6-2 (no later than the end of the day on trade date) is to specify the exact hours on the trade date by which a member must deliver a confirmation and a customer must deliver instructions on the receipt or delivery of the securities. While this alternative would create more uniform practices, we believe that the proposed changes to FINRA

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<sup>21</sup> The proposed rule changes are also largely consistent with recommendations by industry trade groups. See supra note 13.



Rule 11860 would provide greater flexibility and allow members and customers to establish the timelines that are more suitable for their operational capacities and constraints.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>22</sup> and Rule 19b-4(f)(6) thereunder.<sup>23</sup>

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

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<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f)(6).

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2023-017 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2023-017. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3

p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2023-017 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>24</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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**2300. SPECIAL PRODUCTS**

\* \* \* \* \*

**2341. Investment Company Securities**

(a) through (l) No Change.

**(m) Prompt Payment for Investment Company Shares**

(1) Members (including underwriters) that engage in direct retail transactions for investment company shares shall transmit payments received from customers for such shares, which such members have sold to customers, to payees (i.e., underwriters, investment companies or their designated agents) by (A) the end of one [the second] business day following a receipt of a customer's order to purchase such shares or by (B) the end of one business day following receipt of a customer's payment for such shares, whichever is the later date.

(2) No Change.

(n) No Change.

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**4500. BOOKS, RECORDS AND REPORTS**

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**4515. Approval and Documentation of Changes in Account Name or Designation**

No Change.

••• **Supplementary Material:** -----

**.01 Allocations of Orders Made by Investment Advisers.** Members may accept orders from investment advisers as described below and allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, provided that members receive specific account designations or customer names from such investment advisers by no later than the end of the day on the trade date [noon of the next business day following the trading session]. This exception only applies where there is more than one customer for any particular order.

In addition, this exception applies to: (a) outside investment advisers; and (b) associated persons of a member who provide investment advisory services on behalf of a member acting as an investment adviser. However, in either instance, the investment adviser must be one who is registered under the Investment Advisers Act or who, but for Investment Advisers Act Section 203(b) or 203A, would be required to register under the Investment Advisers Act. It does not apply to accounts handled by individual registered representatives of members who otherwise exercise discretionary authority over accounts pursuant to Rule 3260. Nothing in this Rule or Supplementary Material may be construed as allowing a member knowingly to facilitate the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser's intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser's fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.

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

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**6200. ALTERNATIVE DISPLAY FACILITY**

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

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

(1) through (3) No Change.

**(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) through (C) No Change.

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

(E) through (K) No Change.

(5) through (8) No Change.

(b) through (h) No Change.

**••• Supplementary Material: -----**

.01 through .04 No Change.

**6300. TRADE REPORTING FACILITIES**

**6300A. FINRA/NASDAQ TRADE REPORTING FACILITIES**

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**6380A. Transaction Reporting**

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

(1) through (4) No Change.

(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) through (C) No Change.

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

(E) through (K) No Change.

(6) through (8) No Change.

(b) through (h) No Change.

••• **Supplementary Material:** -----

.01 through .04 No Change.

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

\* \* \* \* \*

**6380B. Transaction Reporting**

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

(1) through (4) No Change.

(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) through (C) No Change.

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

(E) through (K) No Change.

(6) through (8) No Change.

(b) through (h) No Change.

••• **Supplementary Material:** -----

.01 through .04 No Change.

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**6600. OTC Reporting Facility**

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**6620. Reporting Transactions in OTC Equity Securities and Restricted Equity Securities**

\* \* \* \* \*

**6622. Transaction Reporting**

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

(1) through (4) No Change.

(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) through (C) No Change.

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

(E) through (H) No Change.

(6) through (8) No Change.

(b) through (h) No Change.

**••• Supplementary Material: -----**

.01 through .04 No Change.

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**7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS,  
AND FACILITY CHARGES**

**7100. ALTERNATIVE DISPLAY FACILITY**

\* \* \* \* \*



**7140. Trade Report Processing**

(a) Locked-in trades may be determined in the System through one of the following methods:

(1) through (2) No Change.

**(3) Automatic Lock-in**

Any trade that remains open (i.e. unmatched or unaccepted) at the end of its entry day will be carried over for continued comparison and reconciliation.

The System will automatically lock in and submit to DTCC as such any carried-over T to T+21 (calendar day) trade if it remains open as of noon Eastern Time [2:30 p.m.] on the next business day. The System will carry over any T+22 (calendar day) or older "as/of" trade that remains open, but such trade will not be subject to the automatic lock-in process.

(b) No Change.

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**7200. TRADE REPORTING FACILITIES**

**7200A. FINRA/NASDAQ TRADE REPORTING FACILITIES**

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**7240A. Trade Report Processing**

(a) Locked-in trades may be determined in the System by matching the trade information submitted by the Reporting Parties through one of the following methods:

(1) through (2) No Change.

**(3) Automatic Lock-in**

Any trade that remains open (i.e. unmatched or unaccepted) at the end of its entry day will be carried over for continued comparison and reconciliation.

The System will automatically lock in and submit to DTCC as such any carried-over T to T+21 (calendar day) trade if it remains open as of noon Eastern Time [2:30 p.m.] on the next business day. The System will carry over any T+22 (calendar day) or older "as/of" trade that remains open, but such trade will not be subject to the automatic lock-in process..

(b) No Change.

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#### **7300. OTC REPORTING FACILITY**

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#### **7340. Trade Report Processing**

(a) Locked-in trades may be determined in the System by matching the trade information submitted by the Reporting Parties through one of the following methods:

(1) through (2) No Change.

#### **(3) Automatic Lock-in**

Any trade that remains open (i.e. unmatched or unaccepted) at the end of its entry day will be carried over for continued comparison and reconciliation.

The System will automatically lock in and submit to DTCC as such any carried-over T to T+21 (calendar day) trade if it remains open as of noon Eastern Time [2:30 p.m.] on the next business day. The System will carry over any T+22 (calendar day) or older "as/of" trade that remains open, but such trade will not be subject to the automatic lock-in process.

(b) No Change.

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**11000. UNIFORM PRACTICE CODE**

\* \* \* \* \*

**11140. Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”**

(a) No Change.

**(b) Normal Ex-Dividend, Ex-Warrants Dates**

(1) In respect to cash dividends or distributions, or stock dividends, and the issuance or distribution of warrants, which are less than 25 percent [%] of the value of the subject security, if the definitive information is received sufficiently in advance of the record date, the date designated as the “ex-dividend date” shall be [the first business day preceding] the record date if the record date falls on a business day, or the first [second] business day preceding the record date if the record date falls on a day designated by the Committee as a non-delivery date.

(2) In respect to cash dividends or distributions, stock dividends and/or splits, and the distribution of warrants, which are 25 percent [%] or greater of the value of the subject security, the ex-dividend date shall be the first business day following the payable date.

(3) No Change.

(c) through (e) No Change.

**11150. Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”**

**(a) Normal Ex-Interest Dates**

All transactions, except “cash” transactions, in bonds or similar evidences of indebtedness which are traded “flat” shall be “ex-interest” as prescribed by the following provisions:

(1) On [the first business day preceding] the record date if the record date falls on a business day.

(2) On the first [second] business day preceding the record date if the record date falls on a day other than a business day.

(3) On the first [second] business day preceding the date on which an interest payment is to be made if no record date has been fixed.

(b) No Change.

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**11200. COMPARISONS OR CONFIRMATIONS AND “DON’T KNOW NOTICES”**

**11210. Sent by Each Party**

**(a) Comparisons or Confirmations**

(1) Each party to a transaction[, other than a cash transaction,] shall send a Uniform Comparison or Confirmation of same by the end of the day on the trade date [on or before the first business day following the date of the transaction].

[(2) Comparisons or confirmations of cash transactions shall be exchanged on the day of the trade.]

Subparagraphs (3) and (4) renumbered as (2) and (3).

(b) No Change.

**(c) “DK” Procedures Using “Don't Know Notices” (FINRA Form No. 101)**

When a party to a transaction sends a comparison or confirmation of a trade, but does not receive a comparison or confirmation or a signed DK, from the contra-member by the end of the day on [close of one business day following] the trade date of the transaction, the following procedure may be utilized.

(1) No Change.

(2)(A) After receipt of the “Don't Know Notice” as specified in paragraph (c)(1) of this Rule, the contra-member shall have one [two] business day[s] after the notice is received to either confirm or DK the transaction in accordance with the provisions of paragraph (c)(2)(B) or (c)(2)(C) of this Rule.

(B) through (C) No Change.

(3) If the confirming member does not receive a response from the contra-member by the close of one [two] business day[s] after receipt by the confirming member of the fourth copy of the “Don't Know Notice” if delivered by messenger, or the post office receipt if delivered by mail, as specified in paragraph (c)(1) of this Rule, such shall constitute a DK and the confirming member shall have no further liability for the trade.

(4) through (5) No Change.

**(d) “DK” Procedure Using Other Forms of Notice**

When a party to a transaction sends comparison or confirmation of a trade, but does not receive a comparison or confirmation or a signed DK, from the contra-member by the end of the day on the trade date [close of one business day following the date of

the transaction], the following procedure may be utilized in place of that provided in the preceding paragraph (c) of this Rule.

(1) through (4) No Change.

(5) If the confirming member does not receive a response in the form of a notice from the contra-member by the close of one [two] business day[s] after receipt of the confirming member's notice, such shall constitute a DK and the confirming member shall have no further liability.

(6) through (8) No Change.

••• **Supplementary Material:** -----

.01 No Change.

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**11300. DELIVERY OF SECURITIES**

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**11320. Dates of Delivery**

(a) No Change.

(b) **“Regular Way”**

In connection with a transaction “regular way,” delivery shall be made at the office of the purchaser on, but not before, the first [second] business day following the date of the transaction.

(c) **“Seller's Option”**

In connection with a transaction “seller’s option,” delivery shall be made at the office of the purchaser on the date on which the option expires; except that delivery may be made by the seller on any business day after the first [second] business day following

the date of transaction and prior to the expiration of the option, provided the seller delivers at the office of purchaser, on a business day preceding the day of delivery, written notice of intention to deliver.

(d) through (h) No Change.

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**11600. DELIVERY OF BONDS AND OTHER EVIDENCES OF INDEBTEDNESS**

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**11620. Computation of Interest**

**(a) Interest to be Added to the Dollar Price**

In the settlement of contracts in interest-paying securities other than for “cash,” there shall be added to the dollar price interest at the rate specified in the security, which shall be computed up to but not including the first [second] business day following the date of the transaction. In transactions for “cash,” interest shall be added to the dollar price at the rate specified in the security up to but not including the date of transaction.

(b) through (f) No Change.

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**11800. CLOSE-OUT PROCEDURES**

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**11860. COD Orders**

(a) No member shall accept an order from a customer, including foreign customers and/or broker-dealers trading with or through the member, for eligible transactions of such customers that settle in the United States, pursuant to an arrangement

whereby payment for securities purchased or delivery of securities sold is to be made to or by an agent of the customer unless all of the following procedures are followed:

(1) through (2) No Change.

(3) The member shall deliver to the customer a confirmation, or all relevant data customarily contained in a confirmation with respect to the execution of the order, in whole or in part, no[t] later than the end of the day on the trade date [close of business on the next business day after any such execution].

(4) Prior to accepting any such order, the member shall have entered into the written agreement, or established the written policies and procedures, required by SEA Rule 15c6-2 with respect to any resulting transaction. [The member shall have obtained an agreement from the customer that the customer will furnish its agent instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and that in any event the customer will assure that such instructions are delivered to its agent no later than:]

[(A) in the case of a purchase by the customer where the agent is to receive the securities against payment (COD), the close of business on the first business day after the date of execution of the trade as to which the particular confirmation relates; or]



[(B) in the case of a sale by the customer where the agent is to deliver the securities against payment (POD), the close of business on the first business day after the date of execution of the trade as to which the particular confirmation relates.]

(5) No Change.

(b) No Change.

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### **11893. Clearly Erroneous Transactions in OTC Equity Securities**

#### **(a) Procedures for Reviewing Transactions**

An Executive Vice President of FINRA's Market Regulation Department or Transparency Services Department, or any officer designated by such Executive Vice President, may, on his or her own motion, review any transaction involving an OTC Equity Security arising out of or reported through a trade reporting system owned or operated by FINRA or FINRA Regulation and authorized by the Commission. A FINRA officer acting pursuant to this paragraph may declare any such transaction null and void if the officer determines that (A) the transaction is clearly erroneous, or (B) such actions are necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest; provided, however, that the officer shall take action pursuant to this paragraph as soon as possible after becoming aware of the transaction, but in all cases no later than the start of trading on the [by 3:00 p.m., Eastern Time, on the next trading] day following the date of the transaction(s) at issue. If a FINRA officer acting pursuant to this paragraph declares any transaction null and void, each party involved in the transaction shall be notified as soon as practicable by FINRA, and the party aggrieved

by the action may appeal such action in accordance with Rule 11894, unless the officer making the determination also determines that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest.

(b) through (c) No Change.

••• **Supplementary Material:** -----

.01 No Change.

**11894. Review by the Uniform Practice Code (“UPC”) Committee**

(a) No Change.

(b)(1) No Change.

(2) With respect to appeals regarding OTC Equity Securities, determinations by the UPC Committee pursuant to this Rule will be rendered as soon as practicable, but in no case later than the trading day [two trading days] following the date of the execution(s) under review.

(c) through (e) No Change.

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