

Trade Reporting Notice

Dissemination of Qualified Contingent Trades Reported to FINRA

Effective Date: November 16, 2015

Executive Summary

Effective November 16, 2015, over-the-counter transactions in NMS stocks that are reported to FINRA as qualified contingent trades (QCTs) will be identified as such for purposes of public dissemination. This change affects dissemination only; firms are not required to change the way they report QCTs to FINRA.

Questions regarding this *Notice* may be directed to:

- ▶ Dave Chapman, Director, Market Regulation, at (240) 386-4995;
- ▶ FINRA Operations at (866) 776-0800; or
- ▶ for rule related questions, Lisa Horrigan, Associate General Counsel, Office of General Counsel, at (202) 728-8190.

Discussion

FINRA rules require that firms use unique trade modifiers to indicate whether a transaction qualifies for an exception or exemption to Rule 611 of SEC Regulation NMS,¹ including trades that qualify as QCTs pursuant to the SEC's Order Granting an Exemption for Qualified Contingent Trades from Rule 611(a) of Regulation NMS under the Securities Exchange Act of 1934² and Order Modifying the Exemption for Qualified Contingent Trades from Rule 611(a) of Regulation NMS under the Securities Exchange Act of 1934.³ Specifically, firms are required to report QCTs to FINRA with the appropriate trade modifier for QCTs in Trade Modifier Field 2 (Reason for SEC Rule 611 Exception or Exemption)⁴ and, in accordance with *Trade Reporting Notice 8/19/10*, the weighted average price/special pricing formula (.W) modifier in Trade Modifier Field 4 (SRO Required Detail), unless another Field 4 trade modifier, e.g., stop stock or prior reference price, applies.⁵

October 7, 2015

Key Topics

- ▶ Alternative Display Facility
- ▶ Qualified Contingent Trades
- ▶ Regulation NMS
- ▶ Trade Reporting
- ▶ Trade Reporting Facilities

Referenced Rules & Notices

- ▶ FINRA Rule 6282
- ▶ FINRA Rule 6380A
- ▶ FINRA Rule 6380B
- ▶ Notice to Members 07-23
- ▶ SEC Regulation NMS
- ▶ Trade Reporting Notice 2/24/09
- ▶ Trade Reporting Notice 8/19/10

Historically, the QCT modifier reported to FINRA in Trade Modifier Field 2 has not been publicly disseminated, but instead has been reported solely for regulatory use by FINRA.⁶ In other words, when firms have reported a trade with the QCT modifier in Trade Modifier Field 2, FINRA has suppressed this modifier when sending the trade to the securities information processors (SIPs) for public dissemination.

Earlier this year, the SIPs announced that they would begin disseminating QCTs with a unique value combination to denote QCTs on the tape (specifically “Qualified Contingent Trade” in Trade Modifier Field 2 and “Contingent Trade” in Trade Modifier Field 4).⁷ Since July 27, 2015 (UTP), and August 3, 2015 (CTA), the SIPs have used this value combination to denote QCTs executed on and reported through an exchange.

Effective November 16, 2015, FINRA will send trades that are reported to FINRA as QCTs to the SIPs for public dissemination with the appropriate value combination, in accordance with the new SIP dissemination protocols. Thus, market participants will be able to identify QCTs reported to FINRA on the tape.

Firms should continue to submit the applicable trade modifier for QCTs in Field 2 and also append the .W in Trade Modifier Field 4, unless another Field 4 trade modifier applies, in accordance with the guidance in *Trade Reporting Notice 8/19/10*.

Endnotes

1. See *Notice to Members (NTM) 07-23* (May 2007) and *Trade Reporting Notice 2/24/09*.
2. See Securities Exchange Act Release No. 54389 (August 31, 2006), available at www.sec.gov/rules/exorders/2008/34-57620.pdf.
3. See Securities Exchange Act Release No. 57620 (April 4, 2008), available at www.sec.gov/rules/exorders/2008/34-57620.pdf.
4. The Trade Modifier Fields are described more fully in *NTM 07-23* and *Trade Reporting Notice 2/24/09*.

FINRA notes that although the trade modifier “V” is generally used in Trade Modifier Field 2 for QCTs for CTCL, and “7” for FIX, the specific data entries used to report trades may vary depending upon the specific platform or system used. Firms must review and report in accordance with the applicable system specifications.
5. Pursuant to that notice, the FINRA Trade Reporting Facilities automatically append the .W trade modifier for those trades where the firm has appended the appropriate modifier for QCT in Trade Modifier Field 2 and the Trade Modifier Field 4 is blank.
6. See *NTM 07-23*.
7. See SIAC Memo to CTS Multicast Line Data Recipients (April 22, 2015), available at www.ctaplan.com/publicdocs/ctaplan/notifications/announcements/trader-update/6130.pdf and UTP Vendor Alert #2015-4 (February 25, 2015), available at www.nasdaqtrader.com/TraderNews.aspx?id=utp2015-04.