

OMB APPROVAL

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Page 1 of * 43	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2013 - * 013 Amendment No. (req. for Amendments *)
Filing 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 ☐ 19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☐ 19b-4(f)(6)
Pilot ☐ Extension of Time Period for Commission Action * ☐ Date Expires *		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) ☐ Section 806(e)(2) ☐		Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) ☐
Exhibit 2 Sent As Paper Document ☐	Exhibit 3 Sent As Paper Document ☐	
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). Proposed Rule Change to Require Members to Report OTC Equity Transactions As Soon As Practicable, But No Later Than 10 Seconds, Following Execution		
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 action.		
First Name * Lisa Last Name * Horrigan Title * Associate General Counsel E-mail * lisa.horrigan@finra.org Telephone * (202) 728-8190 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. (Title *) Date 02/01/2013 By Stephanie Dumont (Name *) Senior Vice President and Director of Capital Markets Policy Stephanie Dumont, 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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies 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, security-based swap submission, or advance notice 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 Add Remove View 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 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 the 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 proposed rule change to amend FINRA trade reporting rules to require that members report over-the-counter (“OTC”) transactions in NMS stocks and OTC Equity Securities,² and cancellations of such transactions, to FINRA as soon as practicable, but no later than 10 seconds, following execution (or cancellation, as applicable).

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on December 6, 2012, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. To allow sufficient time to make the necessary systems changes,

¹ 15 U.S.C. 78s(b)(1).

² OTC transactions in NMS stocks, as defined in SEC Rule 600(b) of Regulation NMS, are reported through the Alternative Display Facility (“ADF”) or a Trade Reporting Facility (“TRF”), and transactions in “OTC Equity Securities,” as defined in FINRA Rule 6420 (i.e., non-NMS stocks such as OTC Bulletin Board and OTC Market securities), are reported through the OTC Reporting Facility (“ORF”). The ADF, TRFs and ORF are collectively referred to herein as the “FINRA Facilities.”

FINRA is proposing that the implementation date will be between 120 and 180 days following the date of Commission approval.

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

(a) Purpose

FINRA trade reporting rules require that members report OTC transactions in NMS stocks and OTC Equity Securities that are executed during the hours that the FINRA Facilities are open within 30 seconds of execution.³ In addition, members must report the cancellation of a trade within 30 seconds of the time of cancellation if the trade is both executed and cancelled on the same day during normal market hours.⁴ Under current FINRA guidance, members are expected to report transactions as soon as practicable and should not withhold trade reports, e.g., by programming their systems to delay reporting until the last permissible second.⁵

FINRA is proposing to amend its trade reporting rules to require members to report OTC trades in NMS stocks and OTC Equity Securities as soon as practicable, but no later than 10 seconds, following execution and to report trade cancellations as soon as

³ See, e.g., FINRA Rules 6282(a), 6380A(a), 6380B(a) and 6622(a).

The TRFs and ORF are open between 8:00 a.m. and 8:00 p.m., and the ADF is open between 8:00 a.m. and 6:30 p.m.

⁴ See, e.g., FINRA Rules 6282(j)(2)(A), 6380A(g)(2)(A), 6380B(f)(2)(A) and 6622(f)(2)(A).

Members must report all cancellations of previously reported trades to FINRA; however, where the trade is executed or canceled outside of normal market hours, the 30-second requirement does not apply to the reporting of the cancellation.

⁵ See Regulatory Notice 10-24 (April 2010).

practicable, but no later than 10 seconds, after the time of cancellation.⁶ Under the proposed rule change, all transactions not reported within 10 seconds will be marked late (unless expressly subject to a different reporting requirement⁷ or excluded from the trade reporting rules altogether). FINRA understands that there will be isolated instances where a member is unable to report trades within the time period prescribed by rule, and FINRA will continue to look for a pattern and practice of unexcused late trade reporting before taking action against a member. Pursuant to Rules 6181 and 6623, unexcused late reporting occurs when there are “repeated reports of executions submitted after the required time period without reasonable justification or exceptional circumstances.” The rules also provide that “[e]xceptional circumstances will be determined on a case-by-case basis and may include instances of system failure by a member or service bureau, or unusual market conditions, such as extreme volatility in a security, or in the market as a whole.”

FINRA also is proposing to adopt Supplementary Material to clarify the requirement that members report trades and trade cancellations “as soon as practicable.” Specifically, the proposed Supplementary Material provides that members must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that commence the trade reporting process without delay upon

⁶ FINRA also is proposing conforming changes to replace the reference to 30 seconds with 10 seconds in the rules relating to the reporting of stop stock and “prior reference price” transactions. See FINRA Rules 6282(a)(4), 6380A(a)(5), 6380B(a)(5) and 6622(a)(5).

⁷ For example, the proposed rule change will not amend the reporting requirements applicable to transactions in Restricted Equity Securities, as defined in Rule 6420, effected under Securities Act Rule 144A, which transactions currently are not subject to the 30-second reporting requirement. See Rule 6622(a)(3).

execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting that are due to external factors where the member does not purposely intend to delay the reporting of the trade. The proposed Supplementary Material also expressly prohibits members from purposely withholding trade reports, e.g., by programming their systems to delay reporting until the last permissible second. FINRA notes that members that engage in a pattern and practice of unexcused late reporting (i.e., reporting later than 10 seconds after execution) may be charged with violating FINRA rules, notwithstanding that they have policies and procedures that contemplate commencing the trade reporting process without delay.

Timely reporting has become even more critical with the implementation of the Single Stock Circuit Breaker trading pause rules and the upcoming implementation of the NMS Plan to Address Extraordinary Market Volatility (or “Limit Up/Limit Down”) this year. For example, the price bands under Limit Up/Limit Down will be a certain percentage away from a “reference price,” which is generally the average price of regular way, last-sale eligible trades for a security over the immediately preceding five-minute period. All regular way, last sale eligible trades reported within the time frame prescribed by rule (i.e., that are not reported late) will be included in the calculation of the reference price.⁸ Given how quickly the price for a security can change, a trade

⁸ By its terms, Limit Up/Limit Down will be implemented on a one-year pilot basis in two phases. Phase I is currently scheduled to begin on April 8, 2013 in select NMS stocks. Although the proposed rule change, if approved, will not be in place at the commencement of Phase I, FINRA believes it ultimately will be beneficial to the operation of Limit Up/Limit Down.

executed and reported in 30 seconds potentially may no longer reflect the current market and could improperly impact the calculation of reference prices or, at an extreme, trigger a single stock circuit breaker (which will remain in effect for certain NMS stocks during the phased implementation of Limit Up/Limit Down). In addition, trade reports received 30 seconds after execution are more likely to appear to market participants as violations of Limit Up/Limit Down (i.e., executions outside of the price bands), as well as the Regulation NMS Order Protection Rule (i.e., trading at a price worse than the best displayed bid or offer, commonly referred to as a “trade-through”).⁹ Even though the vast majority of OTC trades are reported within 10 seconds today,¹⁰ market participants have no certainty whether a particular trade reflects the immediate current market. This is because today, when FINRA disseminates OTC trades to the consolidated “tapes,”¹¹ it does not distinguish between a trade reported one second after execution and a trade reported 30 seconds after execution, as both are considered timely under FINRA rules.

FINRA believes that reducing the reporting time and codifying current guidance requiring that members report trades as soon as practicable and not hold back trade

⁹ For example, if a trade is not disseminated until 30 seconds after execution, the best displayed market could have changed dramatically between the time of execution and ultimate dissemination of the trade, giving the appearance of a trade-through of the then-current market.

¹⁰ For example, during the period of July 9 through July 13, 2012, 99.96% of last-sale eligible trades were reported within 10 seconds of execution (with a breakdown of 99.97% of OTC trades in NMS stocks and 99.04% of OTC trades in OTC Equity Securities).

¹¹ Trades reported for public dissemination purposes are transmitted to three “tapes” based on the listing venue of the security: New York Stock Exchange securities (Tape A), NYSE Arca, NYSE MKT and other regional exchange securities (Tape B), and Nasdaq Stock Market securities (Tape C). Tape A and Tape B are governed by the Consolidated Tape Association Plan (CTA Plan) and Tape C is governed by the Nasdaq Unlisted Trading Privileges Plan (UTP Plan).

reports is necessary to promote consistent and timely reporting by all members. In addition, FINRA believes that the proposed rule change will help ensure that members are attentive to transaction reporting standards.

FINRA believes that very few members would be unable to comply with the proposed rule change today. For the one-week period cited in footnote 10 herein, 288 member firms reported one or more OTC trades to FINRA. Of these firms, only 12 were unable to report any of their trades within 10 seconds. Of the 25,251,098 last sale eligible trades reported during this period, the total number of trades reported by these 12 firms was 21 (0.0000831% of the total number of trades). In addition, there were only 22 member firms that were unable to report at least 50% of their last sale eligible trades within 10 seconds (this number includes the 12 firms mentioned above). The total number of trades reported by these 22 firms was 899 (0.0035602% of the total number of trades). FINRA contacted more than half of the 22 firms to discuss their trade reporting protocols and the potential impact that the proposed rule change might have on them. The majority of the firms that FINRA spoke to indicated that their business model is not to execute and report trades, but instead to route most of their orders to other firms for execution,¹² while a few other firms indicated that, as a more general matter, they do not trade equities very frequently. Accordingly, FINRA believes that the burden of the proposed rule change should be minimal, particularly since, as noted above, FINRA

¹² FINRA notes that members, particularly smaller members, that route their orders to another member for handling or execution do not have the trade reporting obligation under FINRA rules. For transactions between members, the “executing party” (which is defined as the member that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction) has the obligation to report the trade to FINRA. See Rules 6282(b), 6380A(b), 6380B(b) and 6622(b); see also Regulatory Notice 09-08 (January 2009).

looks to a pattern and practice of late trade reporting and typically does not charge a member for isolated instances of late reporting.

FINRA originally considered a requirement that members report transactions “immediately,” but no later than 10 seconds, following execution. FINRA staff discussed the proposed rule change with several of its industry advisory committees in developing its approach. While these committees were generally supportive of the proposal, they indicated the need for (1) a sufficient implementation period so that members can make any necessary systems changes (as noted above, FINRA is proposing a 120 to 180 day implementation period following Commission approval); (2) revision of the standard from “immediately” to “as soon as practicable” and a request to provide additional clarity on the interpretation and application of the “as soon as practicable” requirement (FINRA further clarified this as part of the proposed Supplementary Material); and (3) additional guidance for situations where delays could result from queuing of data into the FINRA Facilities (given that the vast majority of trades today are reported within 10 seconds, FINRA does not believe that the proposed rule change will cause any queuing issues into the FINRA Facilities). Finally, the committees asked for guidance on how the rule would apply to late reporting during periods of market stress, e.g., high volatility days such as the Russell index rebalancing, where compliance rates could be impacted. As noted above, extraordinary market volatility is taken into consideration currently, and would continue to be considered under the proposed reporting time frame, in determining whether exceptional circumstances exist to excuse late trade reporting. FINRA also notes that its staff reviewed members’ compliance rates on the date of Russell index

rebalancing in 2012 and determined that there was no appreciable decrease in the percentage of trades reported within 10 seconds of execution on that day.

As noted in Item 2 of this filing, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. As discussed above, a small number of members currently are unable to report trades within 10 seconds and may need to make systems changes to comply with the proposed rule change. While the vast majority of members have automated their trade reporting systems and are already reporting within the proposed time frame, even these members may need to make programming adjustments (e.g., to modify the trigger for appending the late modifier, as required under FINRA rules, from 30 seconds to 10 seconds after execution of the trade). To allow sufficient time to make the necessary systems changes, FINRA is proposing that the implementation date will be between 120 and 180 days following the date of Commission approval.

(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 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. For the reasons discussed above, FINRA believes that the proposed rule change will enhance market transparency and price discovery, promote more consistent trade reporting by members and facilitate implementation and further the goals of the Single

¹³ 15 U.S.C. 78o-3(b)(6).

Stock Circuit Breaker trading pause rules and the NMS Plan to Address Extraordinary Market Volatility.

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. FINRA believes the vast majority of firms that engage in equities transactions have automated their trade reporting systems so that the proposed rule change will not have an economic impact.¹⁴ Furthermore, FINRA believes that the proposed rule change will not have a competitive impact on smaller members that may rarely have a trade reporting obligation, given the policies and procedures approach to determining compliance with the "as soon as practicable" requirement, and the pattern and practice nature of FINRA's late trade reporting surveillance and enforcement. While smaller members will be expected to adopt policies and procedures that contemplate reporting any trades for which they have the reporting obligation as soon as practicable, their infrequent instances of trade reporting likely would never rise to the level of a pattern and practice of late reporting.

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.

¹⁴ This is supported by a review of member trade reporting statistics. As previously noted, during the period of July 9 through July 13, 2012, 99.96% of last-sale eligible trades were reported within 10 seconds of execution. For that same period, 99.71% and 94.31% of trades were reported within 5 seconds and 2 seconds of execution, respectively.

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.¹⁵

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

Not applicable.

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

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

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

Exhibit 5. Text of proposed rule change.

¹⁵ 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2013-013)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to Require Members to Report OTC Equity Transactions As Soon As Practicable, But No Later Than 10 Seconds, Following Execution

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 trade reporting rules to require that members report over-the-counter (“OTC”) transactions in NMS stocks and OTC Equity Securities,³ and cancellations of such transactions, to FINRA as soon as practicable, but no later than 10 seconds, following execution (or cancellation, as applicable).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ OTC transactions in NMS stocks, as defined in SEC Rule 600(b) of Regulation NMS, are reported through the Alternative Display Facility (“ADF”) or a Trade Reporting Facility (“TRF”), and transactions in “OTC Equity Securities,” as defined in FINRA Rule 6420 (i.e., non-NMS stocks such as OTC Bulletin Board and OTC Market securities), are reported through the OTC Reporting Facility (“ORF”). The ADF, TRFs and ORF are collectively referred to herein as the “FINRA Facilities.”

The text of the proposed rule change is available on FINRA's website 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

FINRA trade reporting rules require that members report OTC transactions in NMS stocks and OTC Equity Securities that are executed during the hours that the FINRA Facilities are open within 30 seconds of execution.⁴ In addition, members must report the cancellation of a trade within 30 seconds of the time of cancellation if the trade is both executed and cancelled on the same day during normal market hours.⁵ Under

⁴ See, e.g., FINRA Rules 6282(a), 6380A(a), 6380B(a) and 6622(a).

The TRFs and ORF are open between 8:00 a.m. and 8:00 p.m., and the ADF is open between 8:00 a.m. and 6:30 p.m.

⁵ See, e.g., FINRA Rules 6282(j)(2)(A), 6380A(g)(2)(A), 6380B(f)(2)(A) and 6622(f)(2)(A).

Members must report all cancellations of previously reported trades to FINRA; however, where the trade is executed or canceled outside of normal market hours, the 30-second requirement does not apply to the reporting of the cancellation.

current FINRA guidance, members are expected to report transactions as soon as practicable and should not withhold trade reports, e.g., by programming their systems to delay reporting until the last permissible second.⁶

FINRA is proposing to amend its trade reporting rules to require members to report OTC trades in NMS stocks and OTC Equity Securities as soon as practicable, but no later than 10 seconds, following execution and to report trade cancellations as soon as practicable, but no later than 10 seconds, after the time of cancellation.⁷ Under the proposed rule change, all transactions not reported within 10 seconds will be marked late (unless expressly subject to a different reporting requirement⁸ or excluded from the trade reporting rules altogether). FINRA understands that there will be isolated instances where a member is unable to report trades within the time period prescribed by rule, and FINRA will continue to look for a pattern and practice of unexcused late trade reporting before taking action against a member. Pursuant to Rules 6181 and 6623, unexcused late reporting occurs when there are “repeated reports of executions submitted after the required time period without reasonable justification or exceptional circumstances.” The rules also provide that “[e]xceptional circumstances will be determined on a case-by-case basis and may include instances of system failure by a member or service bureau, or

⁶ See Regulatory Notice 10-24 (April 2010).

⁷ FINRA also is proposing conforming changes to replace the reference to 30 seconds with 10 seconds in the rules relating to the reporting of stop stock and “prior reference price” transactions. See FINRA Rules 6282(a)(4), 6380A(a)(5), 6380B(a)(5) and 6622(a)(5).

⁸ For example, the proposed rule change will not amend the reporting requirements applicable to transactions in Restricted Equity Securities, as defined in Rule 6420, effected under Securities Act Rule 144A, which transactions currently are not subject to the 30-second reporting requirement. See Rule 6622(a)(3).

unusual market conditions, such as extreme volatility in a security, or in the market as a whole.”

FINRA also is proposing to adopt Supplementary Material to clarify the requirement that members report trades and trade cancellations “as soon as practicable.” Specifically, the proposed Supplementary Material provides that members must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting that are due to external factors where the member does not purposely intend to delay the reporting of the trade. The proposed Supplementary Material also expressly prohibits members from purposely withholding trade reports, e.g., by programming their systems to delay reporting until the last permissible second. FINRA notes that members that engage in a pattern and practice of unexcused late reporting (i.e., reporting later than 10 seconds after execution) may be charged with violating FINRA rules, notwithstanding that they have policies and procedures that contemplate commencing the trade reporting process without delay.

Timely reporting has become even more critical with the implementation of the Single Stock Circuit Breaker trading pause rules and the upcoming implementation of the NMS Plan to Address Extraordinary Market Volatility (or “Limit Up/Limit Down”) this year. For example, the price bands under Limit Up/Limit Down will be a certain percentage away from a “reference price,” which is generally the average price of regular

way, last-sale eligible trades for a security over the immediately preceding five-minute period. All regular way, last sale eligible trades reported within the time frame prescribed by rule (i.e., that are not reported late) will be included in the calculation of the reference price.⁹ Given how quickly the price for a security can change, a trade executed and reported in 30 seconds potentially may no longer reflect the current market and could improperly impact the calculation of reference prices or, at an extreme, trigger a single stock circuit breaker (which will remain in effect for certain NMS stocks during the phased implementation of Limit Up/Limit Down). In addition, trade reports received 30 seconds after execution are more likely to appear to market participants as violations of Limit Up/Limit Down (i.e., executions outside of the price bands), as well as the Regulation NMS Order Protection Rule (i.e., trading at a price worse than the best displayed bid or offer, commonly referred to as a “trade-through”).¹⁰ Even though the vast majority of OTC trades are reported within 10 seconds today,¹¹ market participants have no certainty whether a particular trade reflects the immediate current market. This

⁹ By its terms, Limit Up/Limit Down will be implemented on a one-year pilot basis in two phases. Phase I is currently scheduled to begin on April 8, 2013 in select NMS stocks. Although the proposed rule change, if approved, will not be in place at the commencement of Phase I, FINRA believes it ultimately will be beneficial to the operation of Limit Up/Limit Down.

¹⁰ For example, if a trade is not disseminated until 30 seconds after execution, the best displayed market could have changed dramatically between the time of execution and ultimate dissemination of the trade, giving the appearance of a trade-through of the then-current market.

¹¹ For example, during the period of July 9 through July 13, 2012, 99.96% of last-sale eligible trades were reported within 10 seconds of execution (with a breakdown of 99.97% of OTC trades in NMS stocks and 99.04% of OTC trades in OTC Equity Securities).

is because today, when FINRA disseminates OTC trades to the consolidated “tapes,”¹² it does not distinguish between a trade reported one second after execution and a trade reported 30 seconds after execution, as both are considered timely under FINRA rules.

FINRA believes that reducing the reporting time and codifying current guidance requiring that members report trades as soon as practicable and not hold back trade reports is necessary to promote consistent and timely reporting by all members. In addition, FINRA believes that the proposed rule change will help ensure that members are attentive to transaction reporting standards.

FINRA believes that very few members would be unable to comply with the proposed rule change today. For the one-week period cited in footnote 11 herein, 288 member firms reported one or more OTC trades to FINRA. Of these firms, only 12 were unable to report any of their trades within 10 seconds. Of the 25,251,098 last sale eligible trades reported during this period, the total number of trades reported by these 12 firms was 21 (0.0000831% of the total number of trades). In addition, there were only 22 member firms that were unable to report at least 50% of their last sale eligible trades within 10 seconds (this number includes the 12 firms mentioned above). The total number of trades reported by these 22 firms was 899 (0.0035602% of the total number of trades). FINRA contacted more than half of the 22 firms to discuss their trade reporting protocols and the potential impact that the proposed rule change might have on them.

The majority of the firms that FINRA spoke to indicated that their business model is not

¹² Trades reported for public dissemination purposes are transmitted to three “tapes” based on the listing venue of the security: New York Stock Exchange securities (Tape A), NYSE Arca, NYSE MKT and other regional exchange securities (Tape B), and Nasdaq Stock Market securities (Tape C). Tape A and Tape B are governed by the Consolidated Tape Association Plan (CTA Plan) and Tape C is governed by the Nasdaq Unlisted Trading Privileges Plan (UTP Plan).

to execute and report trades, but instead to route most of their orders to other firms for execution,¹³ while a few other firms indicated that, as a more general matter, they do not trade equities very frequently. Accordingly, FINRA believes that the burden of the proposed rule change should be minimal, particularly since, as noted above, FINRA looks to a pattern and practice of late trade reporting and typically does not charge a member for isolated instances of late reporting.

FINRA originally considered a requirement that members report transactions “immediately,” but no later than 10 seconds, following execution. FINRA staff discussed the proposed rule change with several of its industry advisory committees in developing its approach. While these committees were generally supportive of the proposal, they indicated the need for (1) a sufficient implementation period so that members can make any necessary systems changes (as noted above, FINRA is proposing a 120 to 180 day implementation period following Commission approval); (2) revision of the standard from “immediately” to “as soon as practicable” and a request to provide additional clarity on the interpretation and application of the “as soon as practicable” requirement (FINRA further clarified this as part of the proposed Supplementary Material); and (3) additional guidance for situations where delays could result from queuing of data into the FINRA Facilities (given that the vast majority of trades today are reported within 10 seconds, FINRA does not believe that the proposed rule change will cause any queuing issues into

¹³ FINRA notes that members, particularly smaller members, that route their orders to another member for handling or execution do not have the trade reporting obligation under FINRA rules. For transactions between members, the “executing party” (which is defined as the member that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction) has the obligation to report the trade to FINRA. See Rules 6282(b), 6380A(b), 6380B(b) and 6622(b); see also Regulatory Notice 09-08 (January 2009).

the FINRA Facilities). Finally, the committees asked for guidance on how the rule would apply to late reporting during periods of market stress, e.g., high volatility days such as the Russell index rebalancing, where compliance rates could be impacted. As noted above, extraordinary market volatility is taken into consideration currently, and would continue to be considered under the proposed reporting time frame, in determining whether exceptional circumstances exist to excuse late trade reporting. FINRA also notes that its staff reviewed members' compliance rates on the date of Russell index rebalancing in 2012 and determined that there was no appreciable decrease in the percentage of trades reported within 10 seconds of execution on that day.

FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. As discussed above, a small number of members currently are unable to report trades within 10 seconds and may need to make systems changes to comply with the proposed rule change. While the vast majority of members have automated their trade reporting systems and are already reporting within the proposed time frame, even these members may need to make programming adjustments (e.g., to modify the trigger for appending the late modifier, as required under FINRA rules, from 30 seconds to 10 seconds after execution of the trade). To allow sufficient time to make the necessary systems changes, FINRA is proposing that the implementation date will be between 120 and 180 days following the date of Commission approval.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁴ which requires, among other things, that FINRA rules

¹⁴ 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. For the reasons discussed above, FINRA believes that the proposed rule change will enhance market transparency and price discovery, promote more consistent trade reporting by members and facilitate implementation and further the goals of the Single Stock Circuit Breaker trading pause rules and the NMS Plan to Address Extraordinary Market Volatility.

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. FINRA believes the vast majority of firms that engage in equities transactions have automated their trade reporting systems so that the proposed rule change will not have an economic impact.¹⁵ Furthermore, FINRA believes that the proposed rule change will not have a competitive impact on smaller members that may rarely have a trade reporting obligation, given the policies and procedures approach to determining compliance with the "as soon as practicable" requirement, and the pattern and practice nature of FINRA's late trade reporting surveillance and enforcement. While smaller members will be expected to adopt policies and procedures that contemplate reporting any trades for which they have the reporting obligation as soon as practicable, their infrequent instances of

¹⁵ This is supported by a review of member trade reporting statistics. As previously noted, during the period of July 9 through July 13, 2012, 99.96% of last-sale eligible trades were reported within 10 seconds of execution. For that same period, 99.71% and 94.31% of trades were reported within 5 seconds and 2 seconds of execution, respectively.

trade reporting likely would never rise to the level of a pattern and practice of late reporting.

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

Within 45 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 or disapprove 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-2013-013 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-2013-013. 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 website (<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 website 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-2013-013 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.¹⁶

Elizabeth M. Murphy

Secretary

¹⁶ 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

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6200. ALTERNATIVE DISPLAY FACILITY

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6280. Transaction Reporting

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6282. Transactions Reported by Members to TRACS

(a) When and How Transactions are Reported to TRACS

(1) Transaction Reporting to TRACS During Normal Market Hours

Members shall, [within 30] as soon as practicable but no later than 10 seconds after execution, transmit to TRACS, or if TRACS is unavailable due to system or transmission failure, by telephone, facsimile or e-mail to ADF Operations, last sale reports of transactions in ADF-eligible securities executed between 9:30 a.m. and 4:00 p.m. Eastern Time otherwise than on an exchange. Transactions not reported within [30]10 seconds after execution shall be designated as late.

(2) Transaction Reporting to TRACS Outside Normal Market Hours

(A) Last sale reports of transactions in ADF-eligible securities executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be reported [within 30] as soon as practicable but no later than 10 seconds after

execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(B) Last sale reports of transactions in ADF-eligible securities executed between 4:00 p.m. and 6:30 p.m. Eastern Time shall be reported [within 30] as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(C) through (D) No Change.

(3) No Change.

(4) Other Modifiers Required to be Reported to TRACS

Reporting Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of “as/of” trades:

(A) if the trade is executed during normal market hours and it is reported later than [30]10 seconds after execution;

(B) through (E) No Change.

(F) if the trade is a Stop Stock Transaction (as defined in Rule 6220) (Note: the time at which the member and the other party agreed to the Stop Stock Price must be given in lieu of including the time of execution on the trade report and the designated modifier shall not be appended to a report of a Stop Stock Transaction if the Stop Stock

Transaction is executed and reported within [30]10 seconds of the time the member and the other party agree to the Stop Stock Price);

(G) if the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time (Note: the transaction report shall include the prior reference time in lieu of the actual time the trade was executed and the designated modifier shall not be appended to a report of a transaction whose price is based on a prior reference point in time if the trade is executed and reported within [30]10 seconds from the prior reference point in time);

(H) to identify pre-opening and after-hours trades (executed between 8:00 a.m. and 9:30 a.m. Eastern Time or between 4:00 p.m. and 6:30 p.m. Eastern Time) reported more than [30]10 seconds after execution;

(I) through (K) No Change.

(5) No Change.

(6) Transactions not reported within [30]10 seconds after execution, or such other time period prescribed by rule, shall be designated as late. Any transaction that is required to be reported on trade date, but is not reported on trade date, must be reported on an “as/of” basis on a subsequent date (T+N) and shall be designated as late. Any transaction that is required to be reported on an “as/of” basis the following business day (T+1), but is not reported T+1, must be reported on a subsequent date (T+N) and shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered

conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of Rule 2010.

(b) through (i) No Change.

(j) Reporting Cancelled Trades

(1) No Change.

(2) Deadlines for Reporting Cancelled Trades

(A) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or before 4:00 p.m. on the date of execution, the member responsible under paragraph (j)(1) shall report the cancellation [within 30] as soon as practicable but no later than 10 seconds [of] after the time the trade is cancelled.

(B) through (G) No Change.

• • • Supplementary Material: -----

.01 No Change.

.02 With respect to the requirement under paragraphs (a) and (j) of this Rule that members report trades and trade cancellations “as soon as practicable,” a member with the trade reporting obligation under paragraph (b) of this Rule must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting that are due to external factors where the member does not purposely intend to delay the reporting of

the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the last permissible second.

6300. TRADE REPORTING FACILITIES

6300A. FINRA/NASDAQ TRADE REPORTING FACILITY

* * * * *

6380A. Transaction Reporting

(a) When and How Transactions are Reported

(1) Trade Reporting Facility Participants shall, [within 30] as soon as practicable but no later than 10 seconds after execution, transmit to the FINRA/Nasdaq Trade Reporting Facility or if the FINRA/Nasdaq Trade Reporting Facility is unavailable due to system or transmission failure, by telephone to the FINRA/Nasdaq Trade Reporting Facility Operations Department, last sale reports of transactions in designated securities executed during normal market hours. Transactions not reported within [30]10 seconds after execution shall be designated as late.

(2) Transaction Reporting to the FINRA/Nasdaq Trade Reporting Facility Outside Normal Market Hours

(A) Last sale reports of transactions in designated securities executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be reported [within 30] as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(B) Last sale reports of transactions in designated securities executed between 4:00 p.m. and 8:00 p.m. Eastern Time shall be reported [within 30] as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(C) through (D) No Change.

(3) No Change.

(4) Transactions not reported within [30]10 seconds after execution, or such other time period prescribed by rule, shall be designated as late. Any transaction that is required to be reported on trade date, but is not reported on trade date, must be reported on an “as/of” basis on a subsequent date (T+N) and shall be designated as late. Any transaction that is required to be reported on an “as/of” basis the following business day (T+1), but is not reported T+1, must be reported on a subsequent date (T+N) and shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of Rule 2010.

(5) Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of “as/of” trades:

(A) if the trade is executed during normal market hours and it is reported later than [30]10 seconds after execution;

(B) through (E) No Change.

(F) if the trade is a Stop Stock Transaction (as defined in Rule 6320A) (Note: the time at which the member and the other party agreed to the Stop Stock Price must be given in lieu of including the time of execution on the trade report and the designated modifier shall not be appended to a report of a Stop Stock Transaction if the Stop Stock Transaction is executed and reported within [30]10 seconds of the time the member and the other party agree to the Stop Stock Price);

(G) if the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time (Note: the transaction report shall include the prior reference time in lieu of the actual time the trade was executed and the designated modifier shall not be appended to a report of a transaction whose price is based on a prior reference point in time if the trade is executed and reported within [30]10 seconds from the prior reference point in time);

(H) to identify pre-opening and after-hours trades (executed between 8:00 a.m. and 9:30 a.m. Eastern time or between 4:00 p.m. and 8:00 p.m. Eastern time) reported more than [30]10 seconds after execution;

(I) through (K) No Change.

To the extent that any of the modifiers required by this Rule conflict, FINRA shall provide guidance regarding the priorities among modifiers and members shall report in accordance with such guidance, as applicable.

(6) No Change.

(7) To identify pre-opening and after-hours trades reported late, the FINRA/Nasdaq Trade Reporting Facility will convert the late modifier, as applicable, on any pre-opening or after-hours report submitted to the FINRA/Nasdaq Trade Reporting Facility more than [30]10 seconds after execution.

(8) No Change.

(b) through (f) No Change.

(g) Reporting Cancelled Trades

(1) No Change.

(2) Deadlines for Reporting Cancelled Trades

(A) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or before 4:00 p.m. on the date of execution, the member responsible under paragraph (g)(1) shall report the cancellation [within 30] as soon as practicable but no later than 10 seconds [of] after the time the trade is cancelled.

(B) through (G) No Change.

(h) No Change.

• • • Supplementary Material: -----

.01 No Change.

.02 With respect to the requirement under paragraphs (a) and (g) of this Rule that members report trades and trade cancellations “as soon as practicable,” a member with the trade reporting obligation under paragraph (b) of this Rule must adopt policies and procedures reasonably designed to comply with this requirement and must implement

systems that commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting that are due to external factors where the member does not purposely intend to delay the reporting of the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the last permissible second.

6300B. FINRA/NYSE TRADE REPORTING FACILITY

* * * * *

6380B. Transaction Reporting

(a) When and How Transactions are Reported

(1) Trade Reporting Facility Participants shall, [within 30] as soon as practicable but no later than 10 seconds after execution, transmit to the FINRA/NYSE Trade Reporting Facility or, if the FINRA/NYSE Trade Reporting Facility is unavailable due to system or transmission failure, by telephone to the FINRA/NYSE TRF Operations Department, last sale reports of transactions in designated securities executed during normal market hours. Transactions not reported within [30]10 seconds after execution shall be designated as late.

(2) Transaction Reporting to the FINRA/NYSE Trade Reporting Facility
Outside Normal Market Hours

(A) Last sale reports of transactions in designated securities executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be reported [within 30] as soon as practicable but no later than 10 seconds after

execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(B) Last sale reports of transactions in designated securities executed between 4:00 p.m. and 8:00 p.m. Eastern Time shall be reported [within 30] as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(C) through (D) No Change.

(3) No Change.

(4) Transactions not reported within [30]10 seconds after execution, or such other time period prescribed by rule, shall be designated as late. Any transaction that is required to be reported on trade date, but is not reported on trade date, must be reported on an “as/of” basis on a subsequent date (T+N) and shall be designated as late. Any transaction that is required to be reported on an “as/of” basis the following business day (T+1), but is not reported T+1, must be reported on a subsequent date (T+N) and shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of Rule 2010.

(5) Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of “as/of” trades:

(A) if the trade is executed during normal market hours and it is reported later than [30]10 seconds after execution;

(B) through (E) No Change.

(F) if the trade is a Stop Stock Transaction (as defined in Rule 6320B) (Note: the time at which the member and the other party agreed to the Stop Stock Price must be given in lieu of including the time of execution on the trade report and the designated modifier shall not be appended to a report of a Stop Stock Transaction if the Stop Stock Transaction is executed and reported within [30]10 seconds of the time the member and the other party agree to the Stop Stock Price);

(G) if the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time (Note: the transaction report shall include the prior reference time in lieu of the actual time the trade was executed and the designated modifier shall not be appended to a report of a transaction whose price is based on a prior reference point in time if the trade is executed and reported within [30]10 seconds from the prior reference point in time);

(H) to identify pre-opening and after-hours trades (executed between 8:00 a.m. and 9:30 a.m. Eastern time or between 4:00 p.m. and 8:00 p.m. Eastern time) reported more than [30]10 seconds after execution;

(I) through (K) No Change.

To the extent that any of the modifiers required by this Rule conflict, FINRA shall provide guidance regarding the priorities among modifiers and members shall report in accordance with such guidance, as applicable.

(6) No Change.

(7) To identify pre-opening and after-hours trades reported late, the FINRA/NYSE Trade Reporting Facility will convert to the late modifier, as applicable, on any pre-opening or after-hours report submitted to the FINRA/NYSE Trade Reporting Facility more than [30]10 seconds after execution.

(8) No Change.

(b) through (e) No Change.

(f) Reporting Cancelled Trades

(1) No Change.

(2) Deadlines for Reporting Cancelled Trades

(A) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or before 4:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation [within 30] as soon as practicable but no later than 10 seconds [of] after the time the trade is cancelled.

(B) through (G) No Change.

(g) through (h) No Change.

• • • Supplementary Material: -----

.01 No Change.

.02 With respect to the requirement under paragraphs (a) and (f) of this Rule that members report trades and trade cancellations “as soon as practicable,” a member with the trade reporting obligation under paragraph (b) of this Rule must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting that are due to external factors where the member does not purposely intend to delay the reporting of the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the last permissible second.

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6600. OTC REPORTING FACILITY

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6620. Reporting Transactions in OTC Equity Securities and Restricted Equity Securities

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6622. Transaction Reporting

(a) When and How Transactions are Reported

(1) OTC Reporting Facility Participants shall, [within 30] as soon as practicable but no later than 10 seconds after execution, transmit to the OTC Reporting Facility, or if the OTC Reporting Facility is unavailable due to system or transmission failure, by telephone to the Operations Department, last sale

reports of transactions in OTC Equity Securities executed during normal market hours. Transactions not reported within [30]10 seconds after execution shall be designated as late.

(2) Transaction Reporting Outside Normal Market Hours

(A) Last sale reports of transactions in OTC Equity Securities executed between 8:00 a.m. and 9:30 a.m. Eastern Time shall be reported [within 30] as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(B) Last sale reports of transactions in OTC Equity Securities executed between 4:00 p.m. and 8:00 p.m. Eastern Time shall be reported [within 30] as soon as practicable but no later than 10 seconds after execution and be designated with the unique trade report modifier, as specified by FINRA, to denote their execution outside normal market hours.

(C) through (D) No Change.

(3) No Change.

(4) Transactions not reported within [30]10 seconds after execution, or such other time period prescribed by rule, shall be designated as late. Any transaction that is required to be reported on trade date, but is not reported on trade date, must be reported on an “as/of” basis on a subsequent date (T+N) and shall be designated as late. Any transaction that is required to be reported on an

“as/of” basis the following business day (T+1), but is not reported T+1, must be reported on a subsequent date (T+N) and shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of Rule 2010.

(5) Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of “as/of” trades:

(A) if the trade is executed during normal market hours and it is reported later than [30]10 seconds after execution;

(B) through (E) No Change.

(F) if the trade is a Stop Stock Transaction (as defined in Rule 6420) (Note: the time at which the member and the other party agreed to the Stop Stock Price must be given in lieu of including the time of execution on the trade report and the designated modifier shall not be appended to a report of a Stop Stock Transaction if the Stop Stock Transaction is executed and reported within [30]10 seconds of the time the member and the other party agree to the Stop Stock Price);

(G) if the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time (Note: the transaction report shall include the prior reference time in lieu of the actual time the trade was executed and the designated modifier shall not be appended to a report of a transaction whose price is

based on a prior reference point in time if the trade is executed and reported within [30]10 seconds from the prior reference point in time); and

(H) to identify pre-opening and after-hours trades (executed between 8:00 a.m. and 9:30 a.m. Eastern time or between 4:00 p.m. and 8:00 p.m. Eastern time) reported more than [30]10 seconds after execution.

To the extent that any of the modifiers required by this Rule conflict, FINRA shall provide guidance regarding the priorities among modifiers and members shall report in accordance with such guidance, as applicable.

(6) No Change.

(7) To identify pre-opening and after-hours trades in OTC Equity Securities reported late, the OTC Reporting Facility will convert to the late modifier, as applicable, on any pre-opening or after-hours report submitted to the OTC Reporting Facility more than [30]10 seconds after execution.

(8) No Change.

(b) through (e) No Change.

(f) Reporting Cancelled Trades

(1) No Change.

(2) Deadlines for Reporting Cancelled Trades in OTC Equity

Securities

(A) For trades executed between 9:30 a.m. and 4:00 p.m. Eastern Time and cancelled at or before 4:00 p.m. on the date of execution, the member responsible under paragraph (f)(1) shall report the cancellation

[within 30] as soon as practicable but no later than 10 seconds [of] after
the time the trade is cancelled.

(B) through (G) No Change.

(3) No Change.

(g) through (h) No Change.

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

.01 through .02 No Change.

.03 With respect to the requirement under paragraphs (a) and (f) of this Rule that members report trades and trade cancellations “as soon as practicable,” a member with the trade reporting obligation under paragraph (b) of this Rule must adopt policies and procedures reasonably designed to comply with this requirement and must implement systems that commence the trade reporting process without delay upon execution (or cancellation, as applicable). Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting that are due to external factors where the member does not purposely intend to delay the reporting of the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the last permissible second.

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**7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS,
AND FACILITY CHARGES**

7100. ALTERNATIVE DISPLAY FACILITY/TRACS

* * * * *

7130. Trade Report Input

(a) No Change.

(b) When and How Trade Reports are Submitted to TRACS

(1) TRACS trade comparison Participants who are Reporting Members that choose to submit a trade for comparison shall transmit to TRACS the information required by the Rule 6280 Series, as applicable, [within 30] as soon as practicable but no later than 10 seconds [of] after execution, or such other time period prescribed by rule.

(2) through (6) No Change.

(c) through (d) No Change.

* * * * *

7200. TRADE REPORTING FACILITIES

7200A. FINRA/NASDAQ TRADE REPORTING FACILITY

* * * * *

7230A. Trade Report Input

(a) No Change.

(b) When and How Trade Reports are Submitted

Participants shall transmit trade reports to the System for transactions in Reportable Securities [within 30] as soon as practicable but no later than 10 seconds after execution, or such other time period prescribed by rule, or shall use the Browse function to accept or decline trades within twenty (20) minutes after execution, according to the requirements of paragraph (c) of this Rule.

(c) through (i) No Change.

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7200B. FINRA/NYSE TRADE REPORTING FACILITY

* * * * *

7230B. Trade Report Input

(a) No Change.

(b) When and How Trade Reports are Submitted

Participants shall transmit trade reports to the System for transactions in Reportable Securities [within 30] as soon as practicable but no later than 10 seconds after execution, or such other time period prescribed by rule.

(c) through (h) No Change.

* * * * *