

Regulatory Notice

12-31

Trading Activity Fee (TAF)

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

Effective Date: July 1, 2012

Executive Summary

Effective July 1, 2012, the Trading Activity Fee (TAF) rate for sales of covered equity securities will increase from \$0.000095 per share for each sale of a covered equity security to \$0.000119 per share, with a corresponding increase to the per-transaction cap for covered equity securities from \$4.75 to \$5.95.¹ The new rate applies to any sale of a covered equity security subject to the TAF occurring on or after July 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
- ▶ The 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. Revenue from these fees is used to fund FINRA's regulatory activities, including examinations; financial monitoring; and FINRA's policymaking, rulemaking and enforcement activities.²

As noted in Section 1 of Schedule A to FINRA's By-Laws, FINRA shall periodically review revenue from these fees in conjunction with the costs to FINRA of regulating its members to determine the applicable rate of the fees.³ Beginning with trades occurring on or after March 1, 2012, the TAF rate for covered equity securities was increased to \$0.000095 per share for each sale of a covered equity security, with a maximum charge of \$4.75 per trade.⁴ Given the trend for lower volume levels, however, FINRA's TAF projections for the year continue to indicate a shortfall, notwithstanding the rate change put into place effective March 1, 2012.

June 2012

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 12-06

In light of the decreased volume of trading in the equity markets, and in order to stabilize revenue flows necessary to support FINRA's regulatory mission, the SEC recently approved an increase to the TAF rate for covered equity securities. Effective July 1, 2012, the TAF rate for sales of covered equity securities will increase from \$0.000095 per share to \$0.000119 per share, with a corresponding increase to the per-transaction cap for covered equity securities from \$4.75 to \$5.95. The new rate will apply to any sale of a covered equity security subject to the TAF occurring on or after July 1, 2012. The TAF Self-Reporting Form, available on FINRA's [website](#)⁵, will reflect this new rate beginning with TAF Self-Reporting Forms due on August 14, 2012,⁶ which reflect trades subject to the TAF occurring in July 2012.⁷

Endnotes

1. See Securities Exchange Act Release No. 67242 (June 22, 2012) (File No. SR-FINRA-2012-023).
2. See FINRA By-Laws, Schedule A, § 1(a).
3. *Id.*
4. See [Regulatory Notice 12-06](#) (January 2012).
5. 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. 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.
7. The TAF is calculated based on trade date, not settlement date. See TAF FAQ 100.8.