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

File No. * SR 2026 - * 016

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 FINRA Rule 4515.01 (Allocations of Orders Made by Investment Advisers)

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 * Britny Last Name * Auletti

Title * Assistant General Counsel

E-mail * britny.auletti@finra.org

Telephone * (212) 858-4039 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 07/09/2026

(Title *)

By Alicia Goldin
(Name *)

Vice President & Associate General Counsel

Alicia Goldin
Digitally signed by Alicia Goldin
Date: 2026.07.09 14:59:48 -04'00'

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.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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FINRA-2026-016 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-2026-016 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-2026-016 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”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA Rule 4515.01 (Allocations of Orders Made by Investment Advisers) to expand the current exception from the rule’s principal approval requirements to apply to all allocations of bulk investment adviser orders, irrespective of when allocation instructions are received.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

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

¹ 15 U.S.C. 78s(b)(1).

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

(a) Purpose

Background

FINRA Rule 4515 (Approval and Documentation of Changes in Account Name or Designation) requires members to place the account name(s) or designation(s) on the customer order form or other similar record before an order is executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a qualified and registered principal designated by the member. The essential facts relied upon by the principal approving the change must be documented in writing and preserved in accordance with Exchange Act Rule 17a-4(b). With respect to any change that takes place prior to the execution of the trade, the required principal approval and documentation must occur prior to execution. FINRA originally adopted Rule 4515 in 2002 to address concerns about abuses such as cherry-picking, where advantageous trades are allocated to preferred customer accounts.²

Rule 4515.01 provides a limited exception to the requirements of Rule 4515 for orders from investment advisers (“IAs”) for which there is more than one customer

² NASD Rule 3110(d), the predecessor to FINRA Rule 4515, was adopted in response to a case that involved the misappropriation of customer funds. The case brought attention to operational and sales practice abuses at firms and the importance of ensuring that firms effectively monitor the activities of their employees. See SEC v. Gruttadauria, No. 1:02 CV 324, *2–*3 (N.D. Ohio January 13, 2009). In its filing, FINRA (then NASD) noted its belief that because changes in account names or designations in connection with order executions can be subject to abuse, such changes should be approved by a qualified person and the basis for the change should be adequately documented. Such abuse can include, among others, cherry-picking. See Securities Exchange Act Release No.

(herein referred to as “IA bulk orders”).³ Specifically, members are not required to obtain principal approval for any account name or designation changes relating to IA bulk orders provided that the member receives allocation instructions from the IA no later than the end of the trade date.⁴ This exception applies to outside IAs and associated persons of a member who provide investment advisory services on behalf of a member acting as an IA.

Further, Rule 4515.01 prohibits members from knowingly facilitating the allocation of orders from IAs in a manner other than in compliance with both (1) the IA’s intent at the time of trade execution to allocate shares on a percentage basis to the

46859 (November 20, 2002), 67 FR 70990, 70991–993 (November 27, 2002) (Notice of Filing of File No. SR-NASD-2002-162).

³ In 2010, as the NASD and NYSE rulebooks were consolidated (the “Rulebook Consolidation”), NASD Rule 3110(d) was redesignated as FINRA Rule 4515 and modified to include an exception for IA bulk orders, which was modeled after a corresponding exception in the NYSE rule. Specifically, as part of the Rulebook Consolidation, NYSE Rule Interpretation 410/02 was adopted, with certain changes, as FINRA Rule 4515.01. Rule 4515.01 expanded the NYSE rule to provide members additional time (until noon of the next business day following the trading session) to obtain specific account designations or customer names from IAs for order records, limited the exception to IA bulk orders and clarified that members must allocate orders in compliance with the IA’s intent and fiduciary duty. See Securities Exchange Act Release No. 63181 (October 26, 2010), 75 FR 67155, 67158 (November 1, 2010) (Notice of Filing of File No. SR-FINRA 2010-052); see also NYSE Information Memo 00-19, Timely Designation and Allocation of Account Information -- Records of Orders (July 21, 2000); Retired Incorporated NYSE Rule Interpretation 410/02 (Records of Orders).

⁴ In connection with the transition to one business day after the trade date (“T+1”) settlement, FINRA amended Rule 4515.01 to shorten the time frame by which members have to receive allocation instructions from noon of the next business day following the trading session to no later than the end of the trade date. See Securities Exchange Act Release No. 99075 (December 4, 2023), 88 FR 85678, 85679 (December 8, 2023) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2023-017).

participating accounts; and (2) the IA's fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.⁵

Today, the allocation process is more automated than when the rule was first adopted due to advances in trade processing technology. Among other things, advances in technology over the years have generally reduced the need for manual intervention in trade processing and enabled the transaction settlement cycle to be compressed to T+1.⁶ Many members use straight-through processing ("STP"), which refers generally to processes that allow for the automation of the entire trade lifecycle from trade execution through settlement without manual intervention.⁷ Developments in STP technology have enabled members to better manage asset allocation and have generally reduced risk in the settlement process by, for example, automating allocation matching.⁸ As the SEC observed in proposing T+1 settlement, "[i]mproved automation in the settlement process has enabled better straight-through processing and contributed to increases in affirmation

⁵ See supra note 3.

⁶ See Securities Exchange Act Release No. 80295 (March 22, 2017), 82 FR 15564, 15575 (March 29, 2017) (File No. S7-22-16) ("SEC T+2 Adopting Release") (stating, "significant advancements in technology and the changes in market infrastructures and operations that have occurred since 1993, which are widely assimilated into market practices, provide a basis to accommodate shortening the standard settlement cycle to T+2.") and Securities Exchange Act Release No. 96930 (February 15, 2023), 88 FR 13872, 13873 (March 6, 2023) (File No. S7-05-22) ("SEC T+1 Adopting Release") (citing Securities Exchange Act Release No. 94196 (February 9, 2022), 87 FR 10436 (February 24, 2022) ("T+1 Proposing Release")). See also supra note 4.

⁷ See SEC T+1 Adopting Release, supra note 6, at 13873 n.9.

⁸ See SEC T+2 Adopting Release, supra note 6, at 15572.

rates on trade date and increases in settlement rates, with an attendant decrease in exceptions and fails.”⁹

Available data suggests that for the vast majority of allocation transactions, members receive allocation instructions by the end of the trade date.¹⁰ As a result, these transactions are not subject to the principal review and approval requirements under Rule 4515. In the small percentage of instances where allocation instructions are not received on trade date, principal review and approval are required under Rule 4515.

Proposed Amendments to Rule 4515.01

FINRA is proposing to amend Rule 4515.01 to expand the current exception from the rule’s principal approval requirements to apply to all IA bulk orders, notwithstanding when the allocation instructions are received. Specifically, FINRA is proposing to amend Rule 4515.01 to remove the phrase “provided that members receive specific account designations or customer names from such investment advisers by no later than the end of the day on the trade date” and replace it with the phrase “without the principal approval required by this Rule.”¹¹

⁹ See T+1 Proposing Release, supra note 6, at 10471.

¹⁰ See Item 4, infra. See also Depository Trust & Clearing Corporation, Our Year of Execution: Annual Report 37 (2024), <https://www.dtcc.com/annuals/2024/files/DTCC-Annual-Report-2024-Print.pdf> (“DTCC Annual Report”) (describing the general impact of T+1 on the industry and reporting “same-day affirmation rates on transactions surged to 95%” following the adoption of T+1).

¹¹ For the avoidance of doubt, FINRA notes that the proposed rule change would apply to delivery versus payment (“DVP”) and receive versus payment (“RVP”) arrangements and to prime brokers that receive allocation instructions directly from the IA.

FINRA believes the proposed rule change is appropriate given the technological advances and increased use of STP in trade processing since the adoption of Rule 4515. As discussed below, the proposed rule change would address the operational challenges and risks of pausing allocation processing imposed by the current rule requirement, which is of limited value in identifying the concerns it was adopted to address and does not justify the burdens it imposes. In addition, FINRA believes that the proposed rule change is reasonable in light of regulatory changes designed to facilitate the timely completion of transactions.¹²

Moreover, FINRA does not believe that the proposed rule change would give rise to investor protection concerns considering existing regulatory safeguards that would continue to apply to members and IAs.

Operational Challenges and Limitations of the Current Rule

The current requirement that members obtain principal approval where allocation instructions are received after trade date may present operational challenges and risks. While available data suggests that the overall percentage of trades with late allocation instructions is relatively small,¹³ the actual number of trades requiring daily principal review could be substantial, particularly for firms with high trade volume. Further, obtaining the required principal approval would require pausing the transaction process, which may be particularly challenging for members using STP. If a member processes allocation instructions manually, obtaining the required approval could cause further processing delays. Delays could be particularly significant where members have limited

¹² See SEC T+1 Adopting Release, supra note 6, at 13872.

¹³ See Item 4, infra.

time to process the allocations, for example, if instructions are received late in the day from the IA.

Processing delays also create the risk that customer accounts do not accurately reflect cash and securities positions. As the SEC highlighted in the SEC T+2 Adopting Release, delays in settlement may cause routine rebalancing or asset allocation changes in an investor's portfolio to become "lengthy and complicated multi-step processes."¹⁴

FINRA believes that, in light of modern allocation processing, these operational challenges and risks outweigh the regulatory benefits of the rule. As noted above, only a small percentage of allocation instructions are received after trade date,¹⁵ and in turn only a small percentage of IA bulk orders are reviewed and approved by principals today. In addition, there may be legitimate operational or technical reasons why allocation instructions are received after trade date. For example, the IA may need to obtain customer approval or set up a new customer account in connection with the allocations. Accordingly, the current rule does not necessarily target those allocations that may be at risk of abuses like cherry-picking.

FINRA believes the proposed rule change will address these operational challenges and risks and support industry efforts to enhance processing efficiency and member compliance with T+1 settlement timelines, without diminishing investor protection.

¹⁴ SEC T+2 Adopting Release, supra note 6, at 15572.

¹⁵ See Item 4, infra.

Regulatory Changes Since Adoption of the Rule

Since the adoption of Rule 4515, there have been significant changes in the regulatory landscape that support the timely completion of transactions. In February 2023, the SEC amended Exchange Act Rule 15c6-1 to shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1.¹⁶ T+1 settlement, which became effective on May 28, 2024, was adopted to reduce credit, market and liquidity risks in securities transactions and reflects technological developments in STP.¹⁷

To facilitate compliance with T+1 settlement, the SEC also adopted Exchange Act Rule 15c6-2, which addresses same-day confirmation, allocation and affirmation requirements.¹⁸ Exchange Act Rule 15c6-2(a) requires that members, “[e]nter into a written agreement with the relevant parties to ensure completion of the allocation, confirmation, affirmation, or any combination thereof, for the transaction as soon as technologically practicable and no later than the end of the day on trade date in such form as necessary to achieve settlement of the transaction” or “[e]stablish, maintain, and enforce written policies and procedures reasonably designed to ensure completion of the allocation, confirmation, affirmation, or any combination thereof, for the transaction as soon as technologically practicable and no later than the end of the day on trade date in such form as necessary to achieve settlement of the transaction.”¹⁹ Among other things,

¹⁶ See SEC T+1 Adopting Release, supra note 6, at 13872.

¹⁷ See SEC T+1 Adopting Release, supra note 6, at 13926, 13936.

¹⁸ See SEC T+1 Adopting Release, supra note 6, at 13872; see also 17 CFR 240.15c6-2.

¹⁹ 17 CFR 240.15c6-2(a)(1)–(2).

such policies and procedures must measure and monitor allocation rates and investigate any discrepancies in trade information.²⁰

The SEC has also emphasized the importance of automated processes by adopting Exchange Act Rule 17Ad-27, which requires clearing agencies providing central matching services to develop written policies and procedures that facilitate STP of securities transactions.²¹ In adopting this rule, the SEC noted that “eliminating the use of tools that encourage or require manual processing, alongside the continued development and implementation of more efficient automated systems in the institutional trade processing environment, is essential to reducing risk and costs to ensure the prompt and accurate clearance and settlement of securities transactions, particularly in a T+1 environment.”²²

FINRA believes that the current principal approval requirement in Rule 4515.01, which could introduce delays in the allocation process, does not align with recent industry efforts to enhance the efficiency of transaction processing to meet T+1 settlement standards. The proposed rule change would align Rule 4515 with the current regulatory landscape and objectives of Exchange Act Rules 15c6-2 and 17Ad-27.

²⁰ 17 CFR 240.15c6-2(b).

²¹ See SEC T+1 Adopting Release, supra note 6, at 13892; see also 17 CFR 240.17Ad-27.

²² See SEC T+1 Adopting Release, supra note 6, at 13899.

Investor Protection

FINRA does not believe that the proposed rule change would raise investor protection concerns given that allocations would continue to be subject to existing regulatory standards and review by both the SEC with respect to IAs and FINRA with respect to member broker-dealers.

For example, under the Investment Advisers Act of 1940 (“Advisers Act”), IAs owe their customers a fiduciary duty, comprising a duty of loyalty and duty of care.²³ IAs are also subject to SEC examinations, which can include reviews of allocation practices.²⁴

Further, members would continue to be prohibited under Rule 4515.01 from “knowingly [facilitating] the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser’s intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser’s fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.” This provision serves as an effective gatekeeping check against fraudulent allocation schemes by requiring members to decline to process an allocation they know to be inconsistent with

²³ 15 U.S.C. 80b-6. See Investment Advisers Act Release No. 5248 (June 5, 2019), 84 FR 33669, 33669 (July 12, 2019) (Commission Interpretation Regarding Standard of Conduct for Investment Advisers).

²⁴ See SEC Division of Examinations, Fiscal Year 2026: Examination Priorities 9 (November 17, 2025), <https://www.sec.gov/files/2026-exam-priorities.pdf>. The report notes allocation practices as a priority examination item for 2026.

the IA's intent or fiduciary duty. FINRA Rule 2010, which requires members to "observe high standards of commercial honor and just and equitable principles of trade," provides additional protection against a member's facilitation of such misconduct.

FINRA does not believe the proposed rule change would encourage members to purposely delay the allocation process. Members must comply with T+1 settlement requirements, including the requirements of Exchange Act Rule 15c6-2(b) to have agreements or policies and procedures reasonably designed to ensure timely completion of allocations and to measure, monitor and address patterns of late allocations. For example, under Exchange Act Rule 15c6-2(b)(5), a member's written policies and procedures must "measure, monitor, and document the rates of allocations, confirmations, and affirmations completed as soon as technologically practicable and no later than the end of the day on trade date."²⁵ In addition, as a general matter, delays run counter to member and customer interests to promptly settle transactions and can cause settlement risk and operational inefficiencies, among other things.²⁶

Additionally, FINRA Rule 3110 requires members to maintain policies and procedures reasonably designed to achieve compliance with applicable securities laws and regulations, including the requirements under FINRA Rule 4515.01 and Exchange Act Rule 15c6-2 described above.

In sum, FINRA believes the proposed rule change recognizes modern technologies, addresses operational challenges and is reasonable in light of changes to the

²⁵ 17 CFR 240.15c6-2(b)(5).

²⁶ See SEC T+1 Adopting Release, supra note 6, at 13929–13931.

regulatory landscape, while maintaining investor protection and supporting timely and efficient allocation processing.

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 Exchange Act,²⁷ 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 foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, to protect investors and the public interest.

The proposed rule change is consistent with the Exchange Act because it eliminates operational burdens that can delay timely allocation processing and the attendant risks, while preserving investor protection safeguards. Specifically, the proposed rule change would facilitate timely transaction processing and support T+1 settlement compliance by enabling members to complete IA bulk orders without principal review and approval, regardless of when allocation instructions are received. The proposed rule change also maintains investor protection by preserving existing safeguards. For example, IAs are subject to fiduciary duties under the Advisers Act and

²⁷ 15 U.S.C. 78q-3(b)(6).

members will remain subject to Rule 4515.01's prohibition on knowingly facilitating improper allocations, as well as Rules 2010 and 3110.

Finally, the proposed rule change is consistent with FINRA's ongoing efforts to ensure its rules remain efficient and effective in light of technological advances and regulatory changes. FINRA believes that the proposed rule change promotes just and equitable principles of trade and protects investors and the public interest by eliminating a requirement with limited regulatory benefits given current industry practices while preserving sufficient investor protections.

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 Exchange Act.

Economic Impact Assessment

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

Regulatory Need

Rule 4515 currently requires principal approval for all changes to account names or designations, with a narrow exception for IA bulk orders when allocation instructions are received by trade date. FINRA proposes to eliminate the principal approval requirement for all IA bulk orders, regardless of when allocation instructions arrive. The

proposed rule change addresses operational challenges created by the current requirement, which disrupts STP workflows and increases settlement delay risks under the T+1 settlement cycle. The proposed rule change would enable members to maintain automated STP workflows while supporting timely transaction processing.

Economic Baseline

Identifying the baseline for this analysis is constrained by data limitations. During recent FINRA reviews of three members, the members reported same-day allocation rates exceeding 98 percent, indicating that late allocations of IA bulk orders represented less than two percent of their activity for the review period. A broader review of Consolidated Audit Trail (“CAT”) equity allocation data covering November 1, 2024 through October 31, 2025 revealed that approximately 1.5 percent of allocations by trade count (representing 3.5 percent by dollar volume) occur after the trade date. Moreover, FINRA’s analysis of CAT data suggests that same day allocation rates have been increasing, both leading up to and since the implementation of T+1 settlement.²⁸ However, because CAT data does not distinguish between IA bulk orders and other allocation types, these statistics may have limited applicability to this analysis. Additionally, a Depository Trust & Clearing Corporation (“DTCC”) report covering the three-week period following the implementation of T+1 settlement suggests that approximately 98–99 percent of all allocations are completed on the trade date.²⁹

²⁸ The percentage of allocations occurring after the trade day declined from 2.3 percent two years before the T+1 implementation to 1.7 percent one year before, and further to 1.6 percent in the year following the implementation.

²⁹ See DTCC, Daily Reporting Metrics (June 2024), <https://www.dtcc.com/-/media/Files/PDFs/T2/SIFMA-UST1-Daily-Reporting-Metrics-Template-GC.pdf>. Furthermore, the DTCC Annual Report states that industry affirmation rates improved to nearly 96 percent following T+1 settlement compared to 84.5 percent

However, since not all allocations are processed through DTCC, the value of these statistics is similarly limited.

Economic Impacts

The proposed rule change would directly impact members that accept late allocation instructions, IAs that issue late allocation instructions and investors who execute trades through IAs.

Potential Benefits

The existing principal approval requirement for changes in IA bulk order allocations that occur after the trade date may create significant operational disruptions and delays by inserting a manual step into predominantly automated workflows. Removing this requirement would enable members to maintain STP for IA allocations and preserve associated operational efficiencies.

Disruptions in STP increase the risk of delayed settlement, particularly within the timelines of the T+1 settlement cycle. By avoiding such disruptions, the proposed rule change would help mitigate the risk of delayed settlement. This approach would enable members to better meet IA client expectations regarding allocation trades and associated operational timelines.

Potential Costs

One potential concern is increased opportunity for misconduct such as cherry-picking. The current rule's principal approval requirement is intended to safeguard against such practices. However, as discussed above, it appears the vast majority of IA

in the pre-T+1 period, consistent with improvements in same day allocation statistics from CAT data. See DTCC Annual Report, supra note 10, at 19.

allocation instructions already receive no principal review because they arrive on the trade date.³⁰ Moreover, principals reviewing post-trade-date allocations would see sub-account allocations for the first time without a benchmark to identify potential abuses, such as cherry-picking, and must evaluate each instruction in isolation without the ability to assess long-term patterns.³¹ Therefore, FINRA believes the efficacy of the principal approval approach as a safeguard against cherry-picking may be limited, and the regulatory cost of its removal may be similarly limited.

Importantly, other regulatory safeguards remain in place, as discussed above. FINRA believes that potential concerns about increased opportunity for misconduct will be mitigated by these other remaining safeguards.

Competitive Effects

FINRA has considered the potential competitive effects the proposed rule change may have on members. While members operate under different business models—some requiring allocation instructions from IAs at the time of the block order and others permitting later submission—FINRA does not believe that the current principal approval requirement is likely to influence members' choice of operational model. By removing this requirement, the proposed rule change may enhance competitive flexibility, enabling members to compete on operational efficiency and service quality. Because the proposed rule change applies equally to all members, FINRA does not believe it would create competitive disadvantages among members.

³⁰ See DTCC Annual Report, supra note 10.

³¹ Principals would likely need to analyze IA behavior over a longer period to statistically identify consistent patterns indicative of cherry-picking.

Alternatives Considered

FINRA considered an alternative approach in which the principal approval process would remain in place but occur post-allocation if allocation instructions were not received by the end of the trade day. Under this alternative, because principal oversight would occur post-allocation, the trade may need to be reversed, creating significant costs for members. Given the potential for substantial new costs and the lack of economically significant benefits from the principal review process, FINRA believes that eliminating the principal approval requirement represents the most efficient path to addressing the operational challenges created by the current requirement while maintaining investor protections through alternative safeguards.

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

Written comments were neither solicited nor received.

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

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.³²

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.

³² 15 U.S.C. 78s(b)(2).

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

Not applicable.

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

Not applicable.

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-2026-016)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 4515.01 (Allocations of Orders Made by Investment Advisers)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 4515.01 (Allocations of Orders Made by Investment Advisers) to expand the current exception from the rule’s principal approval requirements to apply to all allocations of bulk investment adviser orders, irrespective of when allocation instructions are received.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

1. Purpose

Background

FINRA Rule 4515 (Approval and Documentation of Changes in Account Name or Designation) requires members to place the account name(s) or designation(s) on the customer order form or other similar record before an order is executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a qualified and registered principal designated by the member. The essential facts relied upon by the principal approving the change must be documented in writing and preserved in accordance with Exchange Act Rule 17a-4(b). With respect to any change that takes place prior to the execution of the trade, the required principal approval and documentation must occur prior to execution. FINRA originally adopted Rule 4515 in

2002 to address concerns about abuses such as cherry-picking, where advantageous trades are allocated to preferred customer accounts.³

Rule 4515.01 provides a limited exception to the requirements of Rule 4515 for orders from investment advisers (“IAs”) for which there is more than one customer (herein referred to as “IA bulk orders”).⁴ Specifically, members are not required to obtain principal approval for any account name or designation changes relating to IA bulk orders provided that the member receives allocation instructions from the IA no later

³ NASD Rule 3110(d), the predecessor to FINRA Rule 4515, was adopted in response to a case that involved the misappropriation of customer funds. The case brought attention to operational and sales practice abuses at firms and the importance of ensuring that firms effectively monitor the activities of their employees. See SEC v. Gruttadauria, No. 1:02 CV 324, *2–*3 (N.D. Ohio January 13, 2009). In its filing, FINRA (then NASD) noted its belief that because changes in account names or designations in connection with order executions can be subject to abuse, such changes should be approved by a qualified person and the basis for the change should be adequately documented. Such abuse can include, among others, cherry-picking. See Securities Exchange Act Release No. 46859 (November 20, 2002), 67 FR 70990, 70991–993 (November 27, 2002) (Notice of Filing of File No. SR-NASD-2002-162).

⁴ In 2010, as the NASD and NYSE rulebooks were consolidated (the “Rulebook Consolidation”), NASD Rule 3110(d) was redesignated as FINRA Rule 4515 and modified to include an exception for IA bulk orders, which was modeled after a corresponding exception in the NYSE rule. Specifically, as part of the Rulebook Consolidation, NYSE Rule Interpretation 410/02 was adopted, with certain changes, as FINRA Rule 4515.01. Rule 4515.01 expanded the NYSE rule to provide members additional time (until noon of the next business day following the trading session) to obtain specific account designations or customer names from IAs for order records, limited the exception to IA bulk orders and clarified that members must allocate orders in compliance with the IA’s intent and fiduciary duty. See Securities Exchange Act Release No. 63181 (October 26, 2010), 75 FR 67155, 67158 (November 1, 2010) (Notice of Filing of File No. SR-FINRA 2010-052); see also NYSE Information Memo 00-19, Timely Designation and Allocation of Account Information -- Records of Orders (July 21, 2000); Retired Incorporated NYSE Rule Interpretation 410/02 (Records of Orders).

than the end of the trade date.⁵ This exception applies to outside IAs and associated persons of a member who provide investment advisory services on behalf of a member acting as an IA.

Further, Rule 4515.01 prohibits members from knowingly facilitating the allocation of orders from IAs in a manner other than in compliance with both (1) the IA's intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts; and (2) the IA's fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.⁶

Today, the allocation process is more automated than when the rule was first adopted due to advances in trade processing technology. Among other things, advances in technology over the years have generally reduced the need for manual intervention in trade processing and enabled the transaction settlement cycle to be compressed to T+1.⁷

⁵ In connection with the transition to one business day after the trade date ("T+1") settlement, FINRA amended Rule 4515.01 to shorten the time frame by which members have to receive allocation instructions from noon of the next business day following the trading session to no later than the end of the trade date. See Securities Exchange Act Release No. 99075 (December 4, 2023), 88 FR 85678, 85679 (December 8, 2023) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2023-017).

⁶ See supra note 4.

⁷ See Securities Exchange Act Release No. 80295 (March 22, 2017), 82 FR 15564, 15575 (March 29, 2017) (File No. S7-22-16) ("SEC T+2 Adopting Release") (stating, "significant advancements in technology and the changes in market infrastructures and operations that have occurred since 1993, which are widely assimilated into market practices, provide a basis to accommodate shortening the standard settlement cycle to T+2.") and Securities Exchange Act Release No. 96930 (February 15, 2023), 88 FR 13872, 13873 (March 6, 2023) (File No. S7-05-22) ("SEC T+1 Adopting Release") (citing Securities Exchange Act Release

Many members use straight-through processing (“STP”), which refers generally to processes that allow for the automation of the entire trade lifecycle from trade execution through settlement without manual intervention.⁸ Developments in STP technology have enabled members to better manage asset allocation and have generally reduced risk in the settlement process by, for example, automating allocation matching.⁹ As the SEC observed in proposing T+1 settlement, “[i]mproved automation in the settlement process has enabled better straight-through processing and contributed to increases in affirmation rates on trade date and increases in settlement rates, with an attendant decrease in exceptions and fails.”¹⁰

Available data suggests that for the vast majority of allocation transactions, members receive allocation instructions by the end of the trade date.¹¹ As a result, these transactions are not subject to the principal review and approval requirements under Rule 4515. In the small percentage of instances where allocation instructions are not received on trade date, principal review and approval are required under Rule 4515.

No. 94196 (February 9, 2022), 87 FR 10436 (February 24, 2022) (“T+1 Proposing Release”). See also supra note 5.

⁸ See SEC T+1 Adopting Release, supra note 7, at 13873 n.9.

⁹ See SEC T+2 Adopting Release, supra note 7, at 15572.

¹⁰ See T+1 Proposing Release, supra note 7, at 10471.

¹¹ See Item II.B., infra. See also Depository Trust & Clearing Corporation, Our Year of Execution: Annual Report 37 (2024), <https://www.dtcc.com/annuals/2024/files/DTCC-Annual-Report-2024-Print.pdf> (“DTCC Annual Report”) (describing the general impact of T+1 on the industry and reporting “same-day affirmation rates on transactions surged to 95%” following the adoption of T+1).

Proposed Amendments to Rule 4515.01

FINRA is proposing to amend Rule 4515.01 to expand the current exception from the rule's principal approval requirements to apply to all IA bulk orders, notwithstanding when the allocation instructions are received. Specifically, FINRA is proposing to amend Rule 4515.01 to remove the phrase "provided that members receive specific account designations or customer names from such investment advisers by no later than the end of the day on the trade date" and replace it with the phrase "without the principal approval required by this Rule."¹²

FINRA believes the proposed rule change is appropriate given the technological advances and increased use of STP in trade processing since the adoption of Rule 4515. As discussed below, the proposed rule change would address the operational challenges and risks of pausing allocation processing imposed by the current rule requirement, which is of limited value in identifying the concerns it was adopted to address and does not justify the burdens it imposes. In addition, FINRA believes that the proposed rule change is reasonable in light of regulatory changes designed to facilitate the timely completion of transactions.¹³

Moreover, FINRA does not believe that the proposed rule change would give rise to investor protection concerns considering existing regulatory safeguards that would continue to apply to members and IAs.

¹² For the avoidance of doubt, FINRA notes that the proposed rule change would apply to delivery versus payment ("DVP") and receive versus payment ("RVP") arrangements and to prime brokers that receive allocation instructions directly from the IA.

¹³ See SEC T+1 Adopting Release, supra note 7, at 13872.

Operational Challenges and Limitations of the Current Rule

The current requirement that members obtain principal approval where allocation instructions are received after trade date may present operational challenges and risks. While available data suggests that the overall percentage of trades with late allocation instructions is relatively small,¹⁴ the actual number of trades requiring daily principal review could be substantial, particularly for firms with high trade volume. Further, obtaining the required principal approval would require pausing the transaction process, which may be particularly challenging for members using STP. If a member processes allocation instructions manually, obtaining the required approval could cause further processing delays. Delays could be particularly significant where members have limited time to process the allocations, for example, if instructions are received late in the day from the IA.

Processing delays also create the risk that customer accounts do not accurately reflect cash and securities positions. As the SEC highlighted in the SEC T+2 Adopting Release, delays in settlement may cause routine rebalancing or asset allocation changes in an investor's portfolio to become "lengthy and complicated multi-step processes."¹⁵

FINRA believes that, in light of modern allocation processing, these operational challenges and risks outweigh the regulatory benefits of the rule. As noted above, only a small percentage of allocation instructions are received after trade date,¹⁶ and in turn only a small percentage of IA bulk orders are reviewed and approved by principals today. In

¹⁴ See Item II.B., infra.

¹⁵ SEC T+2 Adopting Release, supra note 7, at 15572.

¹⁶ See Item II.B., infra.

addition, there may be legitimate operational or technical reasons why allocation instructions are received after trade date. For example, the IA may need to obtain customer approval or set up a new customer account in connection with the allocations. Accordingly, the current rule does not necessarily target those allocations that may be at risk of abuses like cherry-picking.

FINRA believes the proposed rule change will address these operational challenges and risks and support industry efforts to enhance processing efficiency and member compliance with T+1 settlement timelines, without diminishing investor protection.

Regulatory Changes Since Adoption of the Rule

Since the adoption of Rule 4515, there have been significant changes in the regulatory landscape that support the timely completion of transactions. In February 2023, the SEC amended Exchange Act Rule 15c6-1 to shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1.¹⁷ T+1 settlement, which became effective on May 28, 2024, was adopted to reduce credit, market and liquidity risks in securities transactions and reflects technological developments in STP.¹⁸

To facilitate compliance with T+1 settlement, the SEC also adopted Exchange Act Rule 15c6-2, which addresses same-day confirmation, allocation and affirmation requirements.¹⁹ Exchange Act Rule 15c6-2(a) requires that members, “[e]nter into a

¹⁷ See SEC T+1 Adopting Release, supra note 7, at 13872.

¹⁸ See SEC T+1 Adopting Release, supra note 7, at 13926, 13936.

¹⁹ See SEC T+1 Adopting Release, supra note 7, at 13872; see also 17 CFR 240.15c6-2.

written agreement with the relevant parties to ensure completion of the allocation, confirmation, affirmation, or any combination thereof, for the transaction as soon as technologically practicable and no later than the end of the day on trade date in such form as necessary to achieve settlement of the transaction” or “[e]stablish, maintain, and enforce written policies and procedures reasonably designed to ensure completion of the allocation, confirmation, affirmation, or any combination thereof, for the transaction as soon as technologically practicable and no later than the end of the day on trade date in such form as necessary to achieve settlement of the transaction.”²⁰ Among other things, such policies and procedures must measure and monitor allocation rates and investigate any discrepancies in trade information.²¹

The SEC has also emphasized the importance of automated processes by adopting Exchange Act Rule 17Ad-27, which requires clearing agencies providing central matching services to develop written policies and procedures that facilitate STP of securities transactions.²² In adopting this rule, the SEC noted that “eliminating the use of tools that encourage or require manual processing, alongside the continued development and implementation of more efficient automated systems in the institutional trade processing environment, is essential to reducing risk and costs to ensure the prompt and

²⁰ 17 CFR 240.15c6-2(a)(1)–(2).

²¹ 17 CFR 240.15c6-2(b).

²² See SEC T+1 Adopting Release, supra note 7, at 13892; see also 17 CFR 240.17Ad-27.

accurate clearance and settlement of securities transactions, particularly in a T+1 environment.”²³

FINRA believes that the current principal approval requirement in Rule 4515.01, which could introduce delays in the allocation process, does not align with recent industry efforts to enhance the efficiency of transaction processing to meet T+1 settlement standards. The proposed rule change would align Rule 4515 with the current regulatory landscape and objectives of Exchange Act Rules 15c6-2 and 17Ad-27.

Investor Protection

FINRA does not believe that the proposed rule change would raise investor protection concerns given that allocations would continue to be subject to existing regulatory standards and review by both the SEC with respect to IAs and FINRA with respect to member broker-dealers.

For example, under the Investment Advisers Act of 1940 (“Advisers Act”), IAs owe their customers a fiduciary duty, comprising a duty of loyalty and duty of care.²⁴ IAs are also subject to SEC examinations, which can include reviews of allocation practices.²⁵

²³ See SEC T+1 Adopting Release, supra note 7, at 13899.

²⁴ 15 U.S.C. 80b-6. See Investment Advisers Act Release No. 5248 (June 5, 2019), 84 FR 33669, 33669 (July 12, 2019) (Commission Interpretation Regarding Standard of Conduct for Investment Advisers).

²⁵ See SEC Division of Examinations, Fiscal Year 2026: Examination Priorities 9 (November 17, 2025), <https://www.sec.gov/files/2026-exam-priorities.pdf>. The report notes allocation practices as a priority examination item for 2026.

Further, members would continue to be prohibited under Rule 4515.01 from “knowingly [facilitating] the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser’s intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser’s fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.” This provision serves as an effective gatekeeping check against fraudulent allocation schemes by requiring members to decline to process an allocation they know to be inconsistent with the IA’s intent or fiduciary duty. FINRA Rule 2010, which requires members to “observe high standards of commercial honor and just and equitable principles of trade,” provides additional protection against a member’s facilitation of such misconduct.

FINRA does not believe the proposed rule change would encourage members to purposely delay the allocation process. Members must comply with T+1 settlement requirements, including the requirements of Exchange Act Rule 15c6-2(b) to have agreements or policies and procedures reasonably designed to ensure timely completion of allocations and to measure, monitor and address patterns of late allocations. For example, under Exchange Act Rule 15c6-2(b)(5), a member’s written policies and procedures must “measure, monitor, and document the rates of allocations, confirmations, and affirmations completed as soon as technologically practicable and no later than the end of the day on trade date.”²⁶ In addition, as a general matter, delays run counter to

²⁶ 17 CFR 240.15c6-2(b)(5).

member and customer interests to promptly settle transactions and can cause settlement risk and operational inefficiencies, among other things.²⁷

Additionally, FINRA Rule 3110 requires members to maintain policies and procedures reasonably designed to achieve compliance with applicable securities laws and regulations, including the requirements under FINRA Rule 4515.01 and Exchange Act Rule 15c6-2 described above.

In sum, FINRA believes the proposed rule change recognizes modern technologies, addresses operational challenges and is reasonable in light of changes to the regulatory landscape, while maintaining investor protection and supporting timely and efficient allocation processing.

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 Exchange Act,²⁸ 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 foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, to protect investors and the public interest.

²⁷ See SEC T+1 Adopting Release, supra note 7, at 13929–13931.

²⁸ 15 U.S.C. 78q-3(b)(6).

The proposed rule change is consistent with the Exchange Act because it eliminates operational burdens that can delay timely allocation processing and the attendant risks, while preserving investor protection safeguards. Specifically, the proposed rule change would facilitate timely transaction processing and support T+1 settlement compliance by enabling members to complete IA bulk orders without principal review and approval, regardless of when allocation instructions are received. The proposed rule change also maintains investor protection by preserving existing safeguards. For example, IAs are subject to fiduciary duties under the Advisers Act and members will remain subject to Rule 4515.01's prohibition on knowingly facilitating improper allocations, as well as Rules 2010 and 3110.

Finally, the proposed rule change is consistent with FINRA's ongoing efforts to ensure its rules remain efficient and effective in light of technological advances and regulatory changes. FINRA believes that the proposed rule change promotes just and equitable principles of trade and protects investors and the public interest by eliminating a requirement with limited regulatory benefits given current industry practices while preserving sufficient investor protections.

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 Exchange Act.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment to analyze the regulatory need for the proposed rule change, its potential economic impacts, including anticipated

costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives FINRA considered in assessing how best to meet FINRA's regulatory objectives.

Regulatory Need

Rule 4515 currently requires principal approval for all changes to account names or designations, with a narrow exception for IA bulk orders when allocation instructions are received by trade date. FINRA proposes to eliminate the principal approval requirement for all IA bulk orders, regardless of when allocation instructions arrive. The proposed rule change addresses operational challenges created by the current requirement, which disrupts STP workflows and increases settlement delay risks under the T+1 settlement cycle. The proposed rule change would enable members to maintain automated STP workflows while supporting timely transaction processing.

Economic Baseline

Identifying the baseline for this analysis is constrained by data limitations. During recent FINRA reviews of three members, the members reported same-day allocation rates exceeding 98 percent, indicating that late allocations of IA bulk orders represented less than two percent of their activity for the review period. A broader review of Consolidated Audit Trail ("CAT") equity allocation data covering November 1, 2024 through October 31, 2025 revealed that approximately 1.5 percent of allocations by trade count (representing 3.5 percent by dollar volume) occur after the trade date. Moreover, FINRA's analysis of CAT data suggests that same day allocation rates have

been increasing, both leading up to and since the implementation of T+1 settlement.²⁹

However, because CAT data does not distinguish between IA bulk orders and other allocation types, these statistics may have limited applicability to this analysis.

Additionally, a Depository Trust & Clearing Corporation (“DTCC”) report covering the three-week period following the implementation of T+1 settlement suggests that approximately 98–99 percent of all allocations are completed on the trade date.³⁰

However, since not all allocations are processed through DTCC, the value of these statistics is similarly limited.

Economic Impacts

The proposed rule change would directly impact members that accept late allocation instructions, IAs that issue late allocation instructions and investors who execute trades through IAs.

Potential Benefits

The existing principal approval requirement for changes in IA bulk order allocations that occur after the trade date may create significant operational disruptions and delays by inserting a manual step into predominantly automated workflows.

²⁹ The percentage of allocations occurring after the trade day declined from 2.3 percent two years before the T+1 implementation to 1.7 percent one year before, and further to 1.6 percent in the year following the implementation.

³⁰ See DTCC, Daily Reporting Metrics (June 2024), <https://www.dtcc.com/-/media/Files/PDFs/T2/SIFMA-UST1-Daily-Reporting-Metrics-Template-GC.pdf>. Furthermore, the DTCC Annual Report states that industry affirmation rates improved to nearly 96 percent following T+1 settlement compared to 84.5 percent in the pre-T+1 period, consistent with improvements in same day allocation statistics from CAT data. See DTCC Annual Report, *supra* note 11, at 19.

Removing this requirement would enable members to maintain STP for IA allocations and preserve associated operational efficiencies.

Disruptions in STP increase the risk of delayed settlement, particularly within the timelines of the T+1 settlement cycle. By avoiding such disruptions, the proposed rule change would help mitigate the risk of delayed settlement. This approach would enable members to better meet IA client expectations regarding allocation trades and associated operational timelines.

Potential Costs

One potential concern is increased opportunity for misconduct such as cherry-picking. The current rule's principal approval requirement is intended to safeguard against such practices. However, as discussed above, it appears the vast majority of IA allocation instructions already receive no principal review because they arrive on the trade date.³¹ Moreover, principals reviewing post-trade-date allocations would see sub-account allocations for the first time without a benchmark to identify potential abuses, such as cherry-picking, and must evaluate each instruction in isolation without the ability to assess long-term patterns.³² Therefore, FINRA believes the efficacy of the principal approval approach as a safeguard against cherry-picking may be limited, and the regulatory cost of its removal may be similarly limited.

³¹ See DTCC Annual Report, supra note 11.

³² Principals would likely need to analyze IA behavior over a longer period to statistically identify consistent patterns indicative of cherry-picking.

Importantly, other regulatory safeguards remain in place, as discussed above. FINRA believes that potential concerns about increased opportunity for misconduct will be mitigated by these other remaining safeguards.

Competitive Effects

FINRA has considered the potential competitive effects the proposed rule change may have on members. While members operate under different business models—some requiring allocation instructions from IAs at the time of the block order and others permitting later submission—FINRA does not believe that the current principal approval requirement is likely to influence members' choice of operational model. By removing this requirement, the proposed rule change may enhance competitive flexibility, enabling members to compete on operational efficiency and service quality. Because the proposed rule change applies equally to all members, FINRA does not believe it would create competitive disadvantages among members.

Alternatives Considered

FINRA considered an alternative approach in which the principal approval process would remain in place but occur post-allocation if allocation instructions were not received by the end of the trade day. Under this alternative, because principal oversight would occur post-allocation, the trade may need to be reversed, creating significant costs for members. Given the potential for substantial new costs and the lack of economically significant benefits from the principal review process, FINRA believes that eliminating the principal approval requirement represents the most efficient path to addressing the operational challenges created by the current requirement while maintaining investor protections through alternative safeguards.

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

Written comments were neither solicited nor received.

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

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

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

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2026-016 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-2026-016. 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-2026-016 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.³³

Jill M. Peterson
Assistant Secretary

³³ 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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4500. BOOKS, RECORDS AND REPORTS

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4510. BOOKS AND RECORDS REQUIREMENTS

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4515. Approval and Documentation of Changes in Account Name or Designation

No Change.

Supplementary Material: -----

.01 Allocations of Orders Made by Investment Advisers. Members may accept orders from investment advisers as described below and allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders without the principal approval required by this Rule], provided that members receive specific account designations or customer names from such investment advisers by no later than the end of the day on the trade date]. This exception only applies where there is more than one customer for any particular order.

In addition, this exception applies to: (a) outside investment advisers; and (b) associated persons of a member who provide investment advisory services on behalf of a member acting as an investment adviser. However, in either instance, the investment adviser must be one who is registered under the Investment Advisers Act or who, but for Investment Advisers Act Section 203(b) or 203A, would be required to register under the Investment Advisers Act. It does not apply to accounts handled by individual registered representatives of members who otherwise exercise discretionary authority over accounts

pursuant to Rule 3260. Nothing in this Rule or Supplementary Material may be construed as allowing a member knowingly to facilitate the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser's intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser's fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.

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