

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2010 - * 043

Amendment No. (req. for Amendments *)

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) * ☐

Rule

Pilot ☐ Extension of Time Period
 for Commission Action * ☐ Date Expires *

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

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, required when Initial is checked *).

Proposed Rule Change to Reinstitute Short Exempt Marking for Trade Reporting and OATS

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 * Racquel Last Name * Russell
 Title * Assistant General Counsel
 E-mail * racquel.russell@finra.org
 Telephone * (202) 728-8363 Fax (202) 728-8264

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 08/06/2010

By Stephanie M. Dumont
 (Name *)

Senior Vice President and Director of Capital Markets
 Policy

(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.

Stephanie Dumont,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information (required)

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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 (required)

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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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Exhibit Sent As Paper Document

☐

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

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Exhibit Sent As Paper Document

☐

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

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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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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 Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA’s trade reporting and Order Audit Trail System (“OATS”) rules, including changes relating to recent amendments to SEC Regulation SHO.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on July 14, 2010, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. In addition, the proposed rule change has been approved by the General Counsel of FINRA pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

The implementation date will be November 10, 2010.

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

(a) Purpose

On February 26, 2010, the SEC adopted amendments to SEC Regulation SHO.² These amendments, among other things, implement a short sale circuit breaker for NMS

¹ 15 U.S.C. 78s(b)(1).

² See Securities Exchange Act Release No. 61595 (February 26, 2010), 75 FR 11232 (March 10, 2010).

stocks³ triggered by a 10% or more decrease in the price of the security from such security's closing price as determined by the listing market for that security at the end of regular trading hours on the prior trading day. Once the circuit breaker is triggered, Regulation SHO, as amended, is designed to generally prohibit the execution or display of short sale orders of a covered security at a price that is less than or equal to the current national best bid for the remainder of the day and the following day ("short sale price test restriction"). In addition to the short sale price test restriction, the amendments to Regulation SHO reinstitute a short sale exempt marking category by providing that a broker-dealer may mark certain qualifying sell orders "short exempt."⁴

Paragraphs (c) and (d) of Rule 201 of SEC Regulation SHO set forth the provisions pursuant to which an order may be marked "short exempt" once the circuit breaker has been triggered pursuant to paragraph (b)(3). These provisions include:

- Broker-dealer policies and procedures provision
- Seller's delay in delivery
- Odd lot transactions
- Domestic arbitrage
- International arbitrage
- Over-allotments and lay-off sales

³ NMS stock means any NMS security other than an option. Rule 600(b)(46) of SEC Regulation NMS defines "NMS security" as any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in listed options. See 17 CFR 242.600(b)(46).

⁴ The amendments to SEC Regulation SHO became effective on May 10, 2010 with a compliance date of November 10, 2010. See supra note 2.

- Riskless principal transactions
- Transactions on a volume-weighted average price basis (or “VWAP”)⁵

In light of the reinstitution of the “short exempt” marking category, FINRA is proposing to amend its trade reporting rules applicable to over-the-counter trades in NMS stocks to reintroduce the short sale exempt category.⁶ Specifically, FINRA is proposing that, for short sales in all NMS stocks as defined in Rule 600(b)(47) of SEC Regulation NMS, members must indicate on trade reports submitted to FINRA if a transaction is “short sale exempt” (i.e., if it is a short sale transaction in a “covered security” that may be marked “short exempt” pursuant to SEC Regulation SHO).⁷

Similarly, FINRA is proposing to amend its OATS rules to provide that, when an order is received or originated, members must record the designation of an order as a short sale exempt order if the order may be marked “short exempt” pursuant to SEC

⁵ SEC staff has confirmed that members may use the existing “.W” modifier in connection with the VWAP exception of Rule 201(d)(7) of Regulation SHO. The use of the .W modifier would be in addition to the requirement to report the trade as short exempt.

⁶ See FINRA Rules 6182 (Trade Reporting of Short Sales), 6282 (Alternative Display Facility), 6380A (FINRA/Nasdaq TRF), 6380B (FINRA/NYSE TRF), 7230A (FINRA/Nasdaq TRF), and 7230B (FINRA/NYSE TRF).

⁷ FINRA previously required trade reports to indicate if a transaction was marked “short exempt”; however, these requirements were eliminated following the repeal of SEC Rule 10a-1. See Securities Exchange Act Release No. 56279 (August 17, 2007), 72 FR 48713 (August 24, 2007) (Notice of Filing and Immediate Effectiveness of File No. SR-NASD-2007-047).

Regulation SHO.⁸ FINRA also is proposing to require that members include the price on all route reports and a short exempt identifier, if applicable.⁹

FINRA is proposing certain additional amendments to its trade reporting rules, including those applicable to OTC Equity Securities, as defined in Rule 6420 (i.e., non-NMS stocks) to clarify certain existing reporting requirements.¹⁰ First, FINRA is proposing to clarify that the short sale indicator (and short sale exempt indicator, for NMS stocks) is required on reports of a “cross,” as well as reports of a “sell.”

Second, FINRA is proposing to codify the existing requirement that the information listed in the rule must be provided for each trade that is reported to FINRA. Today, trade report information can be provided in a single report, if the reporting member submits trade information for both sides of the trade, or it can be provided in a combination of reports, if the reporting member and contra side each submits its own trade information (as described more fully below). For each trade reported to FINRA, members must indicate, among other things, whether the seller (either the reporting member or contra side, irrespective of whether the contra side is a member) is selling short or short exempt.

⁸ See FINRA Rule 7440(b)(9).

⁹ Whenever a member transmits an order to another member, ECN, non-member or national securities exchange for handling or execution, the routing member is responsible for recording and reporting a route report to OATS. Under the proposal, route reports would be required to include the price at which the order was routed, which may be different from the price received from the customer, and whether the routed order is short exempt. The short exempt identifier is important for purposes of route reports because certain short sale orders will be eligible to be marked exempt solely as a result of the timing and price of the routed order (See Rule 201(c) of SEC Regulation SHO).

¹⁰ See FINRA Rules 6282, 6380A, 6380B, 6622, 7230A, 7230B and 7330.

Unless the contra side will have an opportunity to provide its own trade information (i.e., unless the contra side is a member using the trade comparison functionality of the facility),¹¹ the reporting member is responsible for providing complete and accurate information for both sides of the trade, including information from the contra side perspective such as sell short and sell short exempt, as applicable. Thus, the reporting member is responsible for satisfying any applicable contra side information requirements where: (1) the trade is with a customer or non-member, (2) the trade is with a member and is “locked in” pursuant to a give up agreement, or (3) the trade is reported as “tape only” (i.e., for public dissemination purposes without clearing) or “non-tape, non-clearing.” This reporting requirement is in effect today; however, the proposed rule change would make it an express requirement in the rule. If the contra side is a member and will have an opportunity to provide its own trade information, then the reporting member is responsible only for providing information from the reporting side perspective (and the contra side will provide information from the contra side perspective).

As noted in Item 2 of this filing, the implementation date will be November 10, 2010.

¹¹ The trade comparison functionality allows the contra party to accept or decline the trade information submitted by the reporting party and may only be used by a contra party that is a member. FINRA notes that the Alternative Display Facility, FINRA/Nasdaq TRF and ORF offer trade comparison functionality; the FINRA/NYSE TRF does not offer such functionality. Accordingly, reporting members are responsible for accurately and completely providing all information required under the rule for the contra side when reporting to the FINRA/NYSE TRF.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹² 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 and, in general, to protect investors and the public interest. FINRA believes that adopting the proposed rule change will aid in FINRA's surveillance for member compliance, including with SEC Regulation SHO.

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

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.¹³

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

Not applicable.

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

Not applicable.

¹² 15 U.S.C. 78o-3(b)(6).

¹³ 15 U.S.C. 78s(b)(2).

9. Exhibits

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

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2010-043)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to Reinstitute Short Exempt Marking for Trade Reporting and OATS

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”) 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. 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’s trade reporting and Order Audit Trail System (“OATS”) rules, including changes relating to recent amendments to SEC Regulation SHO.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 February 26, 2010, the SEC adopted amendments to SEC Regulation SHO.³ These amendments, among other things, implement a short sale circuit breaker for NMS stocks⁴ triggered by a 10% or more decrease in the price of the security from such security's closing price as determined by the listing market for that security at the end of regular trading hours on the prior trading day. Once the circuit breaker is triggered, Regulation SHO, as amended, is designed to generally prohibit the execution or display of short sale orders of a covered security at a price that is less than or equal to the current national best bid for the remainder of the day and the following day ("short sale price test restriction"). In addition to the short sale price test restriction, the amendments to

³ See Securities Exchange Act Release No. 61595 (February 26, 2010), 75 FR 11232 (March 10, 2010).

⁴ NMS stock means any NMS security other than an option. Rule 600(b)(46) of SEC Regulation NMS defines "NMS security" as any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in listed options. See 17 CFR 242.600(b)(46).

Regulation SHO reinstitute a short sale exempt marking category by providing that a broker-dealer may mark certain qualifying sell orders “short exempt.”⁵

Paragraphs (c) and (d) of Rule 201 of SEC Regulation SHO set forth the provisions pursuant to which an order may be marked “short exempt” once the circuit breaker has been triggered pursuant to paragraph (b)(3). These provisions include:

- Broker-dealer policies and procedures provision
- Seller’s delay in delivery
- Odd lot transactions
- Domestic arbitrage
- International arbitrage
- Over-allotments and lay-off sales
- Riskless principal transactions
- Transactions on a volume-weighted average price basis (or “VWAP”)⁶

In light of the reinstitution of the “short exempt” marking category, FINRA is proposing to amend its trade reporting rules applicable to over-the-counter trades in NMS stocks to reintroduce the short sale exempt category.⁷ Specifically, FINRA is proposing that, for short sales in all NMS stocks as defined in Rule 600(b)(47) of SEC Regulation

⁵ The amendments to SEC Regulation SHO became effective on May 10, 2010 with a compliance date of November 10, 2010. See supra note 3.

⁶ SEC staff has confirmed that members may use the existing “.W” modifier in connection with the VWAP exception of Rule 201(d)(7) of Regulation SHO. The use of the .W modifier would be in addition to the requirement to report the trade as short exempt.

⁷ See FINRA Rules 6182 (Trade Reporting of Short Sales), 6282 (Alternative Display Facility), 6380A (FINRA/Nasdaq TRF), 6380B (FINRA/NYSE TRF), 7230A (FINRA/Nasdaq TRF), and 7230B (FINRA/NYSE TRF).

NMS, members must indicate on trade reports submitted to FINRA if a transaction is “short sale exempt” (i.e., if it is a short sale transaction in a “covered security” that may be marked “short exempt” pursuant to SEC Regulation SHO).⁸

Similarly, FINRA is proposing to amend its OATS rules to provide that, when an order is received or originated, members must record the designation of an order as a short sale exempt order if the order may be marked “short exempt” pursuant to SEC Regulation SHO.⁹ FINRA also is proposing to require that members include the price on all route reports and a short exempt identifier, if applicable.¹⁰

FINRA is proposing certain additional amendments to its trade reporting rules, including those applicable to OTC Equity Securities, as defined in Rule 6420 (i.e., non-NMS stocks) to clarify certain existing reporting requirements.¹¹ First, FINRA is proposing to clarify that the short sale indicator (and short sale exempt indicator, for NMS stocks) is required on reports of a “cross,” as well as reports of a “sell.”

⁸ FINRA previously required trade reports to indicate if a transaction was marked “short exempt”; however, these requirements were eliminated following the repeal of SEC Rule 10a-1. See Securities Exchange Act Release No. 56279 (August 17, 2007), 72 FR 48713 (August 24, 2007) (Notice of Filing and Immediate Effectiveness of File No. SR-NASD-2007-047).

⁹ See FINRA Rule 7440(b)(9).

¹⁰ Whenever a member transmits an order to another member, ECN, non-member or national securities exchange for handling or execution, the routing member is responsible for recording and reporting a route report to OATS. Under the proposal, route reports would be required to include the price at which the order was routed, which may be different from the price received from the customer, and whether the routed order is short exempt. The short exempt identifier is important for purposes of route reports because certain short sale orders will be eligible to be marked exempt solely as a result of the timing and price of the routed order (See Rule 201(c) of SEC Regulation SHO).

¹¹ See FINRA Rules 6282, 6380A, 6380B, 6622, 7230A, 7230B and 7330.

Second, FINRA is proposing to codify the existing requirement that the information listed in the rule must be provided for each trade that is reported to FINRA. Today, trade report information can be provided in a single report, if the reporting member submits trade information for both sides of the trade, or it can be provided in a combination of reports, if the reporting member and contra side each submits its own trade information (as described more fully below). For each trade reported to FINRA, members must indicate, among other things, whether the seller (either the reporting member or contra side, irrespective of whether the contra side is a member) is selling short or short exempt.

Unless the contra side will have an opportunity to provide its own trade information (i.e., unless the contra side is a member using the trade comparison functionality of the facility),¹² the reporting member is responsible for providing complete and accurate information for both sides of the trade, including information from the contra side perspective such as sell short and sell short exempt, as applicable. Thus, the reporting member is responsible for satisfying any applicable contra side information requirements where: (1) the trade is with a customer or non-member, (2) the trade is with a member and is “locked in” pursuant to a give up agreement, or (3) the trade is reported as “tape only” (i.e., for public dissemination purposes without clearing) or “non-tape,

¹² The trade comparison functionality allows the contra party to accept or decline the trade information submitted by the reporting party and may only be used by a contra party that is a member. FINRA notes that the Alternative Display Facility, FINRA/Nasdaq TRF and ORF offer trade comparison functionality; the FINRA/NYSE TRF does not offer such functionality. Accordingly, reporting members are responsible for accurately and completely providing all information required under the rule for the contra side when reporting to the FINRA/NYSE TRF.

non-clearing.” This reporting requirement is in effect today; however, the proposed rule change would make it an express requirement in the rule. If the contra side is a member and will have an opportunity to provide its own trade information, then the reporting member is responsible only for providing information from the reporting side perspective (and the contra side will provide information from the contra side perspective).

The implementation date will be November 10, 2010.

2. 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 must 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 adopting the proposed rule change will aid in FINRA’s surveillance for member compliance, including with SEC Regulation SHO.

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.

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.

¹³ 15 U.S.C. 78o-3(b)(6).

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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-2010-043 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2010-043. 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 Web site 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. 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-2010-043 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.¹⁴

Florence E. Harmon
Deputy Secretary

¹⁴ 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.

* * * * *

6000. QUOTATION AND TRANSACTION REPORTING FACILITIES

6100. QUOTING AND TRADING IN NMS STOCKS

* * * * *

6180. Transaction Reporting

* * * * *

6182. Trade Reporting of Short Sales

Pursuant to applicable trade reporting rules, members must indicate on trade reports submitted to FINRA whether a transaction is a short sale or a short sale exempt transaction (“short sale reporting requirements”). The short sale reporting requirements apply to transactions in all NMS stocks, as defined in Rule 600(b)(47) of SEC Regulation NMS. Thus, all short sale transactions in these securities reported to FINRA must carry a “short sale” indicator (or a “short sale exempt” indicator if it is a short sale transaction in a “covered security” that may be marked “short exempt” pursuant to SEC Regulation SHO).

6200. ALTERNATIVE DISPLAY FACILITY

* * * * *

6280. Transaction Reporting

* * * * *

6282. Transactions Reported by Members to TRACS

(a) through (b) No Change.

(c) Information To Be Reported — Two Party Trade Reports

(1) No Change.

(2) [Each two party last sale report submitted by a Reporting Member should contain:] The information listed below must be provided for each transaction that is reported to TRACS. Unless the contra side will have an opportunity to provide its own trade information, the Reporting Member is responsible for the complete and accurate submission of information for both sides of the trade.

(A) through (C) No Change.

(D) A designated symbol denoting whether the transaction[, from the Reporting Member's perspective,] is a buy, sell[, sell short,] or cross, and if applicable, a symbol indicating that the transaction is a sell short or sell short exempt trade from the Reporting Member perspective or contra side perspective, irrespective of whether the contra side is a member;

[(E) If known, a designated symbol denoting whether the transaction, from the perspective of the Non-Reporting Member (or other contra party), is a buy, sell, or sell short;]

(F) through (T) redesignated as (E) through (S)

(3) No Change.

(d) Information To Be Reported — Three Party Trade Reports

(1) No Change.

(2) [Each Three Party Trade Report Submitted by a Reporting Member shall contain the following information:] The information listed below must be provided for each transaction that is reported to TRACS. Unless the contra side(s) will have an

opportunity to provide its own trade information, the Reporting Member is responsible for the complete and accurate submission of information for all sides of the trade.

Transaction Information

(A) through (H) No Change.

(I) All three party trade reports from Non-ECNs must be denoted as riskless principal trade reports and shall include a designated symbol denoting whether the trade between the non-ECN and the buy-side CPID is a sell, [or]sell short, or sell short exempt transaction;

(J) through (V) No Change.

(W) [If known, a] A symbol denoting whether the trade, from the Sell Side CPID's perspective, is a sell, [or]sell short, or sell short exempt transaction, irrespective of whether the Sell Side CPID is a member;

(X) through (BB) No Change.

(e) through (j) No Change.

6300. TRADE REPORTING FACILITIES

6300A. FINRA/NASDAQ TRADE REPORTING FACILITY

* * * * *

6380A. Transaction Reporting

(a) through (b) No Change.

(c) Information To Be Reported

Each last sale report shall contain the following information:

(1) through (3) No Change.

(4) A symbol indicating whether the transaction is a buy, sell[, sell short,] or cross, and if applicable, sell short or sell short exempt;

(5) through (6) No Change.

(d) through (h) No Change.

6300B. FINRA/NYSE TRADE REPORTING FACILITY

* * * * *

6380B. Transaction Reporting

(a) through (b) No Change.

(c) Information To Be Reported

Each last sale report shall contain the following information:

(1) through (3) No Change.

(4) A symbol indicating whether the transaction is a buy, sell[, sell short,] or cross, and if applicable, sell short or sell short exempt;

(5) through (6) No Change.

(d) through (h) No Change.

* * * * *

6600. OTC REPORTING FACILITY

6620. Reporting Transactions in OTC Equity Securities

* * * * *

6622. Transaction Reporting

(a) through (b) No Change.

(c) Information To Be Reported

Each last sale report shall contain the following information:

(1) through (3) No Change.

(4) A symbol indicating whether the transaction is a buy, sell[, sell short,] or cross, and if applicable, sell short.

(5) No Change.

(d) through (h) No Change.

• • • **Supplementary Material:** -----

.01 No Change.

* * * * *

7200. TRADE REPORTING FACILITIES

7200A. FINRA/NASDAQ TRADE REPORTING FACILITY

* * * * *

7230A. Trade Report Input

(a) through (c) No Change.

(d) Trade Information To Be Input

[Each report to the System shall contain the following information:] The information listed below must be provided for each transaction that is reported to the System. Unless the contra side will have an opportunity to provide its own trade information, the Reporting Member is responsible for the complete and accurate submission of information for both sides of the trade.

(1) through (5) No Change.

(6) A symbol indicating whether the transaction is a buy, sell[, sell short,] or cross, and if applicable, a symbol indicating that the transaction is a sell short or sell short

exempt trade from the Reporting Member perspective or contra side perspective,
irrespective of whether the contra side is a member;

(7) through (14) No Change.

(e) through (i) No Change.

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7200B. FINRA/NYSE TRADE REPORTING FACILITY

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7230B. Trade Report Input

(a) through (c) No Change.

(d) Trade Information To Be Input

[Each report to the System shall contain the following information:] The information listed below must be provided for each transaction that is reported to the System. Unless the contra side will have an opportunity to provide its own trade information, the Reporting Member is responsible for the complete and accurate submission of information for both sides of the trade.

(1) through (5) No Change.

(6) A symbol indicating whether the transaction is a buy, sell[, sell short,] or cross, and if applicable, a symbol indicating that the transaction is a sell short or sell short exempt trade from the Reporting Member perspective or contra side perspective,
irrespective of whether the contra side is a member;

(7) through (13) No Change.

(e) through (h) No Change.

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7300. OTC REPORTING FACILITY

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7330. Trade Report Input

(a) through (c) No Change.

(d) Trade Information To Be Input

[Each report to the System shall contain the following information:] The information listed below must be provided for each transaction that is reported to the System. Unless the contra side will have an opportunity to provide its own trade information, the Reporting Member is responsible for the complete and accurate submission of information for both sides of the trade.

(1) through (5) No Change.

(6) A symbol indicating whether the transaction is a buy, sell[, sell short,] or cross, and if applicable, a symbol indicating whether the transaction is a sell short trade from the Reporting Member perspective or contra side perspective, irrespective of whether the contra side is a member;

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7400. ORDER AUDIT TRAIL SYSTEM

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7440. Recording of Order Information

(a) No Change.

(b) Order Origination and Receipt

Unless otherwise indicated, the following order information must be recorded under this Rule when an order is received or originated. For purposes of this Rule, the order origination or receipt time is the time the order is received from the customer.

(1) through (8) No Change.

(9) the designation of the order as a short sale or a short sale exempt order;

(10) through (18) No Change.

(c) Order Transmittal

Order information required to be recorded under this Rule when an order is transmitted includes the following.

(1) No Change.

(2) When a member electronically transmits an order to another member, other than an order transmitted electronically for execution on an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) through (v) No Change.

(vi) the number of shares to which the transmission applies, [and]

(vii) whether the order is an intermarket sweep order, [; and]

(viii) the price at which the order is transmitted, and

(ix) the designation of the order as short exempt, if applicable; and

(B) No Change.

(3) When a member electronically transmits an order for execution on an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) through (vi) No Change.

(vii) the number of shares to which the transmission applies,

[and]

(viii) whether the order is an intermarket sweep order₂; and]

(ix) the price at which the order is transmitted, and

(x) the designation of the order as short exempt, if applicable; and

(B) No Change.

(4) When a member manually transmits an order to another member, other than to an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) through (vii) No Change.

(viii) for each order to be included in a bunched order, the

bunched order route indicator assigned to the bunched order by the

Reporting Member, [and]

(ix) whether the order is an intermarket sweep order₂; and]

(x) the price at which the order is transmitted, and

(xi) the designation of the order as short exempt, if applicable; and

(B) No Change.

(5) When a member manually transmits an order to an Electronic Communications Network:

(A) the transmitting Reporting Member shall record:

(i) through (vii) No Change.

(viii) for each order to be included in a bunched order, the bunched order route indicator assigned to the bunched order by the Reporting Member, [and]

(ix) whether the order is an intermarket sweep order₁[; and]

(x) the price at which the order is transmitted, and

(xi) the designation of the order as short exempt, if applicable; and

(B) No Change.

(6) When a member transmits an order to a non-member, including but not limited to a national securities exchange, the Reporting Member shall record:

(A) through (H) No Change.

(I) identification of the non-member where the trade was transmitted,

[and]

(J) whether the order is an intermarket sweep order₁[.]

(K) the price at which the order is transmitted, and

(L) the designation of the order as short exempt, if applicable.

(d) No Change.

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