

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="23"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2013"/> - * <input type="text" value="041"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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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 type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<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 checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>
Section 806(e)(2) <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposed Rule Change to Extend the Clearly Erroneous Pilot Period and to Remove Certain References to Individual Stock Trading Pauses in FINRA Rule 11892

**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 * <input type="text" value="Racquel"/>	Last Name * <input type="text" value="Russell"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="racquel.russell@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8363"/>	Fax <input type="text" value="(202) 728-8264"/>

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date <input type="text" value="09/24/2013"/>	Senior Vice President and Director of Capital Markets Policy
By <input type="text" value="Stephanie M. Dumont"/>	<input style="background-color: #cccccc; width: 100%;" type="text" value="Stephanie Dumont,"/>

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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 \***

Add Remove View

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 Advance 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, security-based swap submission, or advance notice 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**

Add Remove View

Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire**

Add Remove View

Exhibit Sent As Paper Document

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 4 - Marked Copies**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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”),<sup>1</sup> 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 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities) to extend the effective date of the clearly erroneous pilot, which currently is scheduled to expire on September 30, 2013. FINRA also proposes to remove certain references to individual stock trading pauses contained in Rule 11892. FINRA has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>2</sup>

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 proposed rule change has been approved by senior management of FINRA pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. The effective date of the proposed rule change will be the date of filing.

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

<sup>2</sup> 17 CFR 240.19b-4(f)(6)(iii).

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

(a) Purpose

FINRA proposes to amend FINRA Rule 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities) to extend the effective date of the amendments set forth in File No. SR-FINRA-2010-032 (the “clearly erroneous pilot”). Portions of Rule 11892, explained in further detail below, currently are operating as a pilot set to expire on September 30, 2013.<sup>3</sup> FINRA proposes to extend the clearly erroneous pilot until April 8, 2014. FINRA also proposes to remove references to individual stock trading pauses described in Rule 11892(b)(4).

On September 10, 2010, the Commission approved, on a pilot basis, changes to FINRA Rule 11892 to provide for uniform treatment: (1) of clearly erroneous execution reviews in multi-stock events involving twenty or more securities, and (2) in the event transactions occur that result in the issuance of an individual stock trading pause by the primary listing market and subsequent transactions that occur before the trading pause is in effect.<sup>4</sup> FINRA also adopted additional changes to Rule 11892 that reduced the ability of FINRA to deviate from the objective standards set forth in Rule 11892,<sup>5</sup> and in 2013, adopted a provision designed to address the operation of the clearly erroneous rules and

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<sup>3</sup> See Securities Exchange Act Release No. 68808 (February 1, 2013), 78 FR 9083 (February 7, 2013) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Clearly Erroneous Pilot Period and To Adopt a New Provision in Connection With the Limit Up-Limit Down Plan) (“File No. SR-FINRA-2013-012”).

<sup>4</sup> See Securities Exchange Act Release No. 62885 (September 10, 2010), 75 FR 56641 (September 16, 2010) (Order Granting Approval of Proposed Rule Change Relating to Clearly Erroneous Transactions) (“File No. SR-FINRA-2010-032”).

<sup>5</sup> See File No. SR-FINRA-2010-032.

the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the “Limit Up-Limit Down Plan” or the “Plan”).<sup>6</sup> FINRA believes the benefits to market participants from the more objective clearly erroneous executions rule should continue on a pilot basis through April 8, 2014, which is one year following the commencement of operations of the Plan. FINRA believes that continuing the pilot during this time will protect against any unanticipated consequences. Thus, FINRA believes that the protections of the clearly erroneous rule should continue while the industry gains further experience with the operation of the Limit Up-Limit Down Plan.

FINRA also proposes to eliminate all references in Rule 11892 to individual stock trading pauses issued by a primary listing market. Specifically, Rule 11892(b)(4) provides specific rules that apply to the review of an execution as potentially clearly erroneous in the context of an individual stock trading pause issued for that security where the security is included in the S&P 500<sup>®</sup> Index, the Russell 1000<sup>®</sup> Index, or a pilot list of Exchange Traded Products (“Subject Securities”). The trading pauses described in Rule 11892(b)(4) are being phased out as securities become subject to the Plan pursuant to a phased implementation schedule. The Plan already is operational with respect to all Subject Securities, and thus, FINRA believes that all references to individual stock trading pauses should be removed, including all cross-references to Rule 11892(b)(4) contained in other portions of Rule 11892.<sup>7</sup>

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<sup>6</sup> See File No. SR-FINRA-2013-012.

<sup>7</sup> FINRA notes that certain Exchange Traded Products (“ETPs”) are not yet subject to the Limit Up-Limit Down Plan. Because such ETPs are not on the pilot list of securities, such ETPs are not subject to Rule 11892(b)(4). Accordingly, the proposed rule change does not change the status quo with respect to such ETPs. As amended, all securities, including ETPs not subject to the Limit Up-Limit Down Plan, will continue to be subject to Rule 11892(b)(1) through (3). See

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The effective date of the proposed rule change will be the date of filing.

(a) Statutory Basis

FINRA believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities association and, in particular, with the requirements of Section 15A of the Act.<sup>8</sup> In particular, the proposal is consistent with Section 15A(b)(6)<sup>9</sup> because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest.

FINRA believes that the clearly erroneous pilot promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning review of transactions as clearly erroneous. More specifically, FINRA believes that the extension of the clearly erroneous pilot would help assure that the determination of whether a clearly erroneous trade has occurred will be based on clear and objective criteria, and that the resolution of the incident will occur promptly through a transparent process.

The proposed rule change also would help assure consistent results in handling erroneous trades across the U.S. markets, thus furthering fair and orderly markets, the

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Securities Exchange Act Release No. 65101 (August 11, 2011), 76 FR 51097 (August 17, 2011) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend FINRA Rule 11892) (SR-FINRA-2011-039).

<sup>8</sup> 15 U.S.C. 78o-3.

<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

protection of investors and the public interest. Although the Limit Up-Limit Down Plan will become fully operational during the same time period as the proposed extended clearly erroneous pilot, FINRA believes that maintaining the pilot will help to protect against unanticipated consequences. To that end, the extension will allow FINRA to determine whether the pilot provisions of Rule 11892 are appropriate once the Plan is fully operational and, if so, whether improvements can be made. Finally, the elimination of references to individual stock trading pauses will help to avoid confusion amongst market participants, which is consistent with the protection of investors and the public interest and therefore consistent with the Act. As described above, individual stock trading pauses have been replaced by the Limit Up-Limit Down Plan with respect to all Subject Securities.

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

FINRA does not believe that the proposed rule change implicates any competitive issues. FINRA believes that the other self-regulatory organizations also are filing similar proposals, and thus, that the proposal will help to ensure consistency across the marketplace.

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

FINRA has not solicited, and does not intend to solicit, comments on this proposed rule change. FINRA has not received any written comments from members or other interested parties.

**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)**

FINRA has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>10</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup> FINRA asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, and (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, FINRA provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission.<sup>12</sup> In addition, because all over-the-counter transactions in exchange-listed securities currently are subject to Rule 11892, the proposal to extend the pilot maintains the status quo. Accordingly, FINRA has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>13</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>14</sup>

FINRA requests that the Commission waive the 30-day operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>15</sup> FINRA requests this waiver so that the proposal may become effective and operative upon filing with the Commission pursuant

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

<sup>15</sup> 17 CFR 240.19b-4(f)(6)(iii).



to Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>17</sup>

Waiver of the 30-day operative delay will allow FINRA to extend the pilot program prior to its expiration on September 30, 2013 and to make the clarifying change immediately.

Waiver of the operative delay is consistent with the protection of investors and the public interest for the reasons described above.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**8. Proposed Rule Change Based on Rule 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.

**11. Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of proposed rule change.

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>17</sup> 17 CFR 240.19b-4(f)(6).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2013-041)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Clearly Erroneous Pilot Period and to Remove Certain References to Individual Stock Trading Pauses in FINRA Rule 11892

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 , 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. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. 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 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities) to extend the effective date of the clearly erroneous pilot, which currently is scheduled to expire on September 30, 2013. FINRA also proposes to remove certain references to individual stock trading pauses contained in

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

Rule 11892. FINRA has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>4</sup>

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

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 proposes to amend FINRA Rule 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities) to extend the effective date of the amendments set forth in File No. SR-FINRA-2010-032 (the "clearly erroneous pilot"). Portions of Rule 11892, explained in further detail below, currently are operating as a pilot set to expire on September 30, 2013.<sup>5</sup> FINRA proposes to extend the clearly erroneous pilot until April

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<sup>4</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>5</sup> See Securities Exchange Act Release No. 68808 (February 1, 2013), 78 FR 9083 (February 7, 2013) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Clearly Erroneous Pilot Period and To Adopt a New Provision in Connection With the Limit Up-Limit Down Plan) ("File No. SR-FINRA-2013-012").

8, 2014. FINRA also proposes to remove references to individual stock trading pauses described in Rule 11892(b)(4).

On September 10, 2010, the Commission approved, on a pilot basis, changes to FINRA Rule 11892 to provide for uniform treatment: (1) of clearly erroneous execution reviews in multi-stock events involving twenty or more securities, and (2) in the event transactions occur that result in the issuance of an individual stock trading pause by the primary listing market and subsequent transactions that occur before the trading pause is in effect.<sup>6</sup> FINRA also adopted additional changes to Rule 11892 that reduced the ability of FINRA to deviate from the objective standards set forth in Rule 11892,<sup>7</sup> and in 2013, adopted a provision designed to address the operation of the clearly erroneous rules and the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the “Limit Up-Limit Down Plan” or the “Plan”).<sup>8</sup> FINRA believes the benefits to market participants from the more objective clearly erroneous executions rule should continue on a pilot basis through April 8, 2014, which is one year following the commencement of operations of the Plan. FINRA believes that continuing the pilot during this time will protect against any unanticipated consequences. Thus, FINRA believes that the protections of the clearly erroneous rule should continue while the industry gains further experience with the operation of the Limit Up-Limit Down Plan.

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<sup>6</sup> See Securities Exchange Act Release No. 62885 (September 10, 2010), 75 FR 56641 (September 16, 2010) (Order Granting Approval of Proposed Rule Change Relating to Clearly Erroneous Transactions) (“File No. SR-FINRA-2010-032”).

<sup>7</sup> See File No. SR-FINRA-2010-032.

<sup>8</sup> See File No. SR-FINRA-2013-012.

FINRA also proposes to eliminate all references in Rule 11892 to individual stock trading pauses issued by a primary listing market. Specifically, Rule 11892(b)(4) provides specific rules that apply to the review of an execution as potentially clearly erroneous in the context of an individual stock trading pause issued for that security where the security is included in the S&P 500<sup>®</sup> Index, the Russell 1000<sup>®</sup> Index, or a pilot list of Exchange Traded Products (“Subject Securities”). The trading pauses described in Rule 11892(b)(4) are being phased out as securities become subject to the Plan pursuant to a phased implementation schedule. The Plan already is operational with respect to all Subject Securities, and thus, FINRA believes that all references to individual stock trading pauses should be removed, including all cross-references to Rule 11892(b)(4) contained in other portions of Rule 11892.<sup>9</sup>

FINRA has filed the proposed rule change for immediate effectiveness. The effective date of the proposed rule change will be the date of filing.

## 2. Statutory Basis

FINRA believes that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities association and, in particular, with the requirements of Section 15A of the Act.<sup>10</sup> In

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<sup>9</sup> FINRA notes that certain Exchange Traded Products (“ETPs”) are not yet subject to the Limit Up-Limit Down Plan. Because such ETPs are not on the pilot list of securities, such ETPs are not subject to Rule 11892(b)(4). Accordingly, the proposed rule change does not change the status quo with respect to such ETPs. As amended, all securities, including ETPs not subject to the Limit Up-Limit Down Plan, will continue to be subject to Rule 11892(b)(1) through (3). See Securities Exchange Act Release No. 65101 (August 11, 2011), 76 FR 51097 (August 17, 2011) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend FINRA Rule 11892) (SR-FINRA-2011-039).

<sup>10</sup> 15 U.S.C. 78o-3.

particular, the proposal is consistent with Section 15A(b)(6)<sup>11</sup> because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade and, in general, to protect investors and the public interest.

FINRA believes that the clearly erroneous pilot promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning review of transactions as clearly erroneous. More specifically, FINRA believes that the extension of the clearly erroneous pilot would help assure that the determination of whether a clearly erroneous trade has occurred will be based on clear and objective criteria, and that the resolution of the incident will occur promptly through a transparent process.

The proposed rule change also would help assure consistent results in handling erroneous trades across the U.S. markets, thus furthering fair and orderly markets, the protection of investors and the public interest. Although the Limit Up-Limit Down Plan will become fully operational during the same time period as the proposed extended clearly erroneous pilot, FINRA believes that maintaining the pilot will help to protect against unanticipated consequences. To that end, the extension will allow FINRA to determine whether the pilot provisions of Rule 11892 are appropriate once the Plan is fully operational and, if so, whether improvements can be made. Finally, the elimination of references to individual stock trading pauses will help to avoid confusion amongst market participants, which is consistent with the protection of investors and the public interest and therefore consistent with the Act. As described above, individual stock

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<sup>11</sup> 15 U.S.C. 78q-3(b)(6).

trading pauses have been replaced by the Limit Up-Limit Down Plan with respect to all Subject Securities.

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

FINRA does not believe that the proposed rule change implicates any competitive issues. FINRA believes that the other self-regulatory organizations also are filing similar proposals, and thus, that the proposal will help to ensure consistency across the marketplace.

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

FINRA has not solicited, and does not intend to solicit, comments on this proposed rule change. FINRA has not received any written comments from members or other interested parties.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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-2013-041 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2013-041. 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 submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule



change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2013-041 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>14</sup>

Elizabeth M. Murphy  
Secretary

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<sup>14</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.

\* \* \* \* \*

**11000. UNIFORM PRACTICE CODE**

\* \* \* \* \*

**11800. CLOSE-OUT PROCEDURES**

\* \* \* \* \*

**11892. Clearly Erroneous Transactions in Exchange-Listed Securities**

(a) No Change.

(b) **Thresholds**

Determinations of a clearly erroneous execution pursuant to paragraph (a)(1) will be made as follows:

**(1) Numerical Guidelines**

Subject to the provisions of paragraph (b)(3) below, a transaction shall be found to be clearly erroneous if the price of the transaction is away from the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for: (A) Multi-Stock Events involving twenty or more securities, as described in paragraph (b)(2) below[; (B) transactions not involving a Multi-Stock Event as described in paragraph (b)(2) that trigger a trading pause in a security included in the S&P 500® Index, the Russell 1000® Index or a pilot list of Exchange Traded Products and subsequent transactions, as described in paragraph (b)(4)

below, in which case the Reference Price shall be determined in accordance with that paragraph (b)(4);] and [(C)](B) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

<b>Reference Price: Circumstance or Product</b>	<b>Normal Market Hours (9:30 a.m. Eastern Time to 4:00 p.m. Eastern Time) Numerical Guidelines (Subject transaction's % difference from the Reference Price):</b>	<b>Outside Normal Market Hours Numerical Guidelines (Subject transaction's % difference from the Reference Price):</b>
Greater than \$0.00 up to and including \$25.00	10%	20%
Greater than \$25.00 up to and including \$50.00	5%	10%
Greater than \$50.00	3%	6%
Multi-Stock Event — Events involving five or	10%	10%

more, but less than twenty, securities whose executions occurred within a period of five minutes or less		
Multi-Stock Event — Events involving twenty or more securities whose executions occurred within a period of five minutes or less	30%, subject to the terms of paragraph (b)(2) below	30%, subject to the terms of paragraph (b)(2) below
Leveraged ETF/ETN securities	Normal Market Hours Numerical Guidelines multiplied by the leverage multiplier (i.e. 2x)	Normal Market Hours Numerical Guidelines multiplied by the leverage multiplier (i.e. 2x)

## (2) Multi-Stock Events Involving Twenty or More Securities

During Multi-Stock Events involving twenty or more securities, the number of affected transactions may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, FINRA may use a Reference Price other than the consolidated last sale. [With the exception of those securities under review that are subject to an individual stock trading pause in a security included in the S&P 500® Index, the Russell 1000® Index or a pilot list of Exchange Traded Products as described in paragraph (b)(4) below, and to] To ensure consistent application across the markets when this paragraph is invoked, FINRA

will promptly coordinate with the market centers to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. FINRA will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by FINRA and the markets consistent with this paragraph.

**(3) Additional Factors**

Except in the context of a Multi-Stock Event involving five or more securities [and an individual stock trading pause in a security included in the S&P 500® Index, the Russell 1000® Index or a pilot list of Exchange Traded Products as described in paragraph (b)(4) below], a FINRA Officer may also consider additional factors to determine whether a transaction is clearly erroneous, including but not limited to, system malfunctions or disruptions; volume and volatility for the security; derivative securities products that correspond to greater than 100% in the direction of a tracking index; news released for the security; whether trading in the security was recently halted/resumed; whether the security is an IPO; whether the security was subject to a stock-split, reorganization, or other corporate action; overall market conditions; Opening and Late Session executions; validity of the consolidated tapes' trades and quotes; consideration of primary market indications; and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

**[(4) Individual Stock Trading Pauses in a Security Included in the S&P 500® Index, the Russell 1000® Index or a pilot list of Exchange Traded Products]**

[(A) For purposes of this paragraph, the phrase "Trading Pause Trigger Price" shall mean the price that triggered a trading pause in a security included in the S&P 500® Index, the Russell 1000® Index or a pilot list of Exchange Traded Products on a primary listing market under its rules. All trading pauses triggered with respect to securities not included in the S&P 500® Index, the Russell 1000® Index or a pilot list of Exchange Traded Products shall be reviewed under the same provisions of Rule 11892 as non pause triggered events. The Trading Pause Trigger Price reflects a price calculated by the primary listing market over a rolling five-minute period and may differ from the execution price of a transaction that triggered a trading pause.]

[(B) In the event a primary listing market issues an individual stock trading pause in a security included in the S&P 500® Index, the Russell 1000® Index or a pilot list of Exchange Traded Products, and regardless of whether the security at issue is part of a Multi-Stock Event involving five or more securities as described in paragraphs (b)(1) and (b)(2) above, FINRA shall utilize the Trading Pause Trigger Price as the Reference Price for any transactions that trigger a trading pause and subsequent transactions occurring before the trading halt is in effect for transactions otherwise than on an exchange. In connection with the review of transactions pursuant to this paragraph, FINRA will apply the Numerical Guidelines set forth in paragraph (b)(1) above, other than the Numerical Guidelines applicable to Multi-Stock Events. Where a trading pause

was triggered by a price decline (rise), FINRA shall deem as clearly erroneous all such transactions that occurred at a price lower (higher) than the Trading Pause Trigger Price. FINRA will rely on the primary listing market that issued an individual stock trading pause to determine and communicate the Trading Pause Trigger Price for such stock. Trades occurring while the trading halt is in effect are in violation of Rule 5260 and also will be deemed clearly erroneous.]

**••• Supplementary Material: -----**

**.01** No Change.

**.02** The amendments set forth in File No. SR-FINRA-2010-032 and the provisions of Supplementary Material .03 of this Rule shall be in effect during a pilot period set to end on April 8, 2014 [September 30, 2013]. If the pilot is not extended or approved as permanent by April 8, 2014 [September 30, 2013], the version of this Rule prior to SR-FINRA-2010-032 shall be in effect, and the provisions of Supplementary Material .03 of this Rule shall be null and void.

**.03** No Change.

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