

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="14"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2010"/> - * <input type="text" value="048"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input checked="" type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

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 Senior Vice President and Director of Capital Markets Policy
(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 EFFS 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

Add Remove View

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

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”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a FINRA Trade Reporting Notice (“Notice”) that explains the price validation protocol of the FINRA trade reporting facilities and sets forth guidance on the use of the price-override indicator in trade reports. Members are required to make systems changes necessary to trade report in accordance with the Notice no later than November 16, 2010.

The text of the Trade Reporting Notice is attached as Exhibit 2. There are no changes to the text of FINRA rules.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change has been approved by the General Counsel of FINRA (or his officer designee) pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness, and it is operative on the date of filing.

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

(a) Purpose

The FINRA trade reporting facilities (i.e., the Alternative Display Facility, Trade Reporting Facilities and OTC Reporting Facility) (collectively referred to herein as the

¹ 15 U.S.C. 78s(b)(1).

“FINRA Facilities”) price validate over-the-counter trades by comparing the submitted price against price validation parameters established by FINRA, generally based on a price deviation against the national best bid or offer. The attached Trade Reporting Notice explains the price validation protocol of the FINRA Facilities. Additionally, the Notice advises members that the price-override indicator should not be appended automatically to all trade reports submitted to a FINRA Facility. Rather, this special indicator should be appended only after a trade has been rejected by a FINRA Facility, pursuant to the established price validation protocol, as described more fully in the Notice.

Proper trade reporting has become increasingly important because of the single-stock trading pause pilot.² Specifically, a firm that reports a trade with an incorrect price could trigger a trading pause in certain NMS stocks, as defined in Rule 600(b) of SEC Regulation NMS, and trading in the stock may be unnecessarily halted, which is inconsistent with the intent and purpose of the trading pause rules.

Any member that has programmed its systems to append the price-override indicator to its trade reports prior to rejection of the trade must make the technological changes necessary to cease this practice as soon as possible, and no later than November 16, 2010 (60 days from the date of the Notice). After November 16, 2010, a pattern and practice of reporting trades with the price-override indicator not in accordance with the established protocol and the Notice may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

² See FINRA Rule 6121 and Regulatory Notice 10-30 (June 2010).

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness, and it is operative on 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,³ 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 the proposed rule change will enhance market transparency and further the goal of investor protection by helping to ensure that the trade prices that are publicly disseminated are correct and by reducing the potential for unnecessary trading pauses in certain NMS stocks.

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.

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)

³ 15 U.S.C. 78o-3(b)(6).

of the Act⁴ and paragraph (f)(1) of Rule 19b-4 thereunder,⁵ in that the proposed rule change is a stated policy, practice or interpretation with respect to the meaning, administration or enforcement of an existing rule.

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.

Exhibit 2. FINRA Trade Reporting Notice.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(1).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2010-048)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to FINRA Trade Reporting Notice on Price Validation and Price-Override Protocol

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. filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule” under Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ 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 filing a FINRA Trade Reporting Notice (“Notice”) that explains the price validation protocol of the FINRA trade reporting facilities and sets forth guidance

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(1).

on the use of the price-override indicator in trade reports. Members are required to make systems changes necessary to trade report in accordance with the Notice no later than November 16, 2010.

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.

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

The FINRA trade reporting facilities (i.e., the Alternative Display Facility, Trade Reporting Facilities and OTC Reporting Facility) (collectively referred to herein as the "FINRA Facilities") price validate over-the-counter trades by comparing the submitted price against price validation parameters established by FINRA, generally based on a price deviation against the national best bid or offer. The attached Trade Reporting Notice explains the price validation protocol of the FINRA Facilities. Additionally, the Notice advises members that the price-override indicator should not be appended automatically to all trade reports submitted to a FINRA Facility. Rather, this special

indicator should be appended only after a trade has been rejected by a FINRA Facility, pursuant to the established price validation protocol, as described more fully in the Notice.

Proper trade reporting has become increasingly important because of the single-stock trading pause pilot.⁵ Specifically, a firm that reports a trade with an incorrect price could trigger a trading pause in certain NMS stocks, as defined in Rule 600(b) of SEC Regulation NMS, and trading in the stock may be unnecessarily halted, which is inconsistent with the intent and purpose of the trading pause rules.

Any member that has programmed its systems to append the price-override indicator to its trade reports prior to rejection of the trade must make the technological changes necessary to cease this practice as soon as possible, and no later than November 16, 2010 (60 days from the date of the Notice). After November 16, 2010, a pattern and practice of reporting trades with the price-override indicator not in accordance with the established protocol and the Notice may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

FINRA has filed the proposed rule change for immediate effectiveness, and it is operative on 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,⁶ which requires, among other things, that FINRA rules

⁵ See FINRA Rule 6121 and Regulatory Notice 10-30 (June 2010).

⁶ 15 U.S.C. 78o-3(b)(6).

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 the proposed rule change will enhance market transparency and further the goal of investor protection by helping to ensure that the trade prices that are publicly disseminated are correct and by reducing the potential for unnecessary trading pauses in certain NMS stocks.

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.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and paragraph (f)(1) of Rule 19b-4 thereunder.⁸ 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 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.

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(1).

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-2010-048 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-2010-048. 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-2010-048 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.⁹

Florence E. Harmon
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).

Trade Reporting Notice

Price Validation and Price-Override Protocol

September 17, 2010

Executive Summary

FINRA is issuing this Notice to explain the price validation protocol of the FINRA trade reporting facilities and to set forth new guidance on the use of the price-override indicator in trade reports. Firms are required to make systems changes necessary to report in accordance with this guidance no later than November 16, 2010.

Questions regarding this *Notice* may be directed to:

- The Legal Section, Market Regulation, at (240) 386-5126;
- FINRA Operations, at (866) 776-0800; or
- Office of General Counsel, at (202) 728-8071.

Discussion

The Alternative Display Facility (ADF) and Trade Reporting Facilities (TRFs) (collectively referred to herein as the “FINRA Facilities”) price validate OTC trades in NMS stocks by comparing the submitted price against price validation parameters established by FINRA, generally based on a price deviation against the national best bid or offer.¹

After a trade report is submitted, the FINRA Facility validates the trade price against an initial set of price validation parameters. If the trade price falls outside the parameters, the trade report is rejected, and the reporting firm can resubmit the trade with a price-override indicator. By using the price-override indicator, the reporting firm is confirming that the price it originally entered is correct, even though it is away from the current market.² After the trade has been resubmitted with the price-override indicator, it is price validated a second time with significantly wider parameters. If the trade is correct but outside of this second set of parameters, it must be entered manually through ADF or TRF Operations.³

The price validation protocol is an important check in the trade reporting process. As noted above, rejection of a trade outside the price validation parameters requires that the reporting firm confirm that the reported price is, in fact, the correct price as agreed upon by the parties. This helps reduce the likelihood that erroneously reported trade prices are disseminated to the tape.

Key Topic(s)

- Alternative Display Facility
- OTC Reporting Facility
- Price-Override
- Price Validation
- Trade Reporting
- Trade Reporting Facilities
- Trading Halts

Referenced Rules & Notices

- FINRA Rule 2010
- FINRA Rule 6121
- FINRA Rule 6282
- FINRA Rule 6380A
- FINRA Rule 6380B
- Regulatory Notice 10-30

September 17, 2010

Proper trade reporting has become increasingly important because of the single-stock trading pause pilot.⁴ Specifically, a firm that reports a trade with an incorrect price could trigger a trading pause in certain stocks, and trading in the stock may be unnecessarily halted, which is inconsistent with the intent and purpose of the trading pause rules. To reduce the potential for unnecessary trading halts in stocks that are eligible for the single-stock circuit breaker pilot, FINRA continues to review and make certain adjustments to the price validation parameters as necessary for these securities.

Firms must not report trades in a manner designed to circumvent this important system and operational protocol; *e.g.*, by programming their systems to automatically append the price-override indicator to their trade reports. The price-override indicator should be appended to a trade report only after the trade has been rejected by a FINRA Facility. Any firm that has programmed its systems to append the price-override indicator to its trade reports prior to rejection of the trade must make the technological changes necessary to cease this practice as soon as possible, and no later than November 16, 2010 (60 days from the date of this *Notice*).

While the single-stock circuit breaker pilot applies only to certain NMS stocks, the price validation protocol applies to reports of OTC trades in all equity securities, including OTC Equity Securities submitted to the OTC Reporting Facility (ORF). Therefore, firms must comply with the guidance set forth in this *Notice* when reporting to the ORF as well.

After November 16, 2010, a pattern and practice of reporting trades with the price-override indicator not in accordance with the established protocol and this guidance may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

Endnotes

- | | |
|---|--|
| <p>1 A different set of parameters is applied to trades reported with a trade modifier that indicates that the price is away from the current market; <i>e.g.</i>, a modifier that indicates that the trade qualifies for an exception or exemption under Regulation NMS.</p> | <p>3 To the extent this process (<i>i.e.</i>, rejection of the trade by the FINRA Facility and resubmission of that trade by the reporting firm) results in a late reported trade, FINRA will take this into account when enforcing the rules on timely trade reporting.</p> |
| <p>2 If the firm realizes the trade price was reported in error, then it can re-report the trade with the correct price.</p> | <p>4 See FINRA Rule 6121 and <i>Regulatory Notice 10-30</i> (June 2010).</p> |

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