

## Trading Activity Fee (TAF)

### SEC Approves Increase in the TAF Rate for Sales of Covered Equity Securities

Effective Date: July 1, 2011

#### Executive Summary

Effective July 1, 2011, the Trading Activity Fee (TAF) rate for sales of covered equity securities will increase from \$0.000075 per share for each sale of a covered equity security to \$0.000090 per share, with a corresponding increase to the per-transaction cap for covered equity securities from \$3.75 to \$4.50.<sup>1</sup> The new rate will apply to any sale of a covered equity security subject to the TAF occurring on or after July 1, 2011.

The text of the new rule is available in the online [FINRA Manual](#).

Questions concerning this *Notice* should be directed to:

- ▶ FINRA Finance, at (240) 386-5397; or
- ▶ The Office of General Counsel, at (202) 728-8071

#### Background & Discussion

FINRA's primary member regulatory pricing structure consists of the following fees: the Personnel Assessment (PA), Gross Income Assessment (GIA) and Trading Activity Fee (TAF). These fees are used to fund FINRA's regulatory activities, including examinations; financial monitoring; and FINRA's policymaking, rulemaking and enforcement activities.<sup>2</sup>

Because the proceeds from these fees are used to fund FINRA's regulatory mandate, Section 1 of Schedule A to FINRA's By-Laws notes that "FINRA shall periodically review these revenues in conjunction with these costs to determine the applicable rate."<sup>3</sup> Although FINRA recently restructured both the GIA and the PA,<sup>4</sup> the current TAF rate for covered equity securities of \$0.000075 per share has been in place for over six years.<sup>5</sup> As a result of the recent decrease in trading volumes in the equity markets, an increase in the TAF rate is now necessary to ensure that FINRA can continue to maintain a robust regulatory program and meet its regulatory obligations effectively, while attempting to remain revenue neutral.

#### June 2011

##### Notice Type

- ▶ Rule Amendment

##### Suggested Routing

- ▶ Compliance
- ▶ Finance
- ▶ Internal Audit
- ▶ Legal
- ▶ Operations
- ▶ Senior Management
- ▶ Systems
- ▶ Trading

##### Key Topics

- ▶ Trading Activity Fee

##### Referenced Rules & Notices

- ▶ FINRA By-Laws, Schedule A, § 1(a)
- ▶ Regulatory Notice 10-56
- ▶ Regulatory Notice 09-68
- ▶ NTM 04-84

Accordingly, to stabilize revenue flows necessary to support FINRA's regulatory mission, the SEC approved an increase to the TAF rate for sales of covered equity securities. Effective July 1, 2011, the TAF rate for sales of covered equity securities will increase from \$0.000075 per share to \$0.000090 per share, with a corresponding increase to the per-transaction cap for covered equity securities from \$3.75 to \$4.50. The new rate will apply to any sale of a covered equity security subject to the TAF occurring on or after July 1, 2011. The TAF Self-Reporting Form available on FINRA's website<sup>6</sup> will reflect this new rate beginning with TAF Self-Reporting Forms due on August 12, 2011,<sup>7</sup> which reflect trades subject to the TAF occurring in July 2011.

## Endnotes

1. See Securities Exchange Act Release No. 64590 (June 2, 2011).
2. See FINRA By-Laws, Schedule A, § 1(a).
3. *Id.*
4. See Securities Exchange Act Release No. 61042 (November 20, 2009), 74 FR 62616 (November 30, 2009); see also [Regulatory Notice 09-68](#) (November 2009).
5. See Securities Exchange Act Release No. 50485 (October 1, 2004), 69 FR 60445 (October 8, 2004); [NTM 04-84](#) (November 2004).
6. See [www.finra.org/taf](http://www.finra.org/taf). This Web page provides firms with additional guidance on the TAF, including Frequently Asked Questions (FAQ) and applicable forms. See [Regulatory Notice 10-56](#) (October 2010).
7. The TAF is self-reported by firms on a monthly basis. See [TAF FAQ 100.5](#). TAF Self-Reporting Forms should be submitted to FINRA by the tenth business day following the end of the month. See [TAF FAQ 100.7](#).