

April 29, 2025

Via Email

The Honorable Paul S. Atkins
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: Request for Extensions of Remaining SEA Rule 10c-1a Compliance Dates

Dear Chairman Atkins:

This letter is being submitted by the Financial Industry Regulatory Authority, Inc. ("FINRA") to respectfully request that the Securities and Exchange Commission ("SEC" or "Commission") extend the remaining compliance dates established in connection with Securities Exchange Act of 1934 ("SEA") Rule 10c-1a ("Rule 10c-1a")¹ such that covered persons would be required to report Rule 10c-1a information to an RNSA starting on September 28, 2026, and an RNSA would be required to publicly report Rule 10c-1a information pursuant to Rules 10c-1a(g) and (h)(3) starting on March 29, 2027.

Background

On October 13, 2023, the Commission adopted Rule 10c-1a to require any "covered person" who agrees to a "covered securities loan" to provide specified information to a registered national securities association ("RNSA").² The RNSA is then required to make publicly available information regarding reported securities loans, as described in Rule 10c-1a.³ Rule 10c-1a prescribes generally the loan information that parties must report to an RNSA (*i.e.*, the data elements listed in Rule 10c-1a(c), loan modifications identified in Rule 10c-1a(d), and confidential data elements listed in Rule 10c-1a(e)), and requires that

¹ See 17 CFR 240.10c-1a; Securities Exchange Act Release No. 98737 (October 13, 2023), 88 FR 75644 (November 3, 2023) (Reporting of Securities Loans) ("Adopting Release").

² 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.

³ See Rule 10c-1a(g).

an RNSA establish rules regarding the format and manner of its collection of such information.⁴

The effective date of Rule 10c-1a was January 2, 2024 (the “Effective Date”)⁵ and the Commission established compliance dates requiring that: (1) an RNSA propose rules pursuant to final Rule 10c-1a(f) within four months of the Effective Date;⁶ (2) the proposed RNSA rules are effective no later than 12 months after the Effective Date;⁷ (3) covered persons report Rule 10c-1a information to an RNSA starting on the first business day 24 months after the Effective Date (the “Reporting Date”);⁸ and (4) RNSAs publicly report Rule 10c-1a information pursuant to Rules 10c-1a(g) and (h)(3) within 90 calendar days of the Reporting Date.⁹

In accordance with the compliance dates set forth for an RNSA by the Commission in the Adopting Release, on May 1, 2024, FINRA filed a proposed rule change with the SEC to adopt rules establishing reporting requirements for covered securities loans and providing for the dissemination of individual and aggregate covered securities loan information and loan rate statistics, as required for an RNSA by Rule 10c-1a.¹⁰ On January 2, 2025, the Commission approved the proposed rule change, as modified by Partial Amendment No. 1.¹¹

⁴ See Rule 10c-1a(f); see *also* Adopting Release, 88 FR 75644, 75667 n.365.

⁵ See Adopting Release, 88 FR 75644, 75644.

⁶ Four months after the Effective Date was May 2, 2024.

⁷ Twelve months after the Effective Date was January 2, 2025.

⁸ The first business day 24 months after the Effective Date will be January 2, 2026.

⁹ Ninety calendar days from the Reporting Date will be April 2, 2026. See *generally* Adopting Release, 88 FR 75644, 75649.

¹⁰ See Securities Exchange Act Release No. 100046 (May 1, 2024), 89 FR 38203 (May 7, 2024) (Notice of Filing of File No. SR-FINRA-2024-007); see *also* Securities Exchange Act Release No. 101645 (November 15, 2024), 89 FR 92228 (November 21, 2024) (Notice of Partial Amendment No. 1 to File No. SR-FINRA-2024-007). In the proposed rule change, FINRA proposed implementation dates for the new FINRA Rule 6500 Series that correspond to the compliance dates set forth in the Adopting Release for Rule 10c-1a, *i.e.*, 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. FINRA noted that, if the SEC extends the compliance dates for 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. See 89 FR 38203, 38213.

¹¹ See Securities Exchange Act Release No. 102093 (January 2, 2025), 90 FR 1563 (January 8, 2025) (Order Approving File No. SR-FINRA-2024-007, as Modified by Partial Amendment No. 1) (“Approval Order”). Separately, FINRA filed a proposed rule change with the SEC for immediate effectiveness to adopt rules to establish securities loan reporting fees and securities loan data products with associated fees. See Securities Exchange Act Release No. 101697 (November 21, 2024), 89 FR 93750 (November 27, 2024) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2024-020). In the filing, FINRA stated that the implementation date of the FINRA rules establishing reporting fees will correspond to the date established by the SEC for reporting securities loan information to an RNSA, and the implementation date of the FINRA rules establishing data products and associated fees will

Request for Extensions of Remaining Rule 10c-1a Compliance Dates

FINRA requests that the Commission extend the remaining compliance dates for Rule 10c-1a. Specifically, FINRA requests that the Commission: (1) extend until September 28, 2026 the compliance date by which covered persons must report Rule 10c-1a information to an RNSA (currently set for January 2, 2026), and (2) extend until March 29, 2027 the compliance date by which an RNSA must publicly disseminate Rule 10c-1a information pursuant to Rules 10c-1a(g) and (h)(3) (currently set for April 2, 2026). FINRA is requesting these extensions for the reasons set forth below.

As noted above, FINRA's new rules to comply with Rule 10c-1a requirements were approved by the Commission on January 2, 2025.¹² Since then, FINRA has been working diligently towards the compliance dates for Rule 10c-1a. The extensive compliance efforts require building the technology infrastructure, launching the reporting system, providing user acceptance testing opportunities and incorporating any participant feedback from testing, as well as developing the documents and processes necessary to onboard covered persons and other participants (*i.e.*, reporting agents and other third parties). FINRA also must implement processes for facility support and train additional staff, all of which require adequate time for planning and deployment. Following the commencement of reporting, FINRA is required to commence dissemination of securities lending data a short three months after.

Since the approval of the new FINRA rules earlier this year, FINRA has been in regular contact with market participants and industry organizations with regard to firms' questions around implementation and the contemporaneous and ongoing compliance efforts underway by impacted parties. Now that the FINRA rules have been approved by the Commission, market participants, including market participants with no (or limited) prior experience with reporting to FINRA facilities, must assess the approved version of the rules, and determine how best to achieve compliance, including identifying new technology, process and staffing needs and conforming to the published technical specifications based on the approved FINRA rules. Whether or not a market participant chooses to engage an external vendor to assist with reporting, market participants must ensure that their internal systems are designed to identify, in appropriate form, the information required pursuant to Rule 10c-1a, which in some cases, will require systems to track new data elements or to combine data elements from multiple systems.

As impacted parties have begun preparing for compliance, they have uncovered additional issues related to reporting requirements under Rule 10c-1a that FINRA and market participants continue to seek to resolve and clarify. These issues can impact system design given that technical and operational issues often require adjustments to programming and processes. For example, these efforts have brought to light additional securities loan reporting scenarios which, once fully analyzed and mapped can necessitate corresponding systems changes and process refinements, including potentially the information captured and the scope of contracts and arrangements with third-parties.

correspond to the date established by the SEC for the dissemination of securities loan information by an RNSA, including any extensions provided by the Commission. See 89 FR 93750, 93753-54.

¹²

See Approval Order, 90 FR 1563.

Allowing additional time to complete these efforts is necessary to facilitate preparedness and a successful launch of the new reporting regime.

In light of these developments, FINRA and impacted market participants share concerns regarding the challenges and risks presented by the current, condensed compliance schedule for reporting Rule 10c-1a information and the consulted market participants support the instant request for an extension to the reporting compliance date until September 28, 2026. The current Rule 10c-1a reporting compliance date of January 2, 2026, creates unnecessary implementation risks that could be mitigated by providing impacted parties with this additional time.

Further, FINRA believes that additional risk can also be mitigated by adopting an implementation schedule that does not fall near the end, or at the beginning, of a calendar year, and the consulted market participants also share this view. The end or beginning of the year is a challenging period for implementing any system changes, let alone to conduct final testing and launch an entirely new reporting regime that is heavily dependent on the successful roll-out of new technology, both for FINRA and impacted market participants. FINRA notes that many firms impose freezes on non-critical technology changes during this time of year, and these difficulties can be compounded by the unavailability of key personnel. Given these considerations, FINRA believes that the requested reporting compliance date, which would not coincide with the end-of-year or beginning-of-year periods, would help mitigate technological and operational risks in the implementation of the new Rule 10c-1a reporting regime.

Additionally, FINRA requests an extension of approximately six months, until March 29, 2027, of the date that an RNSA would be required to publicly disseminate Rule 10c-1a information. Accuracy of disseminated data is critical to ensure meaningful transparency and to avoid unnecessary confusion or other forms of potential investor harm. Under the current compliance schedule, FINRA would be required to disseminate securities lending data three months after the commencement of reporting—a length of time that is much shorter than the one- or more-year period that is typical between the commencement of a new reporting regime and the commencement of public dissemination. Based on FINRA's extensive experience with reporting and dissemination regimes, FINRA expects that there will be more reporting challenges, potentially resulting in inaccuracies and inconsistencies, at the beginning of this new reporting requirement, particularly because it will be a new facility and some participants will have no (or limited) prior experience with reporting to FINRA facilities. This increases the importance of adequate time to review the data, assess its quality, identify participants with reporting inconsistencies or other issues, provide additional clarification, if needed, and work with participants until reporting accuracy stabilizes. These efforts have proven important in the past to help ensure that the data ultimately disseminated to the public are accurate.

For the reasons discussed above, FINRA respectfully requests that the Commission act to extend: (1) until September 28, 2026 the compliance date for the commencement of reporting of Rule 10c-1a information to an RNSA to allow sufficient time for FINRA to take necessary steps in preparation for Rule 10c-1a compliance, including building, testing and

The Honorable Paul S. Atkins

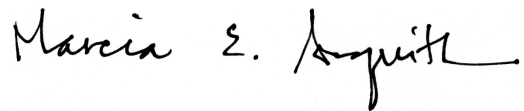
April 29, 2025

Page 5

launching the new reporting system, and for market participants to take necessary steps for compliance, in an effective and orderly manner; and (2) until March 29, 2027 the commencement of dissemination of Rule 10c-1a data to provide FINRA with sufficient time to review the reported data and work with market participants on reporting accuracy and consistency to facilitate the dissemination of accurate individual and aggregate covered securities loan information and loan rate statistics to the public. FINRA believes that the requested extensions will facilitate the realization of the anticipated benefits of Rule 10c-1a by providing FINRA, covered persons, and other impacted parties sufficient time to complete systems development, programming, testing and other efforts, and to resolve operational issues, to support the provision of accurate data to the public under the Rule 10c-1a reporting and transparency framework.

Should you have any questions, please contact Robert Cook, President and Chief Executive Officer, FINRA.

Sincerely,

A handwritten signature in black ink, reading "Marcia E. Asquith". The signature is fluid and cursive, with the first name "Marcia" being the most prominent.

Marcia E. Asquith
Corporate Secretary and
EVP, Board and External Relations

cc: David H. Saltiel, Acting Director, Division of Trading and Markets, SEC