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

File No. \* SR 2026 - \* 009

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 Amend the FINRA Rule 6700 Series (Trade Reporting and Compliance Engine) (TRACE) to Expand the Scope of the Non-Member Affiliate--Principal Transaction Indicator to Also Include Member Affiliates

**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 \* Erica Last Name \* Proctor

Title \* Associate General Counsel

E-mail \* erica.proctor@finra.org

Telephone \* (202) 728-8864 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 04/22/2026 (Title \*)

By Robert McNamee Vice President & Associate General Counsel  
(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.

**Robert McNamee**

Digitally signed by Robert McNamee  
Date: 2026.04.22 16:36:52 -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-2026-009 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-2026-009 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-2026-009 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 “Exchange Act”),<sup>1</sup> the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend the FINRA Rule 6700 Series (Trade Reporting and Compliance Engine) (“TRACE”) to expand the scope of the non-member affiliate—principal transaction indicator to also include member affiliates.

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 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.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

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

(a) Purpose

FINRA is proposing amendments to improve transparency in TRACE-Eligible Securities<sup>2</sup> by streamlining dissemination of transactions between a member and its

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

<sup>2</sup> “TRACE-Eligible Security” means a debt security that is United States (U.S.) dollar-denominated and is: (1) issued by a U.S. or foreign private issuer, and, if a

member affiliate. The proposed rule change seeks to accomplish this by expanding the scope of the current non-member affiliate—principal transaction indicator. Originally adopted in 2015, the non-member affiliate—principal transaction indicator requires members to identify in TRACE reports transactions between the member and its non-member affiliate, where the member also engaged in a same-day, same-price transaction in the same security with another contra-party.<sup>3</sup> The non-member affiliate—principal transaction indicator allows FINRA to suppress from dissemination inter-affiliate transactions that do not provide pricing information different from the disseminated transaction between the member and the other contra-party, thereby improving transparency and addressing concerns regarding potential investor confusion as to the level of trading activity in TRACE-Eligible Securities.<sup>4</sup>

FINRA is committed to continuously improving its regulatory approach, including by modernizing FINRA rules in response to member feedback.<sup>5</sup> Members

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“restricted security” as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; (2) issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); (3) a U.S. Treasury Security as defined in paragraph (p); or (4) a Foreign Sovereign Debt Security as defined in paragraph (kk). “TRACE-Eligible Security” does not include a debt security that is a Money Market Instrument as defined in paragraph (o). See Rule 6710(a).

<sup>3</sup> See Securities Exchange Act Release No. 74482 (March 11, 2015), 80 FR 13940 (March 17, 2015) (Order Approving File No. SR-FINRA-2014-050) (“2015 Amendments”). See also Regulatory Notice 15-14 (May 2015).

<sup>4</sup> FINRA determined that dissemination of these trades does not provide investors with useful information for pricing, valuation or risk evaluation purposes, and may in fact be distortive. See FINRA Response to Comments, dated February 24, 2015, [https://www.finra.org/sites/default/files/rule\\_filing\\_file/SR-FINRA-2014-050\\_AmendmentNo.1.pdf](https://www.finra.org/sites/default/files/rule_filing_file/SR-FINRA-2014-050_AmendmentNo.1.pdf) (“FINRA Response Letter”).

<sup>5</sup> See Regulatory Notice 25-04 (March 2025).

have raised concerns regarding the dissemination of certain transactions between affiliated members that are similar to the concerns raised in 2014 regarding transactions between members and non-member affiliates—e.g., that the transactions are not economically distinct and the disseminated information is duplicative.<sup>6</sup> Thus, FINRA is proposing changes to expand the use of the non-member affiliate—principal transaction indicator to also include transactions between member affiliates trading as principal where the transaction with the member affiliate occurs within the same trading day, at the same price, and in the same TRACE-Eligible Security as a transaction executed by one of the members with another contra-party. To reflect this expanded use, the indicator would be re-designated as the Affiliate—Principal Transaction indicator.

Specifically, FINRA is proposing to amend Rule 6730(d)(4)(E) to provide that, if a member and an “affiliate,” as defined in amended Rule 6710, transact in a principal capacity in a TRACE-Eligible Security, and the member reasonably believes that the member (or its member affiliate, in the case of affiliated members) will engage (or has already engaged) in a transaction in the same security within the same day, at the same price, with another contra-party, the member must select the Affiliate—Principal

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<sup>6</sup> See, e.g., Letter from Stephen John Berger, Managing Director, Citadel Securities, to Jennifer P. Mitchell, Office of the Corporate Secretary, FINRA, dated June 11, 2025 (“Citadel Letter”); see also Letter from Joanna Mallers, Secretary, FIA Principal Traders Group, to Jennifer P. Mitchell, Office of the Corporate Secretary, FINRA, dated June 11, 2025 (“FIA PTG Letter”); and Letter from Bernard V. Canepa, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association, to Jennifer P. Mitchell, Office of the Corporate Secretary, FINRA, dated June 11, 2025 (“SIFMA Letter”). The comment letters are included in the public comment file for Regulatory Notice 25-04. See Item 5, infra.

Transaction indicator.<sup>7</sup> This expanded approach is designed to continue to include qualifying transactions between a member and a non-member affiliate and to expand the applicability of the indicator by also including qualifying transactions between a member and a member affiliate.

To accurately identify for suppression qualifying transactions between affiliated members, proposed Rule 6730(d)(4)(E)(ii) would require each member affiliate that is a party to the qualifying transaction to append the Affiliate—Principal Transaction indicator to its TRACE report. Specifically, proposed Rule 6730(d)(4)(E)(ii) would require that, in a transaction between member affiliates, to append the Affiliate—Principal Transaction indicator, both members must share a reasonable belief that the member or its member affiliate will engage (or has already engaged) in a transaction in the same security within the same day, at the same price, with another contra-party. Because the Affiliate—Principal Transaction indicator would be a matching field in TRACE, either both member affiliates must append, or they both must not append, the indicator when reporting (as contra-parties to each other) their respective qualifying transaction(s) to TRACE.<sup>8</sup>

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<sup>7</sup> To reflect the expanded applicability of the indicator, FINRA is proposing to retitle Rule 6730(d)(4)(E) as “Affiliate—Principal Transaction Indicator” and, as discussed further below, to amend the definition of “Non-member Affiliate” in Rule 6710(ee) and make conforming edits to Supplementary Material .02 and the dissemination provisions of Rule 6750(d)(1).

<sup>8</sup> In the event only one member affiliate appends the Affiliate—Principal Transaction indicator to its TRACE report, TRACE would still suppress from dissemination the sell-side trade report. However, both members would receive a report of a mismatch for that trade on their TRACE Match Status Reports.

Proposed Rule 6730(d)(4)(E)(ii)'s "reasonable belief" requirement is intended to limit the scope of the requirement to affiliated member firms that operate pursuant to a business model where, in the ordinary course, they share a reasonable belief related to relevant trade flow patterns and can reasonably and systematically foresee the existence of transactions to be appended with the indicator. The proposed rule change's scope is thus tailored so that covered firms are able to build systemic processes to append the indicator. The "reasonable belief" requirement is not intended to capture incidental same-day, same-price, principal trades between member affiliates or to impose any obligation to establish new information-sharing arrangements or otherwise discover trading activity beyond the members' business needs in connection with their transaction flows.<sup>9</sup>

Proposed Rule 6730(d)(4)(E)(iii) is intended to ensure that at least one leg of a qualifying overall transaction is subject to dissemination—particularly where one of the member affiliates trades from or into their inventory and neither member affiliate engages

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<sup>9</sup> FINRA understands that members may have multiple member affiliates (and in some cases, multiple desks at each entity, including those separated by information barriers) that transact in the same securities with each other as with other contra-parties. With the inclusion of the "reasonable belief" language, the proposed rule does not require members to seek to identify incidental or unforeseeable trades between it and its affiliates occurring on the same day and at the same price as a transaction with another counterparty unless those trades are systemically identifiable by each TRACE-reporting affiliate contra-party in the normal course of business. As such, a firm is not required to append the indicator to a transaction unless both members share a reasonable belief that it or its member affiliate will engage (or has already engaged) in a transaction in the same security within the same day and at the same price, as a transaction with another contra-party. This expectation is not altered after the fact, even if, in retrospect, a very significant portion of member affiliates' trades with each other ultimately occur on the same day, at the same price and in the same security as a transaction with another counterparty.

in a same-security, same-day, same-price transaction with an unaffiliated contra-party. This provision addresses the concern that all legs of an inter-affiliate transaction may be suppressed from dissemination. Therefore, the proposed rule change specifies that, if a member has engaged in a same-day, same-price transaction in the same security with both a member affiliate and a non-member affiliate, and neither member affiliate engages in a same-security, same-day, same-price transaction with an unaffiliated contra-party, the member must only append the Affiliate—Principal Transaction indicator to either: the trade report with its member affiliate; or to the trade report for its transaction with its non-member affiliate.

The below examples illustrate the expanded scope of the Affiliate—Principal Transaction indicator.<sup>10</sup>

**Scenario 1:** BD A and BD B are affiliated members who routinely engage in back-to-back transactions with each other in TRACE-Eligible Securities on the same day and at the same price as one of them trades in the same securities with another contra-party. Under their existing business models, BD A negotiates but does not trade directly with customers or carry customer accounts; BD A sells to BD B at the price at which it negotiated the sale with the customer; BD B sells the bonds to the customer at that same price. Specifically, in this scenario, a customer requests quotes from BD A through electronic chat and agrees to a price of \$98 for 50 ABC bonds. BD A sells 50 ABC bonds at \$98 to BD B, and BD B then sells 50 ABC bonds to the customer at \$98. Both

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<sup>10</sup> Members should continue to report transactions with non-member affiliates consistent with FAQ 3.1.48 of FINRA's Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at <https://www.finra.org/filing-reporting/trace/faq>.

BD A and BD B trade as principal and, due to their business model, at the time of its TRACE report BD A and BD B shared a reasonable belief that BD B would engage in a same-day, same-price, principal transaction in ABC with another contra-party (i.e., the customer).

TRACE Reporting:

- For the transaction between BD A and BD B, BD A must report a principal sale of 50 ABC bonds at \$98 to BD B, identifying BD B by its MPID as the contra-party. BD B must report a principal purchase of 50 ABC bonds at \$98 from BD A, identifying BD A by its MPID as the contra-party. Because BD A and BD B are affiliates, traded as principal with each other, and shared a reasonable belief that BD B will engage in a transaction in the same security, within the same day, and at the same price, with another contra-party, both BD A and BD B must append the Affiliate—Principal Transaction indicator to their respective trade report.<sup>11</sup> TRACE would not disseminate either of the trade reports appended with the Affiliate—Principal Transaction indicator.
- For the transaction between BD B and the customer, BD B must report a principal sale of 50 ABC bonds at \$98 to the customer, identifying the customer as “C.” BD B would not append the Affiliate—Principal Transaction indicator to this trade report because BD B is not affiliated with the customer. TRACE would disseminate BD B’s sale to the customer.

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<sup>11</sup> In this scenario, BD B engages in a subsequent qualifying same-day, same-price transaction with its customer; however, if BD B had not done so, BD A and BD B would be required to amend their prior trade reports to remove the Affiliate—Principal Transaction indicator. See proposed Rule 6730(d)(4)(E)(iv).

**Scenario 2:** BD A and BD B are affiliated members who routinely engage in back-to-back transactions with each other in TRACE-Eligible Securities. Sometimes these transactions are at the same price at which one of them trades with another contra-party and at other times a mark-up/mark-down is applied. Specifically, in this scenario, BD A sells 50 ABC bonds at \$98 to BD B, which BD A knows BD B will sell to its customer. However, BD A does not know if BD B will sell the bonds to its customer at \$98 or at some other price—a determination that BD B makes independent of BD A that is not systemically identifiable to BD A in the normal course of business. Ultimately, BD B subsequently sells 50 ABC bonds to its customer at \$98. Both BD A and BD B trade as principal.

TRACE Reporting:

- For the transaction between BD A and BD B, BD A must report a principal sale of 50 ABC bonds at \$98 to BD B, identifying BD B by its MPID as the contra-party. BD B must report a principal purchase of 50 ABC bonds at \$98 from BD A, identifying BD A by its MPID as the contra-party. While BD A and BD B are affiliates and traded as principal with each other, and BD B subsequently trades 50 ABC bonds with its customer at the same price, BD A does not reasonably believe that it or its member affiliate will engage (or has already engaged) in a transaction in the same security, within the same day, and at the same price, with another contra-party (i.e., both members did not share a reasonable belief regarding the price and timing of the overall transaction flow). Therefore, neither BD A nor BD B would append the Affiliate—Principal Transaction indicator to

their respective trade report. TRACE would disseminate the BD A sell transaction.

- For the transaction between BD B and the customer, BD B must report a principal sale of 50 ABC bonds at \$98 to the customer, identifying the customer as “C.” BD B would not append the Affiliate—Principal Transaction indicator to its trade report because BD B is not affiliated with the customer. TRACE would disseminate BD B’s sale to the customer.

**Scenario 3:** BD A and BD B are affiliated members who routinely engage in back-to-back transactions with each other in TRACE-Eligible Securities on the same day and at the same price as one of them trades in the same securities with another contra-party. Under their existing business models, BD A routinely moves its bond positions to be held at BD B. Specifically, in this scenario, BD A purchases 50 ABC bonds at \$98 from an unaffiliated FINRA member, BD C, and on the same trading day sells 50 ABC bonds to BD B at \$98. Both BD A and BD B trade as principal and, due to their business model, BD B reasonably believes that BD A previously engaged in a same-day, same-price transaction in ABC with another contra-party (i.e., BD C).

TRACE Reporting:

- For the transaction between BD A and BD C, BD A must report a principal purchase of 50 ABC bonds at \$98 from BD C, identifying BD C by its MPID as the contra-party. TRACE would not disseminate this trade report because it is an interdealer buy transaction. BD C must report a sale of 50 ABC bonds at \$98 to BD A, identifying BD A by its MPID as the contra-party. TRACE would disseminate this trade report. Neither BD A nor BD C would append the

Affiliate—Principal Transaction indicator to their trade reports because BD A and BD C are not affiliates.

- For the transaction between BD A and BD B, BD A must report a principal sale of 50 ABC bonds at \$98 to BD B, identifying BD B by its MPID as the contra-party. BD B must report a principal purchase of 50 ABC bonds at \$98 from BD A, identifying BD A by its MPID as the contra-party. Because BD A and BD B are affiliates, traded as principal with each other, and both share a reasonable belief that BD A had already engaged in a transaction in the same security, within the same day, and at the same price, with another contra-party, both BD A and BD B must append the Affiliate—Principal Transaction indicator to their respective trade report. TRACE would not disseminate either of the trade reports appended with the Affiliate—Principal Transaction indicator.

**Scenario 4:** BD A and BD B are affiliated members who routinely engage in back-to-back transactions with each other in TRACE-Eligible Securities on the same day and at the same price as one of them trades in the same securities with a non-member affiliate. Under their existing business models, BD A and BD B routinely transact with each other, and BD A routinely transacts with non-member affiliate, NMA. Specifically, in this scenario, BD B sells 50 ABC bonds at \$99 to BD A from its inventory, and on the same trading day, BD A later sells 50 ABC bonds to NMA at \$99. Both BD A and BD B trade as principal and, due to their business model, at the time of their TRACE report BD A and BD B share a reasonable belief that BD A would engage in a same-day, same-price, principal transaction in ABC with NMA.

TRACE Reporting:

- For the transaction between BD A and BD B, BD A must report a principal purchase of 50 ABC bonds at \$99 from BD B, identifying BD B by its MPID as the contra-party. BD B must report a principal sale of 50 ABC bonds at \$99 to BD A, identifying BD A by its MPID as the contra-party. Because BD A and BD B are affiliates, traded as principal with each other, and both share a reasonable belief that BD A will engage in a transaction in the same security, within the same day, and at the same price, with a non-member affiliate, the Affiliate—Principal Transaction indicator must either be appended to (1) BD A’s and BD B’s trade reports for the transaction with each other, or (2) BD A’s trade report for the transaction with NMA.<sup>12</sup>
- For the transaction between BD A and NMA, BD A must report a principal sale of 50 ABC bonds at \$99 to NMA, identifying NMA as “A.” BD A would only append the Affiliate—Principal Transaction indicator to its trade report for the transaction with NMA if BD A and BD B chose not to append the Affiliate—Principal Transaction indicator to their trade reports for the inter-dealer transaction with each other.<sup>13</sup>

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<sup>12</sup> In this scenario, BD A and BD B would not be required to append the Affiliate—Principal Transaction indicator to their trade reports in the event BD A chose instead to append the Affiliate—Principal Transaction indicator to its trade report for the transaction with NMA. If BD A appends the Affiliate—Principal Transaction indicator to the trade report for the transaction with NMA, neither BD A nor BD B may append the Affiliate—Principal Transaction indicator to its trade report for the member-to-member transaction. See proposed Rule 6730(d)(4)(E)(iii).

<sup>13</sup> In this scenario, BD A would be required to append the Affiliate—Principal Transaction indicator to its trade report for the transaction with NMA if it and BD A did not append the Affiliate—Principal Transaction indicator to their trade

- TRACE would disseminate either BD B’s sale to BD A or BD A’s sale to the NMA, depending upon whether the Affiliate—Principal Transaction indicator was appended to BD A’s and BD B’s trade reports for their inter-dealer transaction with each other or to BD A’s trade report for the transaction with NMA.

As described above, the proposed rule change expands the applicability of the indicator by including qualifying transactions between member affiliates, in addition to qualifying transactions between a member and non-member affiliate.<sup>14</sup> The proposed amendments are not intended to otherwise alter the requirements for applying the indicator.<sup>15</sup> As is the case for transactions covered under Rule 6730(d)(4)(E) today,

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reports for the inter-dealer transaction with each other. See proposed Rule 6730(d)(4)(E)(iii).

<sup>14</sup> As a result of changes to the rule text necessary to expand the indicator to cover transactions between member affiliates and because the related individual transactions can occur throughout the day (*i.e.*, the trade with the affiliate could come before the trade with the contra-party, or vice versa) the proposed rule change replaces the current “reasonably expects” language in Rule 6730(d)(4)(E) with the phrase “reasonably believes.”

<sup>15</sup> In addition, proposed Rule 6730(d)(4)(E)(iv) seeks to adopt with respect to member affiliates the same obligations for correcting trade reports as are currently in place regarding a member’s trade with a non-member affiliate. Specifically, proposed Rule 6730(d)(4)(E)(iv) provides that a member is not required to correct a prior trade report with its affiliate solely for the purpose of appending the Affiliate—Principal Transaction indicator if the member did not reasonably believe that it (or its member affiliate, in the case of affiliated members) would engage (or had already engaged) in a same-day, same-price transaction in the same security with another contra-party at the time of the prior trade report. If, however, a member appends the Affiliate—Principal Transaction indicator to a trade report reflecting a transaction with an affiliate and, ultimately, the member or its member affiliate does not engage in a same-day, same-price transaction in the same security with another contra-party, the member must correct the prior trade report to exclude the Affiliate—Principal Transaction indicator.

under the proposed amendments, to qualify for the Affiliate—Principal Transaction indicator, the quantity of the transaction with the other contra-party must be equal to or greater than the quantity of the transaction in the security between the member affiliates.<sup>16</sup>

Finally, the proposed rule change would make conforming amendments to Rule 6710, Supplementary Material .02 to Rule 6730, and Rule 6750 to reflect the expansion of the indicator to apply to transactions between member affiliates. The proposed rule change would amend Rule 6710(ee) to define an “affiliate” generally (rather than a “non-member affiliate”), without changes to the substantive requirements.<sup>17</sup> The proposed rule change would likewise amend Rule 6730.02 to replace references to “non-member affiliate” with “affiliate.” As a result, members subject to the requirement to append the indicator to transactions with its member affiliate will now also be required to identify those entities that would meet the definition of “affiliate” under proposed Rule 6710(ee) at least annually. However, consistent with existing requirements, where the member has undergone an organizational or operational restructuring that may impact its affiliate relationships, it must promptly review and update, as necessary, its identification of

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<sup>16</sup> See FAQ 3.1.74, Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at <https://www.finra.org/filing-reporting/trace/faq>.

<sup>17</sup> See proposed Rule 6710(ee), defining “affiliate” as an entity that controls, is controlled by or is under common control with a member. 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.

affiliates for purposes of Rule 6730. The proposed rule change would also amend Rule 6750(d)(1) to provide that FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is identified with the Affiliate—Principal Transaction indicator pursuant to Rule 6730(d)(4)(E).

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>18</sup> which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest.

FINRA believes that the proposed amendments to expand the application of the non-member affiliate—principal transaction indicator to include qualifying transactions between member affiliates are appropriate and consistent with the Act. The expanded Affiliate—Principal Transaction indicator is designed to capture trading member relationships where there is a shared expectation between both member affiliates with respect to the transaction based on their business model and routine trade flow patterns, rather than incidental or unforeseeable trades between member affiliates that reflect arm's length trading. These transactions between member affiliates are not economically distinct and reflect the same price as an offsetting transaction with another contra-party

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<sup>18</sup> 15 U.S.C. 78q-3(b)(6).

and, as such, do not provide meaningful pricing and volume information. Application of the Affiliate—Principal Transaction indicator to these transactions would enable FINRA to identify and suppress from public dissemination transaction data that offers no new pricing, valuation or risk evaluation information, reducing potential investor confusion as to the level of trading activity in TRACE-Eligible Securities. Thus, FINRA believes that the proposed rule change would improve transparency by suppressing from public dissemination identified trade reports for transactions that are not economically distinct from a separately disseminated transaction with another contra-party.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

##### Economic Impact Assessment

FINRA has conducted an economic impact assessment to analyze the regulatory need for the proposed rule change and its potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects relative to the current baseline, and the alternatives considered in assessing how best to meet its regulatory objective.

##### Regulatory Need

As discussed above, affiliated member firms may engage in principal transactions with each other in the same security, on the same day, and at the same price as a transaction that one of them engages in with another contra-party. FINRA currently requires identification of similar transactions between a member and a non-member

affiliate and suppresses these trade reports from dissemination. The proposed amendment will enable FINRA similarly to suppress from dissemination these trades with an affiliated member that do not provide pricing information different from the separately disseminated transaction between the member and the other contra-party.

#### Economic Baseline

FINRA conducted an analysis using TRACE data from January 2025 through December 2025 to estimate the percentage of trades that could be subject to the proposed rule change across TRACE-Eligible Securities.<sup>19</sup> This analysis provides an upper-bound estimate for both the percentage of potentially qualifying inter-member-affiliate transactions and the number of affected FINRA member firms. The estimate is based on TRACE data that does not capture whether affiliated members reasonably believed—based on their relationship, business models, and expected trade flow patterns—that they or their affiliated member engaged or would engage in a same-day, same-price, principal transaction with another contra-party. Consequently, the analysis is likely overinclusive in that it would capture incidental same-day, same-price principal trades between member affiliates that would not qualify for use of the indicator given the parameters of the proposed rule change.

FINRA’s analysis of secondary market transactions indicates that approximately 5.7 percent of transactions in corporate debt securities, Agency Debt Securities,<sup>20</sup> equity-

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<sup>19</sup> For the purpose of this analysis, FINRA determined affiliate relationships using FINRA’s Central Registration Depository criteria, which is consistent with the definition of “affiliate” proposed herein.

<sup>21</sup> “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n); or (iii) issued by a trust or other

linked notes (ELNs), and Foreign Sovereign Debt Securities;<sup>21</sup> 0.5 percent of transactions in Securitized Products;<sup>22</sup> and 2.1 percent of transactions in U.S. Treasury Securities<sup>23</sup> were between affiliated members where both sides traded in a principal capacity and where at least one party executed one or more same-day, same-security, same-price transactions in the opposite direction with another contra-party, and the volume of the transaction with the contra-party was equal to or greater than the volume of the transaction between the affiliated members. Approximately 86 member firms engaged in such transactions, with 26 firms accounting for approximately 99 percent of transaction

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entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. The term excludes a U.S. Treasury Security as defined in paragraph (p) and a Securitized Product as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the Securitizer as defined in paragraph (s) (or similar person), or the guarantor of the Securitized Product. See Rule 6710(l).

<sup>21</sup> “Foreign Sovereign Debt Security” means a debt security issued or guaranteed by the government of a foreign country, any political subdivision of a foreign country, or a supranational entity. See Rule 6710(kk).

<sup>23</sup> “Securitized Product” means a security collateralized by any type of financial asset, such as a loan, a lease, a mortgage, or a secured or unsecured receivable, and includes but is not limited to an asset-backed security as defined in Section 3(a)(79)(A) of the Exchange Act, a synthetic asset-backed security, and any residual tranche or interest of any security specified above, which tranche or interest is a debt security for purposes of paragraph (a) and the Rule 6700 Series. See Rule 6710(m).

<sup>23</sup> “U.S. Treasury Security” means a security, other than a savings bond, issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities. The term “U.S. Treasury Security” also includes separate principal and interest components of a U.S. Treasury Security that has been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program operated by the U.S. Department of Treasury. See Rule 6710(p).

reports within the scope of the analysis (both member affiliate contra-parties' reports were counted in this calculation). During the same period of January 2025 through December 2025, 4.0 percent of transactions in corporate debt securities, Agency Debt Securities, ELNs, and Foreign Sovereign Debt Securities; 0.3 percent of transactions in Securitized Products; and 1.5 percent of transactions in U.S. Treasury Securities were reported as non-member affiliate principal transactions<sup>24</sup> and withheld from dissemination. Sixty member firms engaged in non-member affiliate principal transactions, with 26 accounting for approximately 99 percent of such trades across TRACE-Eligible Securities.

When a member firm executes same-day, same-price transactions in the same security with both a member affiliate and a non-member affiliate, and neither affiliated party trades with an unaffiliated contra-party under the same conditions, the Affiliate—Principal Transaction indicator must be appended to reports of only one of the two trades between affiliates (see Scenario 4 above). FINRA's analysis of secondary market transactions indicates that trades between member affiliates potentially falling into this category represent approximately 0.09 percent of transactions in corporate debt securities, Agency Debt Securities, ELNs, and Foreign Sovereign Debt Securities; less than 0.01 percent of transactions in Securitized Products; and 0.14 percent of transactions in U.S. Treasury Securities.

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<sup>24</sup> The statistics on non-member affiliate principal transactions are based on the existence of same day, same price, principal trades between FINRA members and their non-member affiliates that are not covered depository institutions subject to the Board of Governors of the Federal Reserve System's Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements. See 86 FR 59716 (FR 2956; OMB No. 7100–NEW October 28, 2021).

## Economic Benefits and Costs

Expanding the scope of the non-member affiliate—principal transaction indicator to also include member affiliates would enhance transparency by enabling FINRA to identify and remove from public dissemination transactions that do not add value for pricing, valuation, or risk evaluation purposes and may create confusion. For example, trades with a member affiliate that offer no additional pricing information from a separately reported and disseminated leg of the same overall transaction may inflate the observed level of trading activity in the market and impact the accuracy of bond market liquidity measures.

Firms engaging in transactions that require the proposed indicator may incur costs to identify such transactions and make system changes for reporting. Where a member's business model involves shared expectations with its member affiliate in connection with same-day, same-price transactions as described above, these members would be required to implement processes to accurately and consistently apply the modifier.<sup>25</sup> The costs to FINRA members to use the Affiliate—Principal Transaction indicator are likely to be less for firms already identifying and reporting non-member affiliate trades, given that the proposed change expands the use of an existing indicator used for non-member affiliate

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<sup>25</sup> As explained above, the “reasonable belief” requirement limits the scope of the proposed rule change to member affiliates that operate pursuant to a business model where, in the ordinary course, they share a reasonable belief related to relevant trade flow patterns and can reasonably and systematically foresee the existence of transactions to be appended with the indicator. The proposed rule change is not intended to capture incidental same-day, same-price, principal trades between member affiliates or to impose any obligation to establish new information-sharing arrangements or otherwise discover trading activity beyond the members' business needs in connection with their transaction flows. See supra note 9.

trades to also capture affiliated member trades, rather than adding new system functionality. Of the 86 member firms estimated to have engaged in same day, same price, principal member-affiliate trades in 2025, 21 firms (approximately 24%) also engaged in trades with non-member affiliates reported with the non-member affiliate—principal transaction indicator.

As is the case with the existing non-member affiliate—principal transaction indicator, the proposed rule change requires members to correct a trade report to remove the Affiliate—Principal Transaction indicator if they did not ultimately engage in a same-day trade with another contra-party in the same security at the same price as with its member affiliate. In addition, as is the case with the existing non-member affiliate—principal transaction indicator, the proposed rule change does not require members to correct a trade report if they do not append the Affiliate—Principal Transaction indicator but ultimately engage in a trade with another contra-party in the same security, at the same price, on the same trading day. While this may result in instances where qualifying trades between affiliated members remain unflagged, the proposed amendment would continue to require that inappropriately flagged transactions are corrected and disseminated, while avoiding the operational burden on members to correct for non-flagged trades that have already been disseminated.

#### Alternatives

No alternatives were considered.

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

As noted above, FINRA received three comments in response to Regulatory Notice 25-04 that involved the activities covered in the proposal.<sup>26</sup> All three commenters favored FINRA’s consideration of additional guidance around the treatment of transactions between affiliated members.<sup>27</sup> One commenter noted that “FINRA rules already allow members to identify and suppress the public dissemination of riskless principal transactions involving non-member affiliates” and recommended that “this practice should be extended to riskless principal transactions involving affiliates that are FINRA members.”<sup>28</sup> The commenter stated that public dissemination by TRACE of such transactions “results in duplicative information that is not useful to investors for pricing, valuation or risk purposes.”<sup>29</sup> Another commenter identified the dissemination of affiliate trades as a top priority for FINRA’s consideration under Regulatory Notice 25-04.<sup>30</sup> The third commenter called for additional guidance related to the reporting of transactions between an affiliated member and another member as compared to an affiliated member and non-member.<sup>31</sup>

FINRA believes that the instant proposal to expand the applicability of the principal transaction indicator to include member affiliates generally is consistent with

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<sup>26</sup> See supra note 6.

<sup>27</sup> See supra note 6.

<sup>28</sup> See Citadel Letter at 7.

<sup>29</sup> See supra note 28.

<sup>30</sup> See SIFMA Letter at 1.

commenters' feedback in response to Regulatory Notice 25-04. As specifically recommended by one commenter,<sup>32</sup> the proposed rule change will expand the use of the non-member affiliate—principal transaction indicator to include transactions between member affiliates acting as principal where the transaction with the member affiliate occurs within the same trading day, at the same price, and in the same security as a transaction executed by one of the members with a another contra-party, enabling FINRA to suppress from dissemination transaction information that does not add value for pricing, valuation or risk evaluation purposes.

**6. Extension of Time Period for Commission Action**

Not applicable.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

Not applicable.

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

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<sup>31</sup> See FIA PTG Letter at 3.

<sup>32</sup> See Citadel Letter at 7.

**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-2026-009)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend the FINRA Rule 6700 Series (Trade Reporting and Compliance Engine) (TRACE) to Expand the Scope of the Non-Member Affiliate—Principal Transaction Indicator to Also Include Member Affiliates

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 to amend the FINRA Rule 6700 Series (Trade Reporting and Compliance Engine) (“TRACE”) to expand the scope of the non-member affiliate—principal transaction indicator to also include member affiliates.

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org> and at the principal office of FINRA.

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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

FINRA is proposing amendments to improve transparency in TRACE-Eligible Securities<sup>3</sup> by streamlining dissemination of transactions between a member and its member affiliate. The proposed rule change seeks to accomplish this by expanding the scope of the current non-member affiliate—principal transaction indicator. Originally adopted in 2015, the non-member affiliate—principal transaction indicator requires members to identify in TRACE reports transactions between the member and its non-member affiliate, where the member also engaged in a same-day, same-price transaction

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<sup>3</sup> “TRACE-Eligible Security” means a debt security that is United States (U.S.) dollar-denominated and is: (1) issued by a U.S. or foreign private issuer, and, if a “restricted security” as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; (2) issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); (3) a U.S. Treasury Security as defined in paragraph (p); or (4) a Foreign Sovereign Debt Security as defined in paragraph (kk). “TRACE-Eligible Security” does not include a debt security that is a Money Market Instrument as defined in paragraph (o). See Rule 6710(a).

in the same security with another contra-party.<sup>4</sup> The non-member affiliate—principal transaction indicator allows FINRA to suppress from dissemination inter-affiliate transactions that do not provide pricing information different from the disseminated transaction between the member and the other contra-party, thereby improving transparency and addressing concerns regarding potential investor confusion as to the level of trading activity in TRACE-Eligible Securities.<sup>5</sup>

FINRA is committed to continuously improving its regulatory approach, including by modernizing FINRA rules in response to member feedback.<sup>6</sup> Members have raised concerns regarding the dissemination of certain transactions between affiliated members that are similar to the concerns raised in 2014 regarding transactions between members and non-member affiliates—e.g., that the transactions are not economically distinct and the disseminated information is duplicative.<sup>7</sup> Thus, FINRA is proposing

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<sup>4</sup> See Securities Exchange Act Release No. 74482 (March 11, 2015), 80 FR 13940 (March 17, 2015) (Order Approving File No. SR-FINRA-2014-050) (“2015 Amendments”). See also Regulatory Notice 15-14 (May 2015).

<sup>5</sup> FINRA determined that dissemination of these trades does not provide investors with useful information for pricing, valuation or risk evaluation purposes, and may in fact be distortive. See FINRA Response to Comments, dated February 24, 2015, [https://www.finra.org/sites/default/files/rule\\_filing\\_file/SR-FINRA-2014-050\\_AmendmentNo.1.pdf](https://www.finra.org/sites/default/files/rule_filing_file/SR-FINRA-2014-050_AmendmentNo.1.pdf) (“FINRA Response Letter”).

<sup>6</sup> See Regulatory Notice 25-04 (March 2025).

<sup>7</sup> See, e.g., Letter from Stephen John Berger, Managing Director, Citadel Securities, to Jennifer P. Mitchell, Office of the Corporate Secretary, FINRA, dated June 11, 2025 (“Citadel Letter”); see also Letter from Joanna Mallers, Secretary, FIA Principal Traders Group, to Jennifer P. Mitchell, Office of the Corporate Secretary, FINRA, dated June 11, 2025 (“FIA PTG Letter”); and Letter from Bernard V. Canepa, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association, to Jennifer P. Mitchell, Office of the Corporate Secretary, FINRA, dated June 11, 2025 (“SIFMA

changes to expand the use of the non-member affiliate—principal transaction indicator to also include transactions between member affiliates trading as principal where the transaction with the member affiliate occurs within the same trading day, at the same price, and in the same TRACE-Eligible Security as a transaction executed by one of the members with another contra-party. To reflect this expanded use, the indicator would be re-designated as the Affiliate—Principal Transaction indicator.

Specifically, FINRA is proposing to amend Rule 6730(d)(4)(E) to provide that, if a member and an “affiliate,” as defined in amended Rule 6710, transact in a principal capacity in a TRACE-Eligible Security, and the member reasonably believes that the member (or its member affiliate, in the case of affiliated members) will engage (or has already engaged) in a transaction in the same security within the same day, at the same price, with another contra-party, the member must select the Affiliate—Principal Transaction indicator.<sup>8</sup> This expanded approach is designed to continue to include qualifying transactions between a member and a non-member affiliate and to expand the applicability of the indicator by also including qualifying transactions between a member and a member affiliate.

To accurately identify for suppression qualifying transactions between affiliated members, proposed Rule 6730(d)(4)(E)(ii) would require each member affiliate that is a

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Letter”). The comment letters are included in the public comment file for Regulatory Notice 25-04. See Item II.C., infra.

<sup>8</sup> To reflect the expanded applicability of the indicator, FINRA is proposing to retitle Rule 6730(d)(4)(E) as “Affiliate—Principal Transaction Indicator” and, as discussed further below, to amend the definition of “Non-member Affiliate” in Rule 6710(ee) and make conforming edits to Supplementary Material .02 and the dissemination provisions of Rule 6750(d)(1).

party to the qualifying transaction to append the Affiliate—Principal Transaction indicator to its TRACE report. Specifically, proposed Rule 6730(d)(4)(E)(ii) would require that, in a transaction between member affiliates, to append the Affiliate—Principal Transaction indicator, both members must share a reasonable belief that the member or its member affiliate will engage (or has already engaged) in a transaction in the same security within the same day, at the same price, with another contra-party. Because the Affiliate—Principal Transaction indicator would be a matching field in TRACE, either both member affiliates must append, or they both must not append, the indicator when reporting (as contra-parties to each other) their respective qualifying transaction(s) to TRACE.<sup>9</sup>

Proposed Rule 6730(d)(4)(E)(ii)'s "reasonable belief" requirement is intended to limit the scope of the requirement to affiliated member firms that operate pursuant to a business model where, in the ordinary course, they share a reasonable belief related to relevant trade flow patterns and can reasonably and systematically foresee the existence of transactions to be appended with the indicator. The proposed rule change's scope is thus tailored so that covered firms are able to build systemic processes to append the indicator. The "reasonable belief" requirement is not intended to capture incidental same-day, same-price, principal trades between member affiliates or to impose any obligation to establish new information-sharing arrangements or otherwise discover

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<sup>9</sup> In the event only one member affiliate appends the Affiliate—Principal Transaction indicator to its TRACE report, TRACE would still suppress from dissemination the sell-side trade report. However, both members would receive a report of a mismatch for that trade on their TRACE Match Status Reports.

trading activity beyond the members' business needs in connection with their transaction flows.<sup>10</sup>

Proposed Rule 6730(d)(4)(E)(iii) is intended to ensure that at least one leg of a qualifying overall transaction is subject to dissemination—particularly where one of the member affiliates trades from or into their inventory and neither member affiliate engages in a same-security, same-day, same-price transaction with an unaffiliated contra-party. This provision addresses the concern that all legs of an inter-affiliate transaction may be suppressed from dissemination. Therefore, the proposed rule change specifies that, if a member has engaged in a same-day, same-price transaction in the same security with both a member affiliate and a non-member affiliate, and neither member affiliate engages in a same-security, same-day, same-price transaction with an unaffiliated contra-party, the member must only append the Affiliate—Principal Transaction indicator to either: the trade report with its member affiliate; or to the trade report for its transaction with its non-member affiliate.

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<sup>10</sup> FINRA understands that members may have multiple member affiliates (and in some cases, multiple desks at each entity, including those separated by information barriers) that transact in the same securities with each other as with other contra-parties. With the inclusion of the “reasonable belief” language, the proposed rule does not require members to seek to identify incidental or unforeseeable trades between it and its affiliates occurring on the same day and at the same price as a transaction with another counterparty unless those trades are systemically identifiable by each TRACE-reporting affiliate contra-party in the normal course of business. As such, a firm is not required to append the indicator to a transaction unless both members share a reasonable belief that it or its member affiliate will engage (or has already engaged) in a transaction in the same security within the same day and at the same price, as a transaction with another contra-party. This expectation is not altered after the fact, even if, in retrospect, a very significant portion of member affiliates' trades with each other ultimately occur on the same day, at the same price and in the same security as a transaction with another counterparty.

The below examples illustrate the expanded scope of the Affiliate—Principal Transaction indicator.<sup>11</sup>

Scenario 1: BD A and BD B are affiliated members who routinely engage in back-to-back transactions with each other in TRACE-Eligible Securities on the same day and at the same price as one of them trades in the same securities with another contra-party. Under their existing business models, BD A negotiates but does not trade directly with customers or carry customer accounts; BD A sells to BD B at the price at which it negotiated the sale with the customer; BD B sells the bonds to the customer at that same price. Specifically, in this scenario, a customer requests quotes from BD A through electronic chat and agrees to a price of \$98 for 50 ABC bonds. BD A sells 50 ABC bonds at \$98 to BD B, and BD B then sells 50 ABC bonds to the customer at \$98. Both BD A and BD B trade as principal and, due to their business model, at the time of its TRACE report BD A and BD B shared a reasonable belief that BD B would engage in a same-day, same-price, principal transaction in ABC with another contra-party (i.e., the customer).

TRACE Reporting:

- For the transaction between BD A and BD B, BD A must report a principal sale of 50 ABC bonds at \$98 to BD B, identifying BD B by its MPID as the contra-party. BD B must report a principal purchase of 50 ABC bonds at \$98 from BD A, identifying BD A by its MPID as the contra-party. Because BD A and BD B

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<sup>11</sup> Members should continue to report transactions with non-member affiliates consistent with FAQ 3.1.48 of FINRA's Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at <https://www.finra.org/filing-reporting/trace/faq>.

are affiliates, traded as principal with each other, and shared a reasonable belief that BD B will engage in a transaction in the same security, within the same day, and at the same price, with another contra-party, both BD A and BD B must append the Affiliate—Principal Transaction indicator to their respective trade report.<sup>12</sup> TRACE would not disseminate either of the trade reports appended with the Affiliate—Principal Transaction indicator.

- For the transaction between BD B and the customer, BD B must report a principal sale of 50 ABC bonds at \$98 to the customer, identifying the customer as “C.” BD B would not append the Affiliate—Principal Transaction indicator to this trade report because BD B is not affiliated with the customer. TRACE would disseminate BD B’s sale to the customer.

Scenario 2: BD A and BD B are affiliated members who routinely engage in back-to-back transactions with each other in TRACE-Eligible Securities. Sometimes these transactions are at the same price at which one of them trades with another contra-party and at other times a mark-up/mark-down is applied. Specifically, in this scenario, BD A sells 50 ABC bonds at \$98 to BD B, which BD A knows BD B will sell to its customer. However, BD A does not know if BD B will sell the bonds to its customer at \$98 or at some other price—a determination that BD B makes independent of BD A that is not systemically identifiable to BD A in the normal course of business. Ultimately, BD B

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<sup>12</sup> In this scenario, BD B engages in a subsequent qualifying same-day, same-price transaction with its customer; however, if BD B had not done so, BD A and BD B would be required to amend their prior trade reports to remove the Affiliate—Principal Transaction indicator. See proposed Rule 6730(d)(4)(E)(iv).

subsequently sells 50 ABC bonds to its customer at \$98. Both BD A and BD B trade as principal.

TRACE Reporting:

- For the transaction between BD A and BD B, BD A must report a principal sale of 50 ABC bonds at \$98 to BD B, identifying BD B by its MPID as the contra-party. BD B must report a principal purchase of 50 ABC bonds at \$98 from BD A, identifying BD A by its MPID as the contra-party. While BD A and BD B are affiliates and traded as principal with each other, and BD B subsequently trades 50 ABC bonds with its customer at the same price, BD A does not reasonably believe that it or its member affiliate will engage (or has already engaged) in a transaction in the same security, within the same day, and at the same price, with another contra-party (i.e., both members did not share a reasonable belief regarding the price and timing of the overall transaction flow). Therefore, neither BD A nor BD B would append the Affiliate—Principal Transaction indicator to their respective trade report. TRACE would disseminate the BD A sell transaction.
- For the transaction between BD B and the customer, BD B must report a principal sale of 50 ABC bonds at \$98 to the customer, identifying the customer as “C.” BD B would not append the Affiliate—Principal Transaction indicator to its trade report because BD B is not affiliated with the customer. TRACE would disseminate BD B’s sale to the customer.

Scenario 3: BD A and BD B are affiliated members who routinely engage in back-to-back transactions with each other in TRACE-Eligible Securities on the same day and at

the same price as one of them trades in the same securities with another contra-party.

Under their existing business models, BD A routinely moves its bond positions to be held at BD B. Specifically, in this scenario, BD A purchases 50 ABC bonds at \$98 from an unaffiliated FINRA member, BD C, and on the same trading day sells 50 ABC bonds to BD B at \$98. Both BD A and BD B trade as principal and, due to their business model, BD B reasonably believes that BD A previously engaged in a same-day, same-price transaction in ABC with another contra-party (i.e., BD C).

TRACE Reporting:

- For the transaction between BD A and BD C, BD A must report a principal purchase of 50 ABC bonds at \$98 from BD C, identifying BD C by its MPID as the contra-party. TRACE would not disseminate this trade report because it is an interdealer buy transaction. BD C must report a sale of 50 ABC bonds at \$98 to BD A, identifying BD A by its MPID as the contra-party. TRACE would disseminate this trade report. Neither BD A nor BD C would append the Affiliate—Principal Transaction indicator to their trade reports because BD A and BD C are not affiliates.
- For the transaction between BD A and BD B, BD A must report a principal sale of 50 ABC bonds at \$98 to BD B, identifying BD B by its MPID as the contra-party. BD B must report a principal purchase of 50 ABC bonds at \$98 from BD A, identifying BD A by its MPID as the contra-party. Because BD A and BD B are affiliates, traded as principal with each other, and both share a reasonable belief that BD A had already engaged in a transaction in the same security, within the same day, and at the same price, with another contra-party, both BD A and

BD B must append the Affiliate—Principal Transaction indicator to their respective trade report. TRACE would not disseminate either of the trade reports appended with the Affiliate—Principal Transaction indicator.

Scenario 4: BD A and BD B are affiliated members who routinely engage in back-to-back transactions with each other in TRACE-Eligible Securities on the same day and at the same price as one of them trades in the same securities with a non-member affiliate. Under their existing business models, BD A and BD B routinely transact with each other, and BD A routinely transacts with non-member affiliate, NMA. Specifically, in this scenario, BD B sells 50 ABC bonds at \$99 to BD A from its inventory, and on the same trading day, BD A later sells 50 ABC bonds to NMA at \$99. Both BD A and BD B trade as principal and, due to their business model, at the time of their TRACE report BD A and BD B share a reasonable belief that BD A would engage in a same-day, same-price, principal transaction in ABC with NMA.

TRACE Reporting:

- For the transaction between BD A and BD B, BD A must report a principal purchase of 50 ABC bonds at \$99 from BD B, identifying BD B by its MPID as the contra-party. BD B must report a principal sale of 50 ABC bonds at \$99 to BD A, identifying BD A by its MPID as the contra-party. Because BD A and BD B are affiliates, traded as principal with each other, and both share a reasonable belief that BD A will engage in a transaction in the same security, within the same day, and at the same price, with a non-member affiliate, the Affiliate—Principal Transaction indicator must either be appended to (1) BD A's and BD B's trade

reports for the transaction with each other, or (2) BD A's trade report for the transaction with NMA.<sup>13</sup>

- For the transaction between BD A and NMA, BD A must report a principal sale of 50 ABC bonds at \$99 to NMA, identifying NMA as "A." BD A would only append the Affiliate—Principal Transaction indicator to its trade report for the transaction with NMA if BD A and BD B chose not to append the Affiliate—Principal Transaction indicator to their trade reports for the inter-dealer transaction with each other.<sup>14</sup>
- TRACE would disseminate either BD B's sale to BD A or BD A's sale to the NMA, depending upon whether the Affiliate—Principal Transaction indicator was appended to BD A's and BD B's trade reports for their inter-dealer transaction with each other or to BD A's trade report for the transaction with NMA.

As described above, the proposed rule change expands the applicability of the indicator by including qualifying transactions between member affiliates, in addition to

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<sup>13</sup> In this scenario, BD A and BD B would not be required to append the Affiliate—Principal Transaction indicator to their trade reports in the event BD A chose instead to append the Affiliate—Principal Transaction indicator to its trade report for the transaction with NMA. If BD A appends the Affiliate—Principal Transaction indicator to the trade report for the transaction with NMA, neither BD A nor BD B may append the Affiliate—Principal Transaction indicator to its trade report for the member-to-member transaction. See proposed Rule 6730(d)(4)(E)(iii).

<sup>14</sup> In this scenario, BD A would be required to append the Affiliate—Principal Transaction indicator to its trade report for the transaction with NMA if it and BD A did not append the Affiliate—Principal Transaction indicator to their trade reports for the inter-dealer transaction with each other. See proposed Rule 6730(d)(4)(E)(iii).

qualifying transactions between a member and non-member affiliate.<sup>15</sup> The proposed amendments are not intended to otherwise alter the requirements for applying the indicator.<sup>16</sup> As is the case for transactions covered under Rule 6730(d)(4)(E) today, under the proposed amendments, to qualify for the Affiliate—Principal Transaction indicator, the quantity of the transaction with the other contra-party must be equal to or greater than the quantity of the transaction in the security between the member affiliates.<sup>17</sup>

Finally, the proposed rule change would make conforming amendments to Rule 6710, Supplementary Material .02 to Rule 6730, and Rule 6750 to reflect the expansion of the indicator to apply to transactions between member affiliates. The proposed rule

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<sup>15</sup> As a result of changes to the rule text necessary to expand the indicator to cover transactions between member affiliates and because the related individual transactions can occur throughout the day (*i.e.*, the trade with the affiliate could come before the trade with the contra-party, or vice versa) the proposed rule change replaces the current “reasonably expects” language in Rule 6730(d)(4)(E) with the phrase “reasonably believes.”

<sup>16</sup> In addition, proposed Rule 6730(d)(4)(E)(iv) seeks to adopt with respect to member affiliates the same obligations for correcting trade reports as are currently in place regarding a member’s trade with a non-member affiliate. Specifically, proposed Rule 6730(d)(4)(E)(iv) provides that a member is not required to correct a prior trade report with its affiliate solely for the purpose of appending the Affiliate—Principal Transaction indicator if the member did not reasonably believe that it (or its member affiliate, in the case of affiliated members) would engage (or had already engaged) in a same-day, same-price transaction in the same security with another contra-party at the time of the prior trade report. If, however, a member appends the Affiliate—Principal Transaction indicator to a trade report reflecting a transaction with an affiliate and, ultimately, the member or its member affiliate does not engage in a same-day, same-price transaction in the same security with another contra-party, the member must correct the prior trade report to exclude the Affiliate—Principal Transaction indicator.

<sup>17</sup> See FAQ 3.1.74, Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at <https://www.finra.org/filing-reporting/trace/faq>.

change would amend Rule 6710(ee) to define an “affiliate” generally (rather than a “non-member affiliate”), without changes to the substantive requirements.<sup>18</sup> The proposed rule change would likewise amend Rule 6730.02 to replace references to “non-member affiliate” with “affiliate.” As a result, members subject to the requirement to append the indicator to transactions with its member affiliate will now also be required to identify those entities that would meet the definition of “affiliate” under proposed Rule 6710(ee) at least annually. However, consistent with existing requirements, where the member has undergone an organizational or operational restructuring that may impact its affiliate relationships, it must promptly review and update, as necessary, its identification of affiliates for purposes of Rule 6730. The proposed rule change would also amend Rule 6750(d)(1) to provide that FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is identified with the Affiliate—Principal Transaction indicator pursuant to Rule 6730(d)(4)(E).

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>19</sup> which requires, among other things, that FINRA rules be

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<sup>18</sup> See proposed Rule 6710(ee), defining “affiliate” as an entity that controls, is controlled by or is under common control with a member. 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.

<sup>19</sup> 15 U.S.C. 78o-3(b)(6).

designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest.

FINRA believes that the proposed amendments to expand the application of the non-member affiliate—principal transaction indicator to include qualifying transactions between member affiliates are appropriate and consistent with the Act. The expanded Affiliate—Principal Transaction indicator is designed to capture trading member relationships where there is a shared expectation between both member affiliates with respect to the transaction based on their business model and routine trade flow patterns, rather than incidental or unforeseeable trades between member affiliates that reflect arm's length trading. These transactions between member affiliates are not economically distinct and reflect the same price as an offsetting transaction with another contra-party and, as such, do not provide meaningful pricing and volume information. Application of the Affiliate—Principal Transaction indicator to these transactions would enable FINRA to identify and suppress from public dissemination transaction data that offers no new pricing, valuation or risk evaluation information, reducing potential investor confusion as to the level of trading activity in TRACE-Eligible Securities. Thus, FINRA believes that the proposed rule change would improve transparency by suppressing from public dissemination identified trade reports for transactions that are not economically distinct from a separately disseminated transaction with another contra-party.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Economic Impact Assessment

FINRA has conducted an economic impact assessment to analyze the regulatory need for the proposed rule change and its potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects relative to the current baseline, and the alternatives considered in assessing how best to meet its regulatory objective.

Regulatory Need

As discussed above, affiliated member firms may engage in principal transactions with each other in the same security, on the same day, and at the same price as a transaction that one of them engages in with another contra-party. FINRA currently requires identification of similar transactions between a member and a non-member affiliate and suppresses these trade reports from dissemination. The proposed amendment will enable FINRA similarly to suppress from dissemination these trades with an affiliated member that do not provide pricing information different from the separately disseminated transaction between the member and the other contra-party.

Economic Baseline

FINRA conducted an analysis using TRACE data from January 2025 through December 2025 to estimate the percentage of trades that could be subject to the proposed

rule change across TRACE-Eligible Securities.<sup>20</sup> This analysis provides an upper-bound estimate for both the percentage of potentially qualifying inter-member-affiliate transactions and the number of affected FINRA member firms. The estimate is based on TRACE data that does not capture whether affiliated members reasonably believed—based on their relationship, business models, and expected trade flow patterns—that they or their affiliated member engaged or would engage in a same-day, same-price, principal transaction with another contra-party. Consequently, the analysis is likely overinclusive in that it would capture incidental same-day, same-price principal trades between member affiliates that would not qualify for use of the indicator given the parameters of the proposed rule change.

FINRA’s analysis of secondary market transactions indicates that approximately 5.7 percent of transactions in corporate debt securities, Agency Debt Securities,<sup>21</sup> equity-linked notes (ELNs), and Foreign Sovereign Debt Securities;<sup>22</sup> 0.5 percent of transactions

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<sup>20</sup> For the purpose of this analysis, FINRA determined affiliate relationships using FINRA’s Central Registration Depository criteria, which is consistent with the definition of “affiliate” proposed herein.

<sup>21</sup> “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n); or (iii) issued by a trust or other entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. The term excludes a U.S. Treasury Security as defined in paragraph (p) and a Securitized Product as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the Securitizer as defined in paragraph (s) (or similar person), or the guarantor of the Securitized Product. See Rule 6710(l).

<sup>22</sup> “Foreign Sovereign Debt Security” means a debt security issued or guaranteed by the government of a foreign country, any political subdivision of a foreign country, or a supranational entity. See Rule 6710(kk).

in Securitized Products;<sup>23</sup> and 2.1 percent of transactions in U.S. Treasury Securities<sup>24</sup> were between affiliated members where both sides traded in a principal capacity and where at least one party executed one or more same-day, same-security, same-price transactions in the opposite direction with another contra-party, and the volume of the transaction with the contra-party was equal to or greater than the volume of the transaction between the affiliated members. Approximately 86 member firms engaged in such transactions, with 26 firms accounting for approximately 99 percent of transaction reports within the scope of the analysis (both member affiliate contra-parties' reports were counted in this calculation). During the same period of January 2025 through December 2025, 4.0 percent of transactions in corporate debt securities, Agency Debt Securities, ELNs, and Foreign Sovereign Debt Securities; 0.3 percent of transactions in Securitized Products; and 1.5 percent of transactions in U.S. Treasury Securities were reported as non-member affiliate principal transactions<sup>25</sup> and withheld from

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<sup>23</sup> “Securitized Product” means a security collateralized by any type of financial asset, such as a loan, a lease, a mortgage, or a secured or unsecured receivable, and includes but is not limited to an asset-backed security as defined in Section 3(a)(79)(A) of the Exchange Act, a synthetic asset-backed security, and any residual tranche or interest of any security specified above, which tranche or interest is a debt security for purposes of paragraph (a) and the Rule 6700 Series. See Rule 6710(m).

<sup>24</sup> “U.S. Treasury Security” means a security, other than a savings bond, issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities. The term “U.S. Treasury Security” also includes separate principal and interest components of a U.S. Treasury Security that has been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program operated by the U.S. Department of Treasury. See Rule 6710(p).

<sup>25</sup> The statistics on non-member affiliate principal transactions are based on the existence of same day, same price, principal trades between FINRA members and their non-member affiliates that are not covered depository institutions subject to the Board of Governors of the Federal Reserve System’s Treasury Securities and

dissemination. Sixty member firms engaged in non-member affiliate principal transactions, with 26 accounting for approximately 99 percent of such trades across TRACE-Eligible Securities.

When a member firm executes same-day, same-price transactions in the same security with both a member affiliate and a non-member affiliate, and neither affiliated party trades with an unaffiliated contra-party under the same conditions, the Affiliate—Principal Transaction indicator must be appended to reports of only one of the two trades between affiliates (see Scenario 4 above). FINRA’s analysis of secondary market transactions indicates that trades between member affiliates potentially falling into this category represent approximately 0.09 percent of transactions in corporate debt securities, Agency Debt Securities, ELNs, and Foreign Sovereign Debt Securities; less than 0.01 percent of transactions in Securitized Products; and 0.14 percent of transactions in U.S. Treasury Securities.

#### Economic Benefits and Costs

Expanding the scope of the non-member affiliate—principal transaction indicator to also include member affiliates would enhance transparency by enabling FINRA to identify and remove from public dissemination transactions that do not add value for pricing, valuation, or risk evaluation purposes and may create confusion. For example, trades with a member affiliate that offer no additional pricing information from a separately reported and disseminated leg of the same overall transaction may inflate the

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Agency Debt and Mortgage-Backed Securities Reporting Requirements. See 86 FR 59716 (FR 2956; OMB No. 7100–NEW October 28, 2021).

observed level of trading activity in the market and impact the accuracy of bond market liquidity measures.

Firms engaging in transactions that require the proposed indicator may incur costs to identify such transactions and make system changes for reporting. Where a member's business model involves shared expectations with its member affiliate in connection with same-day, same-price transactions as described above, these members would be required to implement processes to accurately and consistently apply the modifier.<sup>26</sup> The costs to FINRA members to use the Affiliate—Principal Transaction indicator are likely to be less for firms already identifying and reporting non-member affiliate trades, given that the proposed change expands the use of an existing indicator used for non-member affiliate trades to also capture affiliated member trades, rather than adding new system functionality. Of the 86 member firms estimated to have engaged in same day, same price, principal member-affiliate trades in 2025, 21 firms (approximately 24%) also engaged in trades with non-member affiliates reported with the non-member affiliate—principal transaction indicator.

As is the case with the existing non-member affiliate—principal transaction indicator, the proposed rule change requires members to correct a trade report to remove

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<sup>26</sup> As explained above, the “reasonable belief” requirement limits the scope of the proposed rule change to member affiliates that operate pursuant to a business model where, in the ordinary course, they share a reasonable belief related to relevant trade flow patterns and can reasonably and systematically foresee the existence of transactions to be appended with the indicator. The proposed rule change is not intended to capture incidental same-day, same-price, principal trades between member affiliates or to impose any obligation to establish new information-sharing arrangements or otherwise discover trading activity beyond the members’ business needs in connection with their transaction flows. See supra note 10.

the Affiliate—Principal Transaction indicator if they did not ultimately engage in a same-day trade with another contra-party in the same security at the same price as with its member affiliate. In addition, as is the case with the existing non-member affiliate—principal transaction indicator, the proposed rule change does not require members to correct a trade report if they do not append the Affiliate—Principal Transaction indicator but ultimately engage in a trade with another contra-party in the same security, at the same price, on the same trading day. While this may result in instances where qualifying trades between affiliated members remain unflagged, the proposed amendment would continue to require that inappropriately flagged transactions are corrected and disseminated, while avoiding the operational burden on members to correct for non-flagged trades that have already been disseminated.

#### Alternatives

No alternatives were considered.

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

As noted above, FINRA received three comments in response to Regulatory Notice 25-04 that involved the activities covered in the proposal.<sup>27</sup> All three commenters favored FINRA’s consideration of additional guidance around the treatment of transactions between affiliated members.<sup>28</sup> One commenter noted that “FINRA rules already allow members to identify and suppress the public dissemination of riskless principal transactions involving non-member affiliates” and recommended that “this

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<sup>27</sup> See supra note 7.

<sup>28</sup> See supra note 7.

practice should be extended to riskless principal transactions involving affiliates that are FINRA members.”<sup>29</sup> The commenter stated that public dissemination by TRACE of such transactions “results in duplicative information that is not useful to investors for pricing, valuation or risk purposes.”<sup>30</sup> Another commenter identified the dissemination of affiliate trades as a top priority for FINRA’s consideration under Regulatory Notice 25-04.<sup>31</sup> The third commenter called for additional guidance related to the reporting of transactions between an affiliated member and another member as compared to an affiliated member and non-member.<sup>32</sup>

FINRA believes that the instant proposal to expand the applicability of the principal transaction indicator to include member affiliates generally is consistent with commenters’ feedback in response to Regulatory Notice 25-04. As specifically recommended by one commenter,<sup>33</sup> the proposed rule change will expand the use of the non-member affiliate—principal transaction indicator to include transactions between member affiliates acting as principal where the transaction with the member affiliate occurs within the same trading day, at the same price, and in the same security as a transaction executed by one of the members with a another contra-party, enabling FINRA to suppress from dissemination transaction information that does not add value for pricing, valuation or risk evaluation purposes.

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<sup>29</sup> See Citadel Letter at 7.

<sup>30</sup> See supra note 29.

<sup>31</sup> See SIFMA Letter at 1.

<sup>32</sup> See FIA PTG Letter at 3.

<sup>33</sup> See Citadel Letter at 7.

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-2026-009 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-2026-009. 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 filing 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-2026-009 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>34</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>34</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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

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**6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)**

**6710. Definitions**

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) through (dd) No Change.

(ee) “[Non-member] Affiliate” means [a non-member]an entity that controls, is controlled by or is under common control with a member. 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.

(ff) through (ll) No Change.

**••• Supplementary Material: -----**

.01 No Change.

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**6730. Transaction Reporting**

(a) through (c) No Change.

**(d) Procedures for Reporting Price, Capacity, Volume**

(1) through (3) No Change.

**(4) Modifiers and Indicators**

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

(A) through (D) No Change.

**(E) [Non-member] Affiliate—Principal Transaction Indicator**

[If reporting a transaction with a “non-member affiliate,” as defined in Rule 6710, in which both the member and non-member affiliate act in a principal capacity, and that occurs within the same day, at the same price and in the same security as a transaction by the member with another contra-party, select the non-member affiliate—principal transaction indicator. If a member does not reasonably expect to engage in a subsequent same day, same price transaction in the same security with another contra-party, the member is not required to append the principal transaction indicator or subsequently correct a prior trade report with its non-member affiliate solely for the purpose of appending the non-member affiliate—principal transaction indicator. If, however, a member appends the non-member affiliate—principal transaction indicator to a trade report reflecting a transaction with a non-member affiliate and, ultimately, does not engage in a same day,

same price transaction in the same security with another contra-party, the member must correct the prior trade report to exclude the non-member affiliate—principal transaction indicator.]

(i) If a member and an Affiliate transact in a principal capacity in a TRACE-Eligible Security, and the member reasonably believes that the member (or its member Affiliate, in the case of member Affiliates, as further described in subparagraph (ii)) will engage (or has already engaged) in a transaction in the same security within the same day, at the same price, with another contra-party, select the Affiliate—Principal Transaction indicator.

(ii) In a transaction between member Affiliates, to select the Affiliate—Principal Transaction indicator, both members must share a reasonable belief that the member or its member Affiliate will engage (or has already engaged) in a transaction in the same security within the same day, at the same price, with another contra-party, and each member must append the Affiliate—Principal Transaction indicator.

(iii) If a member has engaged in a same day, same price transaction in the same security with both a member Affiliate and a non-member Affiliate and neither member Affiliate engages in a same-security, same-day, same-price transaction with an unaffiliated contra-party, the member must only append the Affiliate—Principal Transaction indicator to either the trade report

with its member Affiliate (consistent with paragraph (d)(4)(E)(ii) of this Rule), or to the trade report for its transaction with its non-member Affiliate. If the member appends the Affiliate—Principal Transaction indicator to the trade report for the transaction with its non-member Affiliate, neither the member nor its member Affiliate may append the Affiliate—Principal Transaction indicator to the trade report for the member-to-member transaction.

(iv) A member is not required to correct a prior trade report with its Affiliate solely for the purpose of appending the Affiliate—Principal Transaction indicator if the member did not reasonably believe that it (or its member Affiliate, in the case of member Affiliates) would engage (or had already engaged) in a same-day, same-price transaction in the same security with another contra-party at the time of the prior trade report. If, however, a member appends the Affiliate—Principal Transaction indicator to a trade report reflecting a transaction with an Affiliate and, ultimately, the member or its member Affiliate does not engage in a same day, same price transaction in the same security with another contra-party, the member must correct the prior trade report to exclude the Affiliate—Principal Transaction indicator.

(F) through (H) No Change.

(e) through (f) No Change.

••• **Supplementary Material:** -----

.01 No Change.

**.02** For purposes of compliance with paragraphs (c)(6) and (d)(4)(E) of this Rule, a member must identify those entities that would meet the definition of [“non-member affiliate”]“Affiliate” at least annually. However, where the member has undergone an organizational or operational restructuring that may impact its [non-member affiliate]Affiliate relationships, it must promptly review and update, as necessary, its identification of [non-member affiliates]Affiliates for purposes of this [rule]Rule.

.03 through .08 No Change.

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**6750. Dissemination of Transaction Information**

(a) through (c) No Change.

**(d) Transaction Information Not Disseminated**

FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is:

(1) identified with the [non-member affiliate]Affiliate—Principal Transaction indicator pursuant to Rule 6730(d)(4)(E);

(2) through (6) No Change.

**••• Supplementary Material: -----**

.01 No Change.

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