As of July 2012

Trading Activity Fee (TAF) Rule Flow—Equities

Is the transaction cancelled?

NO → No TAF assessed

YES → No TAF assessed

Does the transaction involve a public offering?

NO → No TAF assessed

YES → No TAF assessed

Is this a primary market transaction?

NO → No TAF assessed

YES → No TAF assessed

Was the transaction executed outside the U.S. and not required to be reported?

NO → No TAF assessed

YES → No TAF assessed

Is the transaction the result of an exercise of a warrant or right, or the conversion of a convertible security?

NO → No TAF assessed

YES → No TAF assessed

Is this a proprietary transaction effected by a FINRA member firm in its capacity as an exchange specialist or market maker on a national securities exchange?

NO → No TAF assessed

YES → No TAF assessed

Did the firm sell in its capacity as a market maker otherwise than on a national securities exchange?

NO → No TAF assessed

YES → TAF assessed

Was the transaction executed on a national securities exchange by a floor broker that is not a FINRA member firm or is exempt from FINRA registration per SEC Rule 15b9-1?

NO → No TAF assessed

YES → No TAF assessed

Was the firm acting in a riskless principal capacity for this transaction?

NO → No TAF assessed

YES → No TAF assessed

Did the firm sell in an agency capacity on behalf of a customer?

NO → No TAF assessed

YES → TAF assessed

Did the firm sell in an agency capacity on behalf of a FINRA member firm?

NO → No TAF assessed

YES → TAF assessed

Did the firm sell in an agency capacity on behalf of a non-FINRA member firm?

NO → No TAF assessed

YES → TAF assessed

Did the firm sell as principal to a customer or firm?

NO → No TAF assessed

YES → TAF assessed

Was the firm selling on behalf of another member firm?

NO → No TAF assessed

YES → TAF assessed

Was the firm selling on behalf of a non-FINRA member BD?

NO → No TAF assessed

YES → TAF assessed

Was the firm buying as principal from a customer whose account is carried by the firm?

NO → No TAF assessed

YES → TAF assessed

For trades of less than 50,000 shares, firm pays $0.000119 per share.

For trades of 50,000 shares or greater, firm pays $5.95 per trade.

If securities are physically delivered, TAF is assessed using the equity calculation (for trades of less than 50,000 shares, firm pays $0.000119 per share; for trades of 50,000 shares or greater, firm pays $5.95 per trade.)

*For the purposes of this rule flow, a “customer” is defined as not a broker-dealer.

Review frequently asked questions on the application of TAF to equity securities transactions. www.finra.org/taf/faq

As of July 2012
Is the security TRACE eligible? 

- **NO**
  - Is the transaction TRACE reportable? 
    - **NO**
      - No TAF assessed
    - **YES**
      - No TAF assessed
  - **YES**
    - Is the transaction a Primary Market Transaction? 
      - **NO**
        - Has the transaction been cancelled? 
          - **YES**
            - No TAF assessed
          - **NO**
            - Is the transaction with a customer*? 
              - **NO**
                - Did the member firm buy from another member firm as agent? 
                  - **YES**
                    - No TAF assessed
                  - **NO**
                    - Member firm traded with the customer as principal.
                      - **TAF assessed**
                        - Member firm traded with the customer as principal.
  - **YES**
    - **TAF assessed**
      - Note: Although two transaction reports would be required, the firm would only be assessed 1 fee.

Is the transaction subject to MSRB’s reporting requirements? 

- **NO**
  - No TAF assessed
  - **YES**
    - Is the transaction with a customer*? 
      - **NO**
        - Did the member firm buy from another member firm as agent? 
          - **YES**
            - No TAF assessed
          - **NO**
            - Did the member firm buy from another member firm as principal? 
              - **YES**
                - No TAF assessed
              - **NO**
                - Did the member firm sell to another member firm as agent? 
                  - **YES**
                    - No TAF assessed
                  - **NO**
                    - Member sold to another member as principal.
                      - **TAF assessed**
                        - Member sold to another member as principal.

Other than Asset-Backed Securities:

- For trades of fewer than 1,000 bonds, firm pays $0.00075 per bond.
- For trades of 1,000 bonds or greater, firm pays $0.75 per trade.

Asset-Backed Securities: The fee for Asset-Backed Securities is based on the "reported value of the sale" of the transaction. Please see Regulatory Notice 11-20 for more information on calculating TAF for ABS transactions.

*For the purposes of this rule flow, a “customer” is defined as anything other than another FINRA member firm.

Review frequently asked questions on the application of TAF to equity securities transactions. 
www.finra.org/taf/faq

As of July 2012
Firm pays $0.04 per round turn transaction.

A round turn transaction is defined as a purchase and subsequent liquidating sale, or a sale followed by a subsequent covering purchase, of a contract for future delivery by a single market participant.

Review frequently asked questions on the application of TAF to equity securities transactions.  
www.finra.org/taf/faq

As of July 2012
Is the futures contract being exercised?

YES

Does the exercise result in the physical delivery of securities?

YES

TAF assessed
Using equity calculation

NO

No TAF assessed
Contract is cash-settled.

See Futures Contracts flow
Trading Activity Fee (TAF) Rule Flow—Options: Contracts

Is the transaction for an equity option?
- NO: No TAF assessed
- YES: Was the transaction cancelled?
  - YES: No TAF assessed
  - NO: Is the option contract exchange-listed?
    - NO: No TAF assessed
    - YES: Is the transaction for the sale of the option contract?
      - NO: No TAF assessed
      - YES: TAF assessed

Firm pays $0.002 per option contract.

Review frequently asked questions on the application of TAF to equity securities transactions.
www.finra.org/taf/faq

As of July 2012
If securities are physically delivered, TAF is assessed using the equity calculation (for trades of less than 50,000 shares, firm pays $0.000119 per share; for trades of 50,000 shares or greater, firm pays $5.95 per trade.)

Review frequently asked questions on the application of TAF to equity securities transactions.

www.finra.org/taf/faq