

OTC Equity Trading Volume

SEC Approves Amendments to Expand Published Data Relating to OTC Equity Trading Volume

Effective Date: November 4, 2019

Summary

Pursuant to rule amendments that will become effective on November 4, 2019, FINRA will expand the summary firm data relating to over-the-counter (OTC) equity trading that FINRA publishes on its website by publishing:

- ▶ new monthly aggregate block-size trading data for OTC trades in NMS stocks executed outside an alternative trading system (ATS) on a one-month delayed basis; and
- ▶ aggregate non-ATS volume for all firms by eliminating the existing *de minimis* exception.¹

Beginning on November 4, 2019, data will be available in accordance with the amendments on FINRA's website.

The amended rule text is set forth in Attachment A.

Questions concerning this *Notice* should be directed to:

- ▶ Chris Stone, Vice President, Transparency Services (TS), at (202) 728-8457 or chris.stone@finra.org;
- ▶ Brendan Loonam, Senior Director, TS, at (212) 858-4203 or brendan.loonam@finra.org; or
- ▶ Robert McNamee, Assistant General Counsel, Office of General Counsel, at (202) 728-8012 or robert.mcnamee@finra.org.

Background & Discussion

To improve market transparency related to trading occurring on ATSS, in June 2014, FINRA began publishing individual ATS volume information for equity securities on its website. FINRA subsequently expanded its transparency initiative by publishing the remaining OTC equity volume (*i.e.*, volume executed by firms outside of an ATS) and monthly ATS block-size trading statistics in all NMS stocks.

September 13, 2019

Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Senior Management
- ▶ Systems
- ▶ Trading

Key Topics

- ▶ Alternative Display Facility
- ▶ ATS Data
- ▶ NMS Stocks
- ▶ Non-ATS Data
- ▶ OTC Equity Securities
- ▶ OTC Reporting Facility
- ▶ Trade Reporting
- ▶ Trade Reporting Facilities

Referenced Rules & Notices

- ▶ FINRA Rule 6110
- ▶ FINRA Rule 6610
- ▶ Regulatory Notice 16-14
- ▶ Regulatory Notice 18-28

FINRA currently publishes weekly ATS and non-ATS OTC volume information (number of trades and shares) for NMS stocks and OTC equity securities by ATS or firm, and by security on a two-week or four-week delayed basis.² FINRA also publishes aggregate weekly ATS and non-ATS volume totals by ATS or firm and category of security (Tier 1 NMS stocks, Tier 2 NMS stocks and OTC equity securities) on the same timeframes, as well as aggregate non-ATS volume totals by firm for all NMS stocks and OTC equity securities for each calendar month on a one-month delayed basis.³ Data is published on an attributed basis,⁴ except that for firms executing fewer than, on average, 200 non-ATS transactions per day during the reporting period, FINRA combines and publishes the volume for these firms on an aggregated, non-attributed basis identified in the data as “*De Minimis Firms*.”⁵

In addition, FINRA publishes monthly information on block-size trades in all NMS stocks occurring on ATSs using share-based thresholds, dollar-based thresholds and thresholds that include both shares and dollar amount, as set forth in *Regulatory Notice 16-14*.⁶

All published data described above is derived directly from OTC trades reported to a FINRA equity trade reporting facility (*i.e.*, the Alternative Display Facility, a Trade Reporting Facility or the OTC Reporting Facility). The data is available on FINRA’s public website free of charge to all users.⁷

Expansion of Published Non-ATS Data

Beginning on November 4, 2019, FINRA will expand the non-ATS data that FINRA publishes on its website in two respects.⁸

First, FINRA will eliminate the *de minimis* exception and publish on an attributed basis each firm’s aggregate non-ATS volume (number of trades and number of shares) on a weekly or monthly basis, as applicable. Thus, there will no longer be a “*De Minimis Firms*” line item on the OTC (Non-ATS) Data tab, and each individual firm will be identified in the published aggregate data. As is currently the case for non-ATS OTC data, firms will be identified at the firm level and not by individual MPID.

FINRA notes that the *de minimis* exception will continue to apply for purposes of the security-specific non-ATS volume data. As a result, if a firm averages fewer than 200 non-ATS transactions per day in a given security during the reporting period, FINRA will continue to aggregate the firm’s volume in that security with that of similarly situated firms and there will continue to be a “*De Minimis Firms*” line item on the OTC (Non-ATS) Issue Data tab.

Second, FINRA will begin publishing new monthly aggregate non-ATS block-size trading data for all NMS stocks on the same terms as current ATS block-size data. Specifically, monthly non-ATS block-size data will be published on a one-month delayed basis and will be broken down by firm.⁹ As with the current ATS block-size data, there will be no security-by-security block data. Non-ATS block-size data will be published using share-based thresholds, dollar-based thresholds and thresholds that include both shares and dollar amount as follows:

- ▶ 10,000 or more shares;
- ▶ \$200,000 or more in dollar value;
- ▶ 10,000 or more shares and \$200,000 or more in dollar value;
- ▶ 2,000 to 9,999 shares;
- ▶ \$100,000 to \$199,999 in dollar value; and
- ▶ 2,000 to 9,999 shares and \$100,000 to \$199,999 in dollar value.

For each of these categories, FINRA will publish monthly trade count and volume information for each firm, on an attributed basis, aggregated across all NMS stocks with no differentiation between Tier 1 NMS stocks and Tier 2 NMS stocks. As a convenience for users, FINRA will also calculate and display the average trade size and each firm's rank, the "Non-ATS Block Market Share" (*i.e.*, the proportion of each firm's block-size trading volume in relation to total block-size trading by all firms), the "Non-ATS Block Business Share" (*i.e.*, the proportion of a particular firm's overall trading volume that was done as block-size trades), and rankings of those metrics for each of the above categories.

The non-ATS block information will be located on the new OTC (Non-ATS) Blocks tab on FINRA's [OTC Transparency Data webpage](#).

Endnotes

1. See Securities Exchange Act Release No. 86706 (August 19, 2019), 84 FR 44341 (August 23, 2019) (Order Approving File No. SR-FINRA-2019-019); Securities Exchange Act Release No. 86315 (July 1, 2019), 84 FR 33098 (July 11, 2019) (Notice of Filing of SR-FINRA-2019-019). Prior to filing, FINRA solicited comment on the proposal in [Regulatory Notice 18-28](#) (September 11, 2018).
2. Weekly security-specific information for transactions in NMS stocks in Tier 1 of the Limit Up/Limit Down NMS Plan (Tier 1 NMS stocks) is published on a two-week delayed basis, while information on the remaining NMS stocks (Tier 2 NMS stocks) and OTC equity securities is published on a four-week delayed basis. See Rules 6110 and 6610. OTC volume information regarding fixed income securities is not reported or disseminated pursuant to the rules.
3. Monthly aggregated data is categorized by NMS stocks and OTC equities; *i.e.*, there is no differentiation between Tier 1 NMS stocks and Tier 2 NMS stocks.
4. Non-ATS data is published at the firm level and not by individual market participant identifier (MPID).
5. Thus, if a firm averages fewer than 200 non-ATS transactions per day across all securities during the reporting period, FINRA aggregates the firm's volume with that of similarly situated firms. Additionally, because the published volume data is broken down by security, if a firm averages fewer than 200 non-ATS transactions per day in a given security during the reporting period, FINRA aggregates the firm's volume in that security with that of similarly situated firms, even if the firm averages more than 200 non-ATS transactions per day across all securities during the reporting period. There is no equivalent *de minimis* exception for ATS volume information and, therefore, all ATS data is published by ATS on an attributed basis.
6. See Rule 6110(c)(2) and [Regulatory Notice 16-14](#) (April 2016).
7. See FINRA's [OTC Transparency Data webpage](#). Security-specific ATS volume data can be accessed on the ATS Issue Data tab, and aggregated ATS volume data can be accessed on the ATS Data tab. Security-specific non-ATS volume data can be accessed on the OTC (Non-ATS) Issue Data tab, and aggregated non-ATS volume data can be accessed on the OTC (Non-ATS) Data tab. ATS block-size data can be accessed on the ATS Blocks tab.
8. Specifically, beginning on November 4, 2019, weekly aggregate non-ATS volume data without the *de minimis* exception will be available starting with the week of October 14, 2019 for Tier 1 NMS stocks, and the week of September 30, 2019 for Tier 2 NMS stocks and OTC equity securities. Monthly aggregate non-ATS volume data without the *de minimis* exception will be available starting with the month of September 2019, and new non-ATS block-size data will be available starting with the month of September 2019.
9. As is the case with other non-ATS data, non-ATS block-size data will not be published on an MPID-by-MPID basis.

Attachment A

Below is the text of the amendments. New language is underlined; deletions are in brackets.

6000. QUOTATION, ORDER, AND TRANSACTION REPORTING FACILITIES

6100. QUOTING AND TRADING IN NMS STOCKS

6110. Trading Otherwise than on an Exchange

(a) No Change.

(b) Trading Information for OTC Transactions in NMS Stocks Executed Outside of Alternative Trading Systems

(1) FINRA will publish on its public web site the Trading Information for each member with the trade reporting obligation under Rules 6282(b), 6380A(b) and 6380B(b) on the following timeframes:

(A) no earlier than two weeks following the end of the Trading Information week, aggregate weekly Trading Information regarding NMS stocks in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility;

(B) no earlier than four weeks following the end of the Trading Information week, aggregate weekly Trading Information regarding NMS stocks that are subject to FINRA trade reporting requirements and are not in Tier 1 of the NMS Plan to Address Extraordinary Market Volatility; and

(C) No Change.

(2) Published Trading Information will be presented on FINRA's web site as follows:

(A) No Change.

[(B) Trading Information will be aggregated for members that have executed on average fewer than 200 transactions per day across all NMS stocks during the applicable Trading Information period.]

[(C) Trading Information by security will be aggregated for members that have executed on average fewer than 200 transactions per day in [an NMS stock] the security during the applicable Trading Information period.

(3) FINRA will publish on its public web site monthly aggregate block trading statistics, with elements to be determined from time to time by FINRA in its discretion as stated in a Regulatory Notice or other equivalent publication, for each member with the trade reporting obligation under Rules 6282(b), 6380A(b) and 6380B(b). For each member, such block trading statistics shall be aggregated for all MPIDs used by the member (excluding, if applicable, any MPIDs used by the member for reporting trades executed in its alternative trading system), be aggregated across all NMS stocks, be for a minimum time period of one month of trading, and be published no earlier than one month following the end of the month for which trading was aggregated.

(3) renumbered as (4)

(c) No Change.

* * * * *

6600. OTC REPORTING FACILITY

6610. General

(a) No Change.

(b) Trading Information for OTC Transactions in OTC Equity Securities Executed Outside of Alternative Trading Systems

(1) FINRA will publish on its public web site the Trading Information for each member with the trade reporting obligation under Rule 6622(b) on the following timeframes:

(A) no earlier than four weeks following the end of the Trading Information week, aggregate weekly Trading Information for OTC Equity Securities; and

(B) No Change.

(2) Published Trading Information will be presented on FINRA's web site as follows:

(A) No Change.

[(B) Trading Information will be aggregated for members that have executed on average fewer than 200 transactions per day across all OTC Equity Securities during the applicable Trading Information period.]

([C]B) Trading Information by security will be aggregated for members that have executed on average fewer than 200 transactions per day in [an OTC Equity Security] the security during the applicable Trading Information period.

(3) For purposes of this paragraph (b), “Trading Information” includes:

(A) through (B) No Change.

“Trading Information” for purposes of this paragraph (b) shall not include any ATS Trading Information, as that term is defined in paragraph (c)([3]2).

(c) Trading Information for OTC Transactions in OTC Equity Securities Executed on Alternative Trading Systems

(1) FINRA will publish on its public web site the aggregate weekly ATS Trading Information for each alternative trading system with the trade reporting obligation under Rules 6622(b) no earlier than four weeks following the end of the ATS Trading Information week[.].

(2) No Change.

* * * * *