

# Trade Reporting Notice

## Advance Notice: Upcoming Trade Reporting Enhancements for Fractional Share Transactions

March 22, 2024

### Notice Type

- ▶ Trade Reporting Notice

### Key Topics

- ▶ Alternative Display Facility
- ▶ Fractional Shares
- ▶ NMS Stocks
- ▶ OTC Equity Securities
- ▶ OTC Reporting Facility
- ▶ Trade Reporting
- ▶ Trade Reporting Facilities

### Referenced Rules

- ▶ FINRA Rule 6282
- ▶ FINRA Rule 6380A
- ▶ FINRA Rule 6380B
- ▶ FINRA Rule 6622

### Summary

FINRA is providing advance notice of future updates to its equity trade reporting guidance in connection with upcoming enhancements to the FINRA equity trade reporting facilities to support reporting of fractional share quantities. Under the updated guidance, members engaged in fractional share trading will be required to report fractional share quantities up to six digits after the decimal.

The effective date of the updated trade reporting guidance will be no earlier than the first calendar quarter of 2025. FINRA will announce the specific effective date of the updated guidance in a future *Notice*.

Questions regarding this *Notice* should be directed to:

- ▶ Brendan Loonam, Senior Director, Transparency Services, at (212) 858-4203 or [brendan.loonam@finra.org](mailto:brendan.loonam@finra.org); or
- ▶ for legal or interpretive questions, Nawreen Sattar, Associate General Counsel, Office of General Counsel, at (646) 315-7300 or [nawreen.sattar@finra.org](mailto:nawreen.sattar@finra.org).

### Discussion

#### Background

FINRA's trade reporting rules require members to transmit last sale reports of transactions in equity securities to a Trade Reporting Facility (TRF) or the Alternative Display Facility (ADF), in the case of NMS stocks, or the OTC Reporting Facility (ORF), in the case of OTC Equity Securities.<sup>1</sup> Under the applicable trade reporting rules, each last sale report must include the number of shares in the transaction. However, while members may execute transactions in fractional share amounts, the FINRA Facilities do not currently support the entry of fractional share

quantities. Accordingly, current FINRA guidance regarding the reporting of number of shares states that trades with a fractional share component must be reported as a whole number quantity.

FINRA is planning to implement enhancements to the FINRA Facilities to support the reporting of fractional share quantities, which require associated updates to FINRA's trade reporting guidance, as described in greater detail below.<sup>2</sup> These enhancements are being made in coordination with the Unlisted Trading Privileges (UTP) and Consolidated Tape Association (CTA) Securities Information Processors (SIPs) to facilitate the dissemination of fractional share quantities for NMS stocks.<sup>3</sup>

### Upcoming Changes to Reporting Guidance

Current FINRA Trade Reporting FAQs 101.14 and 101.15 require that, when reporting a trade for a fractional number of shares less than one, the member should round up to one.<sup>4</sup> When reporting a trade for a fractional number of shares greater than one, the member should instead truncate the quantity and report the whole number portion. For example, a trade for 0.5 shares must currently be reported as 1 share, while a trade for 100.5 shares must be reported as 100 shares.

Upon implementation of the enhancements to the FINRA Facilities to support fractional share reporting, FINRA will add a new "Fractional Share Quantity" field in addition to the existing "Quantity" field. Members will continue to populate the Quantity field as they do today using whole numbers (with fractional amounts either rounded up or truncated, as described above). However, for a transaction with a fractional component, members will also be required to populate the new Fractional Share Quantity field by entering the entire quantity of the trade, including the fractional component up to six digits after the decimal.

The Fractional Share Quantity field must remain blank for trades with whole number quantities (no fractional component). Therefore, members that do not engage in fractional trading will not have to make any reporting changes.<sup>5</sup>

Accordingly, FINRA Trade Reporting FAQs 101.14 and 101.15 will be updated, and new FAQ 101.16 added, to read generally as follows:<sup>6</sup>

**Q101.14: How should a trade for a fractional number of shares, for example, 100.5 shares, be reported? (Updated)**

**A101.14:** When reporting a trade for a fractional number of shares, firms should report using both the Quantity and Fractional Share Quantity fields. Both fields must be populated for trades with a fractional component.

In the Quantity field, firms should delete the fraction and report the whole number, except if the whole number would be 0 (zero). If the whole number would be 0, firms should round up to 1. Thus, for example, for a trade of 100.5

shares, the reported quantity in the Quantity field would be 100. For a trade of .5 shares, for example, firms should round up and report 1 in the Quantity field. Trade reports with a share quantity in the Quantity field containing a decimal or a fraction will be rejected.

In the Fractional Share Quantity field, the entry of fractions must be in decimal format. Firms should report the entire quantity (with the fractional component) exactly as calculated up to six digits after the decimal, without rounding up. Firms may report with or without trailing zeros. Thus, for example, for a trade of 100.5 shares, the reported Fractional Share Quantity could be reported as either 100.5 or 100.500000. If instead, for example, the trade was for 100.57327899 shares, the Fractional Share Quantity should be reported as 100.573278. Trade reports with a share quantity in the Fractional Share Quantity field containing a fraction (instead of decimals) will be rejected.

**Q101.15: Must trades for less than one share be reported? (Updated)**

**A101.15:** Yes. As noted in FAQ 101.14, where a trade is executed for less than one share, *e.g.*, 1/3 share, the trade quantity should be reported in two fields. Firms should round up and report a share quantity of 1 in the Quantity field. Additionally, firms should report the actual fractional quantity in the Fractional Share Quantity field, in decimal format only, up to six digits after the decimal and truncated beyond six decimal places. Thus, for example, for a trade of 1/3 share, the reported Fractional Share Quantity would be reported in decimal format as 0.333333.

**Q101.16: How should I report share quantity for a trade for a whole number of shares? (New)**

**A101.16:** When reporting a trade for a whole number of shares, firms should report the whole number share quantity in the Quantity field only and leave the Fractional Share Quantity field blank. Thus, for example, for a trade of 10 shares, the reported quantity in the Quantity field would be 10, and the Fractional Share Quantity field would be left blank. Trade reports submitted with a whole share quantity in the Fractional Share Quantity field without a fractional component will be rejected.

As noted above, the effective date of the updated FAQs will be no earlier than the first calendar quarter of 2025. FINRA will announce the specific effective date of the updated guidance in a future *Notice*.<sup>7</sup> FINRA will announce specification updates and test facility availability in future *Technical Notices*. Firms may sign up for FINRA Facilities-related notifications via the [FINRA Email Subscription Service](#) page by accessing the “Equities” subscription list under the “Market Transparency” section.

## Endnotes

1. See Rule 6282 (for the ADF); Rule 6380A (for the Nasdaq TRFs); Rule 6380B (for the NYSE TRF); and Rule 6622 (for the ORF). The TRFs, ADF and ORF are collectively referred to herein as the "FINRA Facilities."
2. The changes described in this *Notice* apply only to trade reporting to the FINRA Facilities, and do not affect a member's obligations under any other rules. FINRA notes that members are currently required to report order, route, and trade events in NMS stocks and OTC Equity Securities to the CAT Central Repository, including any fractional-share quantity up to six places after the decimal. See the [CAT NMS Plan FAQs](#).
3. Changes to FINRA's Trade Data Dissemination Service (TDDS) data feed will be implemented in tandem with the ORF changes, as discussed above.
4. The [FINRA Trade Reporting FAQs](#) can be found on the FINRA website.
5. The National Securities Clearing Corporation (NSCC) does not currently support the clearing of fractional share trades. Thus, any trade report submitted to FINRA Facilities with a fractional share component and reported as clearing, will be rejected.
6. As for the existing FAQs, the new guidance will apply to Trade Entry, Correction, Cancel, and Reversal messages. The specific language of the new guidance may be adjusted to address additional questions or issues that may arise in connection with implementation of the enhancements.
7. FINRA may phase implementation of the fractional share reporting enhancements, for example to begin reporting for NMS stocks at an earlier date than for OTC Equity Securities. Effective dates will be no earlier than the first calendar quarter of 2025 and will be announced in a future *Notice*.