

Trade Reporting Notice

Reporting Reversals of OTC Trades in Equity Securities

Effective Date: June 3, 2013

Executive Summary

Effective Monday, June 3, 2013, FINRA is modifying the protocol for reporting reversals of over-the-counter trades in equity securities for firms that use the FINRA/Nasdaq Trade Reporting Facility, OTC Reporting Facility and Alternative Display Facility.

Questions regarding this *Notice* may be directed to:

- ▶ The Legal Section, Market Regulation, at (240) 386-5126;
- ▶ FINRA Operations at (866) 776-0800; or
- ▶ Office of General Counsel at (202) 728-8071.

Discussion

Firms must report cancellations and reversals of over-the-counter (OTC) trades in equity securities that were previously reported to FINRA to the FINRA facility used for the original report (*i.e.*, to a Trade Reporting Facility (TRF), the OTC Reporting Facility (ORF) or the Alternative Display Facility (ADF)).¹ The firm that is obligated to report the original trade also has the obligation to report the cancellation (if it occurs on the trade date) or reversal (if it occurs on a date other than trade date) of the trade in accordance with FINRA rules.

Currently, when reporting a reversal to the FINRA/Nasdaq TRF, ORF or ADF, firms must “switch” the sides of the market, *i.e.*, the buy and sell sides, on the reversal report. For example, if the original trade report reflects Firm A on the sell side and Firm B on the buy side, the reversal report would reflect Firm A on the buy side and Firm B on the sell side.²

March 25, 2013

Key Topics

- ▶ Alternative Display Facility
- ▶ OTC Reporting Facility
- ▶ Reversals
- ▶ Trade Reporting
- ▶ Trade Reporting Facilities

Referenced Rules & Notices

- ▶ FINRA Rule 6282
- ▶ FINRA Rule 6380A
- ▶ FINRA Rule 6380B
- ▶ FINRA Rule 6622
- ▶ FINRA Rule 7230A
- ▶ FINRA Rule 7230B
- ▶ FINRA Rule 7330

Effective June 3, 2013, firms should no longer report reversals in this manner to the FINRA/Nasdaq TRF, ORF and ADF. Rather, the same sides of the market, *i.e.*, the buy and sell sides, should appear on both the original trade report and the reversal report. For example, if the original trade report reflects Firm A on the sell side and Firm B on the buy side, the reversal report should also reflect Firm A on the sell side and Firm B on the buy side. Prior to the June 3, 2013, effective date, firms should continue to report reversals to the FINRA/Nasdaq TRF, ORF and ADF in accordance with the existing protocol, *i.e.*, firms should continue to “switch” the sides of the market on reversal reports submitted to these two facilities.

Due to recent technology enhancements on the FINRA/NYSE TRF, firms should already be reporting reversals in accordance with the modified protocol described in this *Notice*.

Endnotes

1. See FINRA Rules 6282(j); 6380A(g)(1) and 7230A(f)(1); 6380B(f)(1) and 7230B(e)(1); and 6622(f)(1) and 7330(f)(1).
2. See *Trade Reporting Frequently Asked Questions*, [FAQ #305.6](#)