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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2024 - \* 007

Amendment No. (req. for Amendments \*)

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"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<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  
Section 806(e)(1) \*

Section 806(e)(2) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

**Description**

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

Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))

**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 \* Lauren Last Name \* Schreur

Title \* Associate General Counsel

E-mail \* Lauren.schreur@finra.org

Telephone \* (240) 386-6881 Fax

**Signature**

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 05/01/2024

(Title \*)

By Racquel Russell

Senior Vice President and Director

(Name \*)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Racquel Russell

Digitally signed by Racquel Russell  
Date: 2024.05.01 09:29:39 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

**Form 19b-4 Information \***

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FINRA-2024-007 19b-4.docx

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 \***

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FINRA-2024-007 Exhibit 1.docx

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 Advanced Notice by Clearing Agencies \***

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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 2- Notices, Written Comments, Transcripts, Other Communications**

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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 Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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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 Sent As Paper Document

**Exhibit 4 - Marked Copies**

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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**

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FINRA-2024-007 Exhibit 5.docx

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**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**1. Text of the Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA” or “Exchange Act”),<sup>1</sup> the Financial Industry Regulatory Authority, Inc. (“FINRA”) is, as required by SEA Rule 10c-1a, filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt the new FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™)) to (1) require reporting of securities loans; and (2) provide for the public dissemination of loan information.

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 Chief Legal Officer of FINRA (or his officer designee) authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

The Commission’s release adopting SEA Rule 10c-1a specified the applicable compliance dates.<sup>2</sup> Accordingly, if the Commission approves the proposed rule change, unless an extension is provided pursuant to Commission order, the implementation date of the proposed FINRA rules establishing the reporting requirements will be January 2, 2026; and the implementation date of the proposed FINRA rules establishing the dissemination requirements will be April 2, 2026. If the SEC extends the compliance dates for SEA Rule 10c-1a’s reporting or dissemination requirements, FINRA’s proposed rules addressing securities loan reporting and

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> See infra n.3.

data dissemination would become effective consistent with the SEC’s extended timeframe for reporting and data dissemination, respectively.

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

(a) Purpose

(i) Background

On October 13, 2023, the Commission adopted new SEA Rule 10c-1a<sup>3</sup> to require any “covered person”<sup>4</sup> who agrees to a “covered securities loan”<sup>5</sup> to provide specified information to a Registered National Securities Association (“RNSA”).<sup>6</sup> The RNSA is then required to make publicly available information regarding reported securities loans, as described in SEA Rule 10c-1a.<sup>7</sup> In its Adopting Release, the Commission stated that SEA Rule 10c-1a would increase transparency in the securities lending market, resulting in a reduction of the information

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<sup>3</sup> See 17 CFR 240.10c-1a (“SEA Rule 10c-1a”); Securities Exchange Act Release No. 98737 (October 13, 2023), 88 FR 75644 (November 3, 2023) (Reporting of Securities Loans) (“Adopting Release”).

<sup>4</sup> SEA Rule 10c-1a(j)(1) defines a “covered person” as (i) any person that agrees to a covered securities loan on behalf of a lender (“intermediary”) other than a clearing agency when providing only the functions of a central counterparty pursuant to Rule 17Ad-22(a)(2) of the Exchange Act or a central securities depository pursuant to Rule 17Ad-22(a)(3) of the Exchange Act; or (ii) any person that agrees to a covered securities loan as a lender when an intermediary is not used unless paragraph (j)(1)(iii) of this section applies; or (iii) a broker or dealer when borrowing fully paid or excess margin securities pursuant to Rule 15c3-3(b)(3) of the Exchange Act.

<sup>5</sup> SEA Rule 10c-1a(j)(2) defines a “covered securities loan” as a transaction in which any person on behalf of itself or one or more other persons, lends a reportable security to another person, with exclusions for a position at a clearing agency that results from central counterparty services pursuant to Rule 17Ad-22(a)(2) of the Exchange Act or central securities depository services pursuant to Rule 17Ad-22(a)(3) of the Exchange Act and the use of margin securities, as defined in Rule 15c3-3(a)(4) of the Exchange Act, by a broker or dealer. “Reportable security” is defined in SEA Rule 10c-1a(j)(3) as any security or class of an issuer’s securities for which information is reported or required to be reported to the consolidated audit trail as required by § 242.613 of the Exchange Act and the CAT NMS Plan (“CAT”), the Financial Industry Regulatory Authority’s Trade Reporting and Compliance Engine (“TRACE”), or the Municipal Securities Rulemaking Board’s Real-Time Transaction Reporting System (“RTRS”), or any reporting system that replaces one of these systems.

<sup>6</sup> SEA Rule 10c-1a(j)(5) defines an RNSA as an association of brokers and dealers that is registered as a national securities association pursuant to 15 U.S.C. 78o-3 of the Exchange Act. FINRA currently is the only RNSA.

<sup>7</sup> See SEA Rule 10c-1a(g).

disadvantage faced by end borrowers and beneficial owners, improved price discovery, increased competition among providers of securities lending analytics services, reduced costs associated with tracking market conditions for broker-dealers and lending programs, and improved decision-making by investors, beneficial owners and other market participants.<sup>8</sup> The Commission stated its belief that the rule would likely reduce the borrowing costs of some securities, improving price discovery, liquidity, and capital formation in the underlying security markets, and would benefit investors by increasing the ability of regulators to surveil, study, and provide oversight of both the securities lending market and individual market participants.<sup>9</sup>

#### Covered Person Reporting Requirements

SEA Rule 10c-1a prescribes the items of information that covered persons must report to an RNSA regarding a covered securities loan. These reportable data elements include both non-confidential items of information that would be publicly disseminated (i.e., the items of information specified in SEA Rule 10c-1a(c)(1) through (12)) as well as confidential items of information that would not be publicly disseminated (i.e., the items of information specified in SEA Rule 10c-1a(e)(1) through (3)).

Specifically, SEA Rule 10c-1a(c) requires covered persons to report the following non-confidential items of information to an RNSA, if applicable, by the end of the day<sup>10</sup> on which the covered securities loan is effected:

- (1) The legal name of the security issuer, and the Legal Entity Identifier (“LEI”) of the issuer, if the issuer has a non-lapsed LEI;

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<sup>8</sup> See Adopting Release, 88 FR 75644, 75692.

<sup>9</sup> See Adopting Release, 88 FR 75644, 75692-93.

<sup>10</sup> SEA Rule 10c-1a permits the RNSA to define “end of the day” for the purposes of the rule. See Adopting Release, 88 FR 75644, 75648 n.72.

(2) The ticker symbol, International Securities Identification Number (“ISIN”), Committee on Uniform Securities Identification Procedures (“CUSIP”), or Financial Instrument Global Identifier (“FIGI”) of the security, or other security identifier;

(3) The date the covered securities loan was effected;

(4) The time the covered securities loan was effected;

(5) The name of the platform or venue where the covered securities loan was effected;

(6) The amount, such as size, volume, or both, of the reportable securities loaned;

(7) The type of collateral used to secure the covered securities loan;

(8) For a covered securities loan collateralized by cash, the rebate rate or any other fee or charges;

(9) For a covered securities loan not collateralized by cash, the securities lending fee or rate, or any other fee or charges;

(10) The percentage of collateral to value of reportable securities loaned required to secure such covered securities loan;

(11) The termination date of the covered securities loan; and

(12) Whether the borrower is a broker or dealer, a customer (if the person lending securities is a broker or dealer), a clearing agency, a bank, a custodian, or other person.

With respect to the confidential items of information, SEA Rule 10c-1a(e) requires covered persons to report the following items of information to an RNSA, if applicable, by the end of the day on which the covered securities loan is effected:

(1) If known, the legal name of each party to the covered securities loan, other than the customer from whom a broker or dealer borrows fully paid or excess margin

securities pursuant to Rule 15c3-3(b)(3) of the Exchange Act, Central Registration Depository (“CRD”) or Investment Adviser Registration Depository (“IARD”) Number, market participant identification (“MPID”), and the LEI of each party to the covered securities loan, and whether such person is the lender, the borrower, or an intermediary between the lender and the borrower;

(2) If the person lending securities is a broker or dealer and the borrower is its customer, whether the security is loaned from a broker’s or dealer’s securities inventory to a customer of such broker or dealer; and

(3) If known, whether the covered securities loan is being used to close out a fail to deliver pursuant to Rule 204 of Regulation SHO or to close out a fail to deliver outside of Regulation SHO.

SEA Rule 10c-1a also requires covered persons to report specified modifications to covered securities loans. Specifically, if a loan modification occurs after the non-confidential data elements for the covered securities loan were reported to an RNSA pursuant to SEA Rule 10c-1a(c), and results in a change to any of the non-confidential data elements previously provided to an RNSA, SEA Rule 10c-1a(d)(1) requires a covered person to provide to the RNSA: (1) the date and time of the modification; (2) the specific modification and the specific non-confidential data element being modified; and (3) the unique identifier assigned by the RNSA to the original covered securities loan. With respect to a modification to a covered securities loan for which reporting under SEA Rule 10c-1a was not required on the date the loan was agreed to or last modified that results in a change to any of the non-confidential data elements required to be provided to an RNSA under SEA Rule 10c-1a(c), SEA Rule 10c-

1a(d)(2) requires that the covered person report all of the non-confidential data elements to the RNSA as of the date of the modification, as well as the date and time of the modification.

#### RNSA Publication of Data

SEA Rule 10c-1a(g) (RNSA publication of data) sets forth the requirements applicable to an RNSA regarding securities loan data publication. Specifically, SEA Rule 10c-1a(g)(1) provides that, following receipt of the non-confidential data elements discussed above, as soon as practicable, and not later than the morning of the business day after the covered securities loan is effected, the RNSA must assign a unique identifier to the covered securities loan, and make publicly available for each covered securities loan effected on the previous business day: (1) the unique identifier assigned by the RNSA; (2) the non-confidential data elements required to be reported pursuant to SEA Rule 10c-1a(c), other than the loan amount; and (3) the security identifier under SEA Rule 10c-1a(c)(1) or 10c-1a(c)(2) that the RNSA determines is appropriate to identify the security (e.g., the security's ticker symbol or CUSIP identifier).

SEA Rule 10c-1a(g)(2) provides that, following receipt of the non-confidential data elements reported pursuant to SEA Rule 10c-1a(c), on the twentieth business day after the covered securities loan is effected, the RNSA must make publicly available the loan amount reported to the RNSA pursuant to SEA Rule 10c-1a(c)(6) along with the applicable loan and security identifying information.

With respect to modifications to covered securities loans previously reported to the RNSA, SEA Rule 10c-1a(g)(3)(i) provides that, following the receipt of information regarding a modification (pursuant to SEA Rule 10c-1a(d)), the RNSA must assign a unique identifier to the covered securities loan (if one has not already been assigned), and as soon as practicable, and not later than the morning of the business day after the covered securities loan is modified, make



publicly available information pertaining to any modification to the non-confidential data elements required to be reported pursuant to SEA Rule 10c-1a(c), other than the loan amount.

With respect to covered securities loans for which reporting was not required on the date the loan was agreed to or last modified (i.e., a loan for which non-confidential data elements are reported to an RNSA pursuant to paragraph (d)(2) of SEA Rule 10c-1a), the RNSA must make publicly available all of the non-confidential data elements required to be reported pursuant to SEA Rule 10c-1a(c), other than the loan amount.<sup>11</sup>

With respect to loan amounts, SEA Rule 10c-1a(g)(3)(ii) provides that, on the twentieth business day after the covered securities loan is modified, the RNSA must make publicly available the loan amount reported to the RNSA pursuant to SEA Rule 10c-1a(c)(6) along with the applicable loan and security identifying information.

The RNSA is required to keep confidential and not disseminate the confidential data elements reported pursuant to SEA Rule 10c-1a(e).<sup>12</sup>

In addition, SEA Rule 10c-1a(g)(5) provides that, following the receipt of information reported pursuant to SEA Rule 10c-1a(c) when a covered securities loan is effected, or reported pursuant to SEA Rule 10c-1a(d) when a covered securities loan is modified, the RNSA must, as soon as practicable and not later than the morning of the business day after a covered securities loan is effected or modified, make publicly available, on a daily basis, information pertaining to the aggregate loan transaction activity and distribution of loan rates for each reportable security

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<sup>11</sup> See SEA Rule 10c-1a(g)(3) and (3)(i).

<sup>12</sup> See SEA Rule 10c-1a(g)(4). In addition to keeping the information confidential, an RNSA is required to establish, maintain, and enforce reasonably designed written policies and procedures to maintain the security and confidentiality of the confidential information. See SEA Rule 10c-1a(h)(4).

and the security identifier(s) that an RNSA determines is appropriate to identify the security (e.g., the security's ticker symbol or CUSIP identifier).

### Reporting Agents

SEA Rule 10c-1a(a)(2) permits a covered person to rely on a reporting agent to fulfill its reporting obligations under Rule 10c-1a. In order to use a reporting agent to fulfill its SEA Rule 10c-1a information reporting obligations, a covered person must: (1) enter into a written agreement with the reporting agent, and (2) provide the reporting agent with timely access to the required SEA Rule 10c-1a information.<sup>13</sup> A reporting agent that assumes the reporting obligation on behalf of a covered person (pursuant to paragraph (a)(2)) is then required to provide the SEA Rule 10c-1a information to an RNSA, in the format and manner required by the applicable rule(s) of such RNSA (and within the time periods specified in SEA Rule 10c-1a(c) through (e)).<sup>14</sup> A reporting agent is also required to enter into a written agreement with an RNSA that permits the reporting agent to provide SEA Rule 10c-1a information to an RNSA on behalf of a covered person<sup>15</sup> and to provide an RNSA with a list naming each covered person on whose behalf the reporting agent is providing SEA Rule 10c-1a information (and provide an RNSA with any updates to the list of such persons by the end of the day such list changes).<sup>16</sup>

### RNSA Rules, Fees and Data Retention Requirements

SEA Rule 10c-1a(f) requires an RNSA to implement rules regarding the format and manner of its collection of information described in paragraphs 10c-1a(c) through 10c-1a(e) and make publicly available such information in accordance with rules promulgated by the RNSA

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<sup>13</sup> See SEA Rule 10c-1a(a)(2).

<sup>14</sup> See SEA Rule 10c-1a(b)(1).

<sup>15</sup> See SEA Rule 10c-1a(b)(3).

<sup>16</sup> See SEA Rule 10c-1a(b)(4).

pursuant to Section 19(b) of the Exchange Act and Rule 19b-4 thereunder; SEA Rule 10c-1a(i) also permits an RNSA to establish and collect reasonable fees pursuant to rules established under Section 19(b) of the Exchange Act and Rule 19b-4 thereunder.<sup>17</sup> SEA Rule 10c-1a(h) imposes data retention and availability requirements on an RNSA related to its collection of SEA Rule 10c-1a information. Specifically, an RNSA must retain the information collected pursuant to paragraphs (c) through (e) of SEA Rule 10c-1a in a convenient and usable standard electronic data format that is machine readable and text searchable without any manual intervention for a period of five years<sup>18</sup> and make the non-confidential information collected pursuant to paragraphs (c) and (d) of SEA Rule 10c-1a available to the public (in the same manner it is maintained) on an RNSA's website or similar means of electronic distribution, without use restrictions, for a period of at least five years.<sup>19</sup> An RNSA must also make the information collected pursuant to paragraphs (b)(4) and (c) through (e) of SEA Rule 10c-1a available to the Commission; or other persons as the Commission may designate by order upon a demonstrated regulatory need.<sup>20</sup> With respect to the confidential information collected by an RNSA pursuant to paragraph (e) of SEA Rule 10c-1a, paragraph (h)(4) requires an RNSA to establish, maintain, and enforce reasonably designed written policies and procedures to maintain the security and confidentiality of such confidential information.

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<sup>17</sup> See SEA Rule 10c-1a(f) and (i). FINRA does not have regulatory authority over Covered Persons or Reporting Agents that are non-FINRA members. As FINRA does today, FINRA would refer to the SEC potential violations of the federal securities laws and rules by non-members, including failures to comply with SEA Rule 10c-1a and FINRA rules adopted pursuant to SEA Rule 10c-1a (e.g., potential SLATE reporting violations or failures to pay when due any SLATE reporting fees).

<sup>18</sup> See SEA Rule 10c-1a(h)(1).

<sup>19</sup> See SEA Rule 10c-1a(h)(3).

<sup>20</sup> See SEA Rule 10c-1a(h)(2).

(ii) Proposed Rule Change

Consistent with SEA Rule 10c-1a, FINRA is proposing to adopt the new FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))<sup>21</sup> to establish reporting requirements for covered securities loans and to provide for the dissemination of individual and aggregate covered securities loan information and loan rate statistics.<sup>22</sup> Among other things, these proposed rules would define key terms for the reporting of covered securities loans and specify the reporting requirements with respect to both initial covered securities loans and loan modifications, including prescribing required modifiers and indicators. FINRA intends to file separately a proposed rule change to establish covered securities loan reporting fees and securities loan data products and associated fees.

Reporting Initial Covered Securities Loans

Proposed Rule 6530(a) would govern the reporting requirements applicable to Covered Persons for reporting Initial Covered Securities Loans.<sup>23</sup> Proposed Rule 6510(e) would define “Initial Covered Securities Loan” as a new Covered Securities Loan not previously reported to SLATE. The definitions of “Covered Person” and “Covered Securities Loan” for the purposes of this proposed rule change would be the same as set forth in SEA Rule 10c-1a.<sup>24</sup> Initial

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<sup>21</sup> SLATE is the automated system developed by FINRA that, among other things, will accommodate reporting and dissemination of loan reports where applicable in covered securities loans. See proposed Rule 6510(g).

<sup>22</sup> FINRA may validate and reject submissions to SLATE that FINRA believes are noncompliant or otherwise inconsistent with SEA Rule 10c-1a or with the form and manner specified by FINRA for the data (as provided in FINRA rules, guidance, and technical documents and specifications), and may exclude any such information from disseminated SLATE data. FINRA may also block or reject any activity to the extent such activity puts the normal functioning of the SLATE system at risk.

<sup>23</sup> As discussed above, a Covered Person may engage a Reporting Agent to comply with the reporting obligations on its behalf, consistent with the conditions of SEC Rule 10c-1a. See proposed Rule 6510(k) (defining “Reporting Agent”); see also infra n.60.

<sup>24</sup> See proposed Rule 6510(k) (among other things, defining “Covered Person” and “Covered Securities Loan” by reference to SEA Rule 10c-1a, which defines “covered person” and “covered securities loan” in paragraphs (j)(1) and (2), respectively); see also supra notes 4-5.

Covered Securities Loans would be required to be reported within the time periods outlined in proposed Rule 6530(a)(1) (When and How Initial Covered Securities Loans Are Reported). Specifically, for Initial Covered Securities Loans effected on a business day at or after 12:00:00 a.m. Eastern Time (“ET”) through 7:45:00 p.m. ET, the required information must be reported the same day before 8:00:00 p.m. ET.<sup>25</sup> For Initial Covered Securities Loans effected on a business day after 7:45:00 p.m. ET, the required information must be reported no later than the next business day (T+1) before 8:00:00 p.m. ET;<sup>26</sup> and Initial Covered Securities Loans effected on a Saturday, a Sunday, a federal or religious holiday or other day on which SLATE is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T+1) before 8:00:00 p.m. ET.<sup>27</sup>

Proposed Rule 6530(a)(2) (Loan Information To Be Reported) would specify the items of information that must be reported to FINRA. Specifically, proposed Rule 6530(a)(2)(A) through (N) would require that Initial Covered Securities Loan reports must contain the below non-confidential data elements:

- (1) The legal name of the security issuer and the LEI of the issuer (if the issuer has a non-lapsed LEI);
- (2) Security symbol, CUSIP, ISIN, or FIGI, if any;
- (3) The date the Covered Securities Loan was effected;
- (4) The time the Covered Securities Loan was effected;
- (5) The expected settlement date of the Covered Securities Loan;

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<sup>25</sup> See proposed Rule 6530(a)(1)(A).

<sup>26</sup> See proposed Rule 6530(a)(1)(B).

<sup>27</sup> See proposed Rule 6530(a)(1)(C).

- (6) The platform or venue where the Covered Securities Loan was effected;<sup>28</sup>
- (7) The amount of the Reportable Securities loaned;<sup>29</sup>
- (8) The type of collateral used to secure the Covered Securities Loan;
- (9) For a Covered Securities Loan collateralized by cash, the rebate rate;
- (10) For a Covered Securities Loan not collateralized by cash, the securities lending fee;
- (11) Any other fees or charges;<sup>30</sup>
- (12) The percentage of collateral to value of Reportable Securities loaned required to secure such Covered Securities Loan;
- (13) For a Covered Securities Loan with a specified term, the termination date of the Covered Securities Loan;<sup>31</sup> and
- (14) Whether the borrower is a Broker<sup>32</sup> or Dealer,<sup>33</sup> a customer (if the person

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<sup>28</sup> FINRA will make available a list of platforms/venues and their associated identifiers for reporting purposes. If a loan occurs on a platform/venue not yet included on the FINRA list, the Covered Person must enter the name of the platform/venue in the SLATE report.

<sup>29</sup> Proposed Rule 6530(a)(3) specifies that when reporting the loan amount pursuant to 6530(a)(2)(G), for a Covered Securities Loan of a security reportable to CAT, a Covered Person must report the number of shares loaned. For a Covered Securities Loan of a security reportable to TRACE or the MSRB's RTRS, a Covered Person must report the total par value of the securities loaned.

<sup>30</sup> When reporting a rebate rate or lending fee pursuant to proposed Rule 6530(a)(2)(I) or (J), respectively, a Covered Person must report the rebate rate or lending fee as a percentage, and separately report the dollar cost of any other fees or charges.

<sup>31</sup> This field would remain blank if reporting a Covered Securities Loan without a specified term (*i.e.*, an open-ended loan). However, upon the termination of an open-ended loan, as is the case with a term loan, a Covered Person would be required to submit a Loan Modification appending the terminated loan indicator pursuant to proposed Rule 6530(c)(4). See *infra* n.48 and accompanying text.

<sup>32</sup> Proposed Rule 6510(j) would define "Broker" by reference to Exchange Act Section 3(a). Exchange Act Section 3(a)(4)(A) defines a "broker" as any person engaged in the business of effecting transactions in securities for the account of others, with exceptions for certain bank activities specified in Exchange Act Section 3(a)(4)(B).

<sup>33</sup> Proposed Rule 6510(j) would define "Dealer" by reference to Exchange Act Section 3(a). Exchange Act Section 3(a)(5)(A) defines a "dealer" as any person engaged in the business of buying and selling securities (not including security-based swaps, other than security-based swaps with or for persons that are not eligible contract participants) for such person's own account through a broker or otherwise, with exceptions

lending securities is a Broker or Dealer), a Clearing Agency,<sup>34</sup> a Bank,<sup>35</sup> a Custodian,<sup>36</sup> or other person.

Consistent with SEA Rule 10c-1a(e), proposed Rule 6530(a)(2)(O) through (U) would also require that Initial Covered Securities Loan reports contain the below confidential data elements:

(1) If known, the legal name of each party to the Covered Securities Loan (other than the customer from whom a Broker or Dealer borrows fully paid or excess margin securities pursuant to SEA Rule 15c3-3(b)(3));

(2) If known, the CRD Number or IARD Number of each party to the Covered Securities Loan, if applicable;

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for persons not engaged in the business of dealing (Exchange Act Section 3(a)(5)(B)) and for certain bank activities specified in Exchange Act Section 3(a)(5)(C).

<sup>34</sup> Proposed Rule 6510(j) would define “Clearing Agency” by reference to Exchange Act Section 3(a). Exchange Act Section 3(a)(23)(A) defines a “clearing agency” as any person who acts as an intermediary in making payments or deliveries or both in connection with transactions in securities or who provides facilities for comparison of data respecting the terms of settlement of securities transactions, to reduce the number of settlements of securities transactions, or for the allocation of securities settlement responsibilities. Such term also means any person, such as a securities depository, who (i) acts as a custodian of securities in connection with a system for the central handling of securities whereby all securities of a particular class or series of any issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping entry without physical delivery of securities certificates, or (ii) otherwise permits or facilitates the settlement of securities transactions or the hypothecation or lending of securities without physical delivery of securities certificates. Exchange Act Section 3(a)(23)(B) provides exceptions to the definition of a “clearing agency.”

<sup>35</sup> Proposed Rule 6510(j) would define “Bank” by reference to Exchange Act Section 3(a). Exchange Act Section 3(a)(6) defines a “bank” as (A) a banking institution organized under the laws of the United States or a Federal savings association, as defined in section 1462(5) of title 12, (B) a member bank of the Federal Reserve System, (C) any other banking institution or savings association, as defined in section 1462(4) of title 12, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under the authority of the Comptroller of the Currency pursuant to section 92a of title 12, and which is supervised and examined by State or Federal authority having supervision over banks or savings associations, and which is not operated for the purpose of evading the provisions of this chapter, and (D) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (A), (B), or (C).

<sup>36</sup> Proposed Rule 6510(c) would define “Custodian” by reference to Exchange Act Section 3(a)(4)(B)(viii) as a broker or bank that is providing safekeeping or custody services as described in Exchange Act Section 3(a)(4)(B)(viii)(I)(aa) or (bb) in connection with the Covered Securities Loan.

- (3) If known, the MPID of each party to the Covered Securities Loan;
- (4) If known, the LEI of each party to the Covered Securities Loan;
- (5) If known, whether each party to the Covered Securities Loan is the lender, the borrower, or an intermediary between the lender and the borrower;
- (6) If the person lending securities is a Broker or Dealer and the borrower is its customer, whether the security is loaned from the Broker's or Dealer's securities inventory to the customer of such Broker or Dealer; and
- (7) If known, whether the Covered Securities Loan is being used to close out a fail to deliver pursuant to Rule 204 of SEC Regulation SHO or to close out a fail to deliver outside of Regulation SHO.

Additionally, proposed Rule 6530(a)(2)(V) through (Y) would require a Covered Person to report:

- (1) Whether the Covered Person is the lender, borrower or intermediary;
- (2) The unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE;
- (3) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE;<sup>37</sup> and

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<sup>37</sup> Individual participants in agency lending programs generally authorize an agent lender, pursuant to agency lending agreements, to lend their securities on their behalf. As discussed in the Adopting Release, reporting obligations under SEA Rule 10c-1a can depend on how a pool or lending program is structured (e.g., whether the pool or lending program itself or the individual underlying participants are the party or parties identified as the lender for the loan). See generally Adopting Release, 88 FR 75644, 75664. If the Initial Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, proposed Rule 6530(a)(2)(W) and (X) would require that the SLATE report include both the



(4) Such modifiers and indicators as required by either the Rule 6500 Series or the SLATE Participant specification.

FINRA intends to use the information required by proposed Rule 6530(a)(2)(V) (requiring Covered Persons to identify whether the Covered Person is the lender, borrower or intermediary), proposed Rule 6530(a)(2)(W) (requiring Covered Persons to report the unique internal identifier it has assigned for the loan), and proposed Rule 6530(a)(2)(X) (requiring, for a loan that is an allocation of an omnibus loan, that Covered Persons report the unique internal identifier it has assigned for the associated omnibus loan) for data validation and regulatory purposes. For example, the Covered Person party type (i.e., lender, borrower or intermediary) would provide necessary information regarding the identity of the Covered Person under the Rule, including in instances where a party other than the Covered Person submits the report to SLATE. The Covered Person's internal identifier for the loan would allow for the identification of a Covered Securities Loan in the audit trail prior to the assignment of a loan identifier by FINRA. For example, the internal identifier assigned by a Covered Person would be used to associate an Initial Covered Securities Loan with a Loan Modification submitted on the same day, prior to the assignment of a loan identifier by FINRA. The Covered Person's unique internal omnibus loan identifier would be used to identify allocations and reallocations of Covered Securities Loans that are associated with an omnibus-level loan arranged by an agent lender. Obtaining this identifier would allow FINRA, for example, to provide the public with more granular insight into the day's loan activity in its disseminated data.<sup>38</sup> FINRA believes that

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Covered Person's unique internal identifier for the Covered Securities Loan (i.e., the report of the allocation) and the Covered Person's unique internal identifier for the associated omnibus loan.

<sup>38</sup> As required by SEA Rule 10c-1a(g)(5), FINRA would make publicly available, on a daily basis, information pertaining to the aggregate loan transaction activity for each Reportable Security based on the prior business day's activity. The omnibus loan identifier would allow FINRA to identify allocations of an

requiring Covered Persons to report unique internal identifiers—in whatever alphanumeric format preferred by the firm—strikes an appropriate balance by ensuring that FINRA receives important information for use in identifying and linking associated reports without requiring firms to assign an identifier using a prescribed format or convention.

The modifiers and indicators—set forth in proposed Rule 6530(c) (Modifiers and Indicators)—apply to specific scenarios where additional detail is appropriate to clarify the information required to be reported pursuant to proposed Rule 6530(a)(2) and (b)(2).<sup>39</sup> FINRA intends to use these modifiers and indicators to provide regulators and the public with important information regarding the reported securities loan. Specifically, proposed Rule 6530(c)(1) (Exclusive Arrangement) would require a Covered Person to append an indicator to identify a loan made pursuant to an exclusive arrangement with the borrower or intermediary. An exclusive arrangement is one in which a borrower or intermediary has exclusive access to a lender's portfolio. Because exclusive access to a lender's portfolio can impact the loan rate,<sup>40</sup> the exclusive loan indicator would help to identify loans whose rates may not reflect current market rates.

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omnibus loan arranged by an agent lender and determine when an Initial Covered Securities Loan reported to SLATE is actually a reallocation of some portion of a preexisting omnibus loan. This would allow FINRA to filter the amounts of any such loan reallocations from the aggregate loan volumes that FINRA proposes to disseminate for each Reportable Security on a given day, as specified in proposed FINRA Rule 6540(c)(1).

<sup>39</sup> SEA Rule 10c-1a prescribes generally the loan information that parties must report to FINRA (*i.e.*, the data elements listed in SEA Rule 10c-1a(c), loan modifications identified in SEA Rule 10c-1a(d), and confidential data elements listed in SEA Rule 10c-1a(e)), and requires that FINRA establish rules regarding the format and manner of its collection of such information. See SEA Rule 10c-1a(f); see also Adopting Release, 88 FR 75644, 75667 n.365 (explaining that the Commission is not specifying the details as to the format of the required data, the manner in which rates would be presented, or other detailed information requested, to give an RNSA the discretion to structure its systems and processes as it sees fit and propose rules accordingly, provided they are consistent with the final rule as adopted as well as other requirements of the Exchange Act applicable to an RNSA).

<sup>40</sup> See Adopting Release, 88 FR 75644, 75695 n.732.

Proposed Rule 6530(c)(2) (Loan to Affiliate) would require a Covered Person to append an indicator to identify a loan made to an Affiliate of the lender or intermediary. For purposes of this provision, “Affiliate” would be defined as “an entity that controls, is controlled by or is under common control with a Covered Person.”<sup>41</sup> Because an affiliate relationship between the borrower and lender or intermediary can impact borrowing costs,<sup>42</sup> the affiliate loan indicator would likewise help to identify loans whose rates may not reflect current market rates.<sup>43</sup>

Proposed Rule 6530(c)(3) (Unsettled Loan) would require a Covered Person to append an indicator to identify an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned that did not settle by the close of SLATE System Hours<sup>44</sup> on the expected settlement date reported to SLATE.<sup>45</sup> Loans may be agreed upon but ultimately not settle for a variety of reasons (e.g., the lender is unable to deliver the securities; the loan fails due to mismatched instructions).<sup>46</sup> The unsettled loan indicator would provide clarity that the

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<sup>41</sup> See proposed Rule 6710(a). For the purposes of the definition of “Affiliate,” “control,” along with any derivative thereof, means legal, beneficial, or equitable ownership, directly or indirectly, of 25 percent or more of the capital stock (or other ownership interest, if not a corporation) of any entity ordinarily having voting rights. See proposed Rule 6510(a). The term “common control” means the same natural person or entity controls two or more entities. See proposed Rule 6510(a).

<sup>42</sup> See Adopting Release, 88 FR 75644, 75661 n.278 and accompanying text.

<sup>43</sup> See Adopting Release, 88 FR 75644, 75661 n.279 (stating that “[t]o reduce any potential confusion and misinterpretation of the data, an RNSA could determine to, if it is able, develop methodologies to separate or identify [affiliate] loans”).

<sup>44</sup> Proposed Rule 6510(i) would define “SLATE System Hours” as “the hours SLATE is open, which are 6:00:00 a.m. Eastern Time through 7:59:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.”

<sup>45</sup> The unsettled loan indicator would generally not be applicable to Loan Modifications involving a decrease to the loan amount due to the return of securities to the lender. See *infra* n.54.

<sup>46</sup> To the extent an Initial Covered Securities Loan or Loan Modification that was originally reported with the unsettled loan indicator subsequently settled, a Covered Person would be required to report a Loan Modification to remove the unsettled loan indicator to reflect that the previously reported Initial Covered Securities Loan or Loan Modification had settled.

amount of Reportable Securities loaned reported to SLATE was not transferred to the borrower, which may provide useful insight into the day's loan activity.<sup>47</sup>

Proposed Rule 6530(c)(4) (Terminated Loan) would require a Covered Person to indicate when a Covered Securities Loan has been terminated. The terminated loan indicator would therefore be required to be appended on reports of: (1) an Initial Covered Securities Loan that did not and will not settle; and (2) Loan Modifications reporting the termination of a Covered Securities Loan (whether an open-ended or a term loan).<sup>48</sup>

Proposed Rule 6530(c)(5) (Rate or Fee Adjustment) would require a Covered Person to report the appropriate modifier if a loan rebate rate or lending fee accounts for: (1) a billing adjustment or correction to amounts previously rebated or charged; or (2) the value of a distribution or other economic benefit associated with the Reportable Security, e.g., a corporate action. Similarly, proposed Rule 6530(c)(6) (Basket Loan) would require a Covered Person to report the appropriate modifier if a loan rebate rate or lending fee reflects a rate or fee involving a basket of at least 10 unique Reportable Securities for a single agreed rate or fee for the entire basket. In each of these scenarios, the modifier would help to identify loans where the rate or fee may not reflect the current market. In addition to enhancing the disseminated data and its value to market participants, FINRA plans to use these modifiers for data validation (e.g., in instances where FINRA's data validation logic identifies the reported rate as potentially erroneous).

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<sup>47</sup> FINRA expects to use the unsettled loan indicator to filter the aggregate data that it would disseminate pursuant to SEA Rule 10c-1a(g)(5), and the indicator would be publicly disseminated with the loan-level data that FINRA would disseminate pursuant to SEA Rule 10c-1a(g)(1) through (3).

<sup>48</sup> See proposed Rule 6530(c)(4).

Reporting Securities Loan Modifications

Proposed Rule 6530(b) would govern the reporting requirements applicable to Covered Persons for reporting Loan Modifications.<sup>49</sup> Proposed Rule 6510(f) would define “Loan Modification” as a change to any “Data Element” with respect to a Covered Securities Loan (irrespective of whether such Covered Securities Loan was previously reported to SLATE), where “Data Element” refers to the required non-confidential data elements and modifiers reported pursuant to proposed Rule 6530(a)(2).<sup>50</sup> Proposed Rule 6530(b)(1) (When and How Loan Modifications Are Reported) would require that Loan Modifications be reported within the same timeframes applicable to the reporting of Initial Covered Securities Loans. Specifically, for Loan Modifications effected on a business day at or after 12:00:00 a.m. ET through 7:45:00 p.m. ET, the required information must be reported the same day before 8:00:00 p.m. ET.<sup>51</sup> For Loan Modifications effected on a business day after 7:45:00 p.m. ET, the required information must be reported no later than the next business day (T+1) before 8:00:00 p.m. ET;<sup>52</sup> and Loan Modifications effected on a Saturday, a Sunday, a federal or religious holiday or other day on which SLATE is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T+1) before 8:00:00 p.m. ET.<sup>53</sup>

Proposed Rule 6530(b)(2) (Loan Modifications – Information To Be Reported) would specify the items of information that must be reported to FINRA. Specifically, proposed Rule

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<sup>49</sup> As discussed above, a Covered Person may engage a Reporting Agent to comply with the reporting obligations on its behalf, consistent with the conditions of SEC Rule 10c-1a. See proposed Rule 6510(k) (defining “Reporting Agent”); see also infra n.60.

<sup>50</sup> See proposed Rule 6510(d).

<sup>51</sup> See proposed Rule 6530(b)(1)(A).

<sup>52</sup> See proposed Rule 6530(b)(1)(B).

<sup>53</sup> See proposed Rule 6530(b)(1)(C).

6530(b)(2)(A) through (I) would require that each Loan Modification report contain the information below:

(1) The unique identifier assigned by FINRA to the Initial Covered Securities Loan, or, if a unique identifier has not yet been assigned by FINRA, the unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE;

(2) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE;

(3) The MPID of the Covered Person;

(4) The date of the Loan Modification;

(5) The time of the Loan Modification;

(6) The expected settlement date for modifications to the loan amount (if the expected settlement date is a date other than the date of the Loan Modification), or the effective date for all other Loan Modifications (if the effective date is a date other than the date of the Loan Modification);<sup>54</sup>

(7) Whether the Covered Person is the lender, borrower or intermediary;

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<sup>54</sup> Covered Persons must report a decrease to the loan amount resulting from a return of securities only once the securities have been delivered because returns are not considered “effected” until the securities are actually returned. However, Covered Persons must report all other Loan Modifications on the date that the Loan Modification was agreed upon and, in such instances, must report the effective date (pursuant to proposed Rule 6530(b)(2)(F)) unless the effective date is the same as the Loan Modification date (reported pursuant to 6530(b)(2)(D)).

(8) The modified Data Elements for a Loan Modification to a Covered Securities Loan previously reported to SLATE or all Data Elements for a Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE;<sup>55</sup> and

(9) Such modifiers and indicators as required by either the Rule 6500 Series or the SLATE Participant specification.

Proposed Rule 6530.01 (Intraday Loan Modifications) addresses a Covered Person's reporting obligations when multiple Loan Modifications occur on a given day. Specifically, if a Covered Securities Loan (whether or not previously reported to SLATE) is modified multiple times throughout the day, a Covered Person must report each Loan Modification that occurs on a given day as set forth in proposed Rule 6530(b). For example, if Lender A and Borrower X agree at 10:00 a.m. ET to modify the rebate rate for a previously reported Covered Securities Loan from 0.15 percent to 0.20 percent, and then decide at 3:00 p.m. ET to modify the rate to 0.30 percent, the Covered Person must report two Loan Modifications pursuant to proposed Rule 6530(b)(2): one with a Loan Modification time of 10:00 a.m. ET reflecting the change in the rebate rate to 0.20 percent and a second with a Loan Modification time of 3:00 p.m. ET to reflect the change in the rebate rate to 0.30 percent. Because, in this example, the Covered Securities Loan was previously reported to SLATE, the Loan Modification reports must also include the unique identifier assigned by FINRA to the loan.

If, however, the Covered Securities Loan was not previously required to be reported (e.g., because the Initial Covered Securities Loan occurred prior to the effectiveness of the FINRA

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<sup>55</sup> As defined by proposed Rule 6510(d), "Data Element" includes any item of information that a Covered Person must report under SEA Rule 10c-1a(c) and proposed Rule 6530(a)(2)(A) through (N) and such modifiers and indicators required by proposed Rule 6530(a)(2)(Y). Accordingly, a modification to a Covered Securities Loan that would require the addition or removal of a modifier or indicator required to be reported pursuant to proposed Rule 6530(a)(2)(Y) would require a Covered Person to report a Loan Modification as set forth in proposed Rule 6530(b).

rule), the Covered Person must still report two Loan Modifications. However, the Loan Modification report reflecting the 10:00 a.m. ET change in the rebate rate to 0.20 percent must also include all of the other Data Elements required by proposed Rule 6530(a)(2) (i.e., the non-confidential data elements) as well as the internal identifier assigned to the Covered Securities Loan by the Covered Person, and, if the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE. The second Loan Modification report reflecting the 3:00 p.m. ET change would not be required to include all of the other Data Elements required by proposed Rule 6530(a)(2); however, unless a unique identifier has been assigned to the loan by FINRA, the second Loan Modification report must include the internal identifier assigned to the Covered Securities Loan by the Covered Person, and, if the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE.<sup>56</sup>

A Loan Modification report is also required where a Covered Securities Loan is modified on the day upon which it was effected, even if the modification occurred prior to the submission of the Initial Covered Securities Loan report to SLATE. Thus, for example, Lender A and Borrower X agree to an Initial Covered Securities Loan at 10:00 a.m. ET with terms that include a rebate rate of 0.15 percent. At 3:00 p.m. ET that same day, before the Initial Covered Securities Loan was reported to SLATE, Lender A and Borrower X agree to change the previously agreed upon rebate rate from 0.15 to 0.20 percent. Under the proposed rule, the

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<sup>56</sup> See proposed Rule 6530(b)(2)(A) and (B).



Initial Covered Securities Loan must be reported reflecting all of the Data Elements and Confidential Data Elements<sup>57</sup> required pursuant to proposed Rule 6530(a)(2), including the date and time the loan was effected of 10:00 a.m. ET as well as the original rebate rate of 0.15 percent. In addition to reporting the Initial Covered Securities Loan, the Covered Person also must separately report the Loan Modification reflecting the modification date and time of 3:00 p.m. ET, the new rate of 0.20 percent, and the internal identifier assigned to the Covered Securities Loan by the Covered Person, and, if the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE.

As discussed in the Adopting Release, a change to any party to a Covered Securities Loan would constitute the termination of the prior Covered Securities Loan and the initiation of a new loan under proposed Rule 6530.<sup>58</sup> Therefore, Covered Persons must submit two reports to SLATE: (1) a termination report with respect to the prior loan; and (2) an Initial Covered Securities Loan report reflecting all of the Data Elements and Confidential Data Elements required by proposed Rule 6530(a)(2) with respect to the new loan. Thus, proposed Rule 6530.02 (Changes to the Parties of a Covered Securities Loan) provides that, with respect to a previously reported Covered Securities Loan, following the addition or removal of a party required to be identified pursuant to Rule 6530(a)(2)(O) a Covered Person must: (a) report the termination of the previously reported Covered Securities Loan as a Loan Modification pursuant to Rule 6530(b) that reflects the date and time the party was added or removed and select the

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<sup>57</sup> As defined by proposed Rule 6510(b), “Confidential Data Element” includes any item of information that a Covered Person must report under SEA Rule 10c-1a(e) and FINRA Rule 6530(a)(2)(O) through (X).

<sup>58</sup> See 88 FR 75644, 75664.

terminated loan indicator; and (b) report an Initial Covered Securities Loan pursuant to Rule 6530(a) that reflects the new parties to the loan, if known (other than the customer from whom a Broker or Dealer borrows fully paid or excess margin securities pursuant to SEA Rule 15c3-3(b)(3)).

#### Compliance with Reporting Obligations

Similar to requirements that exist with respect to reporting obligations under other FINRA rules, FINRA is proposing to adopt proposed Rule 6530(d) (Compliance with Reporting Obligations) to implement provisions regarding Covered Persons' ongoing reporting obligations and the use of third parties in meeting SEA Rule 10c-1a and FINRA 6500 Rule Series obligations.<sup>59</sup> Specifically, proposed Rule 6530(d)(1) provides that Covered Persons (other than Covered Persons that engage a Reporting Agent<sup>60</sup>) have an ongoing obligation to report Initial Covered Securities Loans and Loan Modifications to FINRA timely, accurately, and completely. In addition, a Covered Person may employ an agent for the purpose of submitting loan information to SLATE; however, unless the Covered Person has retained a Reporting Agent as permitted under SEA Rule 10c-1a, the primary responsibility for the timely, accurate, and complete reporting of loan information to SLATE remains the non-delegable duty of the Covered Person with the reporting obligation. Also, similar to requirements that exist with respect to reporting obligations under other FINRA rules, proposed Rule 6530(d)(2) provides that a member's pattern or practice of late reporting without exceptional circumstances may be

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<sup>59</sup> See e.g., Rule 6380A(h); Rule 6622(h); Rule 6730(a)(6).

<sup>60</sup> Proposed Rule 6510(k) would define "Reporting Agent" by reference to SEA Rule 10c-1a, which defines "reporting agent" in paragraph (j)(4) as a broker, dealer, or registered clearing agency that enters into a written agreement with a covered person under paragraph (a)(2) of SEA Rule 10c-1a.

considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.<sup>61</sup>

FINRA also is proposing to adopt a provision to specify that, even where a member employs a Reporting Agent consistent with SEA Rule 10c-1a(a)(2), the member must nonetheless take reasonable steps to ensure that the Reporting Agent is in fact complying with the securities lending reporting requirements of SEA Rule 10c-1a and proposed FINRA Rule 6530 on its behalf.<sup>62</sup> As discussed above, SEA Rule 10c-1a(a)(2) specifies the applicable requirements that permit a Covered Person to rely on a Reporting Agent to fulfill its reporting obligations under the rule. These requirements include that the Covered Person must enter into a written agreement with a Reporting Agent that agrees to report the requisite information to FINRA on behalf of such Covered Person in accordance with the requirements of SEA Rule 10c-1a(b);<sup>63</sup> and provides the Reporting Agent with timely access to the SEA Rule 10c-1a information.<sup>64</sup> In connection with these provisions, proposed Rule 6530(d)(3) would provide that a member relying on a Reporting Agent has an obligation under FINRA Rule 3110 (Supervision) to take reasonable steps to ensure that the Reporting Agent is complying with SEA Rule 10c-1a and FINRA Rule 6530 on its behalf. In executing this obligation, FINRA would expect, for example, that the member review the Covered Securities Loan reporting data made available to it by the Reporting Agent or through FINRA's system to evaluate the accuracy and timeliness of the Covered Securities Loan reports submitted on its behalf by the Reporting Agent.

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<sup>61</sup> See e.g., Rule 6380A(a)(4); Rule 6622(a)(4); Rule 6623; Rule 6730(f).

<sup>62</sup> See proposed Rule 6530(d)(3).

<sup>63</sup> See SEA Rule 10c-1a(a)(2)(i).

<sup>64</sup> See SEA Rule 10c-1a(a)(2)(ii).

Finally, proposed Rule 6530(d)(4) would provide that, if a Covered Person makes a good faith determination that it has a reporting obligation under SEA Rule 10c-1a and this Rule 6500 Series, the Covered Person or Reporting Agent, as applicable, must report the Covered Securities Loan as provided in proposed Rule 6530. If the Reportable Security is not entered into the SLATE system, proposed Rule 6530(d)(4) would also require the Covered Person or Reporting Agent, as applicable, to promptly notify and provide FINRA Operations, in the form and manner required by FINRA, the information specified in Rule 6530(a)(2)(A) and (B), along with such other information as FINRA deems necessary to enter the Reportable Security for reporting through SLATE. This requirement would enable FINRA to set the security up in its systems and facilitate reporting of the Covered Securities Loan to SLATE, as required by SEA Rule 10c-1a and proposed Rule 6530.

#### Participation in SLATE

Proposed Rule 6520 (Participation in SLATE) would establish the requirements applicable to Covered Persons and Reporting Agents with respect to participation in SLATE. Rule 6510(h) would define a “SLATE Participant” as “any person that reports securities loan information to SLATE, directly or indirectly.” “SLATE Participant” therefore would include both persons who connect to SLATE directly to report Covered Securities Loan information, including Reporting Agents, as well as any Covered Person who has engaged a Reporting Agent or other agent.

Paragraph (1) of proposed Rule 6520(a) (Mandatory Participation) would provide that participation in SLATE is mandatory for purposes of reporting Covered Securities Loans. Such mandatory participation would obligate a Covered Person to submit Covered Securities Loan information to SLATE in conformity with the SEA Rule 10c-1a and the FINRA Rule 6500

Series. Proposed Rule 6520(a)(2) would provide that participation in SLATE would be conditioned on the SLATE Participant's initial and continuing compliance with specified requirements. Specifically, SLATE Participants must: (i) obtain an MPID for reporting Covered Securities Loans to SLATE;<sup>65</sup> (ii) execute and comply with the SLATE Participant application agreement and all applicable rules and operating procedures of FINRA<sup>66</sup> and the SEC;<sup>67</sup> and (iii) maintain the physical security of the equipment located on the premises of the SLATE Participant to prevent unauthorized entry of information into SLATE.<sup>68</sup> Proposed Rule 6520(a)(3) would provide that SLATE Participants would be obligated to inform FINRA of non-compliance with, or changes to, any of these mandatory participation requirements.

Proposed Rule 6520(b) (Reporting Agents) would set forth the participation requirements specific to Reporting Agents.<sup>69</sup> Consistent with SEA Rule 10c-1a(b)(4), proposed Rule 6520(b) would require a SLATE Participant acting as a Reporting Agent to provide FINRA with a list naming each Covered Person on whose behalf the Reporting Agent is providing information to SLATE and any changes to the list of such persons by the end of the day on which any such change occurs, in the form and manner specified by FINRA.

Finally, proposed Rule 6520(c) (SLATE Participant Obligations) would provide that, upon execution and receipt by FINRA of the SLATE Participant application agreement, a SLATE Participant may commence input of Covered Securities Loan reports into SLATE. Proposed Rule 6520(c) would also require that a SLATE Participant must report Covered

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<sup>65</sup> See proposed Rule 6520(a)(2)(A).

<sup>66</sup> For example, the proposed Rule 6500 Series and, if a member, member conduct rules.

<sup>67</sup> See proposed Rule 6520(a)(2)(B).

<sup>68</sup> See proposed Rule 6520(a)(2)(C).

<sup>69</sup> See supra n.60 (noting proposed Rule 6510(k) would define "Reporting Agent" by reference to SEA Rule 10c-1a).

Securities Loan information using its MPID, and would provide that a SLATE Participant may access SLATE via a FINRA-approved facility during SLATE System Hours.

Dissemination of Loan Information

As required by SEA Rule 10c-1a(g), proposed Rule 6540 (Dissemination of Loan Information) would provide for the public dissemination of securities loan data reported to SLATE and information pertaining to the aggregate loan transaction activity and distribution of loan rates for each Reportable Security. The publicly available data would include: (1) next day (T+1) loan-level data dissemination for Initial Covered Securities Loans and Loan Modifications (except for the loan amount); (2) T+20 dissemination of the loan amount for Initial Covered Securities Loans and Loan Modifications; and (3) daily loan statistics (i.e., aggregate loan activity and distribution of loan rates).

T+1 Loan-Level Data Dissemination

Under proposed Rule 6540(a) (Next Day Dissemination), for each Initial Covered Securities Loan and Loan Modification reported to SLATE on a given business day, no later than the morning of the next business day, FINRA would make publicly available: (1) the unique identifier assigned by FINRA to the Covered Securities Loan; (2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and (3) the requisite Data Elements.

With respect to each Initial Covered Securities Loan reported to SLATE, proposed Rule 6540(a)(3)(A) would specify that FINRA make publicly available no later than the morning of the next business day all other reported Data Elements, except the amount of Reportable Securities loaned (reported pursuant to Rule 6530(a)(2)(G)) and any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification that FINRA

determines shall not be publicly disseminated. Thus, for example, if a Covered Person reports an Initial Covered Securities Loan to SLATE on a Tuesday before 8:00:00 p.m. ET, on Wednesday morning, assuming Wednesday is a business day, FINRA would disseminate the unique identifier assigned by FINRA to the loan, the security identifier, and all other reported Data Elements, except the loan amount and any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification that FINRA determines shall not be publicly disseminated.

With respect to each Loan Modification to a Covered Securities Loan reported to SLATE on the same or a prior business day, proposed Rule 6540(a)(3)(B) would specify that FINRA make publicly available no later than the morning of the next business day the modified Data Elements reported to SLATE, except the amount of Reportable Securities loaned and any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification that FINRA determines shall not be publicly disseminated. For example, if a Covered Person reports a Loan Modification to SLATE on a Tuesday before 8:00:00 p.m. ET increasing the previously reported loan amount from 500 shares to 700 shares and decreasing the previously reported rebate rate from 0.25 percent to 0.15 percent, on Wednesday morning, assuming Wednesday is a business day, FINRA would disseminate the unique identifier assigned by FINRA to the loan, the security identifier, and the modified rebate rate, i.e., 0.15 percent, but would not disseminate the modified loan amount, which would be subject to delayed dissemination (until 20 business days after the date of the modification to the loan amount) under proposed Rule 6540(b), as discussed below.

Finally, in the case of a Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE (e.g., because the Initial Covered Securities Loan

occurred prior to the effectiveness of the Rule 6500 Series), proposed Rule 6540(a)(3)(C) would specify that FINRA make publicly available the unique loan identifier assigned by FINRA to the loan, the security identifier, and all other reported Data Elements, except the amount of Reportable Securities loaned and any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification that FINRA determines shall not be publicly disseminated.

#### T+20 Loan Amount Dissemination

Pursuant to Rule 6540(b) (Delayed Dissemination), for each Initial Covered Securities Loan and Loan Modification reported to SLATE, 20 business days after the date on which the Initial Covered Securities Loan was effected or the loan amount was modified, FINRA would make publicly available: (1) the unique identifier assigned by FINRA to the Covered Securities Loan, (2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate, and (3) the amount of Reportable Securities loaned reported to SLATE. For Initial Covered Securities Loans, the 20-day delay period would begin the day after the Covered Securities Loan is effected (even in the case of late reports). For example, where a Covered Securities Loan is effected on a Monday, the 1<sup>st</sup> of the month<sup>70</sup> and is reported to SLATE before 8:00:00 p.m. ET that day, the 20-business day period would start to run on the 2<sup>nd</sup>, and FINRA would disseminate the amount of securities loaned reported to SLATE on the 29<sup>th</sup> day of the month (20 business days later), along with the unique loan identifier assigned by FINRA and the security identifier. Where a Covered Securities Loan is effected at 10:00 p.m. ET on the 1<sup>st</sup> of the month and is reported to FINRA the next business day as required by Rule 6530(a)(1)(B), the 20-business day period would still start to run the 2<sup>nd</sup> of the month (i.e., the

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<sup>70</sup> For purposes of this example, the month is a 30-day month where each weekday is a business day.



next business day after the loan was effected) and FINRA would disseminate the amount of securities loaned reported to SLATE on the 29<sup>th</sup> day of the month. In either scenario above, if a modification to the loan amount is effected and reported to SLATE prior to the end of the 20-business day delay period, i.e., prior to the 29<sup>th</sup> of the month, the modified loan amount would be disseminated 20 business days after such Loan Modification is effected.

#### Daily Loan Statistics

In addition to T+1 loan-level data disseminated pursuant to proposed Rule 6540(a), FINRA would disseminate statistics regarding Covered Securities Loans reported to FINRA, including aggregate loan activity and distribution of loan rebate rates and lending fees.<sup>71</sup>

#### Aggregate Loan Transaction Activity

Pursuant to paragraph (1) of proposed Rule 6540(c) (Aggregate Loan Transaction Activity), for each Reportable Security for which an Initial Covered Securities Loan or Loan Modification is reported to SLATE on a given business day, FINRA would disseminate, no later than the morning of the next business day, aggregated loan activity in the Reportable Security<sup>72</sup> (along with the security identifier specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to identify the relevant Reportable Security).<sup>73</sup> The aggregated data would include, for each Reportable Security, under proposed Rule 6540(c)(1)(A), the aggregate volume of securities (both in total and broken down by collateral type) subject to an Initial Covered

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<sup>71</sup> See proposed Rule 6540(c).

<sup>72</sup> In addition to the items of information specified in proposed paragraphs (A) through (E) of proposed Rule 6540(c)(1), FINRA may, in its discretion, publish or distribute additional metrics regarding aggregate transaction activity free of charge. See infra n.73 defining “aggregate loan activity.” See also Adopting Release, 88 FR 75644, 75684.

<sup>73</sup> In its Adopting Release, the Commission stated that the term “aggregate transaction activity” refers to information pertaining to the absolute value of transactions such that net position changes should not be discernable in the data, and is intended to help ensure that only aggregate information about net positions changes, rather than individualized information, is provided to the public. See Adopting Release, 88 FR 75644, 75684.

Securities Loan or modification to the amount of Reportable Securities loaned reported on the prior business day, and, under proposed Rule 6540(c)(1)(B), the aggregate volume of securities (both in total and broken down by collateral type) subject to a rebate rate or fee modification reported on the prior business day. FINRA believes that these data would provide the public with useful information concerning the daily lending activity in Reportable Securities, including insight into how this activity is distributed across collateral types.<sup>74</sup>

Pursuant to Rule 6540(c)(1)(C), FINRA would also disseminate the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned subject to a term loan (i.e., a loan with a specified term) and subject to an open loan (i.e., a loan without a specified term) reported on the prior business day.<sup>75</sup>

FINRA believes that these data would provide the public with useful information concerning the nature of current lending activity.<sup>76</sup> Pursuant to Rule 6540(c)(1)(D), FINRA would also disseminate the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned broken down by borrower type (as specified in proposed Rule 6530(a)(2)(N)) on the prior business day.<sup>77</sup> These data may provide market participants with information regarding the degree to which loan activity is retail or

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<sup>74</sup> See proposed Rule 6540 Supplementary Material .01 (De Minimis Loan Transaction Activity), which would provide that FINRA may omit from the aggregate loan activity volume information for Reportable Securities for which there were three or fewer types of Initial Covered Securities Loan and Loan Modification events reported to SLATE in total on the prior business day. For example, if a single Covered Securities Loan was subject to 10 Loan Modifications reported to SLATE on a given day, FINRA would omit from the daily loan statistics volume information for that Reportable Security because these events occurred in a single Covered Securities Loan.

<sup>75</sup> See supra n.73.

<sup>76</sup> FINRA understands that most securities loans are open-ended, allowing the security on loan to be recalled by the lender. See Adopting Release, 88 FR 75644, 75673.

<sup>77</sup> See supra n.73.

wholesale, which, in combination with the other aggregate data may provide insight into short selling sentiment.<sup>78</sup>

Pursuant to proposed Rule 6540(c)(1)(E), FINRA would disseminate the aggregate number of Initial Covered Securities Loans and terminated Covered Securities Loans (both in total and broken down by collateral type) reported on the prior business day. FINRA believes that these data would provide the public with useful information concerning current lending activity.

#### Loan Rate Distributions

Pursuant to paragraph (2) of proposed Rule 6540(c) (Loan Rate Distribution Data), for each Reportable Security for which an Initial Covered Securities Loan or Loan Modification is reported to SLATE on a business day, FINRA would also disseminate, not later than the morning of the next business day, the security identifier (specified in Rule 6530(a)(2)(A) or (B)) that FINRA determines is appropriate to identify the relevant Reportable Security and information pertaining to the distribution of loan rebate rates or lending fees, as applicable,<sup>79</sup> including: the highest rebate rate, lowest rebate rate, and volume weighted average of the rebate rates reported to SLATE for Initial Covered Securities Loans collateralized by cash and, separately, for Loan Modifications collateralized by cash (where the Loan Modification involved a change to the rebate rate). FINRA would also disseminate the highest lending fee, lowest lending fee, and volume weighted average of the lending fees reported for Initial Covered Securities Loans not collateralized by cash and, separately, for Loan Modifications not collateralized by cash (where

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<sup>78</sup> See Adopting Release, 88 FR 75644, 75725 n.1050.

<sup>79</sup> In addition to the items of information specified in proposed paragraphs (A) and (B) of proposed Rule 6540(c)(2), FINRA may, in its discretion, publish or distribute additional metrics regarding loan rebate rates and lending fees free of charge.

the Loan Modification involved a change to the lending fee). These rate distribution metrics would provide market participants with both an overall view of the range of daily loan pricing for each Reportable Security, as well as insight into the relationship between loan rates/fees and loan amounts.

Proposed Rule 6540(d) (Loan Transaction Information Not Disseminated) would specify the information reported to FINRA that would not be disseminated. As prescribed by SEA Rule 10c-1a(g)(4), proposed Rule 6540(d)(1) provides that the Confidential Data Elements reported to FINRA would not be disseminated. In addition, proposed Rule 6540(d)(2) would provide that FINRA may determine not to publicly disseminate any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification. FINRA may determine not to disseminate a modifier or indicator where the use of such information is intended for regulatory purposes only or its public disclosure may otherwise be inappropriate (e.g., where it may result in information leakage).

Finally, as proposed in Rule 6540.02 (Means of Data Dissemination), FINRA would make the data pursuant to proposed Rule 6540(a) through (c) available on FINRA's website free of charge for personal, non-commercial purposes only. For other uses, FINRA would publish or distribute SLATE data for fees that have been filed with the SEC pursuant to Rule 19b-4 under the Exchange Act.<sup>80</sup>

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<sup>80</sup> FINRA intends separately to file a proposed rule change to establish SLATE reporting fees and fees for fee-liable data products. Interested parties may subscribe to these fee-liable data products. Professionals would not be permitted to access the SLATE data made available free of charge on FINRA's website, which is provided for personal, non-commercial purposes only.

Other Provisions

Consistent with FINRA's rules governing other reporting facilities that it operates, proposed Rule 6550 (Emergency Authority) would provide that, as market conditions may warrant, FINRA, in consultation with the SEC, may suspend the reporting or dissemination of certain Covered Securities Loans, or the reporting of certain Data Elements or Confidential Data Elements or the dissemination of certain Data Elements for such period of time as FINRA deems necessary.<sup>81</sup>

As noted in Item 2 of this filing, the Commission's release adopting SEA Rule 10c-1a specified the applicable compliance dates.<sup>82</sup> If the Commission approves the proposed rule change, unless an extension is provided pursuant to Commission order, the implementation date of the proposed FINRA rules establishing the reporting requirements will be January 2, 2026; and the implementation date of the proposed FINRA rules establishing the dissemination requirements will be April 2, 2026. If the SEC extends the compliance dates for SEA Rule 10c-1a's reporting or dissemination requirements, FINRA's proposed rules addressing securities loan reporting and data dissemination would become effective consistent with the SEC's extended timeframe for reporting and data dissemination, respectively.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which require that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing

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<sup>81</sup> See Rule 6770.

<sup>82</sup> See Adopting Release, 88 FR 75644, 75691.

information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest and, among other things, must not be designed to permit unfair discrimination between customers, issuers, brokers or dealers.<sup>83</sup> FINRA also believes that the proposed rule change is consistent with SEA Rule 10c-1a, which requires FINRA to implement rules regarding the format and manner of its collection of the securities loan information described in SEA Rule 10c-1a(c) through (e) and for making publicly available such information in accordance with rules promulgated pursuant to Section 19(b) of the Exchange Act and Rule 19b-4 under the Exchange Act.<sup>84</sup>

The proposed Rule 6500 Series is designed to improve transparency and efficiency in the securities lending market, consistent with Section 15(A)(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act.<sup>85</sup> The proposed rule change would do so by facilitating the collection of specified securities loan information from Covered Persons and Reporting Agents, which include non-FINRA members,<sup>86</sup> and providing access to such information to market participants, the public, and regulators. As such, these proposed changes are intended to facilitate the objectives of the Commission and Congress by providing “borrowers and lenders with better tools to assess the terms of their securities loans and enhance the ability of regulators

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<sup>83</sup> 15 U.S.C. 78q-3(b)(6).

<sup>84</sup> See SEA Rule 10c-1a(f); see also Adopting Release, 88 FR 75644, 75648.

<sup>85</sup> As noted above, SEA Rule 10c-1a requires FINRA, as the sole RNSA, to propose rules consistent with the Commission’s mandate. See SEA Rule 10c-1-a(f). Section 984(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) added section 10(c)(1) to the Exchange Act to provide the Commission with authority over securities lending. See 15 U.S.C. 78j(c)(1). Section 984(b) of the Dodd-Frank Act mandates that the Commission increase the transparency of information available to brokers, dealers, and investors with respect to the loan or borrowing of securities. See Pub. L. 111-203, 124 Stat. 1376 (2010). See also 15 U.S.C. 78q-3(b)(6).

<sup>86</sup> As defined in SEA Rule 10c-1a(j), “Covered Persons” and “Reporting Agents” may include non-FINRA members.

to oversee the securities lending market,” and “result in the public availability of new information for investors and other market participants to consider in the mix of information about the securities lending market and the securities markets generally to better inform their decisions,” which FINRA believes is consistent with Section 15A(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act.<sup>87</sup>

FINRA’s proposed Rule 6500 Series would also facilitate the availability to regulators of information that may be used to aid in assessing market events—“[f]or example, January 2021 information on market participants’ securities lending activity would have provided FINRA and Commission staff a more timely and comprehensive view of who was entering into new loans and who was no longer borrowing securities. This would have facilitated a deeper understanding of how the events were or were not impacting market participants. Such analyses can help determine if further regulatory intervention in markets is warranted and can inform the nature of any intervention.”<sup>88</sup>

SEA Rule 10c-1a also expressly permits FINRA to establish rules regarding the format and manner of its collection of securities loan information. To that end, FINRA’s proposed rule change would require that Covered Persons report, in addition to the specific data elements prescribed in SEA Rule 10c-1a, specified loan identifiers<sup>89</sup> and specified indicators and

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<sup>87</sup> See Adopting Release, 88 FR 75644, 75648. See also 15 U.S.C. 78o-3(b)(6); SEA Rule 10c-1a; and 15 U.S.C. 78j(c)(1).

<sup>88</sup> See Adopting Release, 88 FR 75644, 75717.

<sup>89</sup> Covered Persons would be required to report to SLATE: (1) the unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the Covered Securities Loan to SLATE; and (2) if the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan. See proposed Rules 6530(a)(2)(W)-(X) and (b)(2)(A)-(B).

modifiers,<sup>90</sup> as applicable. As noted above, these additional items would provide regulators and the public with important information regarding reported securities loans. For example, because an affiliate relationship between the borrower and lender (or intermediary) can impact borrowing costs, the affiliate loan indicator, proposed in Rule 6530(c)(2), would help to identify loans whose rates may not reflect current market rates, to the benefit of market participants, the public, and regulators. Similarly, because FINRA would disseminate aggregate loan activity each day, the unsettled loan indicator, proposed in Rule 6530(c)(3), would allow FINRA to filter unsettled loans, which is intended to provide the public with more granular insight into the day's loan activity.<sup>91</sup> FINRA believes that the securities loan reporting and data dissemination requirements proposed in the Rule 6500 Series, including the proposed identifiers and indicators and modifiers, are designed to promote greater transparency in the securities lending market, consistent with the objectives of Section 15A(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act.<sup>92</sup>

As noted above, SEA Rule 10c-1a(g) also mandates that FINRA publicly disseminate specified securities loan data reported to SLATE, along with information pertaining to the aggregate loan activity and distribution of loan rates for each Reportable Security. To that end, pursuant to proposed Rule 6540, FINRA would make SLATE data available on FINRA's website free of charge for personal, non-commercial purposes only. FINRA believes that

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<sup>90</sup> Covered Persons would be required to append the following modifiers and indicators, as applicable, to all SLATE reports to identify: (1) a loan pursuant to an exclusive arrangement; (2) a loan to an affiliate; (3) a loan that did not settle on the expected settlement date; (4) a loan that has been terminated; (5) a loan with a rebate rate or lending fee adjustment (e.g., to account for a billing correction or the value of a distribution); and (6) a loan that is part of a basket of securities loaned for single agreed rate or fee. See proposed Rules 6530(c)(1)-(6).

<sup>91</sup> See supra n.47.

<sup>92</sup> See 15 U.S.C. 78q-3(b)(6); SEA Rule 10c-1a; and 15 U.S.C. 78j(c)(1).



making securities loan information available free of charge for personal, non-commercial purposes would promote transparency and reduce information asymmetries in the securities lending market for retail investors. For other uses, FINRA would offer SLATE data products at a fee that would be filed with the SEC pursuant to Rule 19b-4 under the Exchange Act.<sup>93</sup>

FINRA believes that this approach is both reasonable and consistent with existing FINRA rules governing other transparency regimes, e.g., TRACE.<sup>94</sup> Therefore, FINRA believes that proposed FINRA Rule 6540 is designed to protect investors and the public interest and would not unfairly discriminate between customers, issuers, brokers, or dealers.<sup>95</sup>

Finally, the proposed rule change would include provisions designed to facilitate the timeliness, accuracy and completeness of the information reported to SLATE and provide additional clarity to members regarding their obligations under FINRA rules—consistent with Section 15A(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act.<sup>96</sup> Specifically, while the proposed Rule 6500 Series generally applies to Covered Persons and, where engaged, Reporting Agents,<sup>97</sup> the language of proposed Rules 6530(d)(2) and (d)(3), is limited to the conduct of members. Specifically, proposed Rule 6530(d)(2) would provide that “[a] member’s pattern or practice of late reporting without exceptional circumstances may be

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<sup>93</sup> Consistent with SEA Rule 10c-1a(i) and the Commission Adopting Release, FINRA intends separately to file a proposed rule change establishing fees for SLATE data products, and interested parties may subscribe to these fee-liable data products. See Adopting Release 88 FR 75644, 75687. See also proposed Rule 6540.02 (“Nothing in this Rule shall prohibit FINRA from also publishing or distributing SLATE data at a charge for fees that have been filed with the SEC pursuant to Rule 19b-4 under the Exchange Act.”).

<sup>94</sup> See generally, FINRA Rule 7730.

<sup>95</sup> See 15 U.S.C. 78o-3(b)(6).

<sup>96</sup> See Adopting Release, 88 FR 75644, 75648. See also 15 U.S.C. 78o-3(b)(6); SEA Rule 10c-1a; and 15 U.S.C. 78j(c)(1).

<sup>97</sup> The defined terms “Covered Person” and “Reporting Agent” include FINRA members and non-members. The defined term “SLATE Participant” would include both Covered Persons and Reporting Agents. See proposed Rule 6510.

considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.” In addition, proposed Rule 6530(d)(3) would provide that “[a] member relying on a Reporting Agent to report Covered Securities Loan information to SLATE has an obligation under FINRA Rule 3110 to take reasonable steps to ensure that the Reporting Agent is complying with SEA Rule 10c-1a and FINRA Rule 6530 on its behalf.” While these requirements are not explicitly provided for in SEA Rule 10c-1a, they embody standards that FINRA applies to its members generally in the conduct of their affairs— Rule 3110 (Supervision) and Rule 2010 (Standards of Commercial Honor and Principles of Trade) are foundational provisions applicable to members.<sup>98</sup> FINRA has previously provided similar clarification regarding how these rules apply in the context of other reporting regimes, such as in the fixed income and equity trade reporting rules.<sup>99</sup> A member’s obligation to report timely, accurately and completely and to take reasonable steps to ensure that it supervises agents retained in connection with its reporting obligations also applies in the securities lending context. As such, proposed FINRA Rules 6530(d)(2) and (d)(3) are consistent with the objectives of Section 15A(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act and would not unfairly discriminate between customers, issuers, brokers, or dealers.<sup>100</sup>

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<sup>98</sup> FINRA Rule 2010 provides that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.” FINRA Rule 3110 requires, *inter alia*, that FINRA members establish and maintain an effective supervisory system, which includes overseeing, supervising, and monitoring the activities or functions performed by third-party vendors, that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules. See also Regulatory Notice 21-29 (August 2021).

<sup>99</sup> See e.g., FINRA Rule 6380A(a)(4); Rule 6622(a)(4); Rule 6623; Rule 6730(f).

<sup>100</sup> See 15 U.S.C. 78q-3(b)(6); SEA Rule 10c-1a; and 15 U.S.C. 78j(c)(1).

#### **4. Self-Regulatory Organization’s Statement on Burden on Competition**

As stated in the Commission’s Adopting Release, SEA Rule 10c-1a, which the proposed rule change is designed to implement, is expected to reduce information asymmetries and to “increase competition between broker-dealers and between lending programs.”<sup>101</sup> The Commission also stated in its Adopting Release that “the increased ability for broker-dealers to monitor conditions in the lending market may encourage new broker-dealers to enter the market, further increasing competition for broker-dealer services.”<sup>102</sup> Thus, 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. In addition, FINRA notes that the proposed rule change would treat all similarly situated members equally, and the provisions that also address non-member obligations pursuant to SEA Rule 10c-1a likewise apply equally to similarly situated Covered Persons, Reporting Agents, and SLATE Participants, as applicable.

#### **Economic Impact Assessment**

Based on the regulatory need discussed above and summarized below, FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts of the proposed rule change, including potential costs, benefits, and distributional and competitive effects, relative to the current baseline.

#### **Regulatory Need**

On October 13, 2023, the SEC adopted SEA Rule 10c-1a, requiring Covered Persons to report Covered Securities Loan information to an RNSA, and the RNSA to make publicly available specified information regarding those reported securities loans. In its Adopting

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<sup>101</sup> See Adopting Release, 88 FR 75644, 75723.

<sup>102</sup> See Adopting Release, 88 FR 75644, 75723.

Release, the SEC stated, among other things, that SEA Rule 10c-1a was designed to increase the transparency and efficiency of the securities lending market.<sup>103</sup>

As required by SEA Rule 10c-1a(f), FINRA, currently the only RNSA, is proposing to establish rules specifying the format and manner of its collection of information on Covered Securities Loans. As required by SEA Rule 10c-1a(g), FINRA also is proposing rules to make Covered Securities Loan information publicly available. Below FINRA discusses the potential economic impacts of FINRA's proposed changes specifying the format and manner of reporting for Covered Securities Loans and the dissemination of aggregate transaction activity and distribution of loan rates for each Reportable Security.

#### Economic Baseline

In the Commission's Adopting Release, the SEC outlined the baseline and considered the economic effects of Rule 10c-1a and how its costs and benefits impacted the economic baseline.<sup>104</sup>

In its Adopting Release, the Commission noted that various types of entities participating in the securities lending market will be impacted by SEA Rule 10c-1a, including those that may need to enter into contracts and develop recording and reporting systems to comply with the rule.<sup>105</sup> Table 1 shows the estimated number of entities that will be affected by SEA Rule 10c-1a and the breakdown by type according to the estimates provided by the SEC.<sup>106</sup> In the Adopting Release, the SEC estimated that a total of 609 Covered Persons and Reporting Agents would be

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<sup>103</sup> See Adopting Release, 88 FR 75644.

<sup>104</sup> See Adopting Release, 88 FR 75644, 75692, 75694-75723.

<sup>105</sup> See Adopting Release, 88 FR 75644, 75717.

<sup>106</sup> See Adopting Release, 88 FR 75644, 75718.

affected by SEA Rule 10c-1a, of which 503 were Covered Persons and 106 were Reporting Agents.<sup>107</sup>

Table 1: Estimated Number of Covered Persons and Reporting Agents Affected by SEA Rule 10c-1a

Providing Covered Persons	255
- Persons that effect a covered securities loan as the lender when an intermediary is not used	217
- Broker-dealers borrowing fully paid or excess margin securities	34
- Broker-dealer intermediaries	4
Non-Providing Covered Persons	248
- Persons that effect a covered securities loan as the lender when an intermediary is not used	217
- Non-broker-dealer intermediaries	31
Reporting Agents	106
- Broker-dealers	97
- Clearing agencies	9
Total	609

### Economic Impacts

In the Adopting Release, the SEC discussed its consideration of the economic effects of SEA Rule 10c-1a.<sup>108</sup> Below, FINRA considers the potential costs, benefits, and competitive impact of FINRA's proposal specifying the format and manner of reporting for Covered Securities Loans not explicitly prescribed in SEA Rule 10c-1a. On balance, FINRA believes the

<sup>107</sup> See Adopting Release, 88 FR 75644, 75717.

<sup>108</sup> See Adopting Release, 88 FR 75644, 75706-24.

costs are appropriate in light of the anticipated benefits to the SLATE reporting, transparency, and regulatory framework.

Reporting of Information to FINRA

Expected Settlement Date. The proposed rule change requires information regarding the expected settlement date for an Initial Covered Securities Loan or a modification to the loan amount. This information would enhance the quality of the audit trail available to regulators for surveillance. Covered Persons may incur a cost to track and report this information.

Covered Person Party Type. The proposed rule change requires SLATE Participants to report whether the Covered Person is the lender, borrower, or intermediary. This information would improve the utility of the data for regulatory purposes, as it will provide necessary information regarding the identity of the Covered Person, including in instances where a party other than the Covered Person submits a loan report to SLATE. Covered Persons may incur a cost to track and report this information.

Loan Identifiers. For Initial Covered Securities Loans, the Covered Person responsible for reporting the loan would be required to report a unique internal identifier assigned by the Covered Person for the loan. For Loan Modifications, the Covered Person would be required to report a unique identifier assigned by FINRA to the Initial Covered Securities Loan, or if FINRA has not yet assigned an identifier, the Covered Person must provide a unique internal identifier assigned by the Covered Person for the loan. The internal identifier requirement would allow linkage of loan reports where a FINRA identifier has not yet been assigned and improve the completeness of audit trail data available to regulators. For Covered Securities Loans that are allocations of omnibus loans, the Covered Person would also be required to report a unique internal identifier assigned by the Covered Person for the associated omnibus loan. The ability

to link allocations that are components of an omnibus loan would improve the completeness of the audit trail and allow FINRA to provide additional granularity in the loan activity statistics disseminated to the public. FINRA would include only the FINRA-assigned identifier when disseminating loan transaction data; FINRA will not publicly disseminate the unique internal identifier or unique omnibus loan identifier reported by Covered Persons. FINRA understands that some Covered Persons already create and maintain unique loan identifiers, which should mitigate the cost associated with the requirement to report this information to FINRA.<sup>109</sup>

Modifiers/Indicators. The proposed rule change would require the reporting of six modifiers and indicators; specifically: (1) Covered Securities Loans with affiliates; (2) loans associated with exclusive arrangements; (3) loans with rate or fee adjustments; (4) basket loans; (5) unsettled loans; and (6) terminated loans. As discussed above, the pricing of some Covered Securities Loans may not be indicative of the current market rates available in the securities lending market. Covered Persons would incur costs for establishing processes to identify when the required modifiers must be appended and reporting such modifiers to SLATE. FINRA believes that these proposed modifiers and indicators would provide context to market participants when assessing pricing and other loan terms, helping to facilitate the usefulness of the publicly disseminated data. These proposed modifiers and indicators also would increase the usefulness of the audit trail data available to regulators as well as provide mechanisms for validating the accuracy of the reported data.

Timing of End-of-Day Reporting. As discussed above, the proposed rule change would require that Covered Securities Loans effected on a business day at or after 12:00:00 a.m. ET

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<sup>109</sup> See Adopting Release, 88 FR 75644, 75685.

through 7:45:00 p.m. ET be reported to SLATE before 8:00:00 p.m. ET on the same day. FINRA believes that this reporting timeframe is reasonable because most Covered Securities Loans entered into on a given business day would have settled before 8:00:00 p.m. ET, which would provide time for Covered Persons to review the reportable information to facilitate accurate and complete reporting. In addition, FINRA understands that 8:00:00 p.m. ET is generally consistent with the reporting deadline used by commercial vendors to which some Covered Persons currently voluntarily submit securities lending information. A similar reporting deadline may help mitigate costs for Covered Persons that may leverage existing systems or that submit securities loan information to commercial vendors.

Furthermore, permitting the reporting of Initial Covered Securities Loans and Loan Modifications effected on a business day after 7:45:00 p.m. ET by no later than next business day (T+1) before 8:00:00 p.m. ET will provide Covered Persons with time to review the reportable information for end-of-day loans to facilitate accurate and complete reporting. FINRA believes that the proposed reporting timeframes strike an appropriate balance between providing Covered Persons with sufficient time to review and report the day's loan activity and providing FINRA with the time necessary to process the reported information for next-day dissemination.

SLATE Participation Obligations. The proposed rule change would require each Covered Person or Reporting Agent to comply with SLATE participation obligations, including execution and compliance with the SLATE Participant application agreement. The SLATE participation requirements would help ensure that Covered Persons and Reporting Agents understand their obligations with regard to SLATE participation, including requiring SLATE Participants to obtain an MPID if they do not currently have one, and use it when reporting



Covered Securities Loans to SLATE. The MPID requirement would provide information that would make it more efficient for FINRA to validate SLATE reports, contact firms as necessary, and troubleshoot SLATE Participant-specific technical issues. The Covered Person and Reporting Agent would incur upfront administrative costs in terms of time and effort required to enter into the SLATE Participant application agreement and costs to comply with the SLATE participation requirements on an ongoing basis. For example, Covered Persons and Reporting Agents that do not currently have an MPID for SLATE use must complete an MPID request form and incur a cost to incorporate the SLATE Participants' and counterparties' MPIDs into their systems.

#### Dissemination of Aggregated Loan Activity

SEA Rule 10c-1a(g)(5) generally requires that FINRA make publicly available information pertaining to the aggregate loan transaction activity and the distribution of loan rates on a daily basis. FINRA has proposed specific aggregation buckets, as described in detail above. The dissemination of these data, which would be compiled from the Data Elements required to be reported to SLATE pursuant to SEA Rule 10c-1a and proposed Rule 6530, does not impact the reporting requirements applicable to Covered Persons and, therefore, does not contribute to the direct costs of reporting for Covered Persons. Further, as FINRA would make these data available on its website free of charge for personal, non-commercial use, the dissemination of this information will similarly not contribute to any direct costs for such use.

Among other things, FINRA proposes to disseminate the aggregate volume of securities (both in total and by collateral type) subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned reported on the prior business day, which would provide varied perspectives on the loan activity for the Reportable Security, including over time.

FINRA also proposes to disseminate the aggregate volume of securities (both in total and by collateral type) subject to a rebate rate or fee modification reported on the prior business day, to provide insight into the frequency of rate changes for a Reportable Security. FINRA similarly proposes to disseminate the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned with a specified term and, separately, without a specified term, reported on the prior business day, as well as the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned to one or more borrower types specified in Rule 6530(a)(2)(N) reported on the prior business day. These categorizations would permit analysis of volume differences between loans that do not have a defined end date and those that have a defined term date, and volume differences between the wholesale versus end-customer market.

De Minimis Loan Transaction Activity. To address concerns regarding potential information leakage, FINRA proposes to omit from the daily loan statistics volume information for Reportable Securities for which there are three or fewer types of Initial Covered Securities Loans and Loan Modifications reported to SLATE in total on a given day. However, the proposed de minimis threshold may be viewed by some as reducing the transparency value of the disseminated information. FINRA believes the threshold of three or fewer Initial Covered Securities Loans and Loan Modifications appropriately balances these considerations.

#### Alternatives Considered

In specifying the format and manner of reporting for Covered Securities Loans and the dissemination of aggregate transaction activity and distribution of loan rates for Reportable Securities, FINRA considered various alternatives and the potential costs and benefits of those alternatives. On balance, FINRA believes the requirements in the proposed rule are appropriate

in light of the anticipated benefits to the SLATE reporting, transparency, and regulatory framework.

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

Written comments were neither solicited nor received.

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.<sup>110</sup>

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**

The proposed rule change implements SEA Rule 10c-1a, which directs FINRA to “implement rules regarding the format and manner of its collection of information described in paragraphs (c) through (e) of [SEA Rule 10c-1a] and make publicly available such information in accordance with rules promulgated pursuant to 15 U.S.C. 78s(b) ... and [SEA Rule 19b-4].”<sup>111</sup>

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.

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<sup>110</sup> 15 U.S.C. 78s(b)(2).

<sup>111</sup> See SEA Rule 10c-1a(f).

**11. Exhibits**

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-2024-007)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™))

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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, as required by Securities Exchange Act Rule 10c-1a, to adopt the new FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™)) to (1) require reporting of securities loans; and (2) provide for the public dissemination of loan information.

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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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

(i) Background

On October 13, 2023, the Commission adopted new SEA Rule 10c-1a<sup>3</sup> to require any “covered person”<sup>4</sup> who agrees to a “covered securities loan”<sup>5</sup> to provide specified information to

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<sup>3</sup> See 17 CFR 240.10c-1a (“SEA Rule 10c-1a”); Securities Exchange Act Release No. 98737 (October 13, 2023), 88 FR 75644 (November 3, 2023) (Reporting of Securities Loans) (“Adopting Release”).

<sup>4</sup> SEA Rule 10c-1a(j)(1) defines a “covered person” as (i) any person that agrees to a covered securities loan on behalf of a lender (“intermediary”) other than a clearing agency when providing only the functions of a central counterparty pursuant to Rule 17Ad-22(a)(2) of the Exchange Act or a central securities depository pursuant to Rule 17Ad-22(a)(3) of the Exchange Act; or (ii) any person that agrees to a covered securities loan as a lender when an intermediary is not used unless paragraph (j)(1)(iii) of this section applies; or (iii) a broker or dealer when borrowing fully paid or excess margin securities pursuant to Rule 15c3-3(b)(3) of the Exchange Act.

<sup>5</sup> SEA Rule 10c-1a(j)(2) defines a “covered securities loan” as a transaction in which any person on behalf of itself or one or more other persons, lends a reportable security to another person, with exclusions for a position at a clearing agency that results from central counterparty services pursuant to Rule 17Ad-22(a)(2) of the Exchange Act or central securities depository services pursuant to Rule 17Ad-22(a)(3) of the Exchange Act and the use of margin securities, as defined in Rule 15c3-3(a)(4) of the Exchange Act, by a broker or dealer. “Reportable security” is defined in SEA Rule 10c-1a(j)(3) as any security or class of an issuer’s securities for which information is reported or required to be reported to the consolidated audit trail as required by § 242.613 of the Exchange Act and the CAT NMS Plan (“CAT”), the Financial Industry Regulatory Authority’s Trade Reporting and Compliance Engine (“TRACE”), or the Municipal Securities Rulemaking Board’s Real-Time Transaction Reporting System (“RTRS”), or any reporting system that replaces one of these systems.

a Registered National Securities Association (“RNSA”).<sup>6</sup> The RNSA is then required to make publicly available information regarding reported securities loans, as described in SEA Rule 10c-1a.<sup>7</sup> In its Adopting Release, the Commission stated that SEA Rule 10c-1a would increase transparency in the securities lending market, resulting in a reduction of the information disadvantage faced by end borrowers and beneficial owners, improved price discovery, increased competition among providers of securities lending analytics services, reduced costs associated with tracking market conditions for broker-dealers and lending programs, and improved decision-making by investors, beneficial owners and other market participants.<sup>8</sup> The Commission stated its belief that the rule would likely reduce the borrowing costs of some securities, improving price discovery, liquidity, and capital formation in the underlying security markets, and would benefit investors by increasing the ability of regulators to surveil, study, and provide oversight of both the securities lending market and individual market participants.<sup>9</sup>

#### Covered Person Reporting Requirements

SEA Rule 10c-1a prescribes the items of information that covered persons must report to an RNSA regarding a covered securities loan. These reportable data elements include both non-confidential items of information that would be publicly disseminated (i.e., the items of information specified in SEA Rule 10c-1a(c)(1) through (12)) as well as confidential items of information that would not be publicly disseminated (i.e., the items of information specified in SEA Rule 10c-1a(e)(1) through (3)).

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<sup>6</sup> SEA Rule 10c-1a(j)(5) defines an RNSA as an association of brokers and dealers that is registered as a national securities association pursuant to 15 U.S.C. 78o-3 of the Exchange Act. FINRA currently is the only RNSA.

<sup>7</sup> See SEA Rule 10c-1a(g).

<sup>8</sup> See Adopting Release, 88 FR 75644, 75692.

<sup>9</sup> See Adopting Release, 88 FR 75644, 75692-93.

Specifically, SEA Rule 10c-1a(c) requires covered persons to report the following non-confidential items of information to an RNSA, if applicable, by the end of the day<sup>10</sup> on which the covered securities loan is effected:

- (1) The legal name of the security issuer, and the Legal Entity Identifier (“LEI”) of the issuer, if the issuer has a non-lapsed LEI;
- (2) The ticker symbol, International Securities Identification Number (“ISIN”), Committee on Uniform Securities Identification Procedures (“CUSIP”), or Financial Instrument Global Identifier (“FIGI”) of the security, or other security identifier;
- (3) The date the covered securities loan was effected;
- (4) The time the covered securities loan was effected;
- (5) The name of the platform or venue where the covered securities loan was effected;
- (6) The amount, such as size, volume, or both, of the reportable securities loaned;
- (7) The type of collateral used to secure the covered securities loan;
- (8) For a covered securities loan collateralized by cash, the rebate rate or any other fee or charges;
- (9) For a covered securities loan not collateralized by cash, the securities lending fee or rate, or any other fee or charges;
- (10) The percentage of collateral to value of reportable securities loaned required to secure such covered securities loan;
- (11) The termination date of the covered securities loan; and

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<sup>10</sup> SEA Rule 10c-1a permits the RNSA to define “end of the day” for the purposes of the rule. See Adopting Release, 88 FR 75644, 75648 n.72.



(12) Whether the borrower is a broker or dealer, a customer (if the person lending securities is a broker or dealer), a clearing agency, a bank, a custodian, or other person.

With respect to the confidential items of information, SEA Rule 10c-1a(e) requires covered persons to report the following items of information to an RNSA, if applicable, by the end of the day on which the covered securities loan is effected:

(1) If known, the legal name of each party to the covered securities loan, other than the customer from whom a broker or dealer borrows fully paid or excess margin securities pursuant to Rule 15c3-3(b)(3) of the Exchange Act, Central Registration Depository (“CRD”) or Investment Adviser Registration Depository (“IARD”) Number, market participant identification (“MPID”), and the LEI of each party to the covered securities loan, and whether such person is the lender, the borrower, or an intermediary between the lender and the borrower;

(2) If the person lending securities is a broker or dealer and the borrower is its customer, whether the security is loaned from a broker’s or dealer’s securities inventory to a customer of such broker or dealer; and

(3) If known, whether the covered securities loan is being used to close out a fail to deliver pursuant to Rule 204 of Regulation SHO or to close out a fail to deliver outside of Regulation SHO.

SEA Rule 10c-1a also requires covered persons to report specified modifications to covered securities loans. Specifically, if a loan modification occurs after the non-confidential data elements for the covered securities loan were reported to an RNSA pursuant to SEA Rule 10c-1a(c), and results in a change to any of the non-confidential data elements previously provided to an RNSA, SEA Rule 10c-1a(d)(1) requires a covered person to provide to the

RNSA: (1) the date and time of the modification; (2) the specific modification and the specific non-confidential data element being modified; and (3) the unique identifier assigned by the RNSA to the original covered securities loan. With respect to a modification to a covered securities loan for which reporting under SEA Rule 10c-1a was not required on the date the loan was agreed to or last modified that results in a change to any of the non-confidential data elements required to be provided to an RNSA under SEA Rule 10c-1a(c), SEA Rule 10c-1a(d)(2) requires that the covered person report all of the non-confidential data elements to the RNSA as of the date of the modification, as well as the date and time of the modification.

#### RNSA Publication of Data

SEA Rule 10c-1a(g) (RNSA publication of data) sets forth the requirements applicable to an RNSA regarding securities loan data publication. Specifically, SEA Rule 10c-1a(g)(1) provides that, following receipt of the non-confidential data elements discussed above, as soon as practicable, and not later than the morning of the business day after the covered securities loan is effected, the RNSA must assign a unique identifier to the covered securities loan, and make publicly available for each covered securities loan effected on the previous business day: (1) the unique identifier assigned by the RNSA; (2) the non-confidential data elements required to be reported pursuant to SEA Rule 10c-1a(c), other than the loan amount; and (3) the security identifier under SEA Rule 10c-1a(c)(1) or 10c-1a(c)(2) that the RNSA determines is appropriate to identify the security (e.g., the security's ticker symbol or CUSIP identifier).

SEA Rule 10c-1a(g)(2) provides that, following receipt of the non-confidential data elements reported pursuant to SEA Rule 10c-1a(c), on the twentieth business day after the covered securities loan is effected, the RNSA must make publicly available the loan amount

reported to the RNSA pursuant to SEA Rule 10c-1a(c)(6) along with the applicable loan and security identifying information.

With respect to modifications to covered securities loans previously reported to the RNSA, SEA Rule 10c-1a(g)(3)(i) provides that, following the receipt of information regarding a modification (pursuant to SEA Rule 10c-1a(d)), the RNSA must assign a unique identifier to the covered securities loan (if one has not already been assigned), and as soon as practicable, and not later than the morning of the business day after the covered securities loan is modified, make publicly available information pertaining to any modification to the non-confidential data elements required to be reported pursuant to SEA Rule 10c-1a(c), other than the loan amount. With respect to covered securities loans for which reporting was not required on the date the loan was agreed to or last modified (i.e., a loan for which non-confidential data elements are reported to an RNSA pursuant to paragraph (d)(2) of SEA Rule 10c-1a), the RNSA must make publicly available all of the non-confidential data elements required to be reported pursuant to SEA Rule 10c-1a(c), other than the loan amount.<sup>11</sup>

With respect to loan amounts, SEA Rule 10c-1a(g)(3)(ii) provides that, on the twentieth business day after the covered securities loan is modified, the RNSA must make publicly available the loan amount reported to the RNSA pursuant to SEA Rule 10c-1a(c)(6) along with the applicable loan and security identifying information.

The RNSA is required to keep confidential and not disseminate the confidential data elements reported pursuant to SEA Rule 10c-1a(e).<sup>12</sup>

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<sup>11</sup> See SEA Rule 10c-1a(g)(3) and (3)(i).

<sup>12</sup> See SEA Rule 10c-1a(g)(4). In addition to keeping the information confidential, an RNSA is required to establish, maintain, and enforce reasonably designed written policies and procedures to maintain the security and confidentiality of the confidential information. See SEA Rule 10c-1a(h)(4).

In addition, SEA Rule 10c-1a(g)(5) provides that, following the receipt of information reported pursuant to SEA Rule 10c-1a(c) when a covered securities loan is effected, or reported pursuant to SEA Rule 10c-1a(d) when a covered securities loan is modified, the RNSA must, as soon as practicable and not later than the morning of the business day after a covered securities loan is effected or modified, make publicly available, on a daily basis, information pertaining to the aggregate loan transaction activity and distribution of loan rates for each reportable security and the security identifier(s) that an RNSA determines is appropriate to identify the security (e.g., the security's ticker symbol or CUSIP identifier).

### Reporting Agents

SEA Rule 10c-1a(a)(2) permits a covered person to rely on a reporting agent to fulfill its reporting obligations under Rule 10c-1a. In order to use a reporting agent to fulfill its SEA Rule 10c-1a information reporting obligations, a covered person must: (1) enter into a written agreement with the reporting agent, and (2) provide the reporting agent with timely access to the required SEA Rule 10c-1a information.<sup>13</sup> A reporting agent that assumes the reporting obligation on behalf of a covered person (pursuant to paragraph (a)(2)) is then required to provide the SEA Rule 10c-1a information to an RNSA, in the format and manner required by the applicable rule(s) of such RNSA (and within the time periods specified in SEA Rule 10c-1a(c) through (e)).<sup>14</sup> A reporting agent is also required to enter into a written agreement with an RNSA that permits the reporting agent to provide SEA Rule 10c-1a information to an RNSA on behalf of a covered person<sup>15</sup> and to provide an RNSA with a list naming each covered person on

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<sup>13</sup> See SEA Rule 10c-1a(a)(2).

<sup>14</sup> See SEA Rule 10c-1a(b)(1).

<sup>15</sup> See SEA Rule 10c-1a(b)(3).

whose behalf the reporting agent is providing SEA Rule 10c-1a information (and provide an RNSA with any updates to the list of such persons by the end of the day such list changes).<sup>16</sup>

#### RNSA Rules, Fees and Data Retention Requirements

SEA Rule 10c-1a(f) requires an RNSA to implement rules regarding the format and manner of its collection of information described in paragraphs 10c-1a(c) through 10c-1a(e) and make publicly available such information in accordance with rules promulgated by the RNSA pursuant to Section 19(b) of the Exchange Act and Rule 19b-4 thereunder; SEA Rule 10c-1a(i) also permits an RNSA to establish and collect reasonable fees pursuant to rules established under Section 19(b) of the Exchange Act and Rule 19b-4 thereunder.<sup>17</sup> SEA Rule 10c-1a(h) imposes data retention and availability requirements on an RNSA related to its collection of SEA Rule 10c-1a information. Specifically, an RNSA must retain the information collected pursuant to paragraphs (c) through (e) of SEA Rule 10c-1a in a convenient and usable standard electronic data format that is machine readable and text searchable without any manual intervention for a period of five years<sup>18</sup> and make the non-confidential information collected pursuant to paragraphs (c) and (d) of SEA Rule 10c-1a available to the public (in the same manner it is maintained) on an RNSA's website or similar means of electronic distribution, without use restrictions, for a period of at least five years.<sup>19</sup> An RNSA must also make the information collected pursuant to paragraphs (b)(4) and (c) through (e) of SEA Rule 10c-1a available to the

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<sup>16</sup> See SEA Rule 10c-1a(b)(4).

<sup>17</sup> See SEA Rule 10c-1a(f) and (i). FINRA does not have regulatory authority over Covered Persons or Reporting Agents that are non-FINRA members. As FINRA does today, FINRA would refer to the SEC potential violations of the federal securities laws and rules by non-members, including failures to comply with SEA Rule 10c-1a and FINRA rules adopted pursuant to SEA Rule 10c-1a (e.g., potential SLATE reporting violations or failures to pay when due any SLATE reporting fees).

<sup>18</sup> See SEA Rule 10c-1a(h)(1).

<sup>19</sup> See SEA Rule 10c-1a(h)(3).

Commission; or other persons as the Commission may designate by order upon a demonstrated regulatory need.<sup>20</sup> With respect to the confidential information collected by an RNSA pursuant to paragraph (e) of SEA Rule 10c-1a, paragraph (h)(4) requires an RNSA to establish, maintain, and enforce reasonably designed written policies and procedures to maintain the security and confidentiality of such confidential information.

(ii) Proposed Rule Change

Consistent with SEA Rule 10c-1a, FINRA is proposing to adopt the new FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))<sup>21</sup> to establish reporting requirements for covered securities loans and to provide for the dissemination of individual and aggregate covered securities loan information and loan rate statistics.<sup>22</sup> Among other things, these proposed rules would define key terms for the reporting of covered securities loans and specify the reporting requirements with respect to both initial covered securities loans and loan modifications, including prescribing required modifiers and indicators. FINRA intends to file separately a proposed rule change to establish covered securities loan reporting fees and securities loan data products and associated fees.

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<sup>20</sup> See SEA Rule 10c-1a(h)(2).

<sup>21</sup> SLATE is the automated system developed by FINRA that, among other things, will accommodate reporting and dissemination of loan reports where applicable in covered securities loans. See proposed Rule 6510(g).

<sup>22</sup> FINRA may validate and reject submissions to SLATE that FINRA believes are noncompliant or otherwise inconsistent with SEA Rule 10c-1a or with the form and manner specified by FINRA for the data (as provided in FINRA rules, guidance, and technical documents and specifications), and may exclude any such information from disseminated SLATE data. FINRA may also block or reject any activity to the extent such activity puts the normal functioning of the SLATE system at risk.

Reporting Initial Covered Securities Loans

Proposed Rule 6530(a) would govern the reporting requirements applicable to Covered Persons for reporting Initial Covered Securities Loans.<sup>23</sup> Proposed Rule 6510(e) would define “Initial Covered Securities Loan” as a new Covered Securities Loan not previously reported to SLATE. The definitions of “Covered Person” and “Covered Securities Loan” for the purposes of this proposed rule change would be the same as set forth in SEA Rule 10c-1a.<sup>24</sup> Initial Covered Securities Loans would be required to be reported within the time periods outlined in proposed Rule 6530(a)(1) (When and How Initial Covered Securities Loans Are Reported). Specifically, for Initial Covered Securities Loans effected on a business day at or after 12:00:00 a.m. Eastern Time (“ET”) through 7:45:00 p.m. ET, the required information must be reported the same day before 8:00:00 p.m. ET.<sup>25</sup> For Initial Covered Securities Loans effected on a business day after 7:45:00 p.m. ET, the required information must be reported no later than the next business day (T+1) before 8:00:00 p.m. ET;<sup>26</sup> and Initial Covered Securities Loans effected on a Saturday, a Sunday, a federal or religious holiday or other day on which SLATE is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T+1) before 8:00:00 p.m. ET.<sup>27</sup>

Proposed Rule 6530(a)(2) (Loan Information To Be Reported) would specify the items of information that must be reported to FINRA. Specifically, proposed Rule 6530(a)(2)(A) through

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<sup>23</sup> As discussed above, a Covered Person may engage a Reporting Agent to comply with the reporting obligations on its behalf, consistent with the conditions of SEC Rule 10c-1a. See proposed Rule 6510(k) (defining “Reporting Agent”); see also infra n.60.

<sup>24</sup> See proposed Rule 6510(k) (among other things, defining “Covered Person” and “Covered Securities Loan” by reference to SEA Rule 10c-1a, which defines “covered person” and “covered securities loan” in paragraphs (j)(1) and (2), respectively); see also supra notes 4-5.

<sup>25</sup> See proposed Rule 6530(a)(1)(A).

<sup>26</sup> See proposed Rule 6530(a)(1)(B).

<sup>27</sup> See proposed Rule 6530(a)(1)(C).

(N) would require that Initial Covered Securities Loan reports must contain the below non-confidential data elements:

- (1) The legal name of the security issuer and the LEI of the issuer (if the issuer has a non-lapsed LEI);
- (2) Security symbol, CUSIP, ISIN, or FIGI, if any;
- (3) The date the Covered Securities Loan was effected;
- (4) The time the Covered Securities Loan was effected;
- (5) The expected settlement date of the Covered Securities Loan;
- (6) The platform or venue where the Covered Securities Loan was effected;<sup>28</sup>
- (7) The amount of the Reportable Securities loaned;<sup>29</sup>
- (8) The type of collateral used to secure the Covered Securities Loan;
- (9) For a Covered Securities Loan collateralized by cash, the rebate rate;
- (10) For a Covered Securities Loan not collateralized by cash, the securities lending fee;
- (11) Any other fees or charges;<sup>30</sup>
- (12) The percentage of collateral to value of Reportable Securities loaned required to secure such Covered Securities Loan;

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<sup>28</sup> FINRA will make available a list of platforms/venues and their associated identifiers for reporting purposes. If a loan occurs on a platform/venue not yet included on the FINRA list, the Covered Person must enter the name of the platform/venue in the SLATE report.

<sup>29</sup> Proposed Rule 6530(a)(3) specifies that when reporting the loan amount pursuant to 6530(a)(2)(G), for a Covered Securities Loan of a security reportable to CAT, a Covered Person must report the number of shares loaned. For a Covered Securities Loan of a security reportable to TRACE or the MSRB's RTRS, a Covered Person must report the total par value of the securities loaned.

<sup>30</sup> When reporting a rebate rate or lending fee pursuant to proposed Rule 6530(a)(2)(I) or (J), respectively, a Covered Person must report the rebate rate or lending fee as a percentage, and separately report the dollar cost of any other fees or charges.



(13) For a Covered Securities Loan with a specified term, the termination date of the Covered Securities Loan;<sup>31</sup> and

(14) Whether the borrower is a Broker<sup>32</sup> or Dealer,<sup>33</sup> a customer (if the person lending securities is a Broker or Dealer), a Clearing Agency,<sup>34</sup> a Bank,<sup>35</sup> a Custodian,<sup>36</sup> or other person.

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<sup>31</sup> This field would remain blank if reporting a Covered Securities Loan without a specified term (i.e., an open-ended loan). However, upon the termination of an open-ended loan, as is the case with a term loan, a Covered Person would be required to submit a Loan Modification appending the terminated loan indicator pursuant to proposed Rule 6530(c)(4). See infra n.48 and accompanying text.

<sup>32</sup> Proposed Rule 6510(j) would define “Broker” by reference to Exchange Act Section 3(a). Exchange Act Section 3(a)(4)(A) defines a “broker” as any person engaged in the business of effecting transactions in securities for the account of others, with exceptions for certain bank activities specified in Exchange Act Section 3(a)(4)(B).

<sup>33</sup> Proposed Rule 6510(j) would define “Dealer” by reference to Exchange Act Section 3(a). Exchange Act Section 3(a)(5)(A) defines a “dealer” as any person engaged in the business of buying and selling securities (not including security-based swaps, other than security-based swaps with or for persons that are not eligible contract participants) for such person’s own account through a broker or otherwise, with exceptions for persons not engaged in the business of dealing (Exchange Act Section 3(a)(5)(B)) and for certain bank activities specified in Exchange Act Section 3(a)(5)(C).

<sup>34</sup> Proposed Rule 6510(j) would define “Clearing Agency” by reference to Exchange Act Section 3(a). Exchange Act Section 3(a)(23)(A) defines a “clearing agency” as any person who acts as an intermediary in making payments or deliveries or both in connection with transactions in securities or who provides facilities for comparison of data respecting the terms of settlement of securities transactions, to reduce the number of settlements of securities transactions, or for the allocation of securities settlement responsibilities. Such term also means any person, such as a securities depository, who (i) acts as a custodian of securities in connection with a system for the central handling of securities whereby all securities of a particular class or series of any issuer deposited within the system are treated as fungible and may be transferred, loaned, or pledged by bookkeeping entry without physical delivery of securities certificates, or (ii) otherwise permits or facilitates the settlement of securities transactions or the hypothecation or lending of securities without physical delivery of securities certificates. Exchange Act Section 3(a)(23)(B) provides exceptions to the definition of a “clearing agency.”

<sup>35</sup> Proposed Rule 6510(j) would define “Bank” by reference to Exchange Act Section 3(a). Exchange Act Section 3(a)(6) defines a “bank” as (A) a banking institution organized under the laws of the United States or a Federal savings association, as defined in section 1462(5) of title 12, (B) a member bank of the Federal Reserve System, (C) any other banking institution or savings association, as defined in section 1462(4) of title 12, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under the authority of the Comptroller of the Currency pursuant to section 92a of title 12, and which is supervised and examined by State or Federal authority having supervision over banks or savings associations, and which is not operated for the purpose of evading the provisions of this chapter, and (D) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (A), (B), or (C).

<sup>36</sup> Proposed Rule 6510(c) would define “Custodian” by reference to Exchange Act Section 3(a)(4)(B)(viii) as a broker or bank that is providing safekeeping or custody services as described in Exchange Act Section 3(a)(4)(B)(viii)(I)(aa) or (bb) in connection with the Covered Securities Loan.

Consistent with SEA Rule 10c-1a(e), proposed Rule 6530(a)(2)(O) through (U) would also require that Initial Covered Securities Loan reports contain the below confidential data elements:

(1) If known, the legal name of each party to the Covered Securities Loan (other than the customer from whom a Broker or Dealer borrows fully paid or excess margin securities pursuant to SEA Rule 15c3-3(b)(3));

(2) If known, the CRD Number or IARD Number of each party to the Covered Securities Loan, if applicable;

(3) If known, the MPID of each party to the Covered Securities Loan;

(4) If known, the LEI of each party to the Covered Securities Loan;

(5) If known, whether each party to the Covered Securities Loan is the lender, the borrower, or an intermediary between the lender and the borrower;

(6) If the person lending securities is a Broker or Dealer and the borrower is its customer, whether the security is loaned from the Broker's or Dealer's securities inventory to the customer of such Broker or Dealer; and

(7) If known, whether the Covered Securities Loan is being used to close out a fail to deliver pursuant to Rule 204 of SEC Regulation SHO or to close out a fail to deliver outside of Regulation SHO.

Additionally, proposed Rule 6530(a)(2)(V) through (Y) would require a Covered Person to report:

(1) Whether the Covered Person is the lender, borrower or intermediary;

(2) The unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE;

(3) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE;<sup>37</sup> and

(4) Such modifiers and indicators as required by either the Rule 6500 Series or the SLATE Participant specification.

FINRA intends to use the information required by proposed Rule 6530(a)(2)(V) (requiring Covered Persons to identify whether the Covered Person is the lender, borrower or intermediary), proposed Rule 6530(a)(2)(W) (requiring Covered Persons to report the unique internal identifier it has assigned for the loan), and proposed Rule 6530(a)(2)(X) (requiring, for a loan that is an allocation of an omnibus loan, that Covered Persons report the unique internal identifier it has assigned for the associated omnibus loan) for data validation and regulatory purposes. For example, the Covered Person party type (i.e., lender, borrower or intermediary) would provide necessary information regarding the identity of the Covered Person under the Rule, including in instances where a party other than the Covered Person submits the report to SLATE. The Covered Person's internal identifier for the loan would allow for the identification of a Covered Securities Loan in the audit trail prior to the assignment of a loan identifier by FINRA. For example, the internal identifier assigned by a Covered Person would be used to associate an Initial Covered Securities Loan with a Loan Modification submitted on the same

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<sup>37</sup> Individual participants in agency lending programs generally authorize an agent lender, pursuant to agency lending agreements, to lend their securities on their behalf. As discussed in the Adopting Release, reporting obligations under SEA Rule 10c-1a can depend on how a pool or lending program is structured (e.g., whether the pool or lending program itself or the individual underlying participants are the party or parties identified as the lender for the loan). See generally Adopting Release, 88 FR 75644, 75664. If the Initial Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, proposed Rule 6530(a)(2)(W) and (X) would require that the SLATE report include both the Covered Person's unique internal identifier for the Covered Securities Loan (i.e., the report of the allocation) and the Covered Person's unique internal identifier for the associated omnibus loan.

day, prior to the assignment of a loan identifier by FINRA. The Covered Person's unique internal omnibus loan identifier would be used to identify allocations and reallocations of Covered Securities Loans that are associated with an omnibus-level loan arranged by an agent lender. Obtaining this identifier would allow FINRA, for example, to provide the public with more granular insight into the day's loan activity in its disseminated data.<sup>38</sup> FINRA believes that requiring Covered Persons to report unique internal identifiers—in whatever alphanumeric format preferred by the firm—strikes an appropriate balance by ensuring that FINRA receives important information for use in identifying and linking associated reports without requiring firms to assign an identifier using a prescribed format or convention.

The modifiers and indicators—set forth in proposed Rule 6530(c) (Modifiers and Indicators)—apply to specific scenarios where additional detail is appropriate to clarify the information required to be reported pursuant to proposed Rule 6530(a)(2) and (b)(2).<sup>39</sup> FINRA intends to use these modifiers and indicators to provide regulators and the public with important information regarding the reported securities loan. Specifically, proposed Rule 6530(c)(1) (Exclusive Arrangement) would require a Covered Person to append an indicator to identify a

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<sup>38</sup> As required by SEA Rule 10c-1a(g)(5), FINRA would make publicly available, on a daily basis, information pertaining to the aggregate loan transaction activity for each Reportable Security based on the prior business day's activity. The omnibus loan identifier would allow FINRA to identify allocations of an omnibus loan arranged by an agent lender and determine when an Initial Covered Securities Loan reported to SLATE is actually a reallocation of some portion of a preexisting omnibus loan. This would allow FINRA to filter the amounts of any such loan reallocations from the aggregate loan volumes that FINRA proposes to disseminate for each Reportable Security on a given day, as specified in proposed FINRA Rule 6540(c)(1).

<sup>39</sup> SEA Rule 10c-1a prescribes generally the loan information that parties must report to FINRA (i.e., the data elements listed in SEA Rule 10c-1a(c), loan modifications identified in SEA Rule 10c-1a(d), and confidential data elements listed in SEA Rule 10c-1a(e)), and requires that FINRA establish rules regarding the format and manner of its collection of such information. See SEA Rule 10c-1a(f); see also Adopting Release, 88 FR 75644, 75667 n.365 (explaining that the Commission is not specifying the details as to the format of the required data, the manner in which rates would be presented, or other detailed information requested, to give an RNSA the discretion to structure its systems and processes as it sees fit and propose rules accordingly, provided they are consistent with the final rule as adopted as well as other requirements of the Exchange Act applicable to an RNSA).

loan made pursuant to an exclusive arrangement with the borrower or intermediary. An exclusive arrangement is one in which a borrower or intermediary has exclusive access to a lender's portfolio. Because exclusive access to a lender's portfolio can impact the loan rate,<sup>40</sup> the exclusive loan indicator would help to identify loans whose rates may not reflect current market rates.

Proposed Rule 6530(c)(2) (Loan to Affiliate) would require a Covered Person to append an indicator to identify a loan made to an Affiliate of the lender or intermediary. For purposes of this provision, "Affiliate" would be defined as "an entity that controls, is controlled by or is under common control with a Covered Person."<sup>41</sup> Because an affiliate relationship between the borrower and lender or intermediary can impact borrowing costs,<sup>42</sup> the affiliate loan indicator would likewise help to identify loans whose rates may not reflect current market rates.<sup>43</sup>

Proposed Rule 6530(c)(3) (Unsettled Loan) would require a Covered Person to append an indicator to identify an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned that did not settle by the close of SLATE System Hours<sup>44</sup> on the expected settlement date reported to SLATE.<sup>45</sup> Loans may be agreed upon but ultimately not

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<sup>40</sup> See Adopting Release, 88 FR 75644, 75695 n.732.

<sup>41</sup> See proposed Rule 6710(a). For the purposes of the definition of "Affiliate," "control," along with any derivative thereof, means legal, beneficial, or equitable ownership, directly or indirectly, of 25 percent or more of the capital stock (or other ownership interest, if not a corporation) of any entity ordinarily having voting rights. See proposed Rule 6510(a). The term "common control" means the same natural person or entity controls two or more entities. See proposed Rule 6510(a).

<sup>42</sup> See Adopting Release, 88 FR 75644, 75661 n.278 and accompanying text.

<sup>43</sup> See Adopting Release, 88 FR 75644, 75661 n.279 (stating that "[t]o reduce any potential confusion and misinterpretation of the data, an RNSA could determine to, if it is able, develop methodologies to separate or identify [affiliate] loans").

<sup>44</sup> Proposed Rule 6510(i) would define "SLATE System Hours" as "the hours SLATE is open, which are 6:00:00 a.m. Eastern Time through 7:59:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA."

<sup>45</sup> The unsettled loan indicator would generally not be applicable to Loan Modifications involving a decrease to the loan amount due to the return of securities to the lender. See *infra* n.54.

settle for a variety of reasons (e.g., the lender is unable to deliver the securities; the loan fails due to mismatched instructions).<sup>46</sup> The unsettled loan indicator would provide clarity that the amount of Reportable Securities loaned reported to SLATE was not transferred to the borrower, which may provide useful insight into the day's loan activity.<sup>47</sup>

Proposed Rule 6530(c)(4) (Terminated Loan) would require a Covered Person to indicate when a Covered Securities Loan has been terminated. The terminated loan indicator would therefore be required to be appended on reports of: (1) an Initial Covered Securities Loan that did not and will not settle; and (2) Loan Modifications reporting the termination of a Covered Securities Loan (whether an open-ended or a term loan).<sup>48</sup>

Proposed Rule 6530(c)(5) (Rate or Fee Adjustment) would require a Covered Person to report the appropriate modifier if a loan rebate rate or lending fee accounts for: (1) a billing adjustment or correction to amounts previously rebated or charged; or (2) the value of a distribution or other economic benefit associated with the Reportable Security, e.g., a corporate action. Similarly, proposed Rule 6530(c)(6) (Basket Loan) would require a Covered Person to report the appropriate modifier if a loan rebate rate or lending fee reflects a rate or fee involving a basket of at least 10 unique Reportable Securities for a single agreed rate or fee for the entire basket. In each of these scenarios, the modifier would help to identify loans where the rate or fee may not reflect the current market. In addition to enhancing the disseminated data and its value

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<sup>46</sup> To the extent an Initial Covered Securities Loan or Loan Modification that was originally reported with the unsettled loan indicator subsequently settled, a Covered Person would be required to report a Loan Modification to remove the unsettled loan indicator to reflect that the previously reported Initial Covered Securities Loan or Loan Modification had settled.

<sup>47</sup> FINRA expects to use the unsettled loan indicator to filter the aggregate data that it would disseminate pursuant to SEA Rule 10c-1a(g)(5), and the indicator would be publicly disseminated with the loan-level data that FINRA would disseminate pursuant to SEA Rule 10c-1a(g)(1) through (3).

<sup>48</sup> See proposed Rule 6530(c)(4).

to market participants, FINRA plans to use these modifiers for data validation (e.g., in instances where FINRA’s data validation logic identifies the reported rate as potentially erroneous).

### Reporting Securities Loan Modifications

Proposed Rule 6530(b) would govern the reporting requirements applicable to Covered Persons for reporting Loan Modifications.<sup>49</sup> Proposed Rule 6510(f) would define “Loan Modification” as a change to any “Data Element” with respect to a Covered Securities Loan (irrespective of whether such Covered Securities Loan was previously reported to SLATE), where “Data Element” refers to the required non-confidential data elements and modifiers reported pursuant to proposed Rule 6530(a)(2).<sup>50</sup> Proposed Rule 6530(b)(1) (When and How Loan Modifications Are Reported) would require that Loan Modifications be reported within the same timeframes applicable to the reporting of Initial Covered Securities Loans. Specifically, for Loan Modifications effected on a business day at or after 12:00:00 a.m. ET through 7:45:00 p.m. ET, the required information must be reported the same day before 8:00:00 p.m. ET.<sup>51</sup> For Loan Modifications effected on a business day after 7:45:00 p.m. ET, the required information must be reported no later than the next business day (T+1) before 8:00:00 p.m. ET,<sup>52</sup> and Loan Modifications effected on a Saturday, a Sunday, a federal or religious holiday or other day on which SLATE is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T+1) before 8:00:00 p.m. ET.<sup>53</sup>

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<sup>49</sup> As discussed above, a Covered Person may engage a Reporting Agent to comply with the reporting obligations on its behalf, consistent with the conditions of SEC Rule 10c-1a. See proposed Rule 6510(k) (defining “Reporting Agent”); see also infra n.60.

<sup>50</sup> See proposed Rule 6510(d).

<sup>51</sup> See proposed Rule 6530(b)(1)(A).

<sup>52</sup> See proposed Rule 6530(b)(1)(B).

<sup>53</sup> See proposed Rule 6530(b)(1)(C).

Proposed Rule 6530(b)(2) (Loan Modifications – Information To Be Reported) would specify the items of information that must be reported to FINRA. Specifically, proposed Rule 6530(b)(2)(A) through (I) would require that each Loan Modification report contain the information below:

(1) The unique identifier assigned by FINRA to the Initial Covered Securities Loan, or, if a unique identifier has not yet been assigned by FINRA, the unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE;

(2) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE;

(3) The MPID of the Covered Person;

(4) The date of the Loan Modification;

(5) The time of the Loan Modification;

(6) The expected settlement date for modifications to the loan amount (if the expected settlement date is a date other than the date of the Loan Modification), or the effective date for all other Loan Modifications (if the effective date is a date other than the date of the Loan Modification);<sup>54</sup>

(7) Whether the Covered Person is the lender, borrower or intermediary;

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<sup>54</sup> Covered Persons must report a decrease to the loan amount resulting from a return of securities only once the securities have been delivered because returns are not considered “effected” until the securities are actually returned. However, Covered Persons must report all other Loan Modifications on the date that the Loan Modification was agreed upon and, in such instances, must report the effective date (pursuant to proposed Rule 6530(b)(2)(F)) unless the effective date is the same as the Loan Modification date (reported pursuant to 6530(b)(2)(D)).



(8) The modified Data Elements for a Loan Modification to a Covered Securities Loan previously reported to SLATE or all Data Elements for a Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE;<sup>55</sup> and

(9) Such modifiers and indicators as required by either the Rule 6500 Series or the SLATE Participant specification.

Proposed Rule 6530.01 (Intraday Loan Modifications) addresses a Covered Person's reporting obligations when multiple Loan Modifications occur on a given day. Specifically, if a Covered Securities Loan (whether or not previously reported to SLATE) is modified multiple times throughout the day, a Covered Person must report each Loan Modification that occurs on a given day as set forth in proposed Rule 6530(b). For example, if Lender A and Borrower X agree at 10:00 a.m. ET to modify the rebate rate for a previously reported Covered Securities Loan from 0.15 percent to 0.20 percent, and then decide at 3:00 p.m. ET to modify the rate to 0.30 percent, the Covered Person must report two Loan Modifications pursuant to proposed Rule 6530(b)(2): one with a Loan Modification time of 10:00 a.m. ET reflecting the change in the rebate rate to 0.20 percent and a second with a Loan Modification time of 3:00 p.m. ET to reflect the change in the rebate rate to 0.30 percent. Because, in this example, the Covered Securities Loan was previously reported to SLATE, the Loan Modification reports must also include the unique identifier assigned by FINRA to the loan.

If, however, the Covered Securities Loan was not previously required to be reported (e.g., because the Initial Covered Securities Loan occurred prior to the effectiveness of the FINRA

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<sup>55</sup> As defined by proposed Rule 6510(d), "Data Element" includes any item of information that a Covered Person must report under SEA Rule 10c-1a(c) and proposed Rule 6530(a)(2)(A) through (N) and such modifiers and indicators required by proposed Rule 6530(a)(2)(Y). Accordingly, a modification to a Covered Securities Loan that would require the addition or removal of a modifier or indicator required to be reported pursuant to proposed Rule 6530(a)(2)(Y) would require a Covered Person to report a Loan Modification as set forth in proposed Rule 6530(b).

rule), the Covered Person must still report two Loan Modifications. However, the Loan Modification report reflecting the 10:00 a.m. ET change in the rebate rate to 0.20 percent must also include all of the other Data Elements required by proposed Rule 6530(a)(2) (i.e., the non-confidential data elements) as well as the internal identifier assigned to the Covered Securities Loan by the Covered Person, and, if the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE. The second Loan Modification report reflecting the 3:00 p.m. ET change would not be required to include all of the other Data Elements required by proposed Rule 6530(a)(2); however, unless a unique identifier has been assigned to the loan by FINRA, the second Loan Modification report must include the internal identifier assigned to the Covered Securities Loan by the Covered Person, and, if the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE.<sup>56</sup>

A Loan Modification report is also required where a Covered Securities Loan is modified on the day upon which it was effected, even if the modification occurred prior to the submission of the Initial Covered Securities Loan report to SLATE. Thus, for example, Lender A and Borrower X agree to an Initial Covered Securities Loan at 10:00 a.m. ET with terms that include a rebate rate of 0.15 percent. At 3:00 p.m. ET that same day, before the Initial Covered Securities Loan was reported to SLATE, Lender A and Borrower X agree to change the previously agreed upon rebate rate from 0.15 to 0.20 percent. Under the proposed rule, the

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<sup>56</sup> See proposed Rule 6530(b)(2)(A) and (B).

Initial Covered Securities Loan must be reported reflecting all of the Data Elements and Confidential Data Elements<sup>57</sup> required pursuant to proposed Rule 6530(a)(2), including the date and time the loan was effected of 10:00 a.m. ET as well as the original rebate rate of 0.15 percent. In addition to reporting the Initial Covered Securities Loan, the Covered Person also must separately report the Loan Modification reflecting the modification date and time of 3:00 p.m. ET, the new rate of 0.20 percent, and the internal identifier assigned to the Covered Securities Loan by the Covered Person, and, if the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE.

As discussed in the Adopting Release, a change to any party to a Covered Securities Loan would constitute the termination of the prior Covered Securities Loan and the initiation of a new loan under proposed Rule 6530.<sup>58</sup> Therefore, Covered Persons must submit two reports to SLATE: (1) a termination report with respect to the prior loan; and (2) an Initial Covered Securities Loan report reflecting all of the Data Elements and Confidential Data Elements required by proposed Rule 6530(a)(2) with respect to the new loan. Thus, proposed Rule 6530.02 (Changes to the Parties of a Covered Securities Loan) provides that, with respect to a previously reported Covered Securities Loan, following the addition or removal of a party required to be identified pursuant to Rule 6530(a)(2)(O) a Covered Person must: (a) report the termination of the previously reported Covered Securities Loan as a Loan Modification pursuant to Rule 6530(b) that reflects the date and time the party was added or removed and select the

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<sup>57</sup> As defined by proposed Rule 6510(b), “Confidential Data Element” includes any item of information that a Covered Person must report under SEA Rule 10c-1a(e) and FINRA Rule 6530(a)(2)(O) through (X).

<sup>58</sup> See 88 FR 75644, 75664.

terminated loan indicator; and (b) report an Initial Covered Securities Loan pursuant to Rule 6530(a) that reflects the new parties to the loan, if known (other than the customer from whom a Broker or Dealer borrows fully paid or excess margin securities pursuant to SEA Rule 15c3-3(b)(3)).

#### Compliance with Reporting Obligations

Similar to requirements that exist with respect to reporting obligations under other FINRA rules, FINRA is proposing to adopt proposed Rule 6530(d) (Compliance with Reporting Obligations) to implement provisions regarding Covered Persons' ongoing reporting obligations and the use of third parties in meeting SEA Rule 10c-1a and FINRA 6500 Rule Series obligations.<sup>59</sup> Specifically, proposed Rule 6530(d)(1) provides that Covered Persons (other than Covered Persons that engage a Reporting Agent<sup>60</sup>) have an ongoing obligation to report Initial Covered Securities Loans and Loan Modifications to FINRA timely, accurately, and completely. In addition, a Covered Person may employ an agent for the purpose of submitting loan information to SLATE; however, unless the Covered Person has retained a Reporting Agent as permitted under SEA Rule 10c-1a, the primary responsibility for the timely, accurate, and complete reporting of loan information to SLATE remains the non-delegable duty of the Covered Person with the reporting obligation. Also, similar to requirements that exist with respect to reporting obligations under other FINRA rules, proposed Rule 6530(d)(2) provides that a member's pattern or practice of late reporting without exceptional circumstances may be

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<sup>59</sup> See e.g., Rule 6380A(h); Rule 6622(h); Rule 6730(a)(6).

<sup>60</sup> Proposed Rule 6510(k) would define "Reporting Agent" by reference to SEA Rule 10c-1a, which defines "reporting agent" in paragraph (j)(4) as a broker, dealer, or registered clearing agency that enters into a written agreement with a covered person under paragraph (a)(2) of SEA Rule 10c-1a.

considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.<sup>61</sup>

FINRA also is proposing to adopt a provision to specify that, even where a member employs a Reporting Agent consistent with SEA Rule 10c-1a(a)(2), the member must nonetheless take reasonable steps to ensure that the Reporting Agent is in fact complying with the securities lending reporting requirements of SEA Rule 10c-1a and proposed FINRA Rule 6530 on its behalf.<sup>62</sup> As discussed above, SEA Rule 10c-1a(a)(2) specifies the applicable requirements that permit a Covered Person to rely on a Reporting Agent to fulfill its reporting obligations under the rule. These requirements include that the Covered Person must enter into a written agreement with a Reporting Agent that agrees to report the requisite information to FINRA on behalf of such Covered Person in accordance with the requirements of SEA Rule 10c-1a(b);<sup>63</sup> and provides the Reporting Agent with timely access to the SEA Rule 10c-1a information.<sup>64</sup> In connection with these provisions, proposed Rule 6530(d)(3) would provide that a member relying on a Reporting Agent has an obligation under FINRA Rule 3110 (Supervision) to take reasonable steps to ensure that the Reporting Agent is complying with SEA Rule 10c-1a and FINRA Rule 6530 on its behalf. In executing this obligation, FINRA would expect, for example, that the member review the Covered Securities Loan reporting data made available to it by the Reporting Agent or through FINRA's system to evaluate the accuracy and timeliness of the Covered Securities Loan reports submitted on its behalf by the Reporting Agent.

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<sup>61</sup> See e.g., Rule 6380A(a)(4); Rule 6622(a)(4); Rule 6623; Rule 6730(f).

<sup>62</sup> See proposed Rule 6530(d)(3).

<sup>63</sup> See SEA Rule 10c-1a(a)(2)(i).

<sup>64</sup> See SEA Rule 10c-1a(a)(2)(ii).

Finally, proposed Rule 6530(d)(4) would provide that, if a Covered Person makes a good faith determination that it has a reporting obligation under SEA Rule 10c-1a and this Rule 6500 Series, the Covered Person or Reporting Agent, as applicable, must report the Covered Securities Loan as provided in proposed Rule 6530. If the Reportable Security is not entered into the SLATE system, proposed Rule 6530(d)(4) would also require the Covered Person or Reporting Agent, as applicable, to promptly notify and provide FINRA Operations, in the form and manner required by FINRA, the information specified in Rule 6530(a)(2)(A) and (B), along with such other information as FINRA deems necessary to enter the Reportable Security for reporting through SLATE. This requirement would enable FINRA to set the security up in its systems and facilitate reporting of the Covered Securities Loan to SLATE, as required by SEA Rule 10c-1a and proposed Rule 6530.

#### Participation in SLATE

Proposed Rule 6520 (Participation in SLATE) would establish the requirements applicable to Covered Persons and Reporting Agents with respect to participation in SLATE. Rule 6510(h) would define a “SLATE Participant” as “any person that reports securities loan information to SLATE, directly or indirectly.” “SLATE Participant” therefore would include both persons who connect to SLATE directly to report Covered Securities Loan information, including Reporting Agents, as well as any Covered Person who has engaged a Reporting Agent or other agent.

Paragraph (1) of proposed Rule 6520(a) (Mandatory Participation) would provide that participation in SLATE is mandatory for purposes of reporting Covered Securities Loans. Such mandatory participation would obligate a Covered Person to submit Covered Securities Loan information to SLATE in conformity with the SEA Rule 10c-1a and the FINRA Rule 6500

Series. Proposed Rule 6520(a)(2) would provide that participation in SLATE would be conditioned on the SLATE Participant's initial and continuing compliance with specified requirements. Specifically, SLATE Participants must: (i) obtain an MPID for reporting Covered Securities Loans to SLATE;<sup>65</sup> (ii) execute and comply with the SLATE Participant application agreement and all applicable rules and operating procedures of FINRA<sup>66</sup> and the SEC;<sup>67</sup> and (iii) maintain the physical security of the equipment located on the premises of the SLATE Participant to prevent unauthorized entry of information into SLATE.<sup>68</sup> Proposed Rule 6520(a)(3) would provide that SLATE Participants would be obligated to inform FINRA of non-compliance with, or changes to, any of these mandatory participation requirements.

Proposed Rule 6520(b) (Reporting Agents) would set forth the participation requirements specific to Reporting Agents.<sup>69</sup> Consistent with SEA Rule 10c-1a(b)(4), proposed Rule 6520(b) would require a SLATE Participant acting as a Reporting Agent to provide FINRA with a list naming each Covered Person on whose behalf the Reporting Agent is providing information to SLATE and any changes to the list of such persons by the end of the day on which any such change occurs, in the form and manner specified by FINRA.

Finally, proposed Rule 6520(c) (SLATE Participant Obligations) would provide that, upon execution and receipt by FINRA of the SLATE Participant application agreement, a SLATE Participant may commence input of Covered Securities Loan reports into SLATE. Proposed Rule 6520(c) would also require that a SLATE Participant must report Covered

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<sup>65</sup> See proposed Rule 6520(a)(2)(A).

<sup>66</sup> For example, the proposed Rule 6500 Series and, if a member, member conduct rules.

<sup>67</sup> See proposed Rule 6520(a)(2)(B).

<sup>68</sup> See proposed Rule 6520(a)(2)(C).

<sup>69</sup> See supra n.60 (noting proposed Rule 6510(k) would define "Reporting Agent" by reference to SEA Rule 10c-1a).

Securities Loan information using its MPID, and would provide that a SLATE Participant may access SLATE via a FINRA-approved facility during SLATE System Hours.

#### Dissemination of Loan Information

As required by SEA Rule 10c-1a(g), proposed Rule 6540 (Dissemination of Loan Information) would provide for the public dissemination of securities loan data reported to SLATE and information pertaining to the aggregate loan transaction activity and distribution of loan rates for each Reportable Security. The publicly available data would include: (1) next day (T+1) loan-level data dissemination for Initial Covered Securities Loans and Loan Modifications (except for the loan amount); (2) T+20 dissemination of the loan amount for Initial Covered Securities Loans and Loan Modifications; and (3) daily loan statistics (i.e., aggregate loan activity and distribution of loan rates).

#### T+1 Loan-Level Data Dissemination

Under proposed Rule 6540(a) (Next Day Dissemination), for each Initial Covered Securities Loan and Loan Modification reported to SLATE on a given business day, no later than the morning of the next business day, FINRA would make publicly available: (1) the unique identifier assigned by FINRA to the Covered Securities Loan; (2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and (3) the requisite Data Elements.

With respect to each Initial Covered Securities Loan reported to SLATE, proposed Rule 6540(a)(3)(A) would specify that FINRA make publicly available no later than the morning of the next business day all other reported Data Elements, except the amount of Reportable Securities loaned (reported pursuant to Rule 6530(a)(2)(G)) and any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification that FINRA



determines shall not be publicly disseminated. Thus, for example, if a Covered Person reports an Initial Covered Securities Loan to SLATE on a Tuesday before 8:00:00 p.m. ET, on Wednesday morning, assuming Wednesday is a business day, FINRA would disseminate the unique identifier assigned by FINRA to the loan, the security identifier, and all other reported Data Elements, except the loan amount and any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification that FINRA determines shall not be publicly disseminated.

With respect to each Loan Modification to a Covered Securities Loan reported to SLATE on the same or a prior business day, proposed Rule 6540(a)(3)(B) would specify that FINRA make publicly available no later than the morning of the next business day the modified Data Elements reported to SLATE, except the amount of Reportable Securities loaned and any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification that FINRA determines shall not be publicly disseminated. For example, if a Covered Person reports a Loan Modification to SLATE on a Tuesday before 8:00:00 p.m. ET increasing the previously reported loan amount from 500 shares to 700 shares and decreasing the previously reported rebate rate from 0.25 percent to 0.15 percent, on Wednesday morning, assuming Wednesday is a business day, FINRA would disseminate the unique identifier assigned by FINRA to the loan, the security identifier, and the modified rebate rate, i.e., 0.15 percent, but would not disseminate the modified loan amount, which would be subject to delayed dissemination (until 20 business days after the date of the modification to the loan amount) under proposed Rule 6540(b), as discussed below.

Finally, in the case of a Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE (e.g., because the Initial Covered Securities Loan

occurred prior to the effectiveness of the Rule 6500 Series), proposed Rule 6540(a)(3)(C) would specify that FINRA make publicly available the unique loan identifier assigned by FINRA to the loan, the security identifier, and all other reported Data Elements, except the amount of Reportable Securities loaned and any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification that FINRA determines shall not be publicly disseminated.

#### T+20 Loan Amount Dissemination

Pursuant to Rule 6540(b) (Delayed Dissemination), for each Initial Covered Securities Loan and Loan Modification reported to SLATE, 20 business days after the date on which the Initial Covered Securities Loan was effected or the loan amount was modified, FINRA would make publicly available: (1) the unique identifier assigned by FINRA to the Covered Securities Loan, (2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate, and (3) the amount of Reportable Securities loaned reported to SLATE. For Initial Covered Securities Loans, the 20-day delay period would begin the day after the Covered Securities Loan is effected (even in the case of late reports). For example, where a Covered Securities Loan is effected on a Monday, the 1<sup>st</sup> of the month<sup>70</sup> and is reported to SLATE before 8:00:00 p.m. ET that day, the 20-business day period would start to run on the 2<sup>nd</sup>, and FINRA would disseminate the amount of securities loaned reported to SLATE on the 29<sup>th</sup> day of the month (20 business days later), along with the unique loan identifier assigned by FINRA and the security identifier. Where a Covered Securities Loan is effected at 10:00 p.m. ET on the 1<sup>st</sup> of the month and is reported to FINRA the next business day as required by Rule 6530(a)(1)(B), the 20-business day period would still start to run the 2<sup>nd</sup> of the month (i.e., the

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<sup>70</sup> For purposes of this example, the month is a 30-day month where each weekday is a business day.

next business day after the loan was effected) and FINRA would disseminate the amount of securities loaned reported to SLATE on the 29<sup>th</sup> day of the month. In either scenario above, if a modification to the loan amount is effected and reported to SLATE prior to the end of the 20-business day delay period, i.e., prior to the 29<sup>th</sup> of the month, the modified loan amount would be disseminated 20 business days after such Loan Modification is effected.

#### Daily Loan Statistics

In addition to T+1 loan-level data disseminated pursuant to proposed Rule 6540(a), FINRA would disseminate statistics regarding Covered Securities Loans reported to FINRA, including aggregate loan activity and distribution of loan rebate rates and lending fees.<sup>71</sup>

#### Aggregate Loan Transaction Activity

Pursuant to paragraph (1) of proposed Rule 6540(c) (Aggregate Loan Transaction Activity), for each Reportable Security for which an Initial Covered Securities Loan or Loan Modification is reported to SLATE on a given business day, FINRA would disseminate, no later than the morning of the next business day, aggregated loan activity in the Reportable Security<sup>72</sup> (along with the security identifier specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to identify the relevant Reportable Security).<sup>73</sup> The aggregated data would include, for each Reportable Security, under proposed Rule 6540(c)(1)(A), the aggregate volume of securities (both in total and broken down by collateral type) subject to an Initial Covered

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<sup>71</sup> See proposed Rule 6540(c).

<sup>72</sup> In addition to the items of information specified in proposed paragraphs (A) through (E) of proposed Rule 6540(c)(1), FINRA may, in its discretion, publish or distribute additional metrics regarding aggregate transaction activity free of charge. See infra n.73 defining “aggregate loan activity.” See also Adopting Release, 88 FR 75644, 75684.

<sup>73</sup> In its Adopting Release, the Commission stated that the term “aggregate transaction activity” refers to information pertaining to the absolute value of transactions such that net position changes should not be discernable in the data, and is intended to help ensure that only aggregate information about net positions changes, rather than individualized information, is provided to the public. See Adopting Release, 88 FR 75644, 75684.

Securities Loan or modification to the amount of Reportable Securities loaned reported on the prior business day, and, under proposed Rule 6540(c)(1)(B), the aggregate volume of securities (both in total and broken down by collateral type) subject to a rebate rate or fee modification reported on the prior business day. FINRA believes that these data would provide the public with useful information concerning the daily lending activity in Reportable Securities, including insight into how this activity is distributed across collateral types.<sup>74</sup>

Pursuant to Rule 6540(c)(1)(C), FINRA would also disseminate the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned subject to a term loan (i.e., a loan with a specified term) and subject to an open loan (i.e., a loan without a specified term) reported on the prior business day.<sup>75</sup>

FINRA believes that these data would provide the public with useful information concerning the nature of current lending activity.<sup>76</sup> Pursuant to Rule 6540(c)(1)(D), FINRA would also disseminate the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned broken down by borrower type (as specified in proposed Rule 6530(a)(2)(N)) on the prior business day.<sup>77</sup> These data may provide market participants with information regarding the degree to which loan activity is retail or

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<sup>74</sup> See proposed Rule 6540 Supplementary Material .01 (De Minimis Loan Transaction Activity), which would provide that FINRA may omit from the aggregate loan activity volume information for Reportable Securities for which there were three or fewer types of Initial Covered Securities Loan and Loan Modification events reported to SLATE in total on the prior business day. For example, if a single Covered Securities Loan was subject to 10 Loan Modifications reported to SLATE on a given day, FINRA would omit from the daily loan statistics volume information for that Reportable Security because these events occurred in a single Covered Securities Loan.

<sup>75</sup> See supra n.73.

<sup>76</sup> FINRA understands that most securities loans are open-ended, allowing the security on loan to be recalled by the lender. See Adopting Release, 88 FR 75644, 75673.

<sup>77</sup> See supra n.73.

wholesale, which, in combination with the other aggregate data may provide insight into short selling sentiment.<sup>78</sup>

Pursuant to proposed Rule 6540(c)(1)(E), FINRA would disseminate the aggregate number of Initial Covered Securities Loans and terminated Covered Securities Loans (both in total and broken down by collateral type) reported on the prior business day. FINRA believes that these data would provide the public with useful information concerning current lending activity.

#### Loan Rate Distributions

Pursuant to paragraph (2) of proposed Rule 6540(c) (Loan Rate Distribution Data), for each Reportable Security for which an Initial Covered Securities Loan or Loan Modification is reported to SLATE on a business day, FINRA would also disseminate, not later than the morning of the next business day, the security identifier (specified in Rule 6530(a)(2)(A) or (B)) that FINRA determines is appropriate to identify the relevant Reportable Security and information pertaining to the distribution of loan rebate rates or lending fees, as applicable,<sup>79</sup> including: the highest rebate rate, lowest rebate rate, and volume weighted average of the rebate rates reported to SLATE for Initial Covered Securities Loans collateralized by cash and, separately, for Loan Modifications collateralized by cash (where the Loan Modification involved a change to the rebate rate). FINRA would also disseminate the highest lending fee, lowest lending fee, and volume weighted average of the lending fees reported for Initial Covered Securities Loans not collateralized by cash and, separately, for Loan Modifications not collateralized by cash (where

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<sup>78</sup> See Adopting Release, 88 FR 75644, 75725 n.1050.

<sup>79</sup> In addition to the items of information specified in proposed paragraphs (A) and (B) of proposed Rule 6540(c)(2), FINRA may, in its discretion, publish or distribute additional metrics regarding loan rebate rates and lending fees free of charge.

the Loan Modification involved a change to the lending fee). These rate distribution metrics would provide market participants with both an overall view of the range of daily loan pricing for each Reportable Security, as well as insight into the relationship between loan rates/fees and loan amounts.

Proposed Rule 6540(d) (Loan Transaction Information Not Disseminated) would specify the information reported to FINRA that would not be disseminated. As prescribed by SEA Rule 10c-1a(g)(4), proposed Rule 6540(d)(1) provides that the Confidential Data Elements reported to FINRA would not be disseminated. In addition, proposed Rule 6540(d)(2) would provide that FINRA may determine not to publicly disseminate any modifier or indicator required by either the Rule 6500 Series or the SLATE Participant specification. FINRA may determine not to disseminate a modifier or indicator where the use of such information is intended for regulatory purposes only or its public disclosure may otherwise be inappropriate (e.g., where it may result in information leakage).

Finally, as proposed in Rule 6540.02 (Means of Data Dissemination), FINRA would make the data pursuant to proposed Rule 6540(a) through (c) available on FINRA's website free of charge for personal, non-commercial purposes only. For other uses, FINRA would publish or distribute SLATE data for fees that have been filed with the SEC pursuant to Rule 19b-4 under the Exchange Act.<sup>80</sup>

#### Other Provisions

Consistent with FINRA's rules governing other reporting facilities that it operates, proposed Rule 6550 (Emergency Authority) would provide that, as market conditions may

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<sup>80</sup> FINRA intends separately to file a proposed rule change to establish SLATE reporting fees and fees for fee-liable data products. Interested parties may subscribe to these fee-liable data products. Professionals would not be permitted to access the SLATE data made available free of charge on FINRA's website, which is provided for personal, non-commercial purposes only.

warrant, FINRA, in consultation with the SEC, may suspend the reporting or dissemination of certain Covered Securities Loans, or the reporting of certain Data Elements or Confidential Data Elements or the dissemination of certain Data Elements for such period of time as FINRA deems necessary.<sup>81</sup>

The Commission's release adopting SEA Rule 10c-1a specified the applicable compliance dates.<sup>82</sup> If the Commission approves the proposed rule change, unless an extension is provided pursuant to Commission order, the implementation date of the proposed FINRA rules establishing the reporting requirements will be January 2, 2026; and the implementation date of the proposed FINRA rules establishing the dissemination requirements will be April 2, 2026. If the SEC extends the compliance dates for SEA Rule 10c-1a's reporting or dissemination requirements, FINRA's proposed rules addressing securities loan reporting and data dissemination would become effective consistent with the SEC's extended timeframe for reporting and data dissemination, respectively.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which require that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest and, among other things, must not be designed to permit unfair discrimination

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<sup>81</sup> See Rule 6770.

<sup>82</sup> See Adopting Release, 88 FR 75644, 75691.

between customers, issuers, brokers or dealers.<sup>83</sup> FINRA also believes that the proposed rule change is consistent with SEA Rule 10c-1a, which requires FINRA to implement rules regarding the format and manner of its collection of the securities loan information described in SEA Rule 10c-1a(c) through (e) and for making publicly available such information in accordance with rules promulgated pursuant to Section 19(b) of the Exchange Act and Rule 19b-4 under the Exchange Act.<sup>84</sup>

The proposed Rule 6500 Series is designed to improve transparency and efficiency in the securities lending market, consistent with Section 15(A)(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act.<sup>85</sup> The proposed rule change would do so by facilitating the collection of specified securities loan information from Covered Persons and Reporting Agents, which include non-FINRA members,<sup>86</sup> and providing access to such information to market participants, the public, and regulators. As such, these proposed changes are intended to facilitate the objectives of the Commission and Congress by providing “borrowers and lenders with better tools to assess the terms of their securities loans and enhance the ability of regulators to oversee the securities lending market,” and “result in the public availability of new information for investors and other market participants to consider in the mix of information about the securities lending market and the securities markets generally to better inform their

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<sup>83</sup> 15 U.S.C. 78q-3(b)(6).

<sup>84</sup> See SEA Rule 10c-1a(f); see also Adopting Release, 88 FR 75644, 75648.

<sup>85</sup> As noted above, SEA Rule 10c-1a requires FINRA, as the sole RNSA, to propose rules consistent with the Commission’s mandate. See SEA Rule 10c-1-a(f). Section 984(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) added section 10(c)(1) to the Exchange Act to provide the Commission with authority over securities lending. See 15 U.S.C. 78j(c)(1). Section 984(b) of the Dodd-Frank Act mandates that the Commission increase the transparency of information available to brokers, dealers, and investors with respect to the loan or borrowing of securities. See Pub. L. 111-203, 124 Stat. 1376 (2010). See also 15 U.S.C. 78q-3(b)(6).

<sup>86</sup> As defined in SEA Rule 10c-1a(j), “Covered Persons” and “Reporting Agents” may include non-FINRA members.



decisions,” which FINRA believes is consistent with Section 15A(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act.<sup>87</sup>

FINRA’s proposed Rule 6500 Series would also facilitate the availability to regulators of information that may be used to aid in assessing market events—“[f]or example, January 2021 information on market participants’ securities lending activity would have provided FINRA and Commission staff a more timely and comprehensive view of who was entering into new loans and who was no longer borrowing securities. This would have facilitated a deeper understanding of how the events were or were not impacting market participants. Such analyses can help determine if further regulatory intervention in markets is warranted and can inform the nature of any intervention.”<sup>88</sup>

SEA Rule 10c-1a also expressly permits FINRA to establish rules regarding the format and manner of its collection of securities loan information. To that end, FINRA’s proposed rule change would require that Covered Persons report, in addition to the specific data elements prescribed in SEA Rule 10c-1a, specified loan identifiers<sup>89</sup> and specified indicators and modifiers,<sup>90</sup> as applicable. As noted above, these additional items would provide regulators and the public with important information regarding reported securities loans. For example, because

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<sup>87</sup> See Adopting Release, 88 FR 75644, 75648. See also 15 U.S.C. 78o-3(b)(6); SEA Rule 10c-1a; and 15 U.S.C. 78j(c)(1).

<sup>88</sup> See Adopting Release, 88 FR 75644, 75717.

<sup>89</sup> Covered Persons would be required to report to SLATE: (1) the unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the Covered Securities Loan to SLATE; and (2) if the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan. See proposed Rules 6530(a)(2)(W)-(X) and (b)(2)(A)-(B).

<sup>90</sup> Covered Persons would be required to append the following modifiers and indicators, as applicable, to all SLATE reports to identify: (1) a loan pursuant to an exclusive arrangement; (2) a loan to an affiliate; (3) a loan that did not settle on the expected settlement date; (4) a loan that has been terminated; (5) a loan with a rebate rate or lending fee adjustment (e.g., to account for a billing correction or the value of a distribution); and (6) a loan that is part of a basket of securities loaned for single agreed rate or fee. See proposed Rules 6530(c)(1)-(6).

an affiliate relationship between the borrower and lender (or intermediary) can impact borrowing costs, the affiliate loan indicator, proposed in Rule 6530(c)(2), would help to identify loans whose rates may not reflect current market rates, to the benefit of market participants, the public, and regulators. Similarly, because FINRA would disseminate aggregate loan activity each day, the unsettled loan indicator, proposed in Rule 6530(c)(3), would allow FINRA to filter unsettled loans, which is intended to provide the public with more granular insight into the day's loan activity.<sup>91</sup> FINRA believes that the securities loan reporting and data dissemination requirements proposed in the Rule 6500 Series, including the proposed identifiers and indicators and modifiers, are designed to promote greater transparency in the securities lending market, consistent with the objectives of Section 15A(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act.<sup>92</sup>

As noted above, SEA Rule 10c-1a(g) also mandates that FINRA publicly disseminate specified securities loan data reported to SLATE, along with information pertaining to the aggregate loan activity and distribution of loan rates for each Reportable Security. To that end, pursuant to proposed Rule 6540, FINRA would make SLATE data available on FINRA's website free of charge for personal, non-commercial purposes only. FINRA believes that making securities loan information available free of charge for personal, non-commercial purposes would promote transparency and reduce information asymmetries in the securities lending market for retail investors. For other uses, FINRA would offer SLATE data products at a fee that would be filed with the SEC pursuant to Rule 19b-4 under the Exchange Act.<sup>93</sup>

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<sup>91</sup> See *supra* n.47.

<sup>92</sup> See 15 U.S.C. 78o-3(b)(6); SEA Rule 10c-1a; and 15 U.S.C. 78j(c)(1).

<sup>93</sup> Consistent with SEA Rule 10c-1a(i) and the Commission Adopting Release, FINRA intends separately to file a proposed rule change establishing fees for SLATE data products, and interested parties may subscribe to these fee-liable data products. See Adopting Release 88 FR 75644, 75687. See also proposed Rule

FINRA believes that this approach is both reasonable and consistent with existing FINRA rules governing other transparency regimes, e.g., TRACE.<sup>94</sup> Therefore, FINRA believes that proposed FINRA Rule 6540 is designed to protect investors and the public interest and would not unfairly discriminate between customers, issuers, brokers, or dealers.<sup>95</sup>

Finally, the proposed rule change would include provisions designed to facilitate the timeliness, accuracy and completeness of the information reported to SLATE and provide additional clarity to members regarding their obligations under FINRA rules—consistent with Section 15A(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act.<sup>96</sup> Specifically, while the proposed Rule 6500 Series generally applies to Covered Persons and, where engaged, Reporting Agents,<sup>97</sup> the language of proposed Rules 6530(d)(2) and (d)(3), is limited to the conduct of members. Specifically, proposed Rule 6530(d)(2) would provide that “[a] member’s pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.” In addition, proposed Rule 6530(d)(3) would provide that “[a] member relying on a Reporting Agent to report Covered Securities Loan information to SLATE has an obligation under FINRA Rule 3110 to take reasonable steps to ensure that the Reporting Agent is complying with SEA Rule 10c-1a and FINRA Rule 6530 on its behalf.” While these requirements are not explicitly provided for in SEA Rule 10c-1a, they

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6540.02 (“Nothing in this Rule shall prohibit FINRA from also publishing or distributing SLATE data at a charge for fees that have been filed with the SEC pursuant to Rule 19b-4 under the Exchange Act.”).

<sup>94</sup> See generally, FINRA Rule 7730.

<sup>95</sup> See 15 U.S.C. 78o-3(b)(6).

<sup>96</sup> See Adopting Release, 88 FR 75644, 75648. See also 15 U.S.C. 78o-3(b)(6); SEA Rule 10c-1a; and 15 U.S.C. 78j(c)(1).

<sup>97</sup> The defined terms “Covered Person” and “Reporting Agent” include FINRA members and non-members. The defined term “SLATE Participant” would include both Covered Persons and Reporting Agents. See proposed Rule 6510.

embody standards that FINRA applies to its members generally in the conduct of their affairs— Rule 3110 (Supervision) and Rule 2010 (Standards of Commercial Honor and Principles of Trade) are foundational provisions applicable to members.<sup>98</sup> FINRA has previously provided similar clarification regarding how these rules apply in the context of other reporting regimes, such as in the fixed income and equity trade reporting rules.<sup>99</sup> A member’s obligation to report timely, accurately and completely and to take reasonable steps to ensure that it supervises agents retained in connection with its reporting obligations also applies in the securities lending context. As such, proposed FINRA Rules 6530(d)(2) and (d)(3) are consistent with the objectives of Section 15A(b)(6) of the Act, SEA Rule 10c-1a, and Section 984 of the Dodd-Frank Act and would not unfairly discriminate between customers, issuers, brokers, or dealers.<sup>100</sup>

B. Self-Regulatory Organization’s Statement on Burden on Competition

As stated in the Commission’s Adopting Release, SEA Rule 10c-1a, which the proposed rule change is designed to implement, is expected to reduce information asymmetries and to “increase competition between broker-dealers and between lending programs.”<sup>101</sup> The Commission also stated in its Adopting Release that “the increased ability for broker-dealers to monitor conditions in the lending market may encourage new broker-dealers to enter the market, further increasing competition for broker-dealer services.”<sup>102</sup> Thus, FINRA does not believe that

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<sup>98</sup> FINRA Rule 2010 provides that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.” FINRA Rule 3110 requires, *inter alia*, that FINRA members establish and maintain an effective supervisory system, which includes overseeing, supervising, and monitoring the activities or functions performed by third-party vendors, that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules. See also Regulatory Notice 21-29 (August 2021).

<sup>99</sup> See e.g., FINRA Rule 6380A(a)(4); Rule 6622(a)(4); Rule 6623; Rule 6730(f).

<sup>100</sup> See 15 U.S.C. 78o-3(b)(6); SEA Rule 10c-1a; and 15 U.S.C. 78j(c)(1).

<sup>101</sup> See Adopting Release, 88 FR 75644, 75723.

<sup>102</sup> See Adopting Release, 88 FR 75644, 75723.

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. In addition, FINRA notes that the proposed rule change would treat all similarly situated members equally, and the provisions that also address non-member obligations pursuant to SEA Rule 10c-1a likewise apply equally to similarly situated Covered Persons, Reporting Agents, and SLATE Participants, as applicable.

#### Economic Impact Assessment

Based on the regulatory need discussed above and summarized below, FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts of the proposed rule change, including potential costs, benefits, and distributional and competitive effects, relative to the current baseline.

#### Regulatory Need

On October 13, 2023, the SEC adopted SEA Rule 10c-1a, requiring Covered Persons to report Covered Securities Loan information to an RNSA, and the RNSA to make publicly available specified information regarding those reported securities loans. In its Adopting Release, the SEC stated, among other things, that SEA Rule 10c-1a was designed to increase the transparency and efficiency of the securities lending market.<sup>103</sup>

As required by SEA Rule 10c-1a(f), FINRA, currently the only RNSA, is proposing to establish rules specifying the format and manner of its collection of information on Covered Securities Loans. As required by SEA Rule 10c-1a(g), FINRA also is proposing rules to make Covered Securities Loan information publicly available. Below FINRA discusses the potential economic impacts of FINRA's proposed changes specifying the format and manner of reporting

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<sup>103</sup> See Adopting Release, 88 FR 75644.

for Covered Securities Loans and the dissemination of aggregate transaction activity and distribution of loan rates for each Reportable Security.

### Economic Baseline

In the Commission's Adopting Release, the SEC outlined the baseline and considered the economic effects of Rule 10c-1a and how its costs and benefits impacted the economic baseline.<sup>104</sup>

In its Adopting Release, the Commission noted that various types of entities participating in the securities lending market will be impacted by SEA Rule 10c-1a, including those that may need to enter into contracts and develop recording and reporting systems to comply with the rule.<sup>105</sup> Table 1 shows the estimated number of entities that will be affected by SEA Rule 10c-1a and the breakdown by type according to the estimates provided by the SEC.<sup>106</sup> In the Adopting Release, the SEC estimated that a total of 609 Covered Persons and Reporting Agents would be affected by SEA Rule 10c-1a, of which 503 were Covered Persons and 106 were Reporting Agents.<sup>107</sup>

Table 1: Estimated Number of Covered Persons and Reporting Agents Affected by SEA Rule 10c-1a

<u>Providing Covered Persons</u>	<u>255</u>
- Persons that effect a covered securities loan as the lender when an intermediary is not used	217
- Broker-dealers borrowing fully paid or excess margin securities	34
- Broker-dealer intermediaries	4
<u>Non-Providing Covered Persons</u>	<u>248</u>

<sup>104</sup> See Adopting Release, 88 FR 75644, 75692, 75694-75723.

<sup>105</sup> See Adopting Release, 88 FR 75644, 75717.

<sup>106</sup> See Adopting Release, 88 FR 75644, 75718.

<sup>107</sup> See Adopting Release, 88 FR 75644, 75717.

- Persons that effect a covered securities loan as the lender when an intermediary is not used	217
- Non-broker-dealer intermediaries	31
<b>Reporting Agents</b>	<b>106</b>
- Broker-dealers	97
- Clearing agencies	9
<b>Total</b>	<b>609</b>

### Economic Impacts

In the Adopting Release, the SEC discussed its consideration of the economic effects of SEA Rule 10c-1a.<sup>108</sup> Below, FINRA considers the potential costs, benefits, and competitive impact of FINRA's proposal specifying the format and manner of reporting for Covered Securities Loans not explicitly prescribed in SEA Rule 10c-1a. On balance, FINRA believes the costs are appropriate in light of the anticipated benefits to the SLATE reporting, transparency, and regulatory framework.

### Reporting of Information to FINRA

Expected Settlement Date. The proposed rule change requires information regarding the expected settlement date for an Initial Covered Securities Loan or a modification to the loan amount. This information would enhance the quality of the audit trail available to regulators for surveillance. Covered Persons may incur a cost to track and report this information.

Covered Person Party Type. The proposed rule change requires SLATE Participants to report whether the Covered Person is the lender, borrower, or intermediary. This information would improve the utility of the data for regulatory purposes, as it will provide necessary information regarding the identity of the Covered Person, including in instances where a party

<sup>108</sup> See Adopting Release, 88 FR 75644, 75706-24.

other than the Covered Person submits a loan report to SLATE. Covered Persons may incur a cost to track and report this information.

Loan Identifiers. For Initial Covered Securities Loans, the Covered Person responsible for reporting the loan would be required to report a unique internal identifier assigned by the Covered Person for the loan. For Loan Modifications, the Covered Person would be required to report a unique identifier assigned by FINRA to the Initial Covered Securities Loan, or if FINRA has not yet assigned an identifier, the Covered Person must provide a unique internal identifier assigned by the Covered Person for the loan. The internal identifier requirement would allow linkage of loan reports where a FINRA identifier has not yet been assigned and improve the completeness of audit trail data available to regulators. For Covered Securities Loans that are allocations of omnibus loans, the Covered Person would also be required to report a unique internal identifier assigned by the Covered Person for the associated omnibus loan. The ability to link allocations that are components of an omnibus loan would improve the completeness of the audit trail and allow FINRA to provide additional granularity in the loan activity statistics disseminated to the public. FINRA would include only the FINRA-assigned identifier when disseminating loan transaction data; FINRA will not publicly disseminate the unique internal identifier or unique omnibus loan identifier reported by Covered Persons. FINRA understands that some Covered Persons already create and maintain unique loan identifiers, which should mitigate the cost associated with the requirement to report this information to FINRA.<sup>109</sup>

Modifiers/Indicators. The proposed rule change would require the reporting of six modifiers and indicators; specifically: (1) Covered Securities Loans with affiliates; (2) loans

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<sup>109</sup> See Adopting Release, 88 FR 75644, 75685.



associated with exclusive arrangements; (3) loans with rate or fee adjustments; (4) basket loans; (5) unsettled loans; and (6) terminated loans. As discussed above, the pricing of some Covered Securities Loans may not be indicative of the current market rates available in the securities lending market. Covered Persons would incur costs for establishing processes to identify when the required modifiers must be appended and reporting such modifiers to SLATE. FINRA believes that these proposed modifiers and indicators would provide context to market participants when assessing pricing and other loan terms, helping to facilitate the usefulness of the publicly disseminated data. These proposed modifiers and indicators also would increase the usefulness of the audit trail data available to regulators as well as provide mechanisms for validating the accuracy of the reported data.

Timing of End-of-Day Reporting. As discussed above, the proposed rule change would require that Covered Securities Loans effected on a business day at or after 12:00:00 a.m. ET through 7:45:00 p.m. ET be reported to SLATE before 8:00:00 p.m. ET on the same day. FINRA believes that this reporting timeframe is reasonable because most Covered Securities Loans entered into on a given business day would have settled before 8:00:00 p.m. ET, which would provide time for Covered Persons to review the reportable information to facilitate accurate and complete reporting. In addition, FINRA understands that 8:00:00 p.m. ET is generally consistent with the reporting deadline used by commercial vendors to which some Covered Persons currently voluntarily submit securities lending information. A similar reporting deadline may help mitigate costs for Covered Persons that may leverage existing systems or that submit securities loan information to commercial vendors.

Furthermore, permitting the reporting of Initial Covered Securities Loans and Loan Modifications effected on a business day after 7:45:00 p.m. ET by no later than next business

day (T+1) before 8:00:00 p.m. ET will provide Covered Persons with time to review the reportable information for end-of-day loans to facilitate accurate and complete reporting. FINRA believes that the proposed reporting timeframes strike an appropriate balance between providing Covered Persons with sufficient time to review and report the day's loan activity and providing FINRA with the time necessary to process the reported information for next-day dissemination.

SLATE Participation Obligations. The proposed rule change would require each Covered Person or Reporting Agent to comply with SLATE participation obligations, including execution and compliance with the SLATE Participant application agreement. The SLATE participation requirements would help ensure that Covered Persons and Reporting Agents understand their obligations with regard to SLATE participation, including requiring SLATE Participants to obtain an MPID if they do not currently have one, and use it when reporting Covered Securities Loans to SLATE. The MPID requirement would provide information that would make it more efficient for FINRA to validate SLATE reports, contact firms as necessary, and troubleshoot SLATE Participant-specific technical issues. The Covered Person and Reporting Agent would incur upfront administrative costs in terms of time and effort required to enter into the SLATE Participant application agreement and costs to comply with the SLATE participation requirements on an ongoing basis. For example, Covered Persons and Reporting Agents that do not currently have an MPID for SLATE use must complete an MPID request form and incur a cost to incorporate the SLATE Participants' and counterparties' MPIDs into their systems.

Dissemination of Aggregated Loan Activity

SEA Rule 10c-1a(g)(5) generally requires that FINRA make publicly available information pertaining to the aggregate loan transaction activity and the distribution of loan rates on a daily basis. FINRA has proposed specific aggregation buckets, as described in detail above. The dissemination of these data, which would be compiled from the Data Elements required to be reported to SLATE pursuant to SEA Rule 10c-1a and proposed Rule 6530, does not impact the reporting requirements applicable to Covered Persons and, therefore, does not contribute to the direct costs of reporting for Covered Persons. Further, as FINRA would make these data available on its website free of charge for personal, non-commercial use, the dissemination of this information will similarly not contribute to any direct costs for such use.

Among other things, FINRA proposes to disseminate the aggregate volume of securities (both in total and by collateral type) subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned reported on the prior business day, which would provide varied perspectives on the loan activity for the Reportable Security, including over time. FINRA also proposes to disseminate the aggregate volume of securities (both in total and by collateral type) subject to a rebate rate or fee modification reported on the prior business day, to provide insight into the frequency of rate changes for a Reportable Security. FINRA similarly proposes to disseminate the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned with a specified term and, separately, without a specified term, reported on the prior business day, as well as the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned to one or more borrower types specified in Rule 6530(a)(2)(N) reported on the prior business day. These categorizations would permit analysis

of volume differences between loans that do not have a defined end date and those that have a defined term date, and volume differences between the wholesale versus end-customer market.

De Minimis Loan Transaction Activity. To address concerns regarding potential information leakage, FINRA proposes to omit from the daily loan statistics volume information for Reportable Securities for which there are three or fewer types of Initial Covered Securities Loans and Loan Modifications reported to SLATE in total on a given day. However, the proposed de minimis threshold may be viewed by some as reducing the transparency value of the disseminated information. FINRA believes the threshold of three or fewer Initial Covered Securities Loans and Loan Modifications appropriately balances these considerations.

#### Alternatives Considered

In specifying the format and manner of reporting for Covered Securities Loans and the dissemination of aggregate transaction activity and distribution of loan rates for Reportable Securities, FINRA considered various alternatives and the potential costs and benefits of those alternatives. On balance, FINRA believes the requirements in the proposed rule are appropriate in light of the anticipated benefits to the SLATE reporting, transparency, and regulatory framework.

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

Written comments were neither solicited nor received.

#### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2024-007 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-2024-007. 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. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2024-007 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.<sup>110</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>110</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Below is the text of the proposed rule change. Proposed new language is underlined.

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**6000. QUOTATION, ORDER, AND TRANSACTION REPORTING FACILITIES**

\* \* \* \* \*

**6500. SECURITIES LENDING AND TRANSPARENCY ENGINE (SLATE)**

**6510. Definitions**

For the purposes of this Rule 6500 Series, the following terms have the following meaning:

(a) “Affiliate” means an entity that controls, is controlled by or is under common control with a Covered Person. For the purposes of this definition, “control,” along with any derivative thereof, means legal, beneficial, or equitable ownership, directly or indirectly, of 25 percent or more of the capital stock (or other ownership interest, if not a corporation) of any entity ordinarily having voting rights. The term “common control” means the same natural person or entity controls two or more entities.

(b) “Confidential Data Element” means an item of information that a Covered Person must report under SEA Rule 10c-1a(e) and FINRA Rule 6530(a)(2)(O) through (X).

(c) “Custodian” means a Broker or Bank that is providing safekeeping or custody services as described in Exchange Act Section 3(a)(4)(B)(viii)(I)(aa) or (bb) in connection with the Covered Securities Loan.

(d) “Data Element” means an item of information that a Covered Person must report under SEA Rule 10c-1a(c) and FINRA Rule 6530(a)(2)(A) through (N) and (Y).

(e) “Initial Covered Securities Loan” means a new Covered Securities Loan not previously reported to SLATE.

(f) “Loan Modification” means a change to any Data Element with respect to a Covered Securities Loan (irrespective of whether such Covered Securities Loan was previously reported to SLATE).

(g) “Securities Lending and Transparency Engine” or “SLATE” means the automated system developed by FINRA that, among other things, accommodates reporting and dissemination of loan reports where applicable in Covered Securities Loans.

(h) “SLATE Participant” means any person that reports securities loan information to SLATE, directly or indirectly.

(i) “SLATE System Hours” means the hours SLATE is open, which are 6:00:00 a.m. Eastern Time through 7:59:59 p.m. Eastern Time on a business day, unless otherwise announced by FINRA.

(j) The following terms shall have the meanings set forth in Exchange Act Section 3(a): “Bank,” “Broker,” “Dealer,” and “Clearing Agency.”

(k) The following terms shall have the meanings set forth in SEA Rule 10c-1a: “Covered Person,” “Covered Securities Loan,” “Reporting Agent,” and “Reportable Security.”

## **6520. Participation in SLATE**

### **(a) Mandatory Participation**

(1) Pursuant to SEA Rule 10c-1a, participation in SLATE is mandatory for purposes of reporting Covered Securities Loans. Such mandatory participation obligates a Covered Person to submit Covered Securities Loan information to SLATE in conformity with SEA Rule 10c-1a and the FINRA Rule 6500 Series.



(2) Participation in SLATE shall be conditioned upon the SLATE Participant's initial and continuing compliance with the following requirements:

(A) Obtaining a Market Participant Identifier ("MPID") for reporting Covered Securities Loans to SLATE;

(B) Execution of, and continuing compliance with, a SLATE Participant application agreement and all applicable rules and operating procedures of FINRA and the SEC; and

(C) Maintenance of the physical security of the equipment located on the premises of the SLATE Participant to prevent unauthorized entry of information into SLATE.

(3) Each SLATE Participant shall be obligated to inform FINRA of non-compliance with, or changes to, any of the participation requirements set forth in paragraph (a)(2) of this Rule.

**(b) Reporting Agents**

A SLATE Participant acting as a Reporting Agent shall provide FINRA with a list naming each Covered Person on whose behalf the Reporting Agent is providing information to SLATE and shall provide FINRA with any changes to the list of such persons by the end of the day on which any such change occurs, in the form and manner specified by FINRA.

**(c) SLATE Participant Obligations**

Upon execution and receipt by FINRA of the SLATE Participant application agreement, a SLATE Participant may commence input of Covered Securities Loan reports. A SLATE Participant must report a Covered Securities Loan using its MPID. SLATE Participants may access the service via a FINRA-approved facility during SLATE System Hours.

**6530. Reporting Securities Loan Information**

**(a) Initial Covered Securities Loans**

**(1) When and How Initial Covered Securities Loans Are Reported**

For Initial Covered Securities Loans, Covered Persons must report the information specified in Rule 6530(a)(2) to SLATE, as provided in this paragraph (a)(1):

(A) An Initial Covered Securities Loan effected on a business day at or after 12:00:00 a.m. Eastern Time through 7:45:00 p.m. Eastern Time must be reported the same day before 8:00:00 p.m. Eastern Time;

(B) An Initial Covered Securities Loan effected on a business day after 7:45:00 p.m. Eastern Time must be reported no later than the next business day (T+1) before 8:00:00 p.m. Eastern Time; or

(C) An Initial Covered Securities Loan effected on a Saturday, a Sunday, a federal or religious holiday or other day on which SLATE is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T+1) before 8:00:00 p.m. Eastern Time.

**(2) Loan Information To Be Reported**

For Initial Covered Securities Loans, each SLATE report shall contain the following information:

(A) The legal name of the security issuer and the Legal Entity Identifier (“LEI”) of the issuer (if the issuer has a non-lapsed LEI);

(B) Security symbol, CUSIP, ISIN, or FIGI, if any;

(C) The date the Covered Securities Loan was effected;

(D) The time the Covered Securities Loan was effected;

(E) The expected settlement date of the Covered Securities Loan;

(F) The platform or venue where the Covered Securities Loan was effected;

(G) The amount of the Reportable Securities loaned;

(H) The type of collateral used to secure the Covered Securities Loan;

(I) For a Covered Securities Loan collateralized by cash, the rebate rate;

(J) For a Covered Securities Loan not collateralized by cash, the securities lending fee;

(K) Any other fees or charges;

(L) The percentage of collateral to value of Reportable Securities loaned required to secure such Covered Securities Loan;

(M) For a Covered Securities Loan with a specified term, the termination date of the Covered Securities Loan;

(N) Whether the borrower is a Broker or Dealer, a customer (if the person lending securities is a Broker or Dealer), a Clearing Agency, a Bank, a Custodian, or other person;

(O) If known, the legal name of each party to the Covered Securities Loan (other than the customer from whom a Broker or Dealer borrows fully paid or excess margin securities pursuant to SEA Rule 15c3-3(b)(3));

(P) If known, the CRD Number or Investment Adviser Registration Depository Number of each party to the Covered Securities Loan, if applicable;

(Q) If known, the MPID of each party to the Covered Securities Loan;

(R) If known, the LEI of each party to the Covered Securities Loan;

(S) If known, whether each party to the Covered Securities Loan is the lender, the borrower, or an intermediary between the lender and the borrower;

(T) If the person lending securities is a Broker or Dealer and the borrower is its customer, whether the security is loaned from the Broker's or Dealer's securities inventory to the customer of such Broker or Dealer;

(U) If known, whether the Covered Securities Loan is being used to close out a fail to deliver pursuant to Rule 204 of SEC Regulation SHO or to close out a fail to deliver outside of Regulation SHO;

(V) Whether the Covered Person is the lender, borrower or intermediary;

(W) The unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE;

(X) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE; and

(Y) Such modifiers and indicators as required by either the Rule 6500 Series or the SLATE Participant specification.

### **(3) Reporting Loan Amounts**

Covered Persons must report loan amounts as provided below:

(A) For a Covered Securities Loan of a security reportable to the CAT, report the number of shares loaned; or

(B) For a Covered Securities Loan of a security reportable to TRACE or the MSRB's RTRS, report the total par value of the loan.

**(b) Covered Securities Loan Modifications**

**(1) When and How Loan Modifications Are Reported**

For Loan Modifications, Covered Persons must report the information specified in paragraph (b)(2) to SLATE, as provided in this paragraph (b)(1):

(A) A Loan Modification effected on a business day at or after 12:00:00 a.m. Eastern Time through 7:45:00 p.m. Eastern Time must be reported the same day before 8:00:00 p.m. Eastern Time;

(B) A Loan Modification effected on a business day after 7:45:00 p.m. Eastern Time must be reported no later than the next business day (T+1) before 8:00:00 p.m. Eastern Time; or

(C) A Loan Modification effected on a Saturday, a Sunday, a federal or religious holiday or other day on which SLATE is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T+1) before 8:00:00 p.m. Eastern Time.

**(2) Loan Modifications – Information To Be Reported**

For Loan Modifications, each SLATE report shall contain the following information:

(A) The unique identifier assigned by FINRA to the Initial Covered Securities Loan or, if a unique identifier has not yet been assigned by FINRA, the unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE;

(B) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier

for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE;

(C) The MPID of the Covered Person;

(D) The date of the Loan Modification;

(E) The time of the Loan Modification;

(F) The expected settlement date for modifications to the loan amount (if the expected settlement date is a date other than the date of the Loan Modification), or the effective date for all other Loan Modifications (if effective date is a date other than the date of the Loan Modification);

(G) Whether the Covered Person is the lender, borrower or intermediary;

(H) The modified Data Elements for a Loan Modification to a Covered Securities Loan previously reported to SLATE or all Data Elements for a Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE; and

(I) Such modifiers and indicators as required by either the Rule 6500 Series or the SLATE Participant specification.

**(c) Modifiers and Indicators**

Append the applicable modifiers or indicators as specified by FINRA to all SLATE reports.

**(1) Exclusive Arrangement**

If the Covered Securities Loan is made pursuant to an exclusive arrangement with the borrower or intermediary, select the appropriate indicator.

**(2) Loan to Affiliate**

If the Covered Securities Loan is made to an Affiliate of the lender or intermediary, select the appropriate indicator.

**(3) Unsettled Loan**

If an Initial Covered Securities Loan or a modification to the amount of Reportable Securities loaned did not settle by the close of SLATE System Hours on the expected settlement date, select the appropriate indicator.

**(4) Terminated Loan**

If a Covered Securities Loan has been terminated, select the appropriate indicator.

**(5) Rate or Fee Adjustment**

(A) If a loan rebate rate or lending fee accounts for a billing adjustment or correction to amounts previously rebated or charged, select the appropriate modifier; or

(B) If a loan rebate rate or lending fee accounts for the value of a distribution or other economic benefit associated with the Reportable Security, e.g., a corporate action, select the appropriate modifier.

**(6) Basket Loan**

If a loan rebate rate or lending fee reflects a rate or fee involving a basket of at least 10 unique Reportable Securities for a single agreed rate or fee for the entire basket, select the appropriate modifier.

**(d) Compliance With Reporting Obligations**

(1) Covered Persons (other than Covered Persons that engage a Reporting Agent) have an ongoing obligation to report Initial Covered Securities Loans and Loan Modifications timely, accurately, and completely. A Covered Person may employ an

agent for the purpose of submitting loan information to SLATE; however, unless the Covered Person has retained a Reporting Agent, the primary responsibility for the timely, accurate, and complete reporting of information pursuant to this Rule 6500 Series remains the non-delegable duty of the Covered Person with the reporting obligation.

(2) A member's pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

(3) A member relying on a Reporting Agent to report Covered Securities Loan information to SLATE has an obligation under FINRA Rule 3110 to take reasonable steps to ensure that the Reporting Agent is complying with SEA Rule 10c-1a and FINRA Rule 6530 on its behalf.

(4) If a Covered Person makes a good faith determination that it has a reporting obligation under SEA Rule 10c-1a and this Rule 6500 Series, the Covered Person or Reporting Agent, as applicable, must report the Covered Securities Loan as provided in this Rule, and if the Reportable Security is not entered into the SLATE system, the Covered Person or Reporting Agent, as applicable, must promptly notify and provide FINRA Operations, in the form and manner required by FINRA, the information specified in Rule 6530(a)(2)(A) and (B), along with such other information as FINRA deems necessary to enter the Reportable Security for reporting through SLATE.

**••• Supplementary Material: -----**

**.01 Intraday Loan Modifications.** If a Covered Securities Loan previously reported to SLATE or a Covered Securities Loan not previously reported to SLATE is modified multiple times



throughout the day, a Covered Person must report each Loan Modification as set forth in Rule 6530(b).

**.02 Changes to the Parties to a Covered Securities Loan.** With respect to a previously reported Covered Securities Loan, following the addition or removal of a party required to be identified pursuant to Rule 6530(a)(2)(O), a Covered Person must: (a) report the termination of the previously reported Covered Securities Loan as a Loan Modification pursuant to Rule 6530(b) that reflects the date and time the party was added or removed and select the Terminated Loan indicator; and (b) report an Initial Covered Securities Loan pursuant to Rule 6530(a) that reflects the new parties to the loan, if known (other than the customer from whom a Broker or Dealer borrows fully paid or excess margin securities pursuant to SEA Rule 15c3-3(b)(3)).

**6540. Dissemination of Loan Information**

**(a) Next Day Dissemination**

For each Initial Covered Securities Loan and Loan Modification reported to SLATE on a given business day, no later than the morning of the next business day, FINRA will make publicly available:

(1) the unique identifier assigned by FINRA to the Covered Securities Loan;

(2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and

(3)(A) for each Initial Covered Securities Loan, all other Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule; or

(B) for each Loan Modification to a Covered Securities Loan, the modified Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule; or

(C) for each Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE, all other Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule.

**(b) Delayed Dissemination**

For each Initial Covered Securities Loan and Loan Modification reported to SLATE, 20 business days after the date on which the Initial Covered Securities Loan was effected or the loan amount was modified, FINRA will make publicly available:

(1) the unique identifier assigned by FINRA to the Covered Securities Loan;

(2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and

(3) the amount of Reportable Securities loaned reported to SLATE.

**(c) Daily Loan Statistics**

**(1) Aggregate Loan Transaction Activity**

For each Reportable Security for which an Initial Covered Securities Loan or Loan Modification is reported to SLATE on a given business day, no later than the morning of the next business day, FINRA will disseminate the security identifier specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate and aggregate loan activity in the Reportable Security, including the:

(A) aggregate volume of securities (both in total and by collateral type) subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned, reported on the prior business day;

(B) aggregate volume of securities (both in total and by collateral type) subject to a rebate rate or fee modification, reported on the prior business day;

(C) aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned with a specified term, and subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned without a specified term, reported on the prior business day;

(D) aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned to one or more borrower types specified in Rule 6530(a)(2)(N) reported on the prior business day; and

(E) the total number of Initial Covered Securities Loans and terminated Covered Security Loans (both in total and by collateral type) reported on the prior business day.

**(2) Loan Rate Distribution Data**

For each Reportable Security for which an Initial Covered Securities Loan or Loan Modification is reported to SLATE on a given business day, no later than the morning of the next business day, FINRA will disseminate the security identifier specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to identify

the relevant Reportable Security and information pertaining to the distribution of loan rebate rates and lending fees, as applicable, including:

(A) the highest rebate rate, lowest rebate rate, and volume weighted average of the rebate rates reported for Initial Covered Securities Loans collateralized by cash and for Loan Modifications collateralized by cash (where the Loan Modification involved a change to the rebate rate); and

(B) the highest lending fee, lowest lending fee, and volume weighted average of the lending fees reported for Initial Covered Securities Loans not collateralized by cash and for Loan Modifications not collateralized by cash (where the Loan Modification involved a change to the lending fee).

**(d) Loan Transaction Information Not Disseminated**

FINRA will not disseminate:

(1) any Confidential Data Elements reported to SLATE; and

(2) any modifier or indicator required by either the Rule 6500 Series or the

SLATE Participant specification that FINRA determines shall not be publicly disseminated.

**••• Supplementary Material: -----**

**.01 De Minimis Loan Transaction Activity.** Notwithstanding paragraph (c)(1) of this Rule,

FINRA may omit from the aggregate loan activity volume information for Reportable Securities for which there were three or fewer types of Initial Covered Securities Loan and Loan

Modification events reported to SLATE in total on the prior business day.

**.02 Means of Data Dissemination.** FINRA will make the data pursuant to this Rule available

on its website free of charge for personal, non-commercial purposes only. Nothing in this Rule

shall prohibit FINRA from also publishing or distributing SLATE data for fees that have been filed with the SEC pursuant to Rule 19b-4 under the Exchange Act.

**6550. Emergency Authority**

As market conditions may warrant, in consultation with the SEC, FINRA may suspend the reporting or dissemination of certain Covered Securities Loans, or the reporting of certain Data Elements or Confidential Data Elements or the dissemination of certain Data Elements for such period of time as FINRA deems necessary.

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