

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="90"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2020"/> - * <input type="text" value="031"/>	Amendment No. (req. for Amendments *) <input type="text"/>
---------------------------------------------	----------------------------------------------------------------------------	---------------------------------------------------------------------------------------	------------------------------------------------------------

Filing by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	<input type="checkbox"/> 19b-4(f)(6)
			<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)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
-----------------------------------------------------------	-----------------------------------------------------------

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change to adopt new requirements for member inter-dealer quotation systems and to delete the rules related to the OTC Bulletin Board® Service .

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 * <input type="text" value="Racquel"/>	Last Name * <input type="text" value="Russell"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="Racquel.Russell@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8363"/>	Fax <input type="text" value="(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 <input type="text" value="09/24/2020"/>	<input type="text" value="Sr Vice President & Director Capital Markets"/>
By <input type="text" value="Stephanie Dumont"/>	<input type="text" value="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 EFFS 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 (“Exchange Act” or “Act” or “SEA”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to delete the rules related to the OTC Bulletin Board[®] Service (“OTCBB”) and cease its operation, and to enhance the regulation of quotations in OTC Equity Securities by adopting new requirements for member inter-dealer quotation systems.

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

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.

If the Commission approves the proposed rule change, FINRA will announce the effective date(s) of the proposed rule change in a Regulatory Notice. The effective date(s) may be phased and will be no later than 365 days following Commission approval.

¹ 15 U.S.C. 78s(b)(1).

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

(a) Purpose

FINRA is proposing new FINRA Rule 6439 (Requirements for Inter-Dealer Quotation Systems) to expand and enhance the obligations of member firms that operate certain systems that regularly disseminate the quotations of identified broker-dealers in OTC Equity Securities² (“inter-dealer quotation systems”).³ The proposed rule change also deletes the rules related to the OTCBB and ceases its operation, as further discussed below.

Background

Section 15A of the Act provides that FINRA, among other things, must have rules governing the form and content of quotations for securities sold otherwise than on an exchange, which includes OTC Equity Securities. Specifically, Section 15A(b)(11) requires that such rules be designed to: (1) produce fair and informative quotations, (2) prevent fictitious or misleading quotations, and (3) promote orderly procedures for collecting, distributing, and publishing quotations.⁴ FINRA currently has in place

² Rule 6420(f) defines “OTC Equity Security” as any equity security that is not an “NMS stock” as that term is defined in Rule 600(b)(47) of SEC Regulation NMS; provided, however, that the term “OTC Equity Security” shall not include any Restricted Equity Security. (The term “Restricted Equity Security” is defined in Rule 6420(k) to mean any equity security that meets the definition of “restricted security” as contained in Securities Act Rule 144(a)(3).)

³ See Rule 6420(c), which defines “inter-dealer quotation system” as “any system of general circulation to brokers or dealers which regularly disseminates quotations of identified brokers or dealers.” This definition tracks the SEC’s definition of the same term in SEA Rule 15c2-11.

⁴ 15 U.S.C. 78o-3(b)(11).

extensive rules that govern the activity of member firms when they engage in quoting OTC Equity Securities. For example, the FINRA Rule 6400 Series (Quoting and Trading in OTC Equity Securities), among other things, provides a regulatory framework that governs the form and content of quotations; and FINRA maintains rules of general applicability that govern quoting and trading practices in the FINRA Rule 5200 Series (Quotation and Trading Obligations and Practices) (together, “Quotation Governance Rules”).

FINRA’s Quotation Governance Rules generally prescribe limitations around the conduct of members that publish quotations in OTC Equity Securities, including quotations displayed on inter-dealer quotation systems. For example, FINRA has a number of rules modeled off the principles found in SEC Regulation NMS that apply to member quotation activities on inter-dealer quotation systems in OTC Equity Securities. These rules consist of: (1) Rule 6434 (Minimum Pricing Increment for OTC Equity Securities), which sets forth the permissible pricing increments for the display of quotations and acceptance of orders; (2) Rule 6437 (Prohibition from Locking or Crossing Quotations in OTC Equity Securities), which requires firms to avoid locking and crossing quotations within an inter-dealer quotation system; (3) Rule 6450 (Restrictions on Access Fees), which establishes a cap on access fees imposed against a firm’s published quotation; and (4) Rule 6460 (Display of Customer Limit Orders), which requires an OTC market maker, subject to certain exceptions, to display the full size of customer limit orders that improve the price of the market maker’s displayed quotation or that represent more than a de minimis change in the size of the market

maker's quote if at the best bid or offer.⁵ In addition, Rule 6433 (Minimum Quotation Size Requirements for OTC Equity Securities) generally provides that every member entering quotations in an inter-dealer quotation system must enter and honor those quotations for at least the minimum sizes defined in the rule.⁶ Further, Rule 6432 (Compliance with the Information Requirements of SEA Rule 15c2-11) generally provides that members may not initiate or resume quotations in any "quotation medium,"⁷ which includes an "inter-dealer quotation system," unless the member files a Form 211 with FINRA and complies with SEA Rule 15c2-11 (Initiation or resumption of quotations without specified information).⁸

⁵ See Securities Exchange Act Release No. 62359 (June 22, 2010), 75 FR 37488 (June 29, 2010) (Order Approving File No. SR-FINRA-2009-054) (approving the NMS-principled rules). These rules extended to the unlisted equity market certain protections previously applicable only to exchange-listed securities under the SEC's Regulation NMS and were adopted to enhance market quality and investor protection in the over-the-counter marketplace. See also Regulatory Notice 10-42 (September 2010).

⁶ See Rule 6433.

⁷ Rule 6420 defines "quotation medium" as "any inter-dealer quotation system or any publication or electronic communications network or other device that is used by brokers or dealers to make known to others their interest in transactions in any OTC Equity Security, including offers to buy or sell at a stated price or otherwise, or invitations of offers to buy or sell." See Rule 6420(j).

⁸ SEA Rule 15c2-11(a) generally provides that, "[a]s a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices, it shall be unlawful for a broker or dealer to publish any quotation for a security or, directly or indirectly, to submit any such quotation for publication, in any quotation medium . . . unless such broker or dealer has in its records the documents and information required [under this rule], and, based upon a review of the [required] information . . . has a reasonable basis under the circumstances for believing that the [required] information is accurate in all material respects, and that the sources of the [required] information are reliable." 17 CFR 240.15c2-11(a).

The Rule 5200 Series also includes rules that govern quotation activity, including activity in OTC Equity Securities. For example, Rule 5210 (Publication of Transactions and Quotations) provides, among other things, that members are prohibited from publishing or circulating (or causing to be published or circulated) any notice or communication of any kind which purports to quote the bid price or ask price for any security, unless such member believes that such quotation represents a bona fide bid for, or offer of, such security (i.e., the “fictitious quotation” prohibition). Rule 5210 applies to members that publish or circulate quotations, including on an ATS, and FINRA has published guidance to remind ATSs of their obligation to supervise activity that occurs on their platforms consistent with Rule 5210 and other FINRA rules.⁹ In addition, Rule 5220 (Offers at Stated Prices) generally prohibits members from making an offer to buy from or sell to any person any security at a stated price unless such member is prepared to purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell (i.e., the “firm quote” requirement).

In addition to adopting and administering the Quotation Governance Rules, historically (since 1990), FINRA also expended substantial resources on operating the OTCBB, which is FINRA’s inter-dealer quotation system available for use by broker-dealers to publish quotations in eligible OTC Equity Securities. The over-the-counter marketplace was very different when FINRA, then National Association of Securities Dealers, Inc. (NASD), first established the OTCBB. At that time, members largely relied

⁹ See Regulatory Notice 18-25 (August 2018) (reminding firms, among other things, that “[a]s a general matter, consistent with existing supervision obligations, FINRA expects that an ATS’s supervisory system be reasonably designed to identify ‘red flags,’ including potentially manipulative or non-bona fide trading that occurs on or through its systems”).

on printed, rather than electronic, media for obtaining quotation information, and FINRA believed that the OTCBB would “enhance the efficiency of pricing and foster competition within the inter-dealer market for a particular security.”¹⁰ However, given technological advancements since 1990 and the subsequent increase in alternative electronic venues with more extensive functionality than the OTCBB, the level of quotation activity occurring on the OTCBB has continued to decline over the past several years and is now nonexistent. In fact, as of the date of this filing, the OTCBB does not display or widely disseminate quotation information on any OTC Equity Securities.

Thus, while FINRA believes that the Quotation Governance Rules continue to provide important safeguards for investors and play an important role in furthering market integrity in the over-the-counter marketplace, FINRA does not believe that continued operation of the OTCBB serves any benefit to investors or the marketplace, and that the resources being expended on maintaining the OTCBB system would be better directed elsewhere. Therefore, FINRA is proposing to delete the rules governing the OTCBB and cease its operation, and at the same time enhance the regulatory obligations related to quotations in OTC Equity Securities by proposing new Rule 6439, which would govern the activities of member inter-dealer quotation systems, as further discussed below.¹¹

¹⁰ See Securities Exchange Act Release No. 25949 (July 28, 1988), 53 FR 29096 (August 2, 1988) (Notice of Filing of File No. SR-NASD-88-19).

¹¹ As discussed further in Item 5 below, FINRA previously proposed enhancing regulation of member inter-dealer quotation systems and deleting the rules governing the OTCBB and ceasing its operation, but ultimately withdrew that filing. See Securities Exchange Release No. 72575 (July 9, 2014), 79 FR 41339 (July 15, 2014) (Notice of Filing of File No. SR-FINRA-2014-030) (“2014 Filing”).

A. Proposed Enhanced Requirements for Member Inter-Dealer Quotation Systems

As described above, FINRA's existing Quotation Governance Rules explicitly regulate the activities of OTC market makers¹² and other members that display quotations on inter-dealer quotation systems, but generally do not directly provide quotation governance standards for a member inter-dealer quotation system on or through which such quotations are displayed. Given that all quotation activity in OTC Equity Securities occurs on member-operated inter-dealer quotation systems (rather than the, now essentially defunct, OTCBB), FINRA believes it is appropriate to adopt new rules directly tailored to such systems to ensure they have in place minimum standards. FINRA believes these proposed requirements complement the existing framework governing the form and content of quotations and are consistent with the goals and objectives of Section 17B of the Act¹³ regarding the facilitation of widespread dissemination of reliable and accurate quotation information in penny stocks.¹⁴

¹² FINRA Rule 6420(g) defines "OTC Market Maker" as a member of FINRA that holds itself out as a market maker by entering proprietary quotations or indications of interest for a particular OTC equity security in any inter-dealer quotation system, including any system that the SEC has qualified pursuant to Section 17B of the Act. A member is an OTC market maker only in those OTC equity securities in which it displays market making interest via an inter-dealer quotation system.

¹³ See 15 U.S.C. 78q-2. Section 17B was enacted by Congress as part of the Securities Enforcement Remedies and Penny Stock Reform Act of 1990 ("Penny Stock Act"). Pub. L. No. 101-429, 104 Stat. 931 (1990). See also Securities Exchange Act Release No. 30608 (April 20, 1992), 57 FR 18004 (April 28, 1992) ("Penny Stock Release") (adopting seven rules (the "penny stock rules") under the Exchange Act requiring broker-dealers engaging in certain transactions in low-priced OTC securities to provide customers with specified information).

¹⁴ FINRA also separately intends to request that the Commission designate the FINRA OTC Reporting Facility ("ORF"), together with one or more member

Proposed new Rule 6439 would apply to members that operate an “inter-dealer quotation system,” as defined in Rule 6420 (Definitions), where such system permits quotation updates on a real-time basis. Specifically, the proposal would require that member inter-dealer quotation systems: (1) establish and prominently disclose to subscribers (and disclose to prospective subscribers upon request) its written policies and procedures relating to the collection and dissemination of quotation information in OTC Equity Securities; (2) establish and prominently disclose to subscribers its non-discriminatory written standards for granting access to quoting and trading on its system (and disclose to prospective subscribers upon request); (3) establish written policies and procedures addressing subscriber unresponsiveness with respect to the display of firm quotations in OTC Equity Securities and the submission of reports to FINRA on a monthly basis that include specified order and response information; (4) make available to customers a written description of each OTC Equity Security order- or quotation-related data product offered by such member inter-dealer quotation system and related pricing information, including fees, rebates, discounts and cross-product pricing incentives; and (5) provide FINRA with specified information concerning the integrity of their systems.

i. Quotation Collection and Dissemination

Under paragraph (a) of proposed Rule 6439, a member inter-dealer quotation system would need to establish, maintain and enforce written policies and procedures relating to the collection and dissemination of quotation information in OTC Equity

inter-dealer quotation system, as a Qualifying Electronic Quotation System (“QEQS”) for purposes of Exchange Act Rule 3a51-1(d)(1)(iii) and the penny stock rules adopted under Section 15(g) of the Exchange Act.

Securities on or through its system. The written policies and procedures would need to be reasonably designed to ensure that quotations received and disseminated are informative, reliable, accurate, firm, and treated in a not unfairly discriminatory manner, including by establishing non-discretionary standards under which quotations are prioritized and displayed. For example, a member inter-dealer quotation system would be required to address in its procedures its methodology for ranking quotations, including at a minimum, addressing factors such as price (including any applicable quote access fee), size, time, capacity and type of quotation (such as unpriced quotes and bid/offer wanted quotations). The member inter-dealer quotation system also would be required to include any other factors relevant to the ranking and display of quotations (e.g., reserve sizes, quotation updates, treatment of closed quotations, and quotation information imported from other systems). The proposed rule would require member inter-dealer quotation systems to prominently disclose these written policies and procedures, along with any material updates, modifications and revisions, to subscribers within five business days following the date of establishment of the policy or procedure or implementation of the material change and to provide them to prospective subscribers upon request.¹⁵ FINRA believes that requiring these policies and procedures would help ensure that member inter-dealer quotation systems have in place appropriate standards regarding the treatment of quotations received and would promote fair and orderly

¹⁵ A member that is an inter-dealer quotation system at the time of the effective date of this proposed rule change would prominently disclose the required information to its subscribers upon the effective date of the Rule and, thereafter, within five business days of the implementation of any material update, modification or revision thereto.

quotation activity in the unlisted equity market.¹⁶ In addition, requiring that member inter-dealer quotation systems prominently disclose these procedures will provide subscribers and, upon request, prospective subscribers, with important information relating to the member inter-dealer quotation system's quotation collection and dissemination procedures.

ii. Fair Access

Paragraph (b) of proposed Rule 6439 would require member inter-dealer quotation systems to establish non-discriminatory written standards for granting access to quoting and trading in OTC Equity Securities on its system that do not unreasonably prohibit or limit any person in respect to access to services offered by such member inter-dealer quotation system.¹⁷ This proposed requirement is consistent with the "fair access" requirements of SEC Regulation ATS but would apply to quoting and trading in all OTC Equity Securities on the member inter-dealer quotation system, regardless of the percentage of average daily volume that such member inter-dealer quotation system had

¹⁶ FINRA would examine for compliance with proposed Rule 6439, including by reviewing the adequacy of member inter-dealer quotation systems' written policies and procedures and written fair access standards required under this proposal. Specifically, depending upon the timing of implementation, FINRA would conduct a targeted exam of impacted member inter-dealer quotation systems after the initial effectiveness of the rule and incorporate a Rule 6439 review as part of the regular exam program for impacted member firms.

¹⁷ FINRA proposes that a member inter-dealer quotation system also must make and keep records of all grants of access including (for all subscribers) the reasons for granting such access and all denials or limitations of access and reasons (for each applicant) for denying or limiting access. A policy prohibiting or limiting access to services offered by the member inter-dealer quotation system due to non-payment by a subscriber would not be prohibited under the proposed rule.

in the security.¹⁸ The proposed rule would further require that member inter-dealer quotation systems prominently disclose these written standards, and any material updates, modifications and revisions thereto, to its subscribers within five business days following the date of establishment of the written standards or implementation of the material change and to provide them to prospective subscribers upon request.¹⁹ FINRA believes that this proposed rule is appropriate given the significant role of member inter-dealer quotation systems in the over-the-counter market and will provide subscribers and prospective subscribers with additional information relating to the member inter-dealer quotation system's fair access standards.²⁰

iii. Enhanced Firm Quote Compliance and Reporting

Paragraphs (c) and (d) of proposed Rule 6439 include provisions that seek to enhance the regulatory regime around firm quote rule compliance for those member inter-dealer quotation systems that do not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation. Specifically, paragraph (c) would require a member inter-dealer quotation

¹⁸ The fair access requirements in proposed Rule 6439 would apply to any member inter-dealer quotation system, regardless of its trading volume. Accordingly, while certain member inter-dealer quotation systems may already be subject to the volume-based fair access requirements in SEC Regulation ATS, Rule 6439 would ensure the application of such fair access requirements to all member inter-dealer quotation systems.

¹⁹ A member that is an inter-dealer quotation system at the time of the effective date of this proposed rule change would prominently disclose the required information to its subscribers upon the effective date of the Rule and, thereafter, within five business days of the implementation of any material update, modification or revision thereto.

²⁰ See supra note 16.

system to establish, maintain and enforce written policies and procedures that are reasonably designed to address instances of unresponsiveness when orders are presented to trade with firm quotations displayed in OTC Equity Securities on its system. This provision, as is the case with proposed paragraph (d), discussed below, would apply only to a member inter-dealer quotation system that does not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation because there is no opportunity for unresponsiveness where orders are appropriately matched and auto-executed by the system.²¹

Currently, Rule 5220 and its associated Supplementary Material sets forth members' firm quote obligations by prohibiting members from making an offer to buy from or sell to any person any security at a stated price unless such member is prepared to purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell.²² A member's failure to respond to an order for which it has a firm quote obligation can disrupt the normal operation of the over-the-counter market.²³

²¹ Where a system permits manual responses to orders received against a displayed quotation, unresponsiveness can occur. Currently, FINRA is aware of only one member inter-dealer quotation system that does not match and auto-execute, and thus would be subject to proposed Rule 6439 (c) and (d).

²² See Rule 5220.

²³ As stated in Rule 5220.01, "if at the time an order for the purchase or sale of the quoted security is presented, the member is in the process of effecting a transaction in such quoted security and immediately after the completion of such transaction communicates a revised quotation size, such member shall not be obligated to purchase or sell the quoted security in an amount greater than such revised quotation size."

Thus, FINRA is proposing to provide that a member inter-dealer quotation system that does not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation would be required to implement policies and procedures addressing unresponsiveness by its subscribers.²⁴ At a minimum, these policies and procedures must specify an efficient process for (i) monitoring subscriber unresponsiveness; (ii) subscribers to submit complaints to the member inter-dealer quotation system regarding potential instances of unresponsiveness to an order; (iii) documenting the subscriber's rationale for unresponsiveness; and (iv) determining specified steps when an instance of or repeated order unresponsiveness may have occurred. Given that order unresponsiveness can disrupt the normal operation of the over-the-counter market, FINRA believes that requiring policies and procedures to address this activity would increase market efficiency and integrity and thus benefit investors.

To support FINRA's oversight of the over-the-counter market, FINRA also proposes to require reporting of aggregate and order-level information by member inter-dealer quotation systems that do not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation. Specifically, proposed Rule 6439(d) would provide FINRA with additional information regarding the quotation activities occurring on member inter-dealer quotation system and would assist FINRA in surveilling for member compliance with firm quote obligations and unresponsiveness, which is an area in which FINRA regularly receives

²⁴ See supra note 16.

complaints.²⁵ Proposed Rule 6439(d) would require that, on a monthly basis (in the form and manner prescribed by FINRA),²⁶ each member inter-dealer quotation system subject to proposed paragraph (d) must provide to FINRA order and related response information for orders in OTC Equity Securities presented for execution against a displayed quotation for which a FINRA member subscriber has a Rule 5220 obligation.²⁷ Specifically, a member inter-dealer quotation system that does not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation would be required to provide the following aggregated information to FINRA, categorized by FINRA member subscriber market participant identifier (MPID) across all symbols quoted by the MPID during the previous calendar month: (i) total number of marketable orders presented for execution against the MPID's quotation;²⁸ (ii) average execution (full or partial) time for marketable orders presented

²⁵ For example, in 2018, FINRA received 119 complaints from members regarding instances of unresponsiveness to requests to execute against a displayed quotation. See infra note 41 and accompanying text.

²⁶ If the Commission approves the proposed rule change, FINRA would announce in a Regulatory Notice details about the required manner and timing of the submission of this information to FINRA.

²⁷ FINRA understands that communications on a member inter-dealer quotation system that would be subject to proposed Rule 6439(d) may be in the form of messages (i.e., the back and forth communications between market makers) and are treated as “negotiations” by the system as they require trader intervention before a trade can occur. While such negotiation activities are considered “orders” for purposes of firm quote rule obligations and this proposed Rule, pursuant to current guidance, they are not considered “orders” for purposes of the Consolidated Audit Trail (CAT) at this time and no CAT reporting obligation exists until the terms and conditions of a trade have been agreed upon. See CAT FAQ J2.

²⁸ In this context, a “marketable order” refers to a message presented against a market maker’s quote that is priced to be immediately executable.

against the MPID's quotation based on the time an order is presented; (iii) total number of full or partial executions based on the time a marketable order is presented that are within specified execution timeframes;²⁹ (iv) total number of marketable orders presented against the MPID's quotation that did not receive a full or partial execution; and (v) average response time of the highest 10% and highest 50% of the MPID's response times for marketable orders (for full or partial executions).³⁰

A member inter-dealer quotation system that is subject to proposed paragraph (d) also would be required to provide the following order-level information for each order presented against an MPID's quotation during the previous calendar month: buy/sell; security symbol; price; size; All or None indicator (yes or no); order entry firm MPID; system-generated order number (if any); order receipt time; time in force; position in queue for quote (e.g., IL1, IL2); response time; order response (e.g., execute, reject cancel, etc.); and executed quantity. Notwithstanding these requirements, proposed Rule 6439(d)(2) generally would provide that, to the extent that the above order-level information is or becomes CAT reportable under Rule 6830 (Industry Member Data Reporting), a member inter-dealer quotation system would not have a reporting obligation under proposed Rule 6439(d)(1)(B). Whether obtained pursuant to this proposed rule or through CAT, the information required by proposed Rule 6439(d)(1)(B)

²⁹ The proposed Rule would require that a member inter-dealer quotation system subject to proposed paragraph (d) report the total number of full or partial executions within the following execution timeframes: < 5 seconds; ≥ 5 seconds and < 10 seconds; ≥10 and < 20 seconds; and ≥ 20 seconds.

³⁰ FINRA believes that some of this information already is generated by the member inter-dealer quotation system expected to be subject to this proposed provision. See supra note 21.

would bolster FINRA's ability to surveil for compliance with Rule 5220. Thus, FINRA believes that this proposed rule change would further the integrity of the over-the counter market.

iv. Order and Quotation Data Product Transparency

Proposed Rule 6439(e) would require a member inter-dealer quotation system to provide on its website (or its affiliate distributor's website) a written description of each OTC Equity Security order- or quotation-related data product offered by such member inter-dealer quotation system and related pricing information, including fees, rebates, discounts and cross-product pricing incentives. Members would be required to keep the relevant website page(s) accurate and up-to-date with respect to the required information, and to make such information available at least two business days in advance of offering the data product. The provision would make clear that this requirement would not preclude members from negotiating lower fees with customers, provided that the member discloses on the relevant website page(s) the circumstances under which it may do so. FINRA believes that this aspect of the proposal would help keep customers, other investors and market participants informed about the availability of member-offered order- or quotation-related data products for OTC Equity Securities on an ongoing basis.

v. System Integrity

Finally, proposed Rule 6439(f) would require a member inter-dealer quotation system to provide FINRA with prompt notification when it reasonably becomes aware of any non-de minimis systems disruption that degrades, limits, or otherwise impacts the member inter-dealer quotation system's functionality with respect to trading or the dissemination of market data. Such notification would include, on a reasonable best

efforts basis, a brief description of the event, its impact, and resolution efforts. Prompt receipt of this information would strengthen FINRA's oversight of the over-the-counter market by alerting FINRA to issues that could adversely affect the reliability, availability, or integrity of member inter-dealer quotation systems that support quoting and trading of OTC Equity Securities.

To comply with this requirement, a member inter-dealer quotation system that is an SCI alternative trading system, as defined in Rule 1000 of SEC Regulation SCI,³¹ could provide FINRA with the same information (or a duplicate copy of any notification) submitted to the SEC concerning the occurrence of, and updates on, a non-de minimis systems disruption SCI event pursuant to Rule 1002(b) of SEC Regulation SCI,³² promptly after filing the notification with the SEC. If a member inter-dealer quotation system is not an SCI alternative trading system, it could comply with this requirement by providing FINRA prompt notification when it reasonably becomes aware of any such systems disruption, and by providing periodic updates on the event and its resolution. As noted above, such notifications would include, on a reasonable best efforts basis, a brief description of the event, its impact, and resolution efforts. While this requirement is informed by the event reporting requirements established in Regulation SCI, it not intended to impose the formal reporting framework provided by SEC Regulation SCI, or otherwise extend or apply Regulation SCI, to a member inter-dealer quotation system not subject to it. FINRA would announce in a Regulatory Notice the methods and process by which members may provide systems disruption notifications to FINRA.

³¹ See 17 CFR 242.1000.

³² See 17 CFR 242.1002(b).

B. Proposed Deletion of OTCBB-related Rules

As discussed above, FINRA also is proposing to delete the FINRA Rule 6500 Series, which governs the operation of the OTCBB and cease its operation. Use of the OTCBB has declined precipitously over the years, such that the system now is essentially defunct. In fact, the OTCBB does not widely disseminate quotation information on any OTC Equity Securities. As a result, discontinuance of the OTCBB as an inter-dealer quotation system will not impact the current level of quotation information available for OTC Equity Securities, and FINRA strongly believes that there is no benefit to investors or the marketplace by continuing operation of the OTCBB. Further, FINRA notes that, where investors look to feeds that solely disseminate OTCBB data for quotation information on a particular OTC Equity Security, investors mistakenly may conclude that there are no current quotations in the security (when, in fact, there may be numerous quotations available elsewhere — *i.e.*, on member-operated inter-dealer quotation systems). Therefore, FINRA believes that ceasing operation of the OTCBB would eliminate potential investor confusion regarding the availability of quotation information for OTC Equity Securities. For the same reasons, FINRA does not believe that the OTCBB, in its current state, furthers the goals and objectives of Section 17B of the Act³³ and, therefore, does not meet the characteristics of a system described in Section 17B of the Act regarding the widespread dissemination of reliable and accurate quotation

³³ Section 17B of the Act provides, among other things, that the Commission shall facilitate the widespread dissemination of reliable and accurate last sale and quotation information with respect to penny stocks.

information with respect to “penny stocks.”³⁴ However, since the inception of the OTCBB, non-self-regulatory organization (“SRO”) entities that are member inter-dealer quotation systems have increased their participation in the collection and dissemination of quotation information in OTC equity securities, including for those OTC equity securities meeting the definition of “penny stock,” and have made such quotation information available to investors and market participants. Thus, FINRA believes that discontinuance of the OTCBB as an inter-dealer quotation system will not have an appreciable impact on the current level of quotation transparency for OTC equity securities. Importantly, FINRA will continue to centralize last sale transaction reporting through the ORF and, therefore, will continue to operate a system that collects and disseminates transaction information on, and provides widespread dissemination of reliable and accurate last sale information with respect to, OTC equity securities, including penny stocks.³⁵ Thus, the objectives of Section 17B of the Act relating to the provision of price and volume information to investors and market participants will continue to be satisfied through FINRA’s operation of the ORF.

In advance of the discontinuance of the OTCBB, FINRA will take steps to ensure a smooth transition for issuers and members. Specifically, although there are no

³⁴ Under SEA Rule 3a51-1, “penny stock” is defined to, among other things, exclude securities that have a price of five dollars or more as determined either on a per transaction basis or, in the absence of a transaction, on the basis of the inside bid quotation for the security displayed on an automated quotation system that has the characteristics set forth in Section 17B(b)(2) of the Act or any other system that is designated by the Commission. See 17 CFR 240.3a51-1.

³⁵ FINRA members generally are required to report trades in OTC equity securities to ORF within 10 seconds of execution and FINRA widely disseminates this transaction information in real-time.

members currently using the OTCBB, FINRA will publicize announcements through the FINRA.org website.³⁶ Thereafter, FINRA will continue to assess the widespread availability of quotation transparency to investors and market participants through non-SRO sources on a regular basis. If the availability of quotation information to investors significantly declines, FINRA will revisit and, if necessary, file a proposed rule change to establish an SRO-operated inter-dealer quotation system (or other measure) to facilitate the type of widespread quotation transparency described in Section 17B of the Act.

FINRA also is proposing to delete the text of Rule 7720 (OTC Bulletin Board Service), which currently sets forth the fees applicable to a broker-dealer that displays quotations or trading interest in the OTCBB. This rule no longer would be relevant if FINRA ceased the operation of the OTCBB in connection with this proposal. In addition, FINRA is proposing to amend Rule 9217 (Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)) to remove reference to Rule 6550 (Transaction Reporting), which FINRA is proposing to delete as part of this proposal.

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, FINRA will announce the effective date(s) of the proposed rule change in a Regulatory Notice. The effective date(s) may be phased, but will be no later than 365 days following 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,³⁷ which requires, among other things, that FINRA rules

³⁶ FINRA notes that there currently are no OTCBB symbols.

³⁷ 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 also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(11) of the Act,³⁸ which requires that FINRA rules include provisions governing the form and content of quotations relating to securities sold otherwise than on a national securities exchange which may be distributed or published by any member or person associated with a member, and the persons to whom such quotations may be supplied, and that such rules be designed to produce fair and informative quotations, to prevent fictitious or misleading quotations, and to promote orderly procedures for collecting, distributing, and publishing quotations.

Specifically, proposed Rule 6439 would implement new requirements for member inter-dealer quotation systems by, among other things, requiring such members to establish procedures that govern the treatment of, and fair access to, quotations in OTC Equity Securities. Proposed Rule 6439 also would require members to address instances of unresponsiveness to orders when subscribers are posting firm quotations in OTC Equity Securities. These provisions are designed to promote just and equitable principles of trade, protect investors and the public interest, and enhance regulatory oversight of the form and content of quotations for OTC Equity Securities, consistent with Sections 15A(b)(6) and (11). Given the significant role that member-operated inter-dealer quotation systems serve today in the marketplace for OTC Equity Securities, FINRA believes the proposed requirements would improve the reliability, integrity, fairness of, and access to quotations for OTC Equity Securities. FINRA also believes these proposed

³⁸ See 15 U.S.C. 78o-3(b)(11).

requirements are consistent with the Act because they would improve FINRA's oversight of member inter-dealer quotation systems.

Further, FINRA believes that the proposed rule change is consistent with Section 17B of the Act.³⁹ Section 17B was enacted by Congress as part of the Penny Stock Act, which was designed to remedy inefficiencies and address regulatory concerns caused by the lack of reliable market information on penny stocks traded over the counter and, in connection with this initiative, the Commission designated the OTCBB as a QEQS for purposes of the penny stock rules.⁴⁰

Due to the decline of OTCBB, as discussed above, FINRA is concerned that OTCBB is no longer a reliable source of complete quotation information for OTC equity securities and, therefore, operation of the system no longer furthers the purposes of Section 17B of the Act. FINRA believes that the proposed rule change would protect investors and the public interest by deleting the OTCBB rules and discontinuing its operation, because the OTCBB does not widely disseminate best bid or offer information for any securities. FINRA believes that ceasing operation of the OTCBB would remove potential investor confusion regarding the availability of quotation information for OTC Equity Securities and would allow FINRA to better allocate regulatory resources. FINRA believes that ceasing operation of the OTCBB, coupled with the proposed changes to improve the governance of member inter-dealer quotation systems on or through which quotations in OTC equity securities are displayed, best serves and

³⁹ See 15 U.S.C. 78q-2.

⁴⁰ See Penny Stock Release, supra note 13.

promotes the goals of Section 17B of the Act with respect to the widespread availability of quotation information in penny 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.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.

Regulatory Need

As discussed above, FINRA is proposing to delete the OTCBB rules and discontinue its operation and adopting new requirements for member inter-dealer quotation systems to enhance the regulation of quotation activity in OTC Equity Securities. The proposed amendments are intended to achieve a more robust regulatory framework around member inter-dealer quotation systems.

Economic Baseline

As mentioned above, the level of quotation activity occurring on the OTCBB has significantly declined over the past several years and is now nonexistent. Of the 352,698 average trades per day reported in all OTC Equity Securities in August 2020 (with a total of 7,406,664 trades reported in all OTC Equity Securities for the month), none were related to quotation activity on the OTCBB. No member firms have quoted on the

OTCBB since October 29, 2019. Because all quotation activity in OTC Equity Securities now occurs on member inter-dealer quotation systems, FINRA's increased oversight of these systems would be beneficial from market integrity and investor protection perspectives.

As of August 2020, FINRA is aware of two member inter-dealer quotation systems: Global OTC and OTC Link. An average of 4,227,157 and 13,370,896 quotations were posted on Global OTC and OTC Link, respectively, per day in August 2020, leading to an average of 24,408 and 9,567 trades on Global OTC and OTC Link, respectively, per day. In that same month, an average of 5,968 and 11,586 symbols were quoted on Global OTC and OTC Link, respectively, per day.

FINRA previously proposed amendments substantially similar to proposed Rule 6439(a) and (b), which would require that member inter-dealer quotation systems adopt and prominently disclose written policies and procedures around the collection and dissemination of quotation information in OTC Equity Securities and establish and prominently disclose non-discriminatory written standards for granting access to quoting and trading on member inter-dealer quotation systems, respectively. As discussed in Item 5 below, when previously proposed, these aspects of the proposal did not appear to be controversial because they were not opposed by commenters. FINRA understands that member inter-dealer quotation systems already have established and adopted policies and procedures regarding quote collection and dissemination. FINRA also notes that member inter-dealer systems that are alternative trading systems already may be subject to similar fair access standards pursuant to Regulation ATS (when they reach certain volume

thresholds), which potentially could simplify compliance with regard to the fair access requirements under the instant proposal.

With respect to proposed Rule 6439(c) and (d) regarding firm quote compliance and reporting, FINRA would use the collected information in connection with its program regarding compliance with Rule 5220. Currently, aggrieved members may contact FINRA to report instances of unresponsiveness.⁴¹ In addition, FINRA understands that, while some of the order and response information required by the proposal may not be maintained in the required form by the impacted member inter-dealer quotation system at present, other aspects of the proposed required information already is collected and provided to subscribers. With respect to proposed Rule 6439(e) regarding data product and pricing transparency, FINRA understands that member inter-dealer quotation systems or affiliate distributors currently provide information regarding their data products and the associated fees on their web sites. In addition, with respect to proposed Rule 6439(f) regarding system integrity, if a member inter-dealer quotation system already is subject to SEC Regulation SCI, it already is required to report to the SEC the same type of information that would be required to be reported to FINRA under the proposal. For a member inter-dealer quotation system not already required to report this information to the SEC, the proposed rule would apply a new notification requirement.

Economic Impact

Costs

⁴¹ In 2018 and 2019, FINRA received 119 and 53 complaints, respectively, regarding unresponsiveness to attempts to execute against displayed a quote, and in 2020, FINRA has received 37 such complaints as of September 15, 2020.

Due to the non-existent quoting activity on the OTCBB, FINRA does not believe that discontinued operation of the system would impose a material cost on members, as member firms were never required to maintain connectivity to the OTCBB. In addition, due to the more extensive functionalities on member inter-dealer quotation systems, FINRA believes that member inter-dealer quotation systems can serve as substitutes for the OTCBB. Furthermore, FINRA will continue to centralize last sale transaction reporting through the ORF, and, consequently, will continue to collect and disseminate transaction information on last sale information of OTC Equity Securities, including penny stocks. FINRA does not expect that members would change their behavior in terms of where they seek liquidity as a result of the proposed amendments and notes that dealers already use these other platforms for virtually all quoting in OTC Equity Securities.

Member inter-dealer quotation systems could potentially incur costs associated with establishing, adopting, and prominently disclosing procedures and standards pursuant to the requirements in proposed Rules 6439 (a) and (b), to the extent that existing procedures and standards are not sufficient to comply with the requirements of the proposed rule or are not prominently disclosed. Member inter-dealer quotation systems also could potentially incur costs associated with the proposals related to firm quote compliance and reporting and system integrity. The potential impact of these provisions could be different for each member inter-dealer quotation system. For example, the proposals relating to firm quote compliance and reporting only apply to member inter-dealer quotation systems that do not automatically execute all orders presented against a displayed quotation on their system (because there is no opportunity

for unresponsiveness where orders appropriately are matched and automatically executed by the system). However, where a member inter-dealer quotation system permits manual responses to orders received against a displayed quotation, unresponsiveness can occur, and the system would incur the costs associated with complying with the proposed enhancements. In the current regime, FINRA is aware of only one member inter-dealer quotation system that does not automatically execute all orders on its system, and thus would have to comply with proposed Rules 6439(c) and (d).

With respect to proposed Rule 6439(e) regarding data product and pricing transparency, FINRA understands that member inter-dealer quotation systems or affiliate distributors currently provide information regarding their data products and the associated fees on their websites. Member inter-dealer quotation systems could potentially incur costs associated with complying with the requirements in proposed Rules 6439(e) to the extent that existing disclosures are not sufficient to comply with the requirements of the proposed rule.

In addition, the potential impact of the proposed system disruption reporting requirement in proposed Rule 6439(f) would vary based on whether a member inter-dealer quotation system is subject to SEC Regulation SCI. For a member inter-dealer quotation system that is subject to SEC Regulation SCI, FINRA expects that the proposed requirements would impose no material additional costs. For a member inter-dealer quotation system that is not subject to SEC Regulation SCI, the proposed requirements could impose limited additional costs, as the member inter-dealer quotation system would be required to develop a new process for promptly reporting systems disruptions to FINRA. However, FINRA intends this to be a streamlined reporting requirement that

applies once the member inter-dealer quotation system reasonably becomes aware of an event; this proposal is not intended to impose the formal reporting framework provided by SEC Regulation SCI, or otherwise extend or apply Regulation SCI, to a member inter-dealer quotation system not subject to it. To the extent that such costs are passed on to the member inter-dealer quotation system's subscribers, firms potentially could observe an increase in costs associated with quoting and trading on these platforms. Such increase in costs may be reflected in fees imposed on the subscribers.

Benefits

Although no member firms have posted quotes on the OTCBB since October 29, 2019, some firms may still be connected to the OTCBB. To the extent that member firms incur costs associated with OTCBB connectivity, firms may gain cost savings from no longer maintaining a connection.

Given the importance of compliance with the firm quote rule, FINRA would anticipate benefits to market integrity through improved oversight of firm quote rule compliance from requiring a member inter-dealer quotation system that does not automatically execute all orders presented for execution against quotations displayed on its platform to establish policies and procedures to address instances of subscriber unresponsiveness and report order and response message information to FINRA on a monthly basis.

FINRA expects that the proposed amendments would enhance investor protection in the OTC equity space through increased oversight of member inter-dealer quotation systems. Because member inter-dealer quotation systems facilitate virtually all of the quoting activity in this market, the proposed amendments, and how they apply to member

inter-dealer quotation systems with different functionalities, would potentially provide protection for clients of all types of member inter-dealer quotation systems. With respect to the proposed system integrity requirements, as noted above, FINRA believes these requirements would enhance FINRA's oversight of the systems a member inter-dealer quotation system uses, thereby promoting the reliability and availability of such systems.

Alternatives Considered

No other alternatives were considered for the proposed amendments.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FINRA previously proposed amendments substantially similar to certain aspects of the instant filing.⁴² However, the previous rule filing was withdrawn as FINRA continued to consider what changes to the governance of the over-the-counter marketplace were appropriate. Below is a discussion of the comments FINRA previously received on the substantially similar items being re-proposed in the instant filing.

As it is proposing in the instant filing, FINRA previously proposed ceasing operation of the OTCBB and deleting the Rule 6500 Series and related rules. Commenters supported this aspect of the proposal.⁴³ For example, OTC Markets stated that "FINRA's OTCBB no longer provides broker-dealers with an effective service for pricing securities, and market participants will be better served by FINRA regulating

⁴² See 2014 Filing, supra note 11.

⁴³ See Letter from Daniel Zinn, General Counsel, OTC Markets Group Inc., to Secretary, SEC, dated August 5, 2014 ("OTC Markets"); Letter from Barry Scadden, Vice President, Global OTC, to Kevin M. O'Neill, Deputy Secretary, SEC, dated October 10, 2014 ("Global OTC"); Letter from Michael R. Trocchio, Sidley Austin LLP, to Brent J. Fields, Secretary, SEC, dated November 4, 2014 ("Sidley Austin on behalf of OTC Markets").

Qualifying IQSs instead of expending resources trying to operate the OTCBB.” Global OTC stated that it agreed “that OTCBB volume and relevance has dissipated over the last few years” and therefore did not object to closure of the OTCBB and related deletion of the Rule 6500 Series.

FINRA also previously proposed rules substantively similar to proposed Rules 6439(a) (relating to the collection and dissemination of quotation information) and (b) (relating to fair access standards). Commenters generally supported the proposal relating to the collection and dissemination of quotation information, and no commenters opposed this aspect of the proposal. For example, OTC Markets stated that this aspect of the proposal, among others, “has as its focus the improved fairness of the dissemination or availability of quotation information” and would “provide additional transparency to the market and ensure fair access to quotation related services and data.” Commenters also supported the proposal relating to fair access standards. For example, OTC Markets stated that it already had policies in place that it believed would satisfy the requirements of the proposed rule change because it was subject to the fair access provisions under SEC Regulation ATS. This commenter also noted that, because the proposal’s fair access requirements mirror those in SEC Regulation ATS, the requirements are appropriately tailored to ensure non-discriminatory availability of access to the system without unnecessarily burdening the ATS.

Finally, FINRA previously proposed a rule that required member inter-dealer quotation systems to provide FINRA with a written description of each quotation-related

data product that it offers, and all related pricing information.⁴⁴ Commenters supported this aspect of the proposal, and no commenters opposed this aspect of the proposal. For example, OTC Markets stated that this proposal would “ensure a baseline of reliable, accurate information available to all investors” and Global OTC noted that the information would provide more transparency to market participants, and pointed out that “similar requirements already exist in the exchange space.”

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.⁴⁵

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

⁴⁴ The instant proposal instead would require member inter-dealer quotation systems to post this information on their website page(s), rather than providing it to FINRA.

⁴⁵ 15 U.S.C. 78s(b)(2).

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

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2020-031)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Adopt FINRA Rule 6439 (Requirements for Member Inter-Dealer Quotation Systems) and Delete the Rules Related to the OTC Bulletin Board Service

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 , the 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 delete the rules related to the OTC Bulletin Board[®] Service (“OTCBB”) and cease its operation, and to enhance the regulation of quotations in OTC Equity Securities by adopting new requirements for member inter-dealer quotation systems.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

FINRA is proposing new FINRA Rule 6439 (Requirements for Inter-Dealer Quotation Systems) to expand and enhance the obligations of member firms that operate certain systems that regularly disseminate the quotations of identified broker-dealers in OTC Equity Securities³ (“inter-dealer quotation systems”).⁴ The proposed rule change also deletes the rules related to the OTCBB and ceases its operation, as further discussed below.

Background

³ Rule 6420(f) defines “OTC Equity Security” as any equity security that is not an “NMS stock” as that term is defined in Rule 600(b)(47) of SEC Regulation NMS; provided, however, that the term “OTC Equity Security” shall not include any Restricted Equity Security. (The term “Restricted Equity Security” is defined in Rule 6420(k) to mean any equity security that meets the definition of “restricted security” as contained in Securities Act Rule 144(a)(3).)

⁴ See Rule 6420(c), which defines “inter-dealer quotation system” as “any system of general circulation to brokers or dealers which regularly disseminates quotations of identified brokers or dealers.” This definition tracks the SEC’s definition of the same term in SEA Rule 15c2-11.

Section 15A of the Act provides that FINRA, among other things, must have rules governing the form and content of quotations for securities sold otherwise than on an exchange, which includes OTC Equity Securities. Specifically, Section 15A(b)(11) requires that such rules be designed to: (1) produce fair and informative quotations, (2) prevent fictitious or misleading quotations, and (3) promote orderly procedures for collecting, distributing, and publishing quotations.⁵ FINRA currently has in place extensive rules that govern the activity of member firms when they engage in quoting OTC Equity Securities. For example, the FINRA Rule 6400 Series (Quoting and Trading in OTC Equity Securities), among other things, provides a regulatory framework that governs the form and content of quotations; and FINRA maintains rules of general applicability that govern quoting and trading practices in the FINRA Rule 5200 Series (Quotation and Trading Obligations and Practices) (together, “Quotation Governance Rules”).

FINRA’s Quotation Governance Rules generally prescribe limitations around the conduct of members that publish quotations in OTC Equity Securities, including quotations displayed on inter-dealer quotation systems. For example, FINRA has a number of rules modeled off the principles found in SEC Regulation NMS that apply to member quotation activities on inter-dealer quotation systems in OTC Equity Securities. These rules consist of: (1) Rule 6434 (Minimum Pricing Increment for OTC Equity Securities), which sets forth the permissible pricing increments for the display of quotations and acceptance of orders; (2) Rule 6437 (Prohibition from Locking or Crossing Quotations in OTC Equity Securities), which requires firms to avoid locking

⁵ 15 U.S.C. 78q-3(b)(11).

and crossing quotations within an inter-dealer quotation system; (3) Rule 6450 (Restrictions on Access Fees), which establishes a cap on access fees imposed against a firm's published quotation; and (4) Rule 6460 (Display of Customer Limit Orders), which requires an OTC market maker, subject to certain exceptions, to display the full size of customer limit orders that improve the price of the market maker's displayed quotation or that represent more than a de minimis change in the size of the market maker's quote if at the best bid or offer.⁶ In addition, Rule 6433 (Minimum Quotation Size Requirements for OTC Equity Securities) generally provides that every member entering quotations in an inter-dealer quotation system must enter and honor those quotations for at least the minimum sizes defined in the rule.⁷ Further, Rule 6432 (Compliance with the Information Requirements of SEA Rule 15c2-11) generally provides that members may not initiate or resume quotations in any "quotation medium,"⁸ which includes an "inter-dealer quotation system," unless the member files a

⁶ See Securities Exchange Act Release No. 62359 (June 22, 2010), 75 FR 37488 (June 29, 2010) (Order Approving File No. SR-FINRA-2009-054) (approving the NMS-principled rules). These rules extended to the unlisted equity market certain protections previously applicable only to exchange-listed securities under the SEC's Regulation NMS and were adopted to enhance market quality and investor protection in the over-the-counter marketplace. See also Regulatory Notice 10-42 (September 2010).

⁷ See Rule 6433.

⁸ Rule 6420 defines "quotation medium" as "any inter-dealer quotation system or any publication or electronic communications network or other device that is used by brokers or dealers to make known to others their interest in transactions in any OTC Equity Security, including offers to buy or sell at a stated price or otherwise, or invitations of offers to buy or sell." See Rule 6420(j).

Form 211 with FINRA and complies with SEA Rule 15c2-11 (Initiation or resumption of quotations without specified information).⁹

The Rule 5200 Series also includes rules that govern quotation activity, including activity in OTC Equity Securities. For example, Rule 5210 (Publication of Transactions and Quotations) provides, among other things, that members are prohibited from publishing or circulating (or causing to be published or circulated) any notice or communication of any kind which purports to quote the bid price or ask price for any security, unless such member believes that such quotation represents a bona fide bid for, or offer of, such security (i.e., the “fictitious quotation” prohibition). Rule 5210 applies to members that publish or circulate quotations, including on an ATS, and FINRA has published guidance to remind ATSS of their obligation to supervise activity that occurs on their platforms consistent with Rule 5210 and other FINRA rules.¹⁰ In addition, Rule 5220 (Offers at Stated Prices) generally prohibits members from making an offer to buy from or sell to any person any security at a stated price unless such member is prepared to

⁹ SEA Rule 15c2-11(a) generally provides that, “[a]s a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices, it shall be unlawful for a broker or dealer to publish any quotation for a security or, directly or indirectly, to submit any such quotation for publication, in any quotation medium . . . unless such broker or dealer has in its records the documents and information required [under this rule], and, based upon a review of the [required] information . . . has a reasonable basis under the circumstances for believing that the [required] information is accurate in all material respects, and that the sources of the [required] information are reliable.” 17 CFR 240.15c2-11(a).

¹⁰ See Regulatory Notice 18-25 (August 2018) (reminding firms, among other things, that “[a]s a general matter, consistent with existing supervision obligations, FINRA expects that an ATS’s supervisory system be reasonably designed to identify ‘red flags,’ including potentially manipulative or non-bona fide trading that occurs on or through its systems”).

purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell (i.e., the “firm quote” requirement).

In addition to adopting and administering the Quotation Governance Rules, historically (since 1990), FINRA also expended substantial resources on operating the OTCBB, which is FINRA’s inter-dealer quotation system available for use by broker-dealers to publish quotations in eligible OTC Equity Securities. The over-the-counter marketplace was very different when FINRA, then National Association of Securities Dealers, Inc. (NASD), first established the OTCBB. At that time, members largely relied on printed, rather than electronic, media for obtaining quotation information, and FINRA believed that the OTCBB would “enhance the efficiency of pricing and foster competition within the inter-dealer market for a particular security.”¹¹ However, given technological advancements since 1990 and the subsequent increase in alternative electronic venues with more extensive functionality than the OTCBB, the level of quotation activity occurring on the OTCBB has continued to decline over the past several years and is now nonexistent. In fact, as of the date of this filing, the OTCBB does not display or widely disseminate quotation information on any OTC Equity Securities.

Thus, while FINRA believes that the Quotation Governance Rules continue to provide important safeguards for investors and play an important role in furthering market integrity in the over-the-counter marketplace, FINRA does not believe that continued operation of the OTCBB serves any benefit to investors or the marketplace, and that the resources being expended on maintaining the OTCBB system would be

¹¹ See Securities Exchange Act Release No. 25949 (July 28, 1988), 53 FR 29096 (August 2, 1988) (Notice of Filing of File No. SR-NASD-88-19).

better directed elsewhere. Therefore, FINRA is proposing to delete the rules governing the OTCBB and cease its operation, and at the same time enhance the regulatory obligations related to quotations in OTC Equity Securities by proposing new Rule 6439, which would govern the activities of member inter-dealer quotation systems, as further discussed below.¹²

A. Proposed Enhanced Requirements for Member Inter-Dealer Quotation Systems

As described above, FINRA's existing Quotation Governance Rules explicitly regulate the activities of OTC market makers¹³ and other members that display quotations on inter-dealer quotation systems, but generally do not directly provide quotation governance standards for a member inter-dealer quotation system on or through which such quotations are displayed. Given that all quotation activity in OTC Equity Securities occurs on member-operated inter-dealer quotation systems (rather than the, now essentially defunct, OTCBB), FINRA believes it is appropriate to adopt new rules directly tailored to such systems to ensure they have in place minimum standards. FINRA believes these proposed requirements complement the existing framework

¹² As discussed further in Item II.C. below, FINRA previously proposed enhancing regulation of member inter-dealer quotation systems and deleting the rules governing the OTCBB and ceasing its operation, but ultimately withdrew that filing. See Securities Exchange Release No. 72575 (July 9, 2014), 79 FR 41339 (July 15, 2014) (Notice of Filing of File No. SR-FINRA-2014-030) ("2014 Filing").

¹³ FINRA Rule 6420(g) defines "OTC Market Maker" as a member of FINRA that holds itself out as a market maker by entering proprietary quotations or indications of interest for a particular OTC equity security in any inter-dealer quotation system, including any system that the SEC has qualified pursuant to Section 17B of the Act. A member is an OTC market maker only in those OTC equity securities in which it displays market making interest via an inter-dealer quotation system.

governing the form and content of quotations and are consistent with the goals and objectives of Section 17B of the Act¹⁴ regarding the facilitation of widespread dissemination of reliable and accurate quotation information in penny stocks.¹⁵

Proposed new Rule 6439 would apply to members that operate an “inter-dealer quotation system,” as defined in Rule 6420 (Definitions), where such system permits quotation updates on a real-time basis. Specifically, the proposal would require that member inter-dealer quotation systems: (1) establish and prominently disclose to subscribers (and disclose to prospective subscribers upon request) its written policies and procedures relating to the collection and dissemination of quotation information in OTC Equity Securities; (2) establish and prominently disclose to subscribers its non-discriminatory written standards for granting access to quoting and trading on its system (and disclose to prospective subscribers upon request); (3) establish written policies and procedures addressing subscriber unresponsiveness with respect to the display of firm quotations in OTC Equity Securities and the submission of reports to FINRA on a monthly basis that include specified order and response information; (4) make available to customers a written description of each OTC Equity Security order- or quotation-

¹⁴ See 15 U.S.C. 78q-2. Section 17B was enacted by Congress as part of the Securities Enforcement Remedies and Penny Stock Reform Act of 1990 (“Penny Stock Act”). Pub. L. No. 101-429, 104 Stat. 931 (1990). See also Securities Exchange Act Release No. 30608 (April 20, 1992), 57 FR 18004 (April 28, 1992) (“Penny Stock Release”) (adopting seven rules (the “penny stock rules”) under the Exchange Act requiring broker-dealers engaging in certain transactions in low-priced OTC securities to provide customers with specified information).

¹⁵ FINRA also separately intends to request that the Commission designate the FINRA OTC Reporting Facility (“ORF”), together with one or more member inter-dealer quotation system, as a Qualifying Electronic Quotation System (“QEQS”) for purposes of Exchange Act Rule 3a51-1(d)(1)(iii) and the penny stock rules adopted under Section 15(g) of the Exchange Act.

related data product offered by such member inter-dealer quotation system and related pricing information, including fees, rebates, discounts and cross-product pricing incentives; and (5) provide FINRA with specified information concerning the integrity of their systems.

i. Quotation Collection and Dissemination

Under paragraph (a) of proposed Rule 6439, a member inter-dealer quotation system would need to establish, maintain and enforce written policies and procedures relating to the collection and dissemination of quotation information in OTC Equity Securities on or through its system. The written policies and procedures would need to be reasonably designed to ensure that quotations received and disseminated are informative, reliable, accurate, firm, and treated in a not unfairly discriminatory manner, including by establishing non-discretionary standards under which quotations are prioritized and displayed. For example, a member inter-dealer quotation system would be required to address in its procedures its methodology for ranking quotations, including at a minimum, addressing factors such as price (including any applicable quote access fee), size, time, capacity and type of quotation (such as unpriced quotes and bid/offer wanted quotations). The member inter-dealer quotation system also would be required to include any other factors relevant to the ranking and display of quotations (e.g., reserve sizes, quotation updates, treatment of closed quotations, and quotation information imported from other systems). The proposed rule would require member inter-dealer quotation systems to prominently disclose these written policies and procedures, along with any material updates, modifications and revisions, to subscribers within five business days following the date of establishment of the policy or procedure or

implementation of the material change and to provide them to prospective subscribers upon request.¹⁶ FINRA believes that requiring these policies and procedures would help ensure that member inter-dealer quotation systems have in place appropriate standards regarding the treatment of quotations received and would promote fair and orderly quotation activity in the unlisted equity market.¹⁷ In addition, requiring that member inter-dealer quotation systems prominently disclose these procedures will provide subscribers and, upon request, prospective subscribers, with important information relating to the member inter-dealer quotation system's quotation collection and dissemination procedures.

ii. Fair Access

Paragraph (b) of proposed Rule 6439 would require member inter-dealer quotation systems to establish non-discriminatory written standards for granting access to quoting and trading in OTC Equity Securities on its system that do not unreasonably prohibit or limit any person in respect to access to services offered by such member inter-

¹⁶ A member that is an inter-dealer quotation system at the time of the effective date of this proposed rule change would prominently disclose the required information to its subscribers upon the effective date of the Rule and, thereafter, within five business days of the implementation of any material update, modification or revision thereto.

¹⁷ FINRA would examine for compliance with proposed Rule 6439, including by reviewing the adequacy of member inter-dealer quotation systems' written policies and procedures and written fair access standards required under this proposal. Specifically, depending upon the timing of implementation, FINRA would conduct a targeted exam of impacted member inter-dealer quotation systems after the initial effectiveness of the rule and incorporate a Rule 6439 review as part of the regular exam program for impacted member firms.

dealer quotation system.¹⁸ This proposed requirement is consistent with the “fair access” requirements of SEC Regulation ATS but would apply to quoting and trading in all OTC Equity Securities on the member inter-dealer quotation system, regardless of the percentage of average daily volume that such member inter-dealer quotation system had in the security.¹⁹ The proposed rule would further require that member inter-dealer quotation systems prominently disclose these written standards, and any material updates, modifications and revisions thereto, to its subscribers within five business days following the date of establishment of the written standards or implementation of the material change and to provide them to prospective subscribers upon request.²⁰ FINRA believes that this proposed rule is appropriate given the significant role of member inter-dealer quotation systems in the over-the-counter market and will provide subscribers and

¹⁸ FINRA proposes that a member inter-dealer quotation system also must make and keep records of all grants of access including (for all subscribers) the reasons for granting such access and all denials or limitations of access and reasons (for each applicant) for denying or limiting access. A policy prohibiting or limiting access to services offered by the member inter-dealer quotation system due to non-payment by a subscriber would not be prohibited under the proposed rule.

¹⁹ The fair access requirements in proposed Rule 6439 would apply to any member inter-dealer quotation system, regardless of its trading volume. Accordingly, while certain member inter-dealer quotation systems may already be subject to the volume-based fair access requirements in SEC Regulation ATS, Rule 6439 would ensure the application of such fair access requirements to all member inter-dealer quotation systems.

²⁰ A member that is an inter-dealer quotation system at the time of the effective date of this proposed rule change would prominently disclose the required information to its subscribers upon the effective date of the Rule and, thereafter, within five business days of the implementation of any material update, modification or revision thereto.

prospective subscribers with additional information relating to the member inter-dealer quotation system's fair access standards.²¹

iii. Enhanced Firm Quote Compliance and Reporting

Paragraphs (c) and (d) of proposed Rule 6439 include provisions that seek to enhance the regulatory regime around firm quote rule compliance for those member inter-dealer quotation systems that do not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation. Specifically, paragraph (c) would require a member inter-dealer quotation system to establish, maintain and enforce written policies and procedures that are reasonably designed to address instances of unresponsiveness when orders are presented to trade with firm quotations displayed in OTC Equity Securities on its system. This provision, as is the case with proposed paragraph (d), discussed below, would apply only to a member inter-dealer quotation system that does not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation because there is no opportunity for unresponsiveness where orders are appropriately matched and auto-executed by the system.²²

Currently, Rule 5220 and its associated Supplementary Material sets forth members' firm quote obligations by prohibiting members from making an offer to buy from or sell to any person any security at a stated price unless such member is prepared to

²¹ See supra note 17.

²² Where a system permits manual responses to orders received against a displayed quotation, unresponsiveness can occur. Currently, FINRA is aware of only one member inter-dealer quotation system that does not match and auto-execute, and thus would be subject to proposed Rule 6439 (c) and (d).

purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell.²³ A member's failure to respond to an order for which it has a firm quote obligation can disrupt the normal operation of the over-the-counter market.²⁴

Thus, FINRA is proposing to provide that a member inter-dealer quotation system that does not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation would be required to implement policies and procedures addressing unresponsiveness by its subscribers.²⁵ At a minimum, these policies and procedures must specify an efficient process for (i) monitoring subscriber unresponsiveness; (ii) subscribers to submit complaints to the member inter-dealer quotation system regarding potential instances of unresponsiveness to an order; (iii) documenting the subscriber's rationale for unresponsiveness; and (iv) determining specified steps when an instance of or repeated order unresponsiveness may have occurred. Given that order unresponsiveness can disrupt the normal operation of the over-the-counter market, FINRA believes that requiring policies and procedures to address this activity would increase market efficiency and integrity and thus benefit investors.

²³ See Rule 5220.

²⁴ As stated in Rule 5220.01, "if at the time an order for the purchase or sale of the quoted security is presented, the member is in the process of effecting a transaction in such quoted security and immediately after the completion of such transaction communicates a revised quotation size, such member shall not be obligated to purchase or sell the quoted security in an amount greater than such revised quotation size."

²⁵ See supra note 17.

To support FINRA’s oversight of the over-the-counter market, FINRA also proposes to require reporting of aggregate and order-level information by member inter-dealer quotation systems that do not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation. Specifically, proposed Rule 6439(d) would provide FINRA with additional information regarding the quotation activities occurring on member inter-dealer quotation system and would assist FINRA in surveilling for member compliance with firm quote obligations and unresponsiveness, which is an area in which FINRA regularly receives complaints.²⁶ Proposed Rule 6439(d) would require that, on a monthly basis (in the form and manner prescribed by FINRA),²⁷ each member inter-dealer quotation system subject to proposed paragraph (d) must provide to FINRA order and related response information for orders in OTC Equity Securities presented for execution against a displayed quotation for which a FINRA member subscriber has a Rule 5220 obligation.²⁸ Specifically, a

²⁶ For example, in 2018, FINRA received 119 complaints from members regarding instances of unresponsiveness to requests to execute against a displayed quotation. See infra note 42 and accompanying text.

²⁷ If the Commission approves the proposed rule change, FINRA would announce in a Regulatory Notice details about the required manner and timing of the submission of this information to FINRA.

²⁸ FINRA understands that communications on a member inter-dealer quotation system that would be subject to proposed Rule 6439(d) may be in the form of messages (*i.e.*, the back and forth communications between market makers) and are treated as “negotiations” by the system as they require trader intervention before a trade can occur. While such negotiation activities are considered “orders” for purposes of firm quote rule obligations and this proposed Rule, pursuant to current guidance, they are not considered “orders” for purposes of the Consolidated Audit Trail (CAT) at this time and no CAT reporting obligation exists until the terms and conditions of a trade have been agreed upon. See CAT FAQ J2.

member inter-dealer quotation system that does not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation would be required to provide the following aggregated information to FINRA, categorized by FINRA member subscriber market participant identifier (MPID) across all symbols quoted by the MPID during the previous calendar month: (i) total number of marketable orders presented for execution against the MPID's quotation;²⁹ (ii) average execution (full or partial) time for marketable orders presented against the MPID's quotation based on the time an order is presented; (iii) total number of full or partial executions based on the time a marketable order is presented that are within specified execution timeframes;³⁰ (iv) total number of marketable orders presented against the MPID's quotation that did not receive a full or partial execution; and (v) average response time of the highest 10% and highest 50% of the MPID's response times for marketable orders (for full or partial executions).³¹

A member inter-dealer quotation system that is subject to proposed paragraph (d) also would be required to provide the following order-level information for each order presented against an MPID's quotation during the previous calendar month: buy/sell; security symbol; price; size; All or None indicator (yes or no); order entry firm MPID;

²⁹ In this context, a "marketable order" refers to a message presented against a market maker's quote that is priced to be immediately executable.

³⁰ The proposed Rule would require that a member inter-dealer quotation system subject to proposed paragraph (d) report the total number of full or partial executions within the following execution timeframes: < 5 seconds; ≥ 5 seconds and < 10 seconds; ≥10 and < 20 seconds; and ≥ 20 seconds.

³¹ FINRA believes that some of this information already is generated by the member inter-dealer quotation system expected to be subject to this proposed provision. See supra note 22.

system-generated order number (if any); order receipt time; time in force; position in queue for quote (e.g., IL1, IL2); response time; order response (e.g., execute, reject cancel, etc.); and executed quantity. Notwithstanding these requirements, proposed Rule 6439(d)(2) generally would provide that, to the extent that the above order-level information is or becomes CAT reportable under Rule 6830 (Industry Member Data Reporting), a member inter-dealer quotation system would not have a reporting obligation under proposed Rule 6439(d)(1)(B). Whether obtained pursuant to this proposed rule or through CAT, the information required by proposed Rule 6439(d)(1)(B) would bolster FINRA's ability to surveil for compliance with Rule 5220. Thus, FINRA believes that this proposed rule change would further the integrity of the over-the counter market.

iv. Order and Quotation Data Product Transparency

Proposed Rule 6439(e) would require a member inter-dealer quotation system to provide on its website (or its affiliate distributor's website) a written description of each OTC Equity Security order- or quotation-related data product offered by such member inter-dealer quotation system and related pricing information, including fees, rebates, discounts and cross-product pricing incentives. Members would be required to keep the relevant website page(s) accurate and up-to-date with respect to the required information, and to make such information available at least two business days in advance of offering the data product. The provision would make clear that this requirement would not preclude members from negotiating lower fees with customers, provided that the member discloses on the relevant website page(s) the circumstances under which it may do so. FINRA believes that this aspect of the proposal would help keep customers, other

investors and market participants informed about the availability of member-offered order- or quotation-related data products for OTC Equity Securities on an ongoing basis.

v. System Integrity

Finally, proposed Rule 6439(f) would require a member inter-dealer quotation system to provide FINRA with prompt notification when it reasonably becomes aware of any non-de minimis systems disruption that degrades, limits, or otherwise impacts the member inter-dealer quotation system's functionality with respect to trading or the dissemination of market data. Such notification would include, on a reasonable best efforts basis, a brief description of the event, its impact, and resolution efforts. Prompt receipt of this information would strengthen FINRA's oversight of the over-the-counter market by alerting FINRA to issues that could adversely affect the reliability, availability, or integrity of member inter-dealer quotation systems that support quoting and trading of OTC Equity Securities.

To comply with this requirement, a member inter-dealer quotation system that is an SCI alternative trading system, as defined in Rule 1000 of SEC Regulation SCI,³² could provide FINRA with the same information (or a duplicate copy of any notification) submitted to the SEC concerning the occurrence of, and updates on, a non-de minimis systems disruption SCI event pursuant to Rule 1002(b) of SEC Regulation SCI,³³ promptly after filing the notification with the SEC. If a member inter-dealer quotation system is not an SCI alternative trading system, it could comply with this requirement by providing FINRA prompt notification when it reasonably becomes aware of any such

³² See 17 CFR 242.1000.

³³ See 17 CFR 242.1002(b).

systems disruption, and by providing periodic updates on the event and its resolution. As noted above, such notifications would include, on a reasonable best efforts basis, a brief description of the event, its impact, and resolution efforts. While this requirement is informed by the event reporting requirements established in Regulation SCI, it not intended to impose the formal reporting framework provided by SEC Regulation SCI, or otherwise extend or apply Regulation SCI, to a member inter-dealer quotation system not subject to it. FINRA would announce in a Regulatory Notice the methods and process by which members may provide systems disruption notifications to FINRA.

B. Proposed Deletion of OTCBB-related Rules

As discussed above, FINRA also is proposing to delete the FINRA Rule 6500 Series, which governs the operation of the OTCBB and cease its operation. Use of the OTCBB has declined precipitously over the years, such that the system now is essentially defunct. In fact, the OTCBB does not widely disseminate quotation information on any OTC Equity Securities. As a result, discontinuance of the OTCBB as an inter-dealer quotation system will not impact the current level of quotation information available for OTC Equity Securities, and FINRA strongly believes that there is no benefit to investors or the marketplace by continuing operation of the OTCBB. Further, FINRA notes that, where investors look to feeds that solely disseminate OTCBB data for quotation information on a particular OTC Equity Security, investors mistakenly may conclude that there are no current quotations in the security (when, in fact, there may be numerous quotations available elsewhere — i.e., on member-operated inter-dealer quotation systems). Therefore, FINRA believes that ceasing operation of the OTCBB would eliminate potential investor confusion regarding the availability of quotation information

for OTC Equity Securities. For the same reasons, FINRA does not believe that the OTCBB, in its current state, furthers the goals and objectives of Section 17B of the Act³⁴ and, therefore, does not meet the characteristics of a system described in Section 17B of the Act regarding the widespread dissemination of reliable and accurate quotation information with respect to “penny stocks.”³⁵ However, since the inception of the OTCBB, non-self-regulatory organization (“SRO”) entities that are member inter-dealer quotation systems have increased their participation in the collection and dissemination of quotation information in OTC equity securities, including for those OTC equity securities meeting the definition of “penny stock,” and have made such quotation information available to investors and market participants. Thus, FINRA believes that discontinuance of the OTCBB as an inter-dealer quotation system will not have an appreciable impact on the current level of quotation transparency for OTC equity securities. Importantly, FINRA will continue to centralize last sale transaction reporting through the ORF and, therefore, will continue to operate a system that collects and disseminates transaction information on, and provides widespread dissemination of reliable and accurate last sale information with respect to, OTC equity securities,

³⁴ Section 17B of the Act provides, among other things, that the Commission shall facilitate the widespread dissemination of reliable and accurate last sale and quotation information with respect to penny stocks.

³⁵ Under SEA Rule 3a51-1, “penny stock” is defined to, among other things, exclude securities that have a price of five dollars or more as determined either on a per transaction basis or, in the absence of a transaction, on the basis of the inside bid quotation for the security displayed on an automated quotation system that has the characteristics set forth in Section 17B(b)(2) of the Act or any other system that is designated by the Commission. See 17 CFR 240.3a51-1.

including penny stocks.³⁶ Thus, the objectives of Section 17B of the Act relating to the provision of price and volume information to investors and market participants will continue to be satisfied through FINRA's operation of the ORF.

In advance of the discontinuance of the OTCBB, FINRA will take steps to ensure a smooth transition for issuers and members. Specifically, although there are no members currently using the OTCBB, FINRA will publicize announcements through the FINRA.org website.³⁷ Thereafter, FINRA will continue to assess the widespread availability of quotation transparency to investors and market participants through non-SRO sources on a regular basis. If the availability of quotation information to investors significantly declines, FINRA will revisit and, if necessary, file a proposed rule change to establish an SRO-operated inter-dealer quotation system (or other measure) to facilitate the type of widespread quotation transparency described in Section 17B of the Act.

FINRA also is proposing to delete the text of Rule 7720 (OTC Bulletin Board Service), which currently sets forth the fees applicable to a broker-dealer that displays quotations or trading interest in the OTCBB. This rule no longer would be relevant if FINRA ceased the operation of the OTCBB in connection with this proposal. In addition, FINRA is proposing to amend Rule 9217 (Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)) to remove reference to Rule 6550 (Transaction Reporting), which FINRA is proposing to delete as part of this proposal.

³⁶ FINRA members generally are required to report trades in OTC equity securities to ORF within 10 seconds of execution and FINRA widely disseminates this transaction information in real-time.

³⁷ FINRA notes that there currently are no OTCBB symbols.

If the Commission approves the proposed rule change, FINRA will announce the effective date(s) of the proposed rule change in a Regulatory Notice. The effective date(s) may be phased, but will be no later than 365 days following 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,³⁸ 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 also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(11) of the Act,³⁹ which requires that FINRA rules include provisions governing the form and content of quotations relating to securities sold otherwise than on a national securities exchange which may be distributed or published by any member or person associated with a member, and the persons to whom such quotations may be supplied, and that such rules be designed to produce fair and informative quotations, to prevent fictitious or misleading quotations, and to promote orderly procedures for collecting, distributing, and publishing quotations.

Specifically, proposed Rule 6439 would implement new requirements for member inter-dealer quotation systems by, among other things, requiring such members to establish procedures that govern the treatment of, and fair access to, quotations in OTC Equity Securities. Proposed Rule 6439 also would require members to address instances

³⁸ 15 U.S.C. 78o-3(b)(6).

³⁹ See 15 U.S.C. 78o-3(b)(11).

of unresponsiveness to orders when subscribers are posting firm quotations in OTC Equity Securities. These provisions are designed to promote just and equitable principles of trade, protect investors and the public interest, and enhance regulatory oversight of the form and content of quotations for OTC Equity Securities, consistent with Sections 15A(b)(6) and (11). Given the significant role that member-operated inter-dealer quotation systems serve today in the marketplace for OTC Equity Securities, FINRA believes the proposed requirements would improve the reliability, integrity, fairness of, and access to quotations for OTC Equity Securities. FINRA also believes these proposed requirements are consistent with the Act because they would improve FINRA's oversight of member inter-dealer quotation systems.

Further, FINRA believes that the proposed rule change is consistent with Section 17B of the Act.⁴⁰ Section 17B was enacted by Congress as part of the Penny Stock Act, which was designed to remedy inefficiencies and address regulatory concerns caused by the lack of reliable market information on penny stocks traded over the counter and, in connection with this initiative, the Commission designated the OTCBB as a QEQS for purposes of the penny stock rules.⁴¹

Due to the decline of OTCBB, as discussed above, FINRA is concerned that OTCBB is no longer a reliable source of complete quotation information for OTC equity securities and, therefore, operation of the system no longer furthers the purposes of Section 17B of the Act. FINRA believes that the proposed rule change would protect investors and the public interest by deleting the OTCBB rules and discontinuing its

⁴⁰ See 15 U.S.C. 78q-2.

⁴¹ See Penny Stock Release, supra note 14.

operation, because the OTCBB does not widely disseminate best bid or offer information for any securities. FINRA believes that ceasing operation of the OTCBB would remove potential investor confusion regarding the availability of quotation information for OTC Equity Securities and would allow FINRA to better allocate regulatory resources. FINRA believes that ceasing operation of the OTCBB, coupled with the proposed changes to improve the governance of member inter-dealer quotation systems on or through which quotations in OTC equity securities are displayed, best serves and promotes the goals of Section 17B of the Act with respect to the widespread availability of quotation information in penny 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.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives FINRA considered in assessing how to best meet its regulatory objectives.

Regulatory Need

As discussed above, FINRA is proposing to delete the OTCBB rules and discontinue its operation and adopting new requirements for member inter-dealer quotation systems to enhance the regulation of quotation activity in OTC Equity

Securities. The proposed amendments are intended to achieve a more robust regulatory framework around member inter-dealer quotation systems.

Economic Baseline

As mentioned above, the level of quotation activity occurring on the OTCBB has significantly declined over the past several years and is now nonexistent. Of the 352,698 average trades per day reported in all OTC Equity Securities in August 2020 (with a total of 7,406,664 trades reported in all OTC Equity Securities for the month), none were related to quotation activity on the OTCBB. No member firms have quoted on the OTCBB since October 29, 2019. Because all quotation activity in OTC Equity Securities now occurs on member inter-dealer quotation systems, FINRA's increased oversight of these systems would be beneficial from market integrity and investor protection perspectives.

As of August 2020, FINRA is aware of two member inter-dealer quotation systems: Global OTC and OTC Link. An average of 4,227,157 and 13,370,896 quotations were posted on Global OTC and OTC Link, respectively, per day in August 2020, leading to an average of 24,408 and 9,567 trades on Global OTC and OTC Link, respectively, per day. In that same month, an average of 5,968 and 11,586 symbols were quoted on Global OTC and OTC Link, respectively, per day.

FINRA previously proposed amendments substantially similar to proposed Rule 6439(a) and (b), which would require that member inter-dealer quotation systems adopt and prominently disclose written policies and procedures around the collection and dissemination of quotation information in OTC Equity Securities and establish and prominently disclose non-discriminatory written standards for granting access to quoting

and trading on member inter-dealer quotation systems, respectively. As discussed in Item 5 below, when previously proposed, these aspects of the proposal did not appear to be controversial because they were not opposed by commenters. FINRA understands that member inter-dealer quotation systems already have established and adopted policies and procedures regarding quote collection and dissemination. FINRA also notes that member inter-dealer systems that are alternative trading systems already may be subject to similar fair access standards pursuant to Regulation ATS (when they reach certain volume thresholds), which potentially could simplify compliance with regard to the fair access requirements under the instant proposal.

With respect to proposed Rule 6439(c) and (d) regarding firm quote compliance and reporting, FINRA would use the collected information in connection with its program regarding compliance with Rule 5220. Currently, aggrieved members may contact FINRA to report instances of unresponsiveness.⁴² In addition, FINRA understands that, while some of the order and response information required by the proposal may not be maintained in the required form by the impacted member inter-dealer quotation system at present, other aspects of the proposed required information already is collected and provided to subscribers. With respect to proposed Rule 6439(e) regarding data product and pricing transparency, FINRA understands that member inter-dealer quotation systems or affiliate distributors currently provide information regarding their data products and the associated fees on their web sites. In addition, with respect to proposed Rule 6439(f) regarding system integrity, if a member inter-dealer quotation

⁴² In 2018 and 2019, FINRA received 119 and 53 complaints, respectively, regarding unresponsiveness to attempts to execute against displayed a quote, and in 2020, FINRA has received 37 such complaints as of September 15, 2020.

system already is subject to SEC Regulation SCI, it already is required to report to the SEC the same type of information that would be required to be reported to FINRA under the proposal. For a member inter-dealer quotation system not already required to report this information to the SEC, the proposed rule would apply a new notification requirement.

Economic Impact

Costs

Due to the non-existent quoting activity on the OTCBB, FINRA does not believe that discontinued operation of the system would impose a material cost on members, as member firms were never required to maintain connectivity to the OTCBB. In addition, due to the more extensive functionalities on member inter-dealer quotation systems, FINRA believes that member inter-dealer quotation systems can serve as substitutes for the OTCBB. Furthermore, FINRA will continue to centralize last sale transaction reporting through the ORF, and, consequently, will continue to collect and disseminate transaction information on last sale information of OTC Equity Securities, including penny stocks. FINRA does not expect that members would change their behavior in terms of where they seek liquidity as a result of the proposed amendments and notes that dealers already use these other platforms for virtually all quoting in OTC Equity Securities.

Member inter-dealer quotation systems could potentially incur costs associated with establishing, adopting, and prominently disclosing procedures and standards pursuant to the requirements in proposed Rules 6439 (a) and (b), to the extent that existing procedures and standards are not sufficient to comply with the requirements of

the proposed rule or are not prominently disclosed. Member inter-dealer quotation systems also could potentially incur costs associated with the proposals related to firm quote compliance and reporting and system integrity. The potential impact of these provisions could be different for each member inter-dealer quotation system. For example, the proposals relating to firm quote compliance and reporting only apply to member inter-dealer quotation systems that do not automatically execute all orders presented against a displayed quotation on their system (because there is no opportunity for unresponsiveness where orders appropriately are matched and automatically executed by the system). However, where a member inter-dealer quotation system permits manual responses to orders received against a displayed quotation, unresponsiveness can occur, and the system would incur the costs associated with complying with the proposed enhancements. In the current regime, FINRA is aware of only one member inter-dealer quotation system that does not automatically execute all orders on its system, and thus would have to comply with proposed Rules 6439(c) and (d).

With respect to proposed Rule 6439(e) regarding data product and pricing transparency, FINRA understands that member inter-dealer quotation systems or affiliate distributors currently provide information regarding their data products and the associated fees on their websites. Member inter-dealer quotation systems could potentially incur costs associated with complying with the requirements in proposed Rules 6439(e) to the extent that existing disclosures are not sufficient to comply with the requirements of the proposed rule.

In addition, the potential impact of the proposed system disruption reporting requirement in proposed Rule 6439(f) would vary based on whether a member inter-

dealer quotation system is subject to SEC Regulation SCI. For a member inter-dealer quotation system that is subject to SEC Regulation SCI, FINRA expects that the proposed requirements would impose no material additional costs. For a member inter-dealer quotation system that is not subject to SEC Regulation SCI, the proposed requirements could impose limited additional costs, as the member inter-dealer quotation system would be required to develop a new process for promptly reporting systems disruptions to FINRA. However, FINRA intends this to be a streamlined reporting requirement that applies once the member inter-dealer quotation system reasonably becomes aware of an event; this proposal is not intended to impose the formal reporting framework provided by SEC Regulation SCI, or otherwise extend or apply Regulation SCI, to a member inter-dealer quotation system not subject to it. To the extent that such costs are passed on to the member inter-dealer quotation system's subscribers, firms potentially could observe an increase in costs associated with quoting and trading on these platforms. Such increase in costs may be reflected in fees imposed on the subscribers.

Benefits

Although no member firms have posted quotes on the OTCBB since October 29, 2019, some firms may still be connected to the OTCBB. To the extent that member firms incur costs associated with OTCBB connectivity, firms may gain cost savings from no longer maintaining a connection.

Given the importance of compliance with the firm quote rule, FINRA would anticipate benefits to market integrity through improved oversight of firm quote rule compliance from requiring a member inter-dealer quotation system that does not automatically execute all orders presented for execution against quotations displayed on

its platform to establish policies and procedures to address instances of subscriber unresponsiveness and report order and response message information to FINRA on a monthly basis.

FINRA expects that the proposed amendments would enhance investor protection in the OTC equity space through increased oversight of member inter-dealer quotation systems. Because member inter-dealer quotation systems facilitate virtually all of the quoting activity in this market, the proposed amendments, and how they apply to member inter-dealer quotation systems with different functionalities, would potentially provide protection for clients of all types of member inter-dealer quotation systems. With respect to the proposed system integrity requirements, as noted above, FINRA believes these requirements would enhance FINRA's oversight of the systems a member inter-dealer quotation system uses, thereby promoting the reliability and availability of such systems.

Alternatives Considered

No other alternatives were considered for the proposed amendments.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FINRA previously proposed amendments substantially similar to certain aspects of the instant filing.⁴³ However, the previous rule filing was withdrawn as FINRA continued to consider what changes to the governance of the over-the-counter marketplace were appropriate. Below is a discussion of the comments FINRA previously received on the substantially similar items being re-proposed in the instant filing.

⁴³ See 2014 Filing, supra note 12.

As it is proposing in the instant filing, FINRA previously proposed ceasing operation of the OTCBB and deleting the Rule 6500 Series and related rules.

Commenters supported this aspect of the proposal.⁴⁴ For example, OTC Markets stated that “FINRA’s OTCBB no longer provides broker-dealers with an effective service for pricing securities, and market participants will be better served by FINRA regulating Qualifying IQSs instead of expending resources trying to operate the OTCBB.” Global OTC stated that it agreed “that OTCBB volume and relevance has dissipated over the last few years” and therefore did not object to closure of the OTCBB and related deletion of the Rule 6500 Series.

FINRA also previously proposed rules substantively similar to proposed Rules 6439(a) (relating to the collection and dissemination of quotation information) and (b) (relating to fair access standards). Commenters generally supported the proposal relating to the collection and dissemination of quotation information, and no commenters opposed this aspect of the proposal. For example, OTC Markets stated that this aspect of the proposal, among others, “has as its focus the improved fairness of the dissemination or availability of quotation information” and would “provide additional transparency to the market and ensure fair access to quotation related services and data.” Commenters also supported the proposal relating to fair access standards. For example, OTC Markets stated that it already had policies in place that it believed would satisfy the requirements

⁴⁴ See Letter from Daniel Zinn, General Counsel, OTC Markets Group Inc., to Secretary, SEC, dated August 5, 2014 (“OTC Markets”); Letter from Barry Scadden, Vice President, Global OTC, to Kevin M. O’Neill, Deputy Secretary, SEC, dated October 10, 2014 (“Global OTC”); Letter from Michael R. Trocchio, Sidley Austin LLP, to Brent J. Fields, Secretary, SEC, dated November 4, 2014 (“Sidley Austin on behalf of OTC Markets”).

of the proposed rule change because it was subject to the fair access provisions under SEC Regulation ATS. This commenter also noted that, because the proposal's fair access requirements mirror those in SEC Regulation ATS, the requirements are appropriately tailored to ensure non-discriminatory availability of access to the system without unnecessarily burdening the ATS.

Finally, FINRA previously proposed a rule that required member inter-dealer quotation systems to provide FINRA with a written description of each quotation-related data product that it offers, and all related pricing information.⁴⁵ Commenters supported this aspect of the proposal, and no commenters opposed this aspect of the proposal. For example, OTC Markets stated that this proposal would “ensure a baseline of reliable, accurate information available to all investors” and Global OTC noted that the information would provide more transparency to market participants, and pointed out that “similar requirements already exist in the exchange space.”

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

⁴⁵ The instant proposal instead would require member inter-dealer quotation systems to post this information on their website page(s), rather than providing it to FINRA.

(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-2020-031 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2020-031. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2020-031 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.⁴⁶

Jill M. Peterson
Assistant Secretary

⁴⁶ 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, ORDER, AND TRANSACTION REPORTING FACILITIES

* * * * *

6400. QUOTING AND TRADING IN OTC EQUITY SECURITIES

* * * * *

6430. OTC Equity Quotation Requirements

* * * * *

6439. Requirements for Member Inter-Dealer Quotation Systems

A member inter-dealer quotation system (whether or not also an alternative trading system or “ATS” as defined by Rule 300(a) of SEC Regulation ATS) that permits quotation updates on a real-time basis in OTC Equity Securities must comply with the following requirements:

(a) The member inter-dealer quotation system must establish, maintain and enforce written policies and procedures relating to the collection and dissemination of quotation information in OTC Equity Securities on or through its system. Such written policies and procedures and any material updates, modifications and revisions thereto must be prominently disclosed to subscribers within five business days following the date of establishment of the policy or procedure or implementation of the material change and provided to prospective subscribers upon request. These policies and procedures must be reasonably designed to ensure that quotations received and disseminated are informative, reliable, accurate, firm and treated in a not unfairly discriminatory manner, including by

establishing non-discretionary standards under which quotations are prioritized and displayed;

(b) The member inter-dealer quotation system must establish non-discriminatory written standards for granting access to quoting and trading in OTC Equity Securities on its system that do not unreasonably prohibit or limit any person in respect to access to services offered by such member inter-dealer quotation system. Such written standards and any material updates, modifications and revisions thereto must be prominently disclosed to subscribers within five business days following the date of establishment of the written standards or implementation of the material change and provided to prospective subscribers upon request. A member inter-dealer quotation system must make and keep records of all grants of access including (for all subscribers) the reasons for granting such access and all denials or limitations of access and reasons (for each applicant) for denying or limiting access;

(c) Member inter-dealer quotation systems that do not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation must establish, maintain and enforce written policies and procedures reasonably designed to address instances of unresponsiveness to orders in an OTC Equity Security. These policies and procedures must, at a minimum, specify an efficient process for:

(1) monitoring subscriber unresponsiveness;

(2) subscribers submitting to the member inter-dealer quotation system complaints regarding potential instances of order unresponsiveness;

(3) documenting the subscriber's rationale for unresponsiveness;

and

(4) determining specified steps when an instance or repeated order unresponsiveness may have occurred;

(d)(1) Member inter-dealer quotation systems that do not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation must report to FINRA the below order and related response information for such orders in an OTC Equity Security. The following information must be reported on a monthly basis in the form and manner prescribed by FINRA:

(A) MPID-level Aggregate Information. The member inter-dealer quotation system must provide to FINRA aggregated information per member subscriber market participant identifier (MPID) across all symbols quoted by the MPID during the preceding calendar month; specifically:

(i) Total number of marketable orders presented for execution against the MPID's quotation;

(ii) Average execution (full or partial) time for marketable orders presented against the MPID's quotation based on the time an order is presented;

(iii) Total number of full or partial executions based on the time a marketable order is presented that are within the following

execution timeframes: < 5 seconds; ≥ 5 seconds and < 10 seconds; ≥10 and < 20 seconds; and ≥ 20 seconds;

(iv) Total number of marketable orders presented against the MPID's quotation that did not receive a full or partial execution; and

(v) Average response time of the highest 10% and highest 50% of the MPID's response times for marketable orders (for full or partial executions);

(B) Order-level Information. The member inter-dealer quotation system must provide to FINRA information for each order presented against an MPID's quotation during the preceding calendar month; specifically:

(i) Buy/Sell;

(ii) Security symbol;

(iii) Price;

(iv) Size;

(v) All or None indicator (Y/N);

(vi) Order entry firm MPID;

(vii) Order receipt time;

(viii) Time in force;

(ix) Response time;

(x) Order Response (e.g., execute, reject, cancel, etc.);

(xi) Executed quantity;

(xii) System-generated order number (if any); and

(xiii) Position in queue for quote (e.g., IL, IL2);

(2) Member inter-dealer quotation systems are not required to report to FINRA pursuant to this Rule any of the items of information specified in paragraph (d)(1)(B) of this Rule if, at a minimum, the items specified in paragraph (d)(1)(B)(i) through (xi) are subject to reporting to the Consolidated Audit Trail under Rule 6830;

(e) The member inter-dealer quotation system must make available to customers on its (or its affiliate distributor's) website a written description of each OTC Equity Security order- or quotation-related data product offered by such member inter-dealer quotation system and all related pricing information, including fees, rebates, discounts and cross-product pricing incentives. Such information must be made available at least two business days in advance of offering the data product. The website page(s) describing the OTC Equity Security order or quotation data product offerings and all related pricing information must be kept accurate and up-to-date with respect to the required data product descriptions and pricing information. Member inter-dealer quotation systems are not precluded from negotiating lower fees with customers, provided that the member inter-dealer quotation system discloses on such website page(s) the circumstances under which it may do so; and

(f) The member inter-dealer quotation system must provide FINRA with prompt notification when it reasonably becomes aware of any non-de minimis systems disruption that degrades, limits, or otherwise impacts the member inter-dealer quotation system's functionality with respect to trading or the dissemination of market data. Such

notification must include, on a reasonable best efforts basis, a brief description of the event, its impact, and the member inter-dealer quotation system's resolution efforts.

* * * * *

[6500. OTC BULLETIN BOARD[®] SERVICE]

[6510. Applicability]

[These Rules shall be known as the “OTC Bulletin Board Rules” and govern the operation and use of the OTC Bulletin Board[®] service (OTCBB or “Service”) by broker-dealers admitted to membership in FINRA and their associated persons. Unless otherwise indicated, the requirements of the OTC Bulletin Board Rules are in addition to the requirements contained in the other FINRA rules, By-Laws, and Schedules to the By-Laws.]

[6520. Operation of the Service]

[The OTCBB provides an electronic quotation medium for subscribing members to reflect market making interest in OTCBB-eligible securities. Subscribing market makers can utilize the Service to enter, update, and display their proprietary quotations in individual securities on a real-time basis. Such quotation entries may consist of a priced bid and/or offer; an unpriced indication of interest (including “bid wanted” or “offer wanted” indications); or a bid/offer accompanied by a modifier to reflect unsolicited customer interest. A subscribing market maker can also access the proprietary quotations that other firms have entered into the Service along with highest bid and lowest offer (i.e., an inside bid-ask calculation) in any OTCBB-eligible security with at least two market makers displaying two-sided markets.]

[6530. OTCBB-Eligible Securities]

[A member shall be permitted to quote the following categories of securities in the Service:]

[(a) any domestic equity security that satisfies the requirements of subparagraph (1) and either subparagraph (2) or (3) or (4) below:]

[(1) the security is not listed on a national securities exchange in the U.S., except that an equity security shall be considered eligible if it:]

[(A) is listed on one or more regional stock exchanges, and]

[(B) does not qualify for dissemination of transaction reports via the facilities of the Consolidated Tape; and]

[(2) the issuer of the security is required to file reports pursuant to Section 13 or 15(d) of the Exchange Act or the security is described in Section 12(g)(2)(B) of the Exchange Act, and, subject to a thirty calendar day grace period, the issuer of the security is current in its reporting obligations, or]

[(3) the security is described in Section 12(g)(2)(G) of the Exchange Act and, subject to a sixty calendar day grace period, the issuer of the security is current in its reporting obligations, or]

[(4) the issuer of the security is a bank or savings association (or a holding company for such an entity) that is not required to file reports with the SEC pursuant to Section 13 or 15(d) of the Exchange Act and, subject to a sixty calendar day grace period, the issuer of the security is current with all required filings with its appropriate Federal banking agency or State bank supervisor (as defined in 12 U.S.C. 1813).]

[(5) The grace periods set forth in paragraphs (a)(2), (a)(3) and (a)(4) above shall be calculated from the date notice is published on the Daily List that the symbol of a delinquent issuer will be modified.]

[(b) any foreign equity security or American Depositary Receipt (ADR) that meets all of the following criteria:]

[(1) the security is registered with the SEC pursuant to Section 12 of the Exchange Act and the issuer of the security is current in its reporting obligations; or the security satisfies the requirements of paragraph (a)(2) or (3) or (4) above; and]

[(2) the security is not listed on a national securities exchange in the U.S., except that a foreign equity security or ADR shall meet this subparagraph (2) if it is:]

[(A) listed on one or more regional stock exchanges, and]

[(B) does not qualify for dissemination of transaction reports via the facilities of the Consolidated Tape.]

[(c) any equity security that meets the following criteria:]

[(1) the security is undergoing delisting from either the New York Stock Exchange, Inc. (NYSE), The NASDAQ Stock Market LLC (Nasdaq), or the American Stock Exchange, Inc. (AMEX) for non-compliance with maintenance-of-listing standards; and]

[(2) the security is subject to a trading suspension imposed by the NYSE, Nasdaq, or AMEX preceding the actual delisting; and]

[(3) the security satisfies the requirements of paragraph (a)(2) or (3) or (4) above.]

[(d) any Direct Participation Program as defined in Rule 6420 that is not listed on a national securities exchange in the U.S. and that satisfies the requirements of paragraph (a)(2) or (3) or (4) above.]

[(e)(1) Notwithstanding the foregoing paragraphs, a member shall not be permitted to quote a security if:]

[(A) while quoted on the OTCBB, the issuer of the security has failed to file a complete required annual or quarterly report by the due date for such report (including, if applicable, any extensions permitted by SEA Rule 12b-25) three times in the prior two-year period; or]

[(B) the security has been removed from the OTCBB due to the issuer's failure to satisfy paragraph (a)(2), (3) or (4), above, two times in the prior two-year period.]

[(2) If an issuer's security becomes ineligible for quotation on the OTCBB pursuant to paragraph (e)(1)(A) above, the security will be removed from quotation on the OTCBB without the benefit of any grace period for the third delinquency, except that FINRA will provide seven calendar days from the date notification is mailed to the issuer pursuant to paragraph (f)(1) to permit an aggrieved party to request a review of the determination by a Hearing Officer (as defined in Rule 9120(r)) pursuant to paragraph (f) below. Following the removal of an issuer's security pursuant to this paragraph (e), such security shall not be eligible for quotation until the issuer has timely filed in a complete form all

required annual and quarterly reports due in a one-year period. For purposes of this paragraph, a report filed within any applicable extensions permitted by SEA Rule 12b-25 will be considered timely filed.]

[(f)(1) Upon determining that an issuer's security would be ineligible for quotation under this Rule, FINRA will send a notification to the address on the cover of the issuer's last periodic report. This notification will state the date upon which the security will be removed, following any applicable grace period, unless the condition causing the ineligibility has been cured by that date. When a security becomes ineligible for quotation pursuant to paragraph (e) above, however, the issuer may not cure the condition that caused the ineligibility. In all cases, FINRA will provide at least seven calendar days from the date the notification is mailed to the issuer to permit an aggrieved party to request review pursuant to paragraph (f)(2) below, before removal of the security.]

[(2) Pursuant to the Rule 9700 Series, as modified herein, an aggrieved party may request a review by a Hearing Officer of the determination that an issuer's security is ineligible for quotation under this Rule. FINRA must receive the request for review at least two business days prior to the scheduled removal of the security, together with a \$4,000 hearing fee payable to FINRA to cover the cost of review. A request for review under this paragraph (f)(2) will stay the removal of the issuer's security from the Service until the Hearing Officer issues a decision under Rule 9750. The Hearing Officer will consider only the issues of whether the issuer's security is then eligible for quotation in the Service and/or whether the issuer filed a complete report by the applicable due date taking into

account any extensions pursuant to SEA Rule 12b-25. The Hearing Officer shall not have discretion to grant any extensions of time for ineligible securities to become eligible. Notwithstanding any contrary provision in the Rule 9700 Series, hearings will be conducted via telephone and FINRA will provide the aggrieved party at least five business days notice of the hearing unless the aggrieved party waives such notice.]

[(3) The decision of the Hearing Officer may be called for review by the Review Subcommittee of the National Adjudicatory Council as set forth in Rule 9760. This review will only consider whether the issuer's security, at the time of the initial review under paragraph (f)(2), was eligible for quotation in the Service and/or whether the issuer filed a complete report by the applicable due date taking into account any extensions pursuant to SEA Rule 12b-25. There will be no discretion to grant extensions of time for ineligible securities to become eligible. The removal of the issuer's security from the Service will be stayed until the earlier of written notice that the National Adjudicatory Council's Review Subcommittee will not call the decision for review, the expiration of the time allowed to exercise a call for review under Rule 9760 or a decision is issued by the National Adjudicatory Council as set forth in Rule 9760. Notwithstanding any contrary provision in the Rule 9700 Series, a review under this paragraph (f)(3) will be based on the written record, unless additional hearings are ordered by the Subcommittee as set forth in Rule 9760. If any further hearings are ordered, the hearings may be conducted via telephone and FINRA will provide

the aggrieved party at least five business days notice of the hearing unless the aggrieved party waives such notice.]

[6540. Requirements Applicable to Market Makers]

[(a) Market-maker participation in the OTCBB is voluntary and open to any FINRA member firm that satisfies the financial/operational requirements applicable to member firms engaged in over-the-counter market making; subscribes to the service designated by FINRA that permits OTCBB quotations; and demonstrates compliance with (or qualifies for an exception or exemption from) SEA Rule 15c2-11 at the time of initiating (or resuming) the quotation of any OTCBB-eligible security in the Service. Rule 6432 sets forth the procedure for demonstrating compliance with SEA Rule 15c2-11.]

[(b) An alternative trading system (ATS), as defined in Rule 300(a) of SEC Regulation ATS, or electronic communications network (ECN), as defined in Rule 600(b)(23) of SEC Regulation NMS, shall be eligible to participate in the Service, provided however, that such ATS or ECN is a FINRA member and otherwise meets the requirements for participation set forth in the OTC Bulletin Board Rules. Where used in the OTC Bulletin Board Rules, the term “market maker” shall be construed to include a participating ATS or ECN.]

[(c) OTCBB-eligible securities that meet the frequency-of-quotation requirement for the so called “piggyback” exception in SEA Rule 15c2-11(f)(3)(i) are identified in the Service as “active” securities. A member can commence market making in any active security by registering as a market maker through the service designated by FINRA that permits OTCBB quotations. In all other instances, a member must follow the procedure

contained in this Rule to become qualified as a market maker in a particular OTCBB-eligible security.]

[(1) Permissible Quotation Entries]

[(A) A member firm that has qualified as a market maker in a particular OTCBB-eligible security may enter into the Service a priced bid and/or offer, an unpriced indication of interest (including “bid wanted” and “offer wanted” indications) or a bid or offer accompanied by a modifier to reflect unsolicited customer interest. Every quotation entry must include the appropriate telephone number for the firm’s trading desk.]

[(B) A priced bid and/or offer entered into the Service for a domestic equity security must be firm up to the minimum quotation size specified in Rule 6433. This firmness requirement applies only during normal business hours, i.e., 9:30 a.m. to 4:00 p.m. Eastern Time.]

[(C) A priced bid and/or offer entered into the Service for a Direct Participation Program security shall be non-firm.¹ Moreover, a market maker is only permitted to update quotation entries in such securities twice daily, i.e., once between 8:30 a.m. and 9:30 a.m. Eastern Time, and once between noon and 12:30 p.m. Eastern Time.²]

[(2) Impermissible Quotation Entries]

[(A) No member or person associated with a member shall enter into the Service a priced bid and/or offer, an unpriced indication of interest (including “bid wanted” or “offer wanted” indications), or a bid or offer

accompanied by a modifier to reflect unsolicited customer interest in any security that does not satisfy the requirements of Rule 6530.]

[(B) No member or person associated with a member shall enter into the Service a priced bid and/or offer, an unpriced indication of interest (including “bid wanted” or “offer wanted” indications), or a bid or offer accompanied by a modifier to reflect unsolicited customer interest in any security of an issuer that does not make filings with the SEC through the Electronic Data Gathering, Analysis, and Retrieval (“EDGAR”) system (or in paper format, if specifically permitted by SEC rules) unless the member:]

[(i) notifies FINRA of the issuer of the security’s schedule for the filing of all periodic reports or financial reports required pursuant to the Exchange Act or regulatory authority, respectively, and the identity of the regulatory authority with which such reports are filed, or ensures that such notice is provided; and]

[(ii) provides to FINRA the issuer’s periodic reports required pursuant to the Exchange Act, or the issuer’s financial reports required by regulatory authority, prior to the expiration of the grace period described in Rule 6530(a)(3), or ensures that the required periodic reports are provided to FINRA within that time period.]

[(3) Voluntary Termination of Registration]

[A market maker can voluntarily terminate its registration in an OTCBB-eligible security by withdrawing its quotations in that security from the Service. The firm may re-register to quote the security by satisfying the requirements specified above.]

[(4) More Than One Trading Location]

[In cases where a market maker has more than one trading location, a fifth-character, geographic indicator shall be appended to the market maker's identifier for that security. Indicators are established by FINRA and published from time to time in the Nasdaq/CQS symbol directory.]

[(5) Clearance and Settlement]

[(A) A market maker shall clear and settle transactions in OTCBB-quoted securities through the facilities of a registered clearing agency that uses a continuous net settlement system. This requirement applies only to transactions in OTCBB securities that are clearing eligible.]

[(B) The foregoing requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another member that clears trades through such an agency.]

[(C) Notwithstanding subparagraph (A) hereof, transactions in OTCBB-quoted securities may be settled "ex-clearing" provided that both parties to the transactions agree.]

[(d) Compliance with Market Maker Requirements]

[Failure of a member or a person associated with a member to comply with this Rule may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010.]

[¹ The non-firm or indicative nature of a priced entry is specifically identified on the montage of market maker quotations for this subset of OTCBB-eligible securities.]

[² Examples of entries that would be considered an update include a market maker inserting a new, non-firm priced quotation, substituting an unpriced indication for a non-firm priced entry, or an initial registration without a price.]

[6550. Transaction Reporting]

[Member firms that effect transactions in OTCBB-eligible securities shall report them pursuant to the requirements of the Rule 6620 Series.]

* * * * *

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

* * * * *

**7700. CHARGES FOR OTC REPORTING FACILITY[, OTC BULLETIN
BOARD] AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES**

7720. [OTC Bulletin Board Service] Reserved.

[The following charge shall apply to a broker-dealer that displays quotations or trading interest in the OTC Bulletin Board service:]

[Position Charge]	[\$6.00/security/month]
-------------------	-------------------------

* * * * *

9000. CODE OF PROCEDURE

* * * * *

9200. DISCIPLINARY PROCEEDINGS

9210. Complaint and Answer

* * * * *

9217. Violations Appropriate for Disposition Under Plan Pursuant to SEA Rule 19d-1(c)(2)

Any member of FINRA that is also a member of the New York Stock Exchange LLC (“NYSE”) (“Dual Member”) (including any persons affiliated with such member) may be subject to a fine under Rule 9216(b) with respect to any rule or By-Law provision listed in this Rule that applies to such member or person. However, any Dual Member that was not also a member of NASD as of July 30, 2007 and that does not engage in any activities that otherwise would require it to be a FINRA member (and its affiliated persons that are not otherwise subject to NASD rules) shall only be subject to a fine under Rule 9216(b) with respect to the following rules or By-Law provisions listed in this Rule: any FINRA By-Law or Schedule to the By-Laws, FINRA rule, SEA rule, or NYSE rule.

Any member of FINRA that is not also a member of the NYSE (and its associated persons that are not otherwise subject to NYSE rules) may be subject

to a fine under Rule 9216(b) with respect to any rule or By-Laws provision listed in this Rule, with the exception of the NYSE rules.

- Article IV of the FINRA By-Laws — Failure to timely submit amendments to Form BD.
- Article V of the FINRA By-Laws — Failure to timely submit amendments to Form U4.
- Article V of the FINRA By-Laws — Failure to timely submit amendments to Form U5.
- Schedule A. Sec. 1(b) of the FINRA By-Laws — Failure to make accurate payment of Trading Activity Fee.
- Rule 1210.04 - Failure to timely register.
- Rule 1240 — Failure to comply with the continuing education requirements.
- Rules 2210, 2211, 2212, 2213, 2215, and 2216 — Communications with the public.
- Rule 2220 — Options Communications.
- Rule 2251(a) — Failure to timely forward proxy and other issuer-related materials.
- Rule 2266 — Failure to provide written notification of availability of SIPC information at account opening or annually thereafter.
- Rule 2360(b)(3) and (b)(4) — Failure to comply with options position and exercise limits.
- Rule 2360(b)(5) — Failure to report options positions.

- Rule 2360(b)(23) — Failure to comply with contrary exercise advice procedures.
- Rule 3110 — Failure to maintain adequate written supervisory procedures where the underlying conduct is subject to Rule 9217.
- Rule 3160(a)(1), (3), (4) and (5) — Standards of conduct for conducting broker-dealer services on or off the premises of a financial institution pursuant to a networking arrangement, but excluding the networking agreement requirements.
- Rule 3170 — Failure to timely file reports pursuant to the Taping Rule.
- Rule 3210 — Failure to obtain consent of employer member, or give notification to executing member.
- Rule 4311(b) — Failure to obtain approval of carrying agreement.
- Rule 4360(b) — Failure to maintain adequate fidelity bond coverage.
- Rule 4370(a), (b), (c), (e) and (f) — Requirements to create, maintain and update a written business continuity plan and disclosure of such to customers.
- Rule 4510 Series — Failure to keep and preserve books, accounts, records, memoranda, and correspondence in conformance with all applicable laws, rules, regulations and statements of policy promulgated thereunder, and with FINRA rules.
- Rule 4517 — Failure to report, review or update executive representative designation and contact information.
- Rule 4521(d) — Failure to submit reports of cash and margin account balances.

- Rule 4524 — Failure to timely file or filing of incomplete reports or information.
- Rule 4530 — Failure to timely file reports.
- Rule 4560 — Failure to timely file reports of short positions on Form NS-1.
- Rule 4590 — Failure to synchronize business clocks used for recording date and time as required by applicable FINRA By-laws and rules.
- Rule 5110(a) — Failure to timely file or filing of incomplete documents or information.
- Rule 5121(a) — Failure to prominently disclose conflict of interest.
- Rule 5121(b)(2) — Failure to give timely notification of termination or settlement of public offering, or failure to file net capital computation.
- Rule 5122(b)(2) — Failure to timely file private placement documents.
- Rule 5190 — Failure to give timely notification of participation in offerings.
- Rules 6282, 6380A, 6380B, [6550,] 6622, 6730, 7130, 7160, 7230A, 7230B, 7260A, 7260B, 7330, and 7360 — Transaction reporting in equity and debt securities.
- Rules 6181 and 6623 — Failure to timely report transactions in NMS, OTC and restricted equity securities.
- Rules 6182 and 6624 — Failure to accurately mark short sale transactions in NMS and OTC equity securities.

- Rule 6250 — Failure to comply with quote and order access requirements for FINRA’s Alternative Display Facility.
- Rule 6760 — Failure to give timely or complete notification concerning offerings of TRACE-Eligible Securities.
- Rule 6800 Series — Failure to comply with the Consolidated Audit Trail Compliance Rule Requirements.
- Rules 7440 and 7450 — Failure to submit data in accordance with the Order Audit Trail System (“OATS”).
- Rules 8211 and 8213 — Failure to submit trading data as requested.
- Rule 11870 — Failure to abide by Customer Account Transfer Contracts.
- Failure to provide or update contact information as required by FINRA rules.
- Rule 311T(b)(5) — Failure of a member organization to have individuals responsible and qualified for the positions of Financial Principal, Operations Principal, Compliance Official, Branch Office Manager and Supervisory Analyst.
- Rules 312T(a), (b) and (c), 313T — Reporting rule violations.
- Rule 312T(i) — Failure to obtain approval rule violations.
- Rule 408T(a) — Requirement that written authorization be obtained for discretionary power in a customer's account.
- Rule 416AT — Failure to promptly provide or promptly update required membership profile information through the Electronic Filing Platform (“EFP”),

or failure to electronically certify that required membership profile information is complete and accurate.

- SEA Rules 17a-3(a) and 17a-4 — Record retention rule violations.
- SEA Rule 10b-10 — Confirmation of Transactions.
- SEA Rule 17a-5 — Failure to timely file FOCUS reports and annual audit reports.
- SEA Rule 17a-10 — Failure to timely file Schedule I.
- Rule 200(g) of SEC Regulation SHO — Failure to accurately mark sell orders of equity securities.
- Rule 602(b)(5) of SEC Regulation NMS — Failure to properly update published quotations in certain Electronic Communication Networks (“ECNs”).
- Rule 604 of SEC Regulation NMS — Failure to properly display limit orders.
- Rule 605(a)(1) and (3) of SEC Regulation NMS — Failure to timely report or provide complete order execution information.
- Rule 606 of SEC Regulation NMS — Failure to timely disclose or provide complete order routing information.
- MSRB Rule A-12(c) and (f) — Failure to timely pay annual fee and failure to designate and update electronic mail contact information for communications with MSRB.
- MSRB Rules G-2 and G-3 (b)(ii)(D) and (c)(ii)(D) — Failure to timely register.

- MSRB Rule G-3(i) — Failure to comply with the continuing education requirements.

- MSRB Rule G-6 — Failure to maintain adequate fidelity bond coverage.

- MSRB Rules G-8 and G-9 — Record retention rule violations.

- MSRB Rule G-10(a) — Failure to deliver investor brochure to customers promptly.

- MSRB Rule G-12 — Failure to abide by uniform practice rules.

- MSRB Rule G-14 — Failure to submit reports.

- MSRB Rule G-21 — Advertising.

- MSRB Rule G-27(c) — Failure to maintain adequate written supervisory procedures where the underlying conduct is subject to Rule 9217.

- MSRB Rule G-32 — Failure to timely submit reports.

- MSRB Rule G-37 — Failure to timely submit reports for political contributions.

* * * * *