

Trading Activity Fee (TAF)

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

Effective Date: March 1, 2012

Executive Summary

Effective March 1, 2012, the Trading Activity Fee (TAF) rate for sales of covered equity securities will increase from \$0.000090 per share for each sale of a covered equity security to \$0.000095 per share, with a corresponding increase to the per-transaction cap for covered equity securities from \$4.50 to \$4.75.¹ The new rate applies to any sale of a covered equity security subject to the TAF occurring on or after March 1, 2012.

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
- ▶ Office of General Counsel, at (202) 728-8071.

Background & Discussion

FINRA's primary member regulatory pricing structure consists of the Personnel Assessment, the Gross Income Assessment and the TAF. These fees are used to fund FINRA's regulatory activities, including examinations; financial monitoring; and FINRA's policymaking, rulemaking and enforcement activities.²

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."³ Beginning with trades occurring on or after July 1, 2011, the TAF rate for covered equity securities was \$0.000090 per share for each sale of a covered equity security, with a maximum charge of \$4.50 per trade.⁴ Share volume in the equity markets during 2011 was difficult to project given the volatility of the markets. Declining share volumes during

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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 11-27
- ▶ Regulatory Notice 10-56

the first half of 2011, which led to the prior increase to the TAF rate for equity securities, were followed by a spike in volume in August, then by declining volumes heading into the fourth quarter of 2011. Recognizing that these volume conditions remain weaker than the 2010 average daily share volume of 8.5 billion shares—which FINRA used as the baseline for estimating TAF revenues—FINRA determined that it is necessary to adjust the rate for 2012.

Accordingly, to stabilize revenue flows necessary to support FINRA’s regulatory mission in light of the decreased volume of trading in the equity markets, the SEC approved an increase to the TAF rate for covered equity securities. Effective March 1, 2012, the TAF rate for sales of covered equity securities will increase from \$0.000090 per share to \$0.000095 per share, with a corresponding increase to the per-transaction cap for covered equity securities from \$4.50 to \$4.75. The new rate applies to any sale of a covered equity security subject to the TAF occurring on or after March 1, 2012. The [TAF Self-Reporting Form](#) available on FINRA’s website⁵ will reflect this new rate beginning with TAF Self-Reporting Forms that are due on April 16, 2012,⁶ which reflect trades subject to the TAF occurring in March 2012.

Endnotes

1. See Securities Exchange Act Release No. 66276 (January 30, 2012). On January 31, 2012, FINRA filed a proposed rule change for immediate effectiveness changing the effective date from February 1, 2012, to March 1, 2012. See SR-FINRA-2012-008.
2. See FINRA By-Laws, Schedule A, 1(a).
3. *Id.*
4. See Securities Exchange Act Release No. 64590 (June 2, 2011), 76 FR 33388 (June 8, 2011); [Regulatory Notice 11-27](#) (June 2011).
5. See www.finra.org/taf. FINRA maintains a TAF page on its website that provides firms with additional guidance on the TAF, including Frequently Asked Questions (FAQ), as well as applicable forms. See [Regulatory Notice 10-56](#) (October 2010).
6. The TAF is self-reported by firms on a monthly basis. See TAF FAQ 100.5. Firms should submit TAF Self-Reporting Forms to FINRA by the tenth business day following the end of the month. See TAF FAQ 100.7.