

OMB APPROVAL

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

File No. SR - 2007 - 017

Amendment No.

Proposed Rule Change by Financial Industry Regulatory Authority

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

Initial ☒	Amendment ☐	Withdrawal ☐	Section 19(b)(2) ☐	Section 19(b)(3)(A) ☒	Section 19(b)(3)(B) ☐
Pilot ☐			Rule		
Extension of Time Period for Commission Action ☐			☐ 19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☒ 19b-4(f)(6)		
Date Expires 					

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

Proposed Rule Change to Amend Rules Relating to Reporting of Odd-Lot Transactions to FINRA

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 proposed rule change.

First Name Last Name
Title
E-mail
Telephone Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date By
(Name)
(Title)

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

Add Remove View

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

Add Remove View

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

Add Remove View

Exhibit Sent As Paper Document

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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 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

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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 4 - Marked Copies

Add Remove View

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

Add Remove View

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

Add Remove View

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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend its trade reporting rules to change the manner in which members are required to report odd-lot transactions² to a FINRA Trade Reporting Facility (“TRF”),³ the Alternative Display Facility (“ADF”) and the OTC Reporting Facility (“ORF”) (referred to herein as the “FINRA Facilities”). Specifically, FINRA is proposing to (1) eliminate the requirement that members use the special “.RO” trade report modifier to indicate that an odd-lot transaction is reported in accordance with Section 3 of Schedule A to the By-Laws and (2) require members to report odd-lot transactions “for publication,” i.e., mark reports of odd-lots as “tape eligible,” as applicable.

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

* * * * *

¹ 15 U.S.C. 78s(b)(1).

² For purposes of the trade reporting rules, an odd-lot is less than a “normal unit of trading,” which is defined as “100 shares of a security unless, with respect to a particular security, NASD determines that a normal unit of trading shall constitute other than 100 shares.” See NASD Rules 4200, 4200A, 4200C and 4200E.

³ Effective July 30, 2007, FINRA was formed through the consolidation of NASD and the member regulatory functions of NYSE Regulation. Accordingly, the TRFs are now doing business as the FINRA TRFs (i.e., the FINRA/Nasdaq TRF, the FINRA/NSX TRF and the FINRA/NYSE TRF). The formal name change of each TRF is pending and once completed, FINRA will file a separate proposed rule change to reflect those changes in the Manual.

4000. THE NASD/NASDAQ TRADE REPORTING FACILITY

* * * * *

4632. Transaction Reporting

(a) through (d) No Change.

(e) Transactions Not To Be Reported For Publication Purposes

The following types of transactions shall not be reported to the NASD/Nasdaq Trade Reporting Facility for publication purposes:

[(1) odd-lot transactions (except in the case of bonds);]

(2) through (8) renumbered (1) through (7)

(f) through (h) No Change.

* * * * *

4000A. NASD ALTERNATIVE DISPLAY FACILITY

* * * * *

4632A. Transactions Reported by Members to TRACS

(a) through (h) No Change.

(i) Transactions Not To Be Reported To NASD For Publication Purposes

The following types of transactions effected by NASD members shall not be reported to TRACS for publication purposes:

[(1) odd-lot transactions;]

(2) through (8) renumbered (1) through (7)

(j) No Change.

* * * * *

4000C. THE NASD/NSX TRADE REPORTING FACILITY

* * * * *

4632C. Transaction Reporting

(a) through (d) No Change.

(e) Transactions Not To Be Reported For Publication Purposes

The following types of transactions shall not be reported to the NASD/NSX Trade Reporting Facility for publication purposes:

[(1) odd-lot transactions (except in the case of bonds);]

(2) through (8) renumbered (1) through (7)

(f) through (h) No Change.

* * * * *

4000E. THE NASD/NYSE TRADE REPORTING FACILITY

* * * * *

4632E. Transaction Reporting

(a) through (e) No Change.

(f) Transactions Not To Be Reported For Publication Purposes

The following types of transactions shall not be reported to the NASD/NYSE Trade Reporting Facility for publication purposes:

[(1) odd-lot transactions (except in the case of bonds);]

(2) through (8) renumbered (1) through (7)

(g) through (i) No Change.

* * * * *

6000. NASD SYSTEMS AND PROGRAMS

* * * * *

6130. Trade Report Input

(a) through (f) No Change.

(g) Reporting Certain Transactions for Purposes of Regulatory Transaction

Fee Assessment

Reports submitted to the System for the following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the NASD By-Laws must comply with the requirements set forth below. Transactions must be submitted to the System by 8:00 p.m. Eastern Time (or the end of the System reporting session that is in effect at that time).

[(1) Odd-Lot Transactions]

[Reports of transactions for less than a normal unit of trading shall include a modifier of .RO to designate the transaction as submitted for purposes of the regulatory transaction fee under Section 3 of Schedule A to the NASD By-Laws. Transactions may be entered as clearing or non-clearing.]

(2) through (3) renumbered (1) through (2)

(h) through (i) No Change.

* * * * *

6000A. NASD ADF SYSTEMS AND PROGRAMS

* * * * *

6130A. Trade Report Input

(a) through (b) No Change.

(c) Reporting Certain Transactions for Purposes of Regulatory Transaction

Fee Assessment

Reports submitted to TRACS for [T]the following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the NASD By-Laws must [be reported to TRACS as prescribed] comply with the requirements set forth below. Transactions must be submitted to TRACS by 6:30 p.m. Eastern Time (or the end of the TRACS reporting session that is in effect at that time).

[(1) Odd-Lot Transactions]

[Transactions for less than a normal unit of trading shall be reported to TRACS with a modifier of .RO to designate the transaction as submitted for purposes of the regulatory transaction fee under Section 3 of Schedule A to the NASD By-Laws. Transactions may be entered as clearing or non-clearing.]

(2) through (3) renumbered (1) through (2)

(d) No Change.

* * * * *

6000C. NASD/NSX TRADE REPORTING FACILITY SYSTEMS AND PROGRAMS

* * * * *

6130C. Trade Report Input

(a) through (e) No Change.

(f) Reporting Certain Transactions for Purposes of Regulatory Transaction Fee Assessment

Reports submitted to the System for the following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the NASD By-Laws must comply with the requirements set forth below. Transactions must

be submitted to the System by 6:30 p.m. Eastern Time (or the end of the System reporting session that is in effect at that time). [Prior to December 15, 2006, members cannot use the NASD/NSX Trade Reporting Facility to report the following transactions to NASD and must use another electronic mechanism to satisfy their reporting obligations.]

[(1) Odd-Lot Transactions]

[Reports of transactions for less than a normal unit of trading shall include a modifier of .RO to designate the transaction as submitted for purposes of the regulatory transaction fee under Section 3 of Schedule A to the NASD By-Laws. Transactions may be entered as clearing or non-clearing.]

(2) through (3) renumbered (1) through (2)

(g) through (h) No Change.

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6000E. NASD/NYSE TRADE REPORTING FACILITY SYSTEMS AND PROGRAMS

* * * * *

6130E. Trade Report Input

(a) through (e) No Change.

(f) Reporting Certain Transactions for Purposes of Regulatory Transaction Fee Assessment

Reports submitted to the System for the following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the NASD By-Laws must comply with the requirements set forth below. Transactions must

be submitted to the System by 8:00 p.m. Eastern Time (or the end of the System reporting session that is in effect at that time).

[(1) Odd-Lot Transactions]

[Reports of transactions for less than a normal unit of trading shall include a modifier of .RO to designate the transaction as submitted for purposes of the regulatory transaction fee under Section 3 of Schedule A to the NASD By-Laws. Transactions may be entered as clearing or non-clearing.]

(2) through (3) renumbered (1) through (2)

(g) through (h) No Change.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved and authorized for filing with the SEC by the Board of Directors of NASD Regulation, Inc. at its meeting on November 30, 2005. The Board of Governors of FINRA (then known as NASD) reviewed the proposed rule change at its meeting on December 1, 2005. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA will announce the operative date of the proposed rule change on its website. In recognition of the systems changes that the proposed rule change will require, the operative date will be at least 90 days after the date of filing.

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

(a) Purpose

On June 12, 2006, the SEC approved SR-NASD-2006-055,⁴ which requires members to report to FINRA in an automated manner all transactions, including odd-lot transactions, that must be reported to FINRA and that are subject to a regulatory transaction fee pursuant to Section 3 of Schedule A to the By-Laws (“Section 3”).⁵ Today, with the exception of OTC Equity Securities, odd-lot transactions are not reported for purposes of public dissemination;⁶ members report such transactions to FINRA for regulatory purposes only. In this regard, members are required to include a special “.RO” trade report modifier on reports of odd-lots to denote that the transaction is reported in accordance with Section 3 (the “.RO Modifier”). FINRA uses the .RO Modifier to identify odd-lot transactions that are required to be included in FINRA’s calculation of its Section 31 obligation to the SEC.

With the implementation of Regulation NMS and a new trade report messaging format, members are required to include the .RO Modifier on trade reports of odd-lot

⁴ See Securities Exchange Act Release No. 53977 (June 12, 2006), 71 FR 34976 (June 16, 2006) (order approving SR-NASD-2006-055).

⁵ Pursuant to Section 31 of the Act, FINRA and the national securities exchanges are required to pay transaction fees and assessments to the SEC that are designed to recover the costs related to the government’s supervision and regulation of the securities markets and securities professionals. FINRA obtains its Section 31 fees and assessments from its membership, in accordance with Section 3.

⁶ See NASD Rules 4632(e) (relating to the NASD/Nasdaq TRF), 4632A(i) (relating to the ADF), 4632C(e) (relating to the NASD/NSX TRF) and 4632E(f) (relating to the NASD/NYSE TRF). Pursuant to current NASD Rule 6620, odd-lot transactions in OTC Equity Securities, as defined in NASD Rule 6110, are required to be reported to FINRA for purposes of publication.

transactions in the same information level (or byte) as other regulatory modifiers. Thus, in certain instances, members may be faced with prioritizing and determining which modifier should be included in the trade report submitted to FINRA. This can lead to confusion, inaccuracies and inconsistencies in trade reporting which, in turn, can impair FINRA staff's ability to produce a complete and accurate audit trail and properly assess transaction-related fees.⁷ FINRA staff has determined that the .RO Modifier can be eliminated because the FINRA Facilities can systematically identify odd-lot transactions from the number of reported shares.

Accordingly, FINRA is proposing to amend its trade reporting rules⁸ to eliminate the requirement that members use the .RO Modifier on reports of odd-lot transactions. FINRA also is proposing to amend its trade reporting rules⁹ to require that members report odd-lot transactions "for publication" or as "tape eligible," as applicable. Thus, members will report odd-lot transactions in the same manner that they report round lot transactions today. FINRA will be able to rely on the "tape eligible" flag – rather than the .RO Modifier – to determine if an odd-lot transaction should be included in the

⁷ FINRA rules require members to use special trade report modifiers to indicate that away from the market sales (the ".RA" modifier) and exercises of OTC options (the ".RX" modifier) are reported in accordance with Section 3. Unlike the .RO Modifier, these modifiers do not compete with other trade report modifiers. Accordingly, FINRA is not proposing to eliminate the .RA and .RX modifiers.

⁸ See NASD Rules 6130(g) (relating to the NASD/Nasdaq TRF and ORF), 6130A(c) (relating to the ADF), 6130C(f) (relating to the NASD/NSX TRF) and 6130E(f) (relating to the NASD/NYSE TRF).

⁹ See NASD Rules 4632(e) (relating to the NASD/Nasdaq TRF), 4632A(i) (relating to the ADF), 4632C(e) (relating to the NASD/NSX TRF) and 4632E(f) (relating to the NASD/NYSE TRF).

aggregate dollar amount of its covered sales for purposes of Section 31 fees.¹⁰ Although odd-lot transactions will be marked “tape eligible” pursuant to the proposed rule change, the FINRA Facilities will suppress such transactions from public dissemination. Today, with the exception of certain OTC Equity Securities, odd-lot transactions are not publicly disseminated by FINRA or the appropriate Securities Information Processor.¹¹

The proposed rule change will ensure consistency in FINRA’s trade reporting rules applicable to over-the-counter transactions in NMS stocks and OTC Equity Securities, promote a more complete and accurate audit trail and enable FINRA to properly assess applicable transaction-related fees. FINRA notes that the proposed rule change will not impose a new requirement that members report odd-lot transactions, but merely will change the manner in which such transactions are reported to the FINRA Facilities.¹²

Finally, FINRA also is proposing certain technical, non-substantive changes to NASD Rules 6130A(c), 6130C(f) and 6130E(f) to maintain consistency in the trade

¹⁰ Today, FINRA relies on the “tape eligible” flag for purposes of determining whether to include trades of one or more normal units of trading in calculating Section 31 fees.

¹¹ FINRA currently disseminates trade information relating to transactions of fewer than 100 shares in certain high-priced OTC Equity Securities. In some cases, trades in certain high-priced issues are almost exclusively for fewer than 100 shares and therefore, without this dissemination policy, trading data for such issues would be effectively unavailable to market participants. The proposed rule change does not amend this dissemination policy.

¹² Members should continue to report the offsetting “riskless” leg of an odd-lot riskless principal transaction as they do today, i.e., by submitting a non-tape (or clearing-only) report, as applicable. See NASD Rules 4632(d)(3)(B) (relating to the NASD/Nasdaq TRF), 4632A(e)(1)(C)(ii) (relating to the ADF), 4632C(d)(3)(B) (relating to the NASD/NSX TRF), 4632E(e)(3)(B) (relating to the NASD/NYSE TRF) and 6620(d)(3)(B) (relating to the ORF).

reporting rules relating to the FINRA Facilities to the extent practicable.

As noted in Item 2 of this filing, FINRA is filing the proposed rule change for immediate effectiveness. FINRA will announce the operative date of the proposed rule change on its website. In recognition of the systems changes that the proposed rule change will require, the operative date will be at least 90 days after the date of filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹³ which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will promote a more complete and accurate audit trail and enable FINRA to properly assess applicable transaction-related fees.

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.

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.

¹³ 15 U.S.C. 78o-3(b)(6).

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act and paragraph (f)(6) of Rule 19b-4 thereunder,¹⁴ 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. FINRA believes that the filing is appropriately designated as “non-controversial” because the proposed rule change is not imposing a new requirement on members to report odd-lot transactions, but merely is changing the manner in which members must report such transactions to the FINRA Facilities. In accordance with Rule 19b-4,¹⁵ 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.¹⁶

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

Not applicable.

9. Exhibits

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

¹⁴ 17 CFR 240.19b-4.

¹⁵ 17 CFR 240.19b-4.

¹⁶ See Letter dated August 13, 2007 from Lisa C. Horrigan, Associate General Counsel, FINRA to Katherine A. England, Assistant Director, Market Regulation Department, Securities and Exchange Commission.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-FINRA-2007-017)

Self-Regulatory Organizations: Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rules Relating to Reporting of Odd-Lot Transactions to FINRA

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) 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,³ 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 its trade reporting rules to change the manner in which members are required to report odd-lot transactions⁴ to a FINRA Trade Reporting

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

⁴ For purposes of the trade reporting rules, an odd-lot is less than a “normal unit of trading,” which is defined as “100 shares of a security unless, with respect to a

Facility (“TRF”),⁵ the Alternative Display Facility (“ADF”) and the OTC Reporting Facility (“ORF”) (referred to herein as the “FINRA Facilities”). Specifically, FINRA is proposing to (1) eliminate the requirement that members use the special “.RO” trade report modifier to indicate that an odd-lot transaction is reported in accordance with Section 3 of Schedule A to the By-Laws and (2) require members to report odd-lot transactions “for publication,” i.e., mark reports of odd-lots as “tape eligible,” as applicable.

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

* * * * *

4000. THE NASD/NASDAQ TRADE REPORTING FACILITY

* * * * *

4632. Transaction Reporting

(a) through (d) No Change.

(e) Transactions Not To Be Reported For Publication Purposes

The following types of transactions shall not be reported to the NASD/Nasdaq Trade Reporting Facility for publication purposes:

[(1) odd-lot transactions (except in the case of bonds);]

particular security, NASD determines that a normal unit of trading shall constitute other than 100 shares.” See NASD Rules 4200, 4200A, 4200C and 4200E.

⁵ Effective July 30, 2007, FINRA was formed through the consolidation of NASD and the member regulatory functions of NYSE Regulation. Accordingly, the TRFs are now doing business as the FINRA TRFs (i.e., the FINRA/Nasdaq TRF, the FINRA/NSX TRF and the FINRA/NYSE TRF). The formal name change of each TRF is pending and once completed, FINRA will file a separate proposed rule change to reflect those changes in the Manual.

(2) through (8) renumbered (1) through (7)

(f) through (h) No Change.

* * * * *

4000A. NASD ALTERNATIVE DISPLAY FACILITY

* * * * *

4632A. Transactions Reported by Members to TRACS

(a) through (h) No Change.

(i) Transactions Not To Be Reported To NASD For Publication Purposes

The following types of transactions effected by NASD members shall not be reported to TRACS for publication purposes:

[(1) odd-lot transactions;]

(2) through (8) renumbered (1) through (7)

(j) No Change.

* * * * *

4000C. THE NASD/NSX TRADE REPORTING FACILITY

* * * * *

4632C. Transaction Reporting

(a) through (d) No Change.

(e) Transactions Not To Be Reported For Publication Purposes

The following types of transactions shall not be reported to the NASD/NSX Trade Reporting Facility for publication purposes:

[(1) odd-lot transactions (except in the case of bonds);]

(2) through (8) renumbered (1) through (7)

(f) through (h) No Change.

* * * * *

4000E. THE NASD/NYSE TRADE REPORTING FACILITY

* * * * *

4632E. Transaction Reporting

(a) through (e) No Change.

(f) Transactions Not To Be Reported For Publication Purposes

The following types of transactions shall not be reported to the NASD/NYSE Trade Reporting Facility for publication purposes:

[(1) odd-lot transactions (except in the case of bonds);]

(2) through (8) renumbered (1) through (7)

(g) through (i) No Change.

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6000. NASD SYSTEMS AND PROGRAMS

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6130. Trade Report Input

(a) through (f) No Change.

(g) Reporting Certain Transactions for Purposes of Regulatory Transaction

Fee Assessment

Reports submitted to the System for the following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the NASD By-Laws must comply with the requirements set forth below. Transactions must be submitted to the System by 8:00 p.m. Eastern Time (or the end of the System reporting

session that is in effect at that time).

[(1) Odd-Lot Transactions]

[Reports of transactions for less than a normal unit of trading shall include a modifier of .RO to designate the transaction as submitted for purposes of the regulatory transaction fee under Section 3 of Schedule A to the NASD By-Laws. Transactions may be entered as clearing or non-clearing.]

(2) through (3) renumbered (1) through (2)

(h) through (i) No Change.

* * * * *

6000A. NASD ADF SYSTEMS AND PROGRAMS

* * * * *

6130A. Trade Report Input

(a) through (b) No Change.

(c) Reporting Certain Transactions for Purposes of Regulatory Transaction

Fee Assessment

Reports submitted to TRACS for [T]the following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the NASD By-Laws must [be reported to TRACS as prescribed] comply with the requirements set forth below. Transactions must be submitted to TRACS by 6:30 p.m. Eastern Time (or the end of the TRACS reporting session that is in effect at that time).

[(1) Odd-Lot Transactions]

[Transactions for less than a normal unit of trading shall be reported to TRACS with a modifier of .RO to designate the transaction as submitted for

purposes of the regulatory transaction fee under Section 3 of Schedule A to the NASD By-Laws. Transactions may be entered as clearing or non-clearing.]

(2) through (3) renumbered (1) through (2)

(d) No Change.

* * * * *

6000C. NASD/NSX TRADE REPORTING FACILITY SYSTEMS AND PROGRAMS

* * * * *

6130C. Trade Report Input

(a) through (e) No Change.

(f) Reporting Certain Transactions for Purposes of Regulatory Transaction Fee Assessment

Reports submitted to the System for the following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the NASD By-Laws must comply with the requirements set forth below. Transactions must be submitted to the System by 6:30 p.m. Eastern Time (or the end of the System reporting session that is in effect at that time). [Prior to December 15, 2006, members cannot use the NASD/NSX Trade Reporting Facility to report the following transactions to NASD and must use another electronic mechanism to satisfy their reporting obligations.]

[(1) Odd-Lot Transactions]

[Reports of transactions for less than a normal unit of trading shall include a modifier of .RO to designate the transaction as submitted for purposes of the regulatory transaction fee under Section 3 of Schedule A to the NASD By-Laws. Transactions may be entered as clearing or non-clearing.]

(2) through (3) renumbered (1) through (2)

(g) through (h) No Change.

* * * * *

**6000E. NASD/NYSE TRADE REPORTING FACILITY SYSTEMS AND
PROGRAMS**

* * * * *

6130E. Trade Report Input

(a) through (e) No Change.

**(f) Reporting Certain Transactions for Purposes of Regulatory Transaction
Fee Assessment**

Reports submitted to the System for the following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the NASD By-Laws must comply with the requirements set forth below. Transactions must be submitted to the System by 8:00 p.m. Eastern Time (or the end of the System reporting session that is in effect at that time).

[(1) Odd-Lot Transactions]

[Reports of transactions for less than a normal unit of trading shall include a modifier of .RO to designate the transaction as submitted for purposes of the regulatory transaction fee under Section 3 of Schedule A to the NASD By-Laws. Transactions may be entered as clearing or non-clearing.]

(2) through (3) renumbered (1) through (2)

(g) through (h) No Change.

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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 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

On June 12, 2006, the SEC approved SR-NASD-2006-055,⁶ which requires members to report to FINRA in an automated manner all transactions, including odd-lot transactions, that must be reported to FINRA and that are subject to a regulatory transaction fee pursuant to Section 3 of Schedule A to the By-Laws ("Section 3").⁷ Today, with the exception of OTC Equity Securities, odd-lot transactions are not reported for purposes of public dissemination;⁸ members report such transactions to FINRA for regulatory purposes only. In this regard, members are required to include a special ".RO"

⁶ See Securities Exchange Act Release No. 53977 (June 12, 2006), 71 FR 34976 (June 16, 2006) (order approving SR-NASD-2006-055).

⁷ Pursuant to Section 31 of the Act, FINRA and the national securities exchanges are required to pay transaction fees and assessments to the SEC that are designed to recover the costs related to the government's supervision and regulation of the securities markets and securities professionals. FINRA obtains its Section 31 fees and assessments from its membership, in accordance with Section 3.

⁸ See NASD Rules 4632(e) (relating to the NASD/Nasdaq TRF), 4632A(i) (relating to the ADF), 4632C(e) (relating to the NASD/NSX TRF) and 4632E(f) (relating to the NASD/NYSE TRF). Pursuant to current NASD Rule 6620, odd-lot transactions in OTC Equity Securities, as defined in NASD Rule 6110, are required to be reported to FINRA for purposes of publication.

trade report modifier on reports of odd-lots to denote that the transaction is reported in accordance with Section 3 (the “.RO Modifier”). FINRA uses the .RO Modifier to identify odd-lot transactions that are required to be included in FINRA’s calculation of its Section 31 obligation to the SEC.

With the implementation of Regulation NMS and a new trade report messaging format, members are required to include the .RO Modifier on trade reports of odd-lot transactions in the same information level (or byte) as other regulatory modifiers. Thus, in certain instances, members may be faced with prioritizing and determining which modifier should be included in the trade report submitted to FINRA. This can lead to confusion, inaccuracies and inconsistencies in trade reporting which, in turn, can impair FINRA staff’s ability to produce a complete and accurate audit trail and properly assess transaction-related fees.⁹ FINRA staff has determined that the .RO Modifier can be eliminated because the FINRA Facilities can systematically identify odd-lot transactions from the number of reported shares.

Accordingly, FINRA is proposing to amend its trade reporting rules¹⁰ to eliminate the requirement that members use the .RO Modifier on reports of odd-lot transactions.

⁹ FINRA rules require members to use special trade report modifiers to indicate that away from the market sales (the “.RA” modifier) and exercises of OTC options (the “.RX” modifier) are reported in accordance with Section 3. Unlike the .RO Modifier, these modifiers do not compete with other trade report modifiers. Accordingly, FINRA is not proposing to eliminate the .RA and .RX modifiers.

¹⁰ See NASD Rules 6130(g) (relating to the NASD/Nasdaq TRF and ORF), 6130A(c) (relating to the ADF), 6130C(f) (relating to the NASD/NSX TRF) and 6130E(f) (relating to the NASD/NYSE TRF).

FINRA also is proposing to amend its trade reporting rules¹¹ to require that members report odd-lot transactions “for publication” or as “tape eligible,” as applicable. Thus, members will report odd-lot transactions in the same manner that they report round lot transactions today. FINRA will be able to rely on the “tape eligible” flag – rather than the .RO Modifier – to determine if an odd-lot transaction should be included in the aggregate dollar amount of its covered sales for purposes of Section 31 fees.¹² Although odd-lot transactions will be marked “tape eligible” pursuant to the proposed rule change, the FINRA Facilities will suppress such transactions from public dissemination. Today, with the exception of certain OTC Equity Securities, odd-lot transactions are not publicly disseminated by FINRA or the appropriate Securities Information Processor.¹³

The proposed rule change will ensure consistency in FINRA’s trade reporting rules applicable to over-the-counter transactions in NMS stocks and OTC Equity Securities, promote a more complete and accurate audit trail and enable FINRA to properly assess applicable transaction-related fees. FINRA notes that the proposed rule change will not impose a new requirement that members report odd-lot transactions, but merely will change the manner in which such transactions are reported to the FINRA

¹¹ See NASD Rules 4632(e) (relating to the NASD/Nasdaq TRF), 4632A(i) (relating to the ADF), 4632C(e) (relating to the NASD/NSX TRF) and 4632E(f) (relating to the NASD/NYSE TRF).

¹² Today, FINRA relies on the “tape eligible” flag for purposes of determining whether to include trades of one or more normal units of trading in calculating Section 31 fees.

¹³ FINRA currently disseminates trade information relating to transactions of fewer than 100 shares in certain high-priced OTC Equity Securities. In some cases, trades in certain high-priced issues are almost exclusively for fewer than 100 shares and therefore, without this dissemination policy, trading data for such issues would be effectively unavailable to market participants. The proposed rule change does not amend this dissemination policy.

Facilities.¹⁴

Finally, FINRA also is proposing certain technical, non-substantive changes to NASD Rules 6130A(c), 6130C(f) and 6130E(f) to maintain consistency in the trade reporting rules relating to the FINRA Facilities to the extent practicable.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA will announce the operative date of the proposed rule change on its website. In recognition of the systems changes that the proposed rule change will require, the operative date will be at least 90 days after the date of filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁵ which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will promote a more complete and accurate audit trail and enable FINRA to properly assess applicable transaction-related fees.

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

¹⁴ Members should continue to report the offsetting “riskless” leg of an odd-lot riskless principal transaction as they do today, i.e., by submitting a non-tape (or clearing-only) report, as applicable. See NASD Rules 4632(d)(3)(B) (relating to the NASD/Nasdaq TRF), 4632A(e)(1)(C)(ii) (relating to the ADF), 4632C(d)(3)(B) (relating to the NASD/NSX TRF), 4632E(e)(3)(B) (relating to the NASD/NYSE TRF) and 6620(d)(3)(B) (relating to the ORF).

¹⁵ 15 U.S.C. 78o-3(b)(6).

Act.

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 Act¹⁶ and Rule 19b-4(f)(6) thereunder.¹⁷ FINRA believes that the filing is appropriately designated as “non-controversial” because the proposed rule change is not imposing a new requirement on members to report odd-lot transactions, but merely is changing the manner in which members must report such transactions to the FINRA Facilities. In accordance with Rule 19b-4,¹⁸ 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.¹⁹

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6).

¹⁸ 17 CFR 240.19b-4.

¹⁹ See Letter dated August 13, 2007 from Lisa C. Horrigan, Associate General Counsel, FINRA to Katherine A. England, Assistant Director, Market Regulation Department, Securities and Exchange 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.

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. Please include File Number SR-FINRA-2007-017 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2007-017. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of FINRA.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2007-017 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²⁰

Nancy M. Morris

Secretary

²⁰ 17 CFR 200.30-3(a)(12).