

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * 102 | SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4 | | File No.* SR - 2013 - * 053 | 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"/> | |
| | | | Rule | |
| Pilot <input type="checkbox"/> | 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 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 806(e)(2) <input type="checkbox"/> | Section 3C(b)(2) <input type="checkbox"/> | |
| Exhibit 2 Sent As Paper Document <input type="checkbox"/> | Exhibit 3 Sent As Paper Document <input type="checkbox"/> | | | |
| Description | | | | |
| Provide a brief description of the action (limit 250 characters, required when Initial is checked *). | | | | |
| <input type="text" value="Proposed Rule Change to Update the Rules Governing the Alternative Display Facility"/> | | | | |
| 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="Lisa"/> | Last Name * | <input type="text" value="Horrigan"/> | |
| Title * | <input type="text" value="Associate General Counsel"/> | | | |
| E-mail * | <input type="text" value="Lisa.Horrigan@finra.org"/> | | | |
| Telephone * | <input type="text" value="(202) 728-8190"/> | 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="12/09/2013"/> | <input type="text" value="Senior Vice President and Director of Capital Markets Policy"/> | | |
| By | <input type="text" value="Stephanie M. Dumont"/> | <input type="text" value="Stephanie Dumont,"/> | | |
| (Name *) | | | | |
| 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 *

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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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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

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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

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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

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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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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 “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to update the rules governing the Alternative Display Facility (“ADF”).

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

At its meeting on September 19, 2013, 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.

The proposed rule change shall be effective upon approval by the Commission.

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

(a) Purpose

The ADF is a quotation collection and trade reporting facility that provides ADF Market Participants (i.e., ADF-registered market makers or electronic communications networks (“ECNs”))² the ability to post quotations, display orders and report transactions in NMS stocks for submission to the Securities Information Processors for consolidation and dissemination to vendors and other market participants. In addition, the ADF

¹ 15 U.S.C. 78s(b)(1).

² See Rule 6220(a)(3).

delivers real-time data to FINRA for regulatory purposes, including enforcement of requirements imposed by Regulation NMS.³ A broker-dealer that wishes to become an ADF Trading Center and display its quotations on the ADF must satisfy certain requirements.⁴

In connection with the migration of the ADF to the Multi-Product Platform (“MPP”), FINRA has undertaken a complete review of the ADF rules and has identified a number of rules to be updated. Some of those updates reflect the changes to the ADF’s functionality resulting from the migration to MPP; other changes reflect regulatory requirements that have been put into place since the last comprehensive revision of the ADF rules, or are designed to enhance ADF operational efficiency. Other changes conform the ADF trade reporting rules, to the extent practicable, to current FINRA rules relating to trade reporting to the FINRA Trade Reporting Facilities (“TRFs”).⁵ FINRA is also proposing a variety of non-substantive changes to conform or otherwise streamline the ADF rules. These proposed changes are set forth below.

Changes to Reflect Regulatory Changes

Rule 6272 of the ADF rules addresses requirements regarding quotations posted on the ADF. FINRA proposes to revise Rule 6272(a)(2) to modify the quotation pricing

³ See 17 CFR 242.600.

⁴ For example, Rules 6220 and 6250(a)(7) require that a broker-dealer must execute and comply with the ADF Certification Record.

⁵ FINRA notes that it has submitted proposed rule change SR-FINRA-2013-050, which would, among other things, amend Rules 6282, 7130 and 7140. See Securities Exchange Act Release No. 70924 (November 15, 2013), 78 FR 71695 (November 29, 2013). FINRA will amend this filing and/or SR-FINRA-2013-050, as necessary, to reflect Commission approval of any of the proposed rule changes.

obligations for Registered Reporting ADF Market Makers in response to the National Market System Plan to Address Extraordinary Market Volatility (“Limit Up-Limit Down Plan”).⁶ As amended, the rule will specify that the suspension of pricing obligations for ADF Market Makers shall apply during a trading halt except as permitted under the Limit Up-Limit Down Plan.⁷

In Rule 6272(b), FINRA proposes to update the minimum quotation increment for ADF-eligible securities to account for quotations under \$1.⁸ As revised, the rule will provide that the minimum quotation increment for quotations below \$1.00 in all ADF-eligible securities shall be \$0.0001. This provision will enable ADF Participants to submit quotations for issues under \$1 in an increment that is consistent with Rule 612 of Regulation NMS.⁹

Voluntary Terminations

FINRA proposes to amend the definition of “Registered Reporting ADF ECN” in Rule 6220(a) to provide additional detail as to how a Registered Reporting ADF ECN

⁶ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (SEC File No. 4-631).

⁷ For example, the Limit up-Limit Down Plan provides that “[n]o trades in an NMS Stock shall occur during a Trading Pause, but all bids and offers may be displayed.” *Id.* at 77 FR 33514.

⁸ Rule 6220 defines an “ADF-eligible security” as an NMS stock as defined in Rule 600(b)(47) of SEC Regulation NMS.

⁹ Rule 612 permits, among other things, quotations in NMS stocks that are less than \$1.00 per share to be priced in increments of \$0.0001. See 17 CFR 242.612(b).

may voluntarily terminate its registration.¹⁰ As proposed, the rule will state that a Registered Reporting ADF ECN may voluntarily withdraw from participation on the ADF upon providing, through electronic delivery, written notice to FINRA Market Operations of its intention to withdraw as a Registered Reporting ADF ECN, with such withdrawal to be effective upon the first trading day following the issuance of the written notice announcing the Registered Reporting ADF ECN's intent to withdraw, or such other date as specified in the written notice. This change will provide greater clarity as to how a Registered Reporting ADF ECN may voluntarily terminate its registration, and an efficient means by which this may be accomplished.

Changes to ADF Order Reporting

FINRA also proposes to modify the order reporting requirements set forth in Rule 6250 so that FINRA can more efficiently monitor quoting activity on the ADF on an automated basis. FINRA requires ADF Trading Centers to report order information so that FINRA can have detailed information regarding the origination of orders underlying an ADF Trading Center's quotation and use that information to enhance its ability to monitor quotation activity on the ADF. Currently, Rule 6250(b) provides that all ADF Trading Centers that display quotations on the ADF must record the information described in paragraphs (b)(1) and (2) for all orders they receive from another broker-dealer via direct or indirect electronic access. Rule 6250(d)(1) defines direct electronic

¹⁰ Rule 6220 defines a Registered Reporting ADF ECN as "a member of FINRA that is an electronic communications network ("ECN") that elects to display orders in the ADF. A member shall cease being a Registered Reporting ADF ECN when it has withdrawn or voluntarily terminated its quotations on the ADF or when its quotations have been suspended or terminated by action of FINRA. This term also shall include a FINRA member that is an alternative trading system ("ATS") that displays orders in the ADF." As such, this provision would apply to both ECNs and ATSS that display orders in the ADF.

access as the ability to deliver an order for execution directly against an individual ADF Trading Center's best bid or offer and Rule 6250(d)(2) defines indirect electronic access as the ability to route an order through a FINRA member, subscriber broker-dealer, or customer broker-dealer of an ADF Trading Center for execution against the ADF Trading Center's best bid or offer. Accordingly, current Rule 6250 is intended to only apply where the order is being sent to access a displayed quotation. FINRA proposes to amend this provision to clarify the scope of these requirements to require an ADF Trading Center to record the information pursuant to Rule 6250(b)(1) and (2) only if such order results in an execution, a cancellation, a correction or a rejection by the ADF Trading Center. As such, an incoming order that fully posts to the book of that ADF Trading Center will not trigger the reporting requirements under this provision.¹¹ FINRA is proposing to revise this provision to better reflect the order information necessary for its surveillance programs related to the Firm Quote Rule,¹² and reduce the reporting of excess information that may over-burden its systems and lead to false alerts.

FINRA also proposes to make a grammatical change to Rule 6250(a) to better reflect the fact that Registered Reporting ADF ECNs are not obligated to submit two-

¹¹ Similarly, if an incoming order is posted to the book of that ADF Trading Center, and is subsequently cancelled, corrected, etc., the order reporting requirements of Rule 6250(b) would not be triggered.

¹² The Firm Quote Rule provides that "each responsible broker or dealer shall be obligated to execute any order to buy or sell a subject security, other than an odd-lot order, presented to it by another broker or dealer, or any other person belonging to a category of persons with whom such responsible broker or dealer customarily deals, at a price at least as favorable to such buyer or seller as the responsible broker's or dealer's published bid or published offer (exclusive of any commission, commission equivalent or differential customarily charged by such responsible broker or dealer in connection with execution of any such order) in any amount up to its published quotation size." 17 CFR 242.602(b)(2). See also FINRA Rule 5220.

sided quotes (e.g., the bid and the offer). FINRA also proposes to amend the order information required to be provided to FINRA pursuant to Rule 6250(b) to update the terminology used in the Order Reporting Specifications.¹³ As part of these changes, FINRA proposes to update the reporting requirements for Order Time and Order Response Time, which are currently required to be reported in hours, minutes and seconds, so that ADF Trading Centers will report this information in hours, minutes, seconds and milliseconds, if the ADF Trading Center's system captures such information in milliseconds. This change will make these order reporting provisions consistent with the reporting standards being proposed for both the Order Audit Trail System and the Trade Reporting Facilities.¹⁴

FINRA also proposes to add new order reporting requirements in Rule 6250 for orders that are part of an ADF Trading Center's quotation (bid or offer) that is displayed on the ADF. Specifically, FINRA proposes that, for each order that is part of a bid or offer displayed by an ADF Trading Center on the ADF, that ADF Trading Center must record and report to FINRA (1) symbol; (2) side; (3) price; (4) quantity (including displayed quantity); (5) order date and time of receipt; (6) order instructions (including order type); (7) internal order identifiers; (8) firm identifiers (including broker order

¹³ Specifically, FINRA proposes to delete the parentheticals corresponding to the Order Entry Firm and Order Side data elements. FINRA also proposes to replace the reference to Issue Identifier with Symbol, delete the requirement to provide the Order Negotiable Flag and the Trade-or-Move Flag, and delete the reference to ANY. FINRA also proposes to replace the reference to the identifier for the Market Making Firm to the ADF Trading Center; change the reference to "any other modifier" language in Rule 6250(b)(1)(N) (renumbered herein as Rule 6250(b)(1)(L)) to "any other information," and to use Customer Order Handling Instructions as one example of such information; and amend the Order Response requirement of Rule 6250(b)(2)(B) to consist of execute, cancel, correct, or reject.

¹⁴ See FINRA-2013-050, supra note 5.

identifier) and capacity information; (9) quote identifier; (10) quote price; (11) quote time; (12) short sale exemption reason, as applicable; and (13) clearing member. In addition, all ADF Trading Centers must also record and report the execution details, if any, of each order that is part of a displayed bid or offer, including (1) date and time of receipt; (2) side; (3) price; (4) quantity (including executed quantity); (5) execution price; (6) order instructions (including order type); (7) internal order identifiers; (8) firm identifiers (including broker order identifier); (9) execution identifier; (10) quote price; (11) quote identifier; and (12) quote time. For purposes of information related to time, an ADF Trading Center must report such information in the finest increment (e.g., milliseconds) that is captured in the ADF Trading Center's system.

This information shall be reported to FINRA in "next day" file submission, with such information reported to FINRA no later than 8:00 a.m. Eastern Time on the day following receipt of the order; provided, however, that an ADF Trading Center must report any of this information to FINRA immediately upon request. These requirements will enable FINRA to ascertain the market participant that is responsible for the order generating a quotation that is displayed on the ADF, which will enhance FINRA's ability to conduct quotation-based surveillance.

Finally, FINRA proposes a technical change to amend the provision in Rule 6250 governing the procedures for reviewing system outages. Currently, the rule requires that a member initiate a review of a system outage by submitting a written request via facsimile or otherwise; as revised, the rule will specify that an ADF Trading Center that seeks review of a system outage shall submit a written request via facsimile, e-mail, personal delivery, courier or overnight mail to FINRA Product Management. This

change will make the ADF rules more internally consistent by conforming the procedures for requesting a review under Rule 6250 to the procedures set forth in Rule 6260(a), which governs the filing of direct or indirect access complaints.

Proposed Conforming Amendments to ADF Trade Reporting Rules

FINRA is proposing to amend Rules 6281 and 6282 and the Rule 7100 Series relating to trade reporting to the ADF to conform those rules, to the extent practicable, to current FINRA rules relating to trade reporting to the TRFs.

First, FINRA is proposing to amend Rule 6281 to (1) expressly provide that members must also comply with the Rule 7100 Series when reporting to the ADF and (2) delete the requirements relating to execution of a Participant Application Agreement and maintenance of the physical security of the equipment as conditions for participation in the ADF, as they are redundant with requirements contained in Rule 7120.

Second, FINRA is proposing to amend Rule 6282(a)(4) to expressly provide that in the event that the rules require multiple modifiers on any given trade report, members are to report in accordance with guidance published by FINRA regarding priorities among modifiers. Members that report in accordance with such guidance will not be in violation of the trade reporting rules for failing to use a particular modifier. This provision conforms to paragraphs (a)(5) of Rules 6380A and 6380B relating to the TRFs. FINRA also is proposing new paragraphs (a)(5) and (6) of Rule 6282 to clarify that the ADF will append or convert, as applicable, the modifiers identified in the rules (i.e., to indicate that a trade was executed outside normal market hours or that a trade was reported late). The proposed paragraphs are identical to paragraphs (a)(6) and (7) of Rules 6380A and 6380B relating to the TRFs.

Third, the ADF will no longer support three party trade reports¹⁵ and therefore, FINRA is proposing to delete paragraphs (c) and (d) of Rule 6282 relating to that function. FINRA is proposing to adopt new paragraph (c), which is identical to paragraph (c) of Rules 6380A and 6380B relating to the TRFs and sets forth the information that must be included in trade reports submitted to the ADF. Proposed paragraph (d) of Rule 7130 sets forth additional information that must be included in trade and clearing reports submitted to the ADF and is identical to paragraph (d) of Rules 7230A and 7230B relating to the TRFs. Proposed Rules 6282(c) and 7130(d) require the same trade information that is currently required under Rule 6282(c) and (d), and do not impose any additional reporting requirements on members. FINRA notes that as part of this proposed change, subparagraph (3) of Rules 6282(c) and (d), which requires that members submit a trade report addendum within 15 minutes of submission of the original trade report to correct or provide some or all of the identified information (e.g., the capacity or short sale indicator), would be deleted. This provision is not included in Rules 6380A and 6380B relating to the TRFs. Consistent with the TRF rules, members will be required to provide all information at the time of submission of the original trade report to the ADF and they will not have additional time to provide information such as the capacity or short sale indicator. Additionally, members already have a continuing obligation to provide full and accurate trade information to FINRA and to correct trade reports, as necessary.¹⁶

¹⁵ A three party trade report is a single trade report that denotes one Reporting Member (i.e., the member with the obligation to report the trade under FINRA's rules) and two contra parties. This functionality had never been used by previous ADF Market Participants.

¹⁶ See, e.g., Rule 7160.

Fourth, FINRA is proposing to delete the following from Rule 6282: (1) paragraph (e)(1)(E) (the requirements relating to prior reference price transactions are already included in Rule 6282(a)(4)(G)); and (2) paragraph (g) (there is no designated symbol in the ADF for reversals and “as/of” trades, and FINRA is proposing to relocate the requirement relating to use of the special trade and step-out indicators to Rule 7130(d)(13)). FINRA is also proposing to relocate paragraph (h) to Rule 7130(d)(16), which is a more appropriate location for the requirements relating to the clearing functionality of the ADF, and to amend that provision to clarify that members must indicate whether a trade is submitted for comparison or is locked-in via an Automatic Give Up Agreement (“AGU”) or Qualified Special Representative agreement (“QSR”). FINRA notes that these provisions do not appear in Rules 6380A and 6380B relating to the TRFs.

Fifth, FINRA is proposing to adopt new paragraph (h) of Rule 6282 to expressly provide that participants may enter into “give up” arrangements whereby one member reports to the ADF on behalf of another member, provided that participants submit to the ADF the appropriate documentation reflecting the arrangement. Proposed paragraph (h) is identical to Rules 6380A(h) and 6380B(g) relating to the TRFs, and provides that the member with the reporting obligation remains responsible for the transaction submitted on its behalf. Further, both the member with the reporting obligation and the member submitting the trade to the ADF are responsible for ensuring that the information submitted is in compliance with all applicable rules and regulations.

The provisions of Rule 6282 will be renumbered and cross-references will be updated, as necessary.

FINRA is also proposing amendments to the Rule 7100 Series, which addresses trade reporting and clearing through the ADF. First, FINRA is proposing to delete the definition of “Browse” in Rule 7110 and the references to this term in the Rule 7100 Series, as there is not a specific “Browse” functionality offered for the ADF.

In addition, FINRA believes that it is no longer necessary to distinguish among types of ADF participants for purposes of the trade reporting rules and therefore is proposing to delete the definitions of “TRACS ECN,” “TRACS Market Maker” and “TRACS Order Entry Firm” in Rule 7110. FINRA is proposing to use the more general term “Participant” and apply the trade reporting and clearing requirements uniformly to all ADF participants. FINRA notes that this approach conforms to the Rule 7200A and 7200B Series relating to the TRFs. Proposed amendments throughout the Rule 7100 Series (for example, Rule 7120(a) and (b)) would delete the references to these terms and incorporate the more general term “Participant.” FINRA notes that the requirements for a “TRACS ECN,” “TRACS Market Maker” and “TRACS Order Entry Firm” in Rule 7120 are largely duplicative, with the exception of the provision in Rule 7120(b)(2)(D) that states that if FINRA finds that a TRACS Market Maker’s failure to maintain a clearing arrangement is voluntary, the withdrawal of quotations will be considered voluntary and unexcused pursuant to Rule 6275. FINRA is proposing to relocate this provision to new Rule 6275.01.¹⁷

Second, FINRA is proposing to amend Rule 7120 to conform, to the extent practicable, the participation requirements for members that report and clear transactions

¹⁷ FINRA also is proposing non-substantive amendments to the definitions in Rule 7110 to conform to the definitions in Rules 7210A and 7210B relating to the TRFs. The provisions of Rule 7110 will be renumbered as necessary.

through the ADF to the participation requirements for the TRFs under Rules 7220A and 7220B, including amending paragraph (a)(1) and adding proposed new paragraph (b)(3)(B). The proposed amendments are not substantive and impose neither more nor less stringent requirements on FINRA members that participate in the ADF than the current provisions of Rule 7120. FINRA is also proposing to amend Rule 7120(b)(2)(D) to clarify that the rule (which provides that if a Participant fails to maintain a clearing relationship, it will be removed from the ADF) applies to Participants that are the reporting party or the contra party.¹⁸

Third, FINRA is proposing to amend paragraph (b) and adopt new paragraph (c) of Rule 7130 regarding when and how trade reports are submitted and which party reports, to conform to paragraphs (b) and (c) of Rules 7230A and 7230B relating to the TRFs. The proposed amendments are non-substantive and will not change the reporting requirements for members reporting and clearing trades through the ADF.

Fourth, FINRA is proposing new paragraph (e) of Rule 7130 to cross-reference the requirements for reporting cancelled trades in Rule 6282. This provision is identical to Rules 7230A(f) and 7230B(e) relating to the TRFs. The provisions of Rule 7130 will be renumbered and cross-references will be updated, as necessary.

Fifth, new paragraph (h) of Rule 7130 would provide members the option of including a transaction fee as part of a clearing report submitted to the ADF and is substantively identical to Rule 7230A(h) relating to the FINRA/Nasdaq TRF and Rule

¹⁸ This incorporates Rule 7120(b)(3)(D) (which refers to TRACS Order Entry Firms), which will be deleted pursuant to the proposed rule change.

7230B(i) relating to the FINRA/NYSE TRF.¹⁹ Pursuant to the proposed rule, members would be required to provide in reports submitted to the ADF, in addition to all other information required to be submitted by any other rule, pricing information to indicate a total per share or contract price amount, inclusive of the transaction fee. As a result, members would submit as part of their report to the ADF: pricing information to indicate a total price inclusive of the transaction fee, which would be submitted by the ADF to NSCC for clearance and settlement; and the price exclusive of the transaction fee, which would be publicly disseminated. The parties to the trade would know both prices – the price reported for public dissemination and the clearance/settlement price.

Sixth, the ADF will offer match functionality, whereby both parties to the trade submit transaction data and the System performs an on-line match. Proposed Rule 7140(a) addresses such functionality and is identical to Rule 7240A(a) relating to the FINRA/Nasdaq TRF. FINRA proposes to renumber the remaining provisions of Rule 7140 accordingly.

Finally, proposed Rule 7170 provides that failure to comply with any of the trade reporting rules may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010. The proposed rule is identical to Rules 7270A and 7270B relating to the TRFs. FINRA proposes to re-number current Rule 7170 as Rule 7180.

¹⁹ FINRA notes that Rule 7230B(i) was adopted pursuant to a proposed rule change that was filed for immediate effectiveness on October 9, 2013. The operative date of the proposed rule change will be announced in a notice and will be at least 30 days following the date of filing. See Securities Exchange Act Release No. 70702 (October 17, 2013), 78 FR 63268 (October 23, 2013) (Notice of Filing and Immediate Effectiveness; File No. SR-FINRA-2013-044).

In addition to the amendments outlined above, FINRA is proposing to make other non-substantive technical amendments to a number of ADF rules to conform, to the extent practicable, to the text of the TRF rules. The chart below identifies the ADF rules for which conforming changes to the rule text are being proposed and the corresponding TRF rules:

| ADF Rule | TRF Rule |
|---|-----------------------------------|
| Rule 6282(a)(5) (renumbered herein as 6282(a)(7)) | Rules 6380A(a)(8) and 6380b(a)(8) |
| Rule 6282(e) (renumbered herein as 6282(d)) | Rules 6380A(d) and 6380B(d) |
| Rule 7130(a) | Rules 7230A(a) and 7230B(a) |
| Rule 7160 | Rules 7260A and 7260B |
| Rule 7170 (renumbered herein as Rule 7180) | Rules 7280A and 7280B |

By conforming the trade reporting requirements for the ADF and TRFs, to the extent practicable, the proposed rule change will promote more consistent trade reporting by members and a more complete and accurate audit trail. FINRA notes that most of the proposed conforming changes to Rules 6281 and 6282 and the Rule 7100 Series are technical and non-substantive in nature, and FINRA does not believe that any of the proposed changes would require members to make systems changes in order to comply. Furthermore, FINRA members that currently report to one of the TRFs would already be familiar with the rule amendments that are proposed herein.

Changes to ADF and TRAQS Fees

FINRA proposes to amend Rule 7510(a) to assess a new fee for certain corrective transaction charges. Currently, each party to a trade will be assessed a \$0.25 charge for transactions to break, decline, or reverse a trade. To this category of corrective transaction fees, FINRA proposes to add a \$0.25 charge that will be assessed upon each

party that cancels or corrects a trade. The purpose of adding this new change is to defray the administrative costs incurred by FINRA in processing corrective transaction charges, including cancel and correct requests.²⁰

FINRA also proposes to delete Rule 7530, which assesses a minimum charge of \$5,000 for installation costs associated with connecting to the ADF. This rule also provides that, upon installation, removal, relocation or maintenance of terminal and related equipment, the subscriber shall pay charges incurred by FINRA or its subsidiaries above the \$5,000 minimum. FINRA proposes to delete this provision because it is no longer applicable, since the ADF is software-based and there is no hardware to install, remove or relocate. FINRA also proposes to re-number the remaining provisions in the Rule 7500 Series accordingly.

Technical Changes to Conform or Otherwise Streamline ADF Rules

FINRA is proposing a number of technical changes throughout the ADF rules. For example, FINRA is replacing references to “TRACS,” the “TRACS Trade Comparison Service,” and the “TRACS trade comparison feature” with “ADF” or “the

²⁰ FINRA notes that, because the submission of a corrective request imposes an administrative cost on FINRA, a party will still be assessed a cancel or correct charge, even if the trade ultimately stands. For example, assume that ABCD submits a trade with counter-party WXYZ, and that the trade is accepted by WXYZ. ABCD then cancels the trade, incurring a \$0.25 cancellation fee. WXYZ takes no further action, such as submitting its own cancellation, so the trade is matched, and the trade goes to the tape and to clearing. Since WXYZ did not submit its own cancellation request, the trade was ultimately not broken; however, FINRA incurred a cost in processing the cancellation request from ABCD regardless of the ultimate outcome of the trade. FINRA thus believes it is appropriate to assess the cancel fee on ADF Market Participants in this scenario.

System”²¹ and in several provisions, deleting such references altogether.²² Similarly, FINRA is replacing references to the “TRACS trade comparison Participant Application Agreement” with “Participant Application Agreement.”²³ FINRA also proposes to update the definition of a “CQS security” in Rule 6220(a)(6) to include the current national securities exchanges on which the relevant securities are listed or trade pursuant to unlisted trading privileges, and to make a grammatical change. FINRA proposes to change the definition of the ADF in Rule 6210 to remove unnecessary language from that provision, and to make a grammatical change. FINRA proposes to change certain references throughout the rules from “ADF Operations,” “FINRA ADF Operations,” or “TRACS Operations Center” to “FINRA Market Operations” or “FINRA Product Management.”²⁴

In Rule 6220(a)(10), FINRA proposes to revise the definition of “Normal unit of trading” to delete the reference to a “special identifier” appended to the issuer’s symbol if a normal unit of trading is other than 100 shares. This identifier will not be used following migration of the ADF to MPP. FINRA also proposes to delete, in Rule 6272(a)(3), the provision that the National Best Bid and Offer (“NBBO”) is established

²¹ FINRA is proposing to use the term “the System” to apply to the ADF, including the trade comparison feature specifically referred to in the current Rule 7100 Series. The proposed change and the proposed definition of “System” in Rule 7110 conforms to the Rule 7200A and 7200B Series relating to the TRFs.

²² TRACS (now re-named TRAQS) was a component of the ADF, and this change simplifies the rule text without substantively changing the process by which trades are reported or the ADF otherwise operates.

²³ This change simply reflects the global deletion of references to TRACS; the actual agreement remains the same.

²⁴ These changes will reflect the official title of the FINRA group that is responsible for the issues that are addressed in these provisions.

“by FINRA in accordance with its procedures for determining protected quotations under Rule 600” of Regulation NMS. The ADF will not generate an NBBO upon migration to the MPP; rather, FINRA will use the NBBO as defined in Regulation NMS and as calculated by the Securities Information Processors. Finally, FINRA proposes to modify the time cut-off set forth in Rule 6250(b)(1) and (b)(2) so that the order information that is required to be provided pursuant to this rule shall be provided “no later” than 6:30 p.m. Eastern Time.²⁵

As noted in Item 2 of this filing, the proposed rule change shall be effective upon approval by the Commission.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,²⁶ which requires, among other things, that FINRA rules must be 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, and Section 15A(b)(5) of the Act,²⁷ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that

²⁵ FINRA is making this change to clarify that, to the extent that such information is available prior to 6:30 p.m. Eastern Time, the ADF Trading Center need not wait until 6:30 p.m. to report that information to FINRA.

²⁶ 15 U.S.C. 78o-3(b)(6).

²⁷ 15 U.S.C. 78o-3(b)(5).

FINRA operates or controls, and Section 15A(b)(9) of the Act,²⁸ which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate.

FINRA believes that the proposed rule change is consistent with the Act where it makes non-substantive changes that simply update the rules to reflect changes in FINRA departments or systems, or to correct other outdated references. Examples of such changes include (1) changing the reference from TRACS (Trade Comparison Service) to “ADF” or “the System”; (2) replacing the reference from the TRACS trade reporting Participant Application Agreement to the Participant Application Agreement; (3) updating the reference of a “CQS Security”; and (4) changing the references from “FINRA ADF Operations” to “FINRA Market Operations” or “FINRA Product Management,” as applicable. These changes update the relevant rule without affecting the substance of that rule.

FINRA believes that the changes to the rules governing the ADF to reflect recent regulatory changes are also consistent with the Act. These changes, which consist of updating the rules to reference the Limit Up-Limit Down Plan and allowing a minimum quoting increment of less than \$0.01 for quotations below \$1, modify the ADF rules to reflect regulatory initiatives that were previously approved or promulgated by the Commission.²⁹

FINRA believes that the changes to the rules to delete functionalities that will no longer be available following the migration of the ADF to MPP are also consistent with

²⁸ 15 U.S.C. 78o-3(b)(9).

²⁹ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (SEC File No. 4-631) (Limit up-Limit Down adopting release); 17 CFR 242.612(b) (permitting quotations in NMS stocks that are less than \$1.00 per share to be priced in increments of \$0.0001).

the Act; specifically, the deletion of the use of a special identifier if the normal unit of trading is other than 100 shares, and the deletion of the provision for calculating the NBBO. Since the functionalities to be deleted are not being currently utilized, and will not be offered on the ADF upon its migration to MPP, FINRA believes that these changes will help ensure that the rules accurately reflect the operation of the ADF upon its migration to the new platform.

FINRA believes that the provision allowing a Registered Reporting ADF ECN to voluntarily terminate its status as an ADF Market Participant is consistent with the Act because it provides a Registered Reporting ADF ECN with the ability to terminate its status, and for FINRA to make any corresponding changes to the operation of the ADF, on an expedited basis, thus providing for the more efficient operation of the ADF. FINRA also notes that this provision is comparable to what is already provided to Registered Reporting ADF Market Makers under the rules.

FINRA believes that the change in Rule 6250 to require order information for only those incoming orders that result in an execution, cancellation, correction or rejection is consistent with the Act because it will result in greater operational and regulatory efficiency. Specifically, this change will allow FINRA to continue to obtain the information necessary to perform the relevant surveillance, while reducing the receipt of excess order information, which over-burdens FINRA systems, imposes unnecessary reporting obligations on ADF participants, and contributes to false surveillance alerts. FINRA believes that conforming the order reporting requirements in Rule 6250 to the Order Reporting Specifications, and requiring that certain of this information be reported in milliseconds if the ADF Trading Center's system captures such information in

milliseconds, updates the Rule to reflect the actual information that is required to be reported, and further aligns the reporting requirements for the ADF with the reporting requirements for OATS and the TRFs. FINRA also believes that the change in Rule 6250 to require order information for orders that form part of displayed bids or offers is also consistent with the Act. Specifically, this provision will enable FINRA to ascertain the market participant that is responsible for the order generating a quotation displayed on the ADF, which will enhance FINRA's ability to conduct certain quotation-based surveillance.

FINRA believes that the changes to the ADF trade reporting requirements to better align to the TRF trade reporting requirements are also consistent with the Act. The proposed rule will promote more consistent trade reporting by members and a more complete and accurate audit trail. Given that most of these changes are technical and non-substantive in nature, FINRA does not believe that any of the proposed changes would require members to make systems changes in order to comply. FINRA also notes that members that currently report to one of the TRFs would already be familiar with the rule amendments that are proposed herein.

FINRA believes that the proposed changes to the ADF fees are consistent with the Act, as they provide for the equitable allocation of reasonable fees. FINRA notes that these fees will only apply to ADF Market Participants, and that the methodology for assessing these fees will apply equally to all ADF Market Participants. FINRA believes that the proposed \$0.25 charge to be assessed upon a party that cancels or corrects a trade is reasonable because this charge will defray the administrative costs incurred by FINRA in processing corrective transaction charges, including cancel and correct requests, which

are incurred by FINRA regardless of whether the trade is ultimately broken. FINRA believes this charge is equitable because the methodology for assessing this fee will apply equally to all ADF Market Participants.

FINRA also believes that the deletion of the fees associated with connecting to the ADF is reasonable and equitably allocated because these fees are no longer applicable to any market participant.

FINRA does not believe that any of these changes will impose a significant or unnecessary burden on its members. FINRA notes that the proposed changes are either (1) non-substantive; (2) delete functionalities that will not be available following the migration to the MPP; (3) reflect regulatory changes; (4) conform the ADF rules to other FINRA rules; or (5) otherwise increase the operational and regulatory efficiency of the ADF. To the extent that a number of the changes are non-substantive or, in the case of conforming the ADF trade reporting requirements to the TRF trade reporting requirements, mirror requirements currently applicable to FINRA members, FINRA does not believe that members will be significantly or adversely affected by these changes. To the extent that FINRA is proposing certain changes to reflect regulatory developments, FINRA believes that these changes are narrowly tailored to comply with the applicable regulation or rule. FINRA also believes that certain of the proposed changes, such as the provision to allow for the voluntary termination of registration by a Registered Reporting ADF ECN, may increase operational and regulatory efficiency for FINRA and ADF Market Participants alike.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Participation in the ADF is voluntary, and the proposed changes will apply equally to all ADF Market Participants. As discussed above, FINRA does not believe that such changes will significantly impact either ADF Market Participants or other market participants. FINRA also notes that the proposed rule change is designed to assist FINRA in meeting its regulatory obligations by enhancing its ability to efficiently operate the quotation collection and trade reporting aspects of the ADF and to conduct the relevant surveillance.

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.³⁰

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

Not applicable.

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

Not applicable.

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

Not applicable.

³⁰ 15 U.S.C. 78s(b)(2).

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-2013-053)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Update the Rules Governing the Alternative Display Facility

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 December __, 2013, 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 update the rules governing the Alternative Display Facility (“ADF”) to, among other things, reflect regulatory requirements that have been put into place since the last comprehensive revision of the ADF rules, and to conform the ADF trade reporting rules, to the extent practicable, to current FINRA rules relating to trade reporting to the FINRA Trade Reporting Facilities (“TRFs”).

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.

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

The ADF is a quotation collection and trade reporting facility that provides ADF Market Participants (i.e., ADF-registered market makers or electronic communications networks (“ECNs”))³ the ability to post quotations, display orders and report transactions in NMS stocks for submission to the Securities Information Processors for consolidation and dissemination to vendors and other market participants. In addition, the ADF delivers real-time data to FINRA for regulatory purposes, including enforcement of requirements imposed by Regulation NMS.⁴ A broker-dealer that wishes to become an ADF Trading Center and display its quotations on the ADF must satisfy certain requirements.⁵

In connection with the migration of the ADF to the Multi-Product Platform (“MPP”), FINRA has undertaken a complete review of the ADF rules and has identified a

³ See Rule 6220(a)(3).

⁴ See 17 CFR 242.600.

⁵ For example, Rules 6220 and 6250(a)(7) require that a broker-dealer must execute and comply with the ADF Certification Record.

number of rules to be updated. Some of those updates reflect the changes to the ADF's functionality resulting from the migration to MPP; other changes reflect regulatory requirements that have been put into place since the last comprehensive revision of the ADF rules, or are designed to enhance ADF operational efficiency. Other changes conform the ADF trade reporting rules, to the extent practicable, to current FINRA rules relating to trade reporting to the FINRA TRFs.⁶ FINRA is also proposing a variety of non-substantive changes to conform or otherwise streamline the ADF rules. These proposed changes are set forth below.

Changes to Reflect Regulatory Changes

Rule 6272 of the ADF rules addresses requirements regarding quotations posted on the ADF. FINRA proposes to revise Rule 6272(a)(2) to modify the quotation pricing obligations for Registered Reporting ADF Market Makers in response to the National Market System Plan to Address Extraordinary Market Volatility ("Limit Up-Limit Down Plan").⁷ As amended, the rule will specify that the suspension of pricing obligations for ADF Market Makers shall apply during a trading halt except as permitted under the Limit Up-Limit Down Plan.⁸

⁶ FINRA notes that it has submitted proposed rule change SR-FINRA-2013-050, which would, among other things, amend Rules 6282, 7130 and 7140. See Securities Exchange Act Release No. 70924 (November 15, 2013), 78 FR 71695 (November 29, 2013). FINRA will amend this filing and/or SR-FINRA-2013-050, as necessary, to reflect Commission approval of any of the proposed rule changes.

⁷ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (SEC File No. 4-631).

⁸ For example, the Limit up-Limit Down Plan provides that "[n]o trades in an NMS Stock shall occur during a Trading Pause, but all bids and offers may be displayed." Id. at 77 FR 33514.

In Rule 6272(b), FINRA proposes to update the minimum quotation increment for ADF-eligible securities to account for quotations under \$1.⁹ As revised, the rule will provide that the minimum quotation increment for quotations below \$1.00 in all ADF-eligible securities shall be \$0.0001. This provision will enable ADF Participants to submit quotations for issues under \$1 in an increment that is consistent with Rule 612 of Regulation NMS.¹⁰

Voluntary Terminations

FINRA proposes to amend the definition of “Registered Reporting ADF ECN” in Rule 6220(a) to provide additional detail as to how a Registered Reporting ADF ECN may voluntarily terminate its registration.¹¹ As proposed, the rule will state that a Registered Reporting ADF ECN may voluntarily withdraw from participation on the ADF upon providing, through electronic delivery, written notice to FINRA Market Operations of its intention to withdraw as a Registered Reporting ADF ECN, with such withdrawal to be effective upon the first trading day following the issuance of the written notice announcing the Registered Reporting ADF ECN’s intent to withdraw, or such other date as specified in the written notice. This change will provide greater clarity as to

⁹ Rule 6220 defines an “ADF-eligible security” as an NMS stock as defined in Rule 600(b)(47) of SEC Regulation NMS.

¹⁰ Rule 612 permits, among other things, quotations in NMS stocks that are less than \$1.00 per share to be priced in increments of \$0.0001. See 17 CFR 242.612(b).

¹¹ Rule 6220 defines a Registered Reporting ADF ECN as “a member of FINRA that is an electronic communications network (“ECN”) that elects to display orders in the ADF. A member shall cease being a Registered Reporting ADF ECN when it has withdrawn or voluntarily terminated its quotations on the ADF or when its quotations have been suspended or terminated by action of FINRA. This term also shall include a FINRA member that is an alternative trading system (“ATS”) that displays orders in the ADF.” As such, this provision would apply to both ECNs and ATSS that display orders in the ADF.

how a Registered Reporting ADF ECN may voluntarily terminate its registration, and an efficient means by which this may be accomplished.

Changes to ADF Order Reporting

FINRA also proposes to modify the order reporting requirements set forth in Rule 6250 so that FINRA can more efficiently monitor quoting activity on the ADF on an automated basis. FINRA requires ADF Trading Centers to report order information so that FINRA can have detailed information regarding the origination of orders underlying an ADF Trading Center's quotation and use that information to enhance its ability to monitor quotation activity on the ADF. Currently, Rule 6250(b) provides that all ADF Trading Centers that display quotations on the ADF must record the information described in paragraphs (b)(1) and (2) for all orders they receive from another broker-dealer via direct or indirect electronic access. Rule 6250(d)(1) defines direct electronic access as the ability to deliver an order for execution directly against an individual ADF Trading Center's best bid or offer and Rule 6250(d)(2) defines indirect electronic access as the ability to route an order through a FINRA member, subscriber broker-dealer, or customer broker-dealer of an ADF Trading Center for execution against the ADF Trading Center's best bid or offer. Accordingly, current Rule 6250 is intended to only apply where the order is being sent to access a displayed quotation. FINRA proposes to amend this provision to clarify the scope of these requirements to require an ADF Trading Center to record the information pursuant to Rule 6250(b)(1) and (2) only if such order results in an execution, a cancellation, a correction or a rejection by the ADF Trading Center. As such, an incoming order that fully posts to the book of that ADF Trading

Center will not trigger the reporting requirements under this provision.¹² FINRA is proposing to revise this provision to better reflect the order information necessary for its surveillance programs related to the Firm Quote Rule,¹³ and reduce the reporting of excess information that may over-burden its systems and lead to false alerts.

FINRA also proposes to make a grammatical change to Rule 6250(a) to better reflect the fact that Registered Reporting ADF ECNs are not obligated to submit two-sided quotes (e.g., the bid and the offer). FINRA also proposes to amend the order information required to be provided to FINRA pursuant to Rule 6250(b) to update the terminology used in the Order Reporting Specifications.¹⁴ As part of these changes, FINRA proposes to update the reporting requirements for Order Time and Order

¹² Similarly, if an incoming order is posted to the book of that ADF Trading Center, and is subsequently cancelled, corrected, etc., the order reporting requirements of Rule 6250(b) would not be triggered.

¹³ The Firm Quote Rule provides that “each responsible broker or dealer shall be obligated to execute any order to buy or sell a subject security, other than an odd-lot order, presented to it by another broker or dealer, or any other person belonging to a category of persons with whom such responsible broker or dealer customarily deals, at a price at least as favorable to such buyer or seller as the responsible broker’s or dealer’s published bid or published offer (exclusive of any commission, commission equivalent or differential customarily charged by such responsible broker or dealer in connection with execution of any such order) in any amount up to its published quotation size.” 17 CFR 242.602(b)(2). See also FINRA Rule 5220.

¹⁴ Specifically, FINRA proposes to delete the parentheticals corresponding to the Order Entry Firm and Order Side data elements. FINRA also proposes to replace the reference to Issue Identifier with Symbol, delete the requirement to provide the Order Negotiable Flag and the Trade-or-Move Flag, and delete the reference to ANY. FINRA also proposes to replace the reference to the identifier for the Market Making Firm to the ADF Trading Center; change the reference to “any other modifier” language in Rule 6250(b)(1)(N) (renumbered herein as Rule 6250(b)(1)(L)) to “any other information,” and to use Customer Order Handling Instructions as one example of such information; and amend the Order Response requirement of Rule 6250(b)(2)(B) to consist of execute, cancel, correct, or reject.

Response Time, which are currently required to be reported in hours, minutes and seconds, so that ADF Trading Centers will report this information in hours, minutes, seconds and milliseconds, if the ADF Trading Center's system captures such information in milliseconds. This change will make these order reporting provisions consistent with the reporting standards being proposed for both the Order Audit Trail System and the Trade Reporting Facilities.¹⁵

FINRA also proposes to add new order reporting requirements in Rule 6250 for orders that are part of an ADF Trading Center's quotation (bid or offer) that is displayed on the ADF. Specifically, FINRA proposes that, for each order that is part of a bid or offer displayed by an ADF Trading Center on the ADF, that ADF Trading Center must record and report to FINRA (1) symbol; (2) side; (3) price; (4) quantity (including displayed quantity); (5) order date and time of receipt; (6) order instructions (including order type); (7) internal order identifiers; (8) firm identifiers (including broker order identifier) and capacity information; (9) quote identifier; (10) quote price; (11) quote time; (12) short sale exemption reason, as applicable; and (13) clearing member. In addition, all ADF Trading Centers must also record and report the execution details, if any, of each order that is part of a displayed bid or offer, including (1) date and time of receipt; (2) side; (3) price; (4) quantity (including executed quantity); (5) execution price; (6) order instructions (including order type); (7) internal order identifiers; (8) firm identifiers (including broker order identifier); (9) execution identifier; (10) quote price; (11) quote identifier; and (12) quote time. For purposes of information related to time,

¹⁵ See FINRA-2013-050, supra note 6.

an ADF Trading Center must report such information in the finest increment (e.g., milliseconds) that is captured in the ADF Trading Center's system.

This information shall be reported to FINRA in "next day" file submission, with such information reported to FINRA no later than 8:00 a.m. Eastern Time on the day following receipt of the order; provided, however, that an ADF Trading Center must report any of this information to FINRA immediately upon request. These requirements will enable FINRA to ascertain the market participant that is responsible for the order generating a quotation that is displayed on the ADF, which will enhance FINRA's ability to conduct quotation-based surveillance.

Finally, FINRA proposes a technical change to amend the provision in Rule 6250 governing the procedures for reviewing system outages. Currently, the rule requires that a member initiate a review of a system outage by submitting a written request via facsimile or otherwise; as revised, the rule will specify that an ADF Trading Center that seeks review of a system outage shall submit a written request via facsimile, e-mail, personal delivery, courier or overnight mail to FINRA Product Management. This change will make the ADF rules more internally consistent by conforming the procedures for requesting a review under Rule 6250 to the procedures set forth in Rule 6260(a), which governs the filing of direct or indirect access complaints.

Proposed Conforming Amendments to ADF Trade Reporting Rules

FINRA is proposing to amend Rules 6281 and 6282 and the Rule 7100 Series relating to trade reporting to the ADF to conform those rules, to the extent practicable, to current FINRA rules relating to trade reporting to the TRFs.

First, FINRA is proposing to amend Rule 6281 to (1) expressly provide that members must also comply with the Rule 7100 Series when reporting to the ADF and (2) delete the requirements relating to execution of a Participant Application Agreement and maintenance of the physical security of the equipment as conditions for participation in the ADF, as they are redundant with requirements contained in Rule 7120.

Second, FINRA is proposing to amend Rule 6282(a)(4) to expressly provide that in the event that the rules require multiple modifiers on any given trade report, members are to report in accordance with guidance published by FINRA regarding priorities among modifiers. Members that report in accordance with such guidance will not be in violation of the trade reporting rules for failing to use a particular modifier. This provision conforms to paragraphs (a)(5) of Rules 6380A and 6380B relating to the TRFs. FINRA also is proposing new paragraphs (a)(5) and (6) of Rule 6282 to clarify that the ADF will append or convert, as applicable, the modifiers identified in the rules (i.e., to indicate that a trade was executed outside normal market hours or that a trade was reported late). The proposed paragraphs are identical to paragraphs (a)(6) and (7) of Rules 6380A and 6380B relating to the TRFs.

Third, the ADF will no longer support three party trade reports¹⁶ and therefore, FINRA is proposing to delete paragraphs (c) and (d) of Rule 6282 relating to that function. FINRA is proposing to adopt new paragraph (c), which is identical to paragraph (c) of Rules 6380A and 6380B relating to the TRFs and sets forth the information that must be included in trade reports submitted to the ADF. Proposed

¹⁶ A three party trade report is a single trade report that denotes one Reporting Member (i.e., the member with the obligation to report the trade under FINRA's rules) and two contra parties. This functionality had never been used by previous ADF Market Participants.

paragraph (d) of Rule 7130 sets forth additional information that must be included in trade and clearing reports submitted to the ADF and is identical to paragraph (d) of Rules 7230A and 7230B relating to the TRFs. Proposed Rules 6282(c) and 7130(d) require the same trade information that is currently required under Rule 6282(c) and (d), and do not impose any additional reporting requirements on members. FINRA notes that as part of this proposed change, subparagraph (3) of Rules 6282(c) and (d), which requires that members submit a trade report addendum within 15 minutes of submission of the original trade report to correct or provide some or all of the identified information (e.g., the capacity or short sale indicator), would be deleted. This provision is not included in Rules 6380A and 6380B relating to the TRFs. Consistent with the TRF rules, members will be required to provide all information at the time of submission of the original trade report to the ADF and they will not have additional time to provide information such as the capacity or short sale indicator. Additionally, members already have a continuing obligation to provide full and accurate trade information to FINRA and to correct trade reports, as necessary.¹⁷

Fourth, FINRA is proposing to delete the following from Rule 6282: (1) paragraph (e)(1)(E) (the requirements relating to prior reference price transactions are already included in Rule 6282(a)(4)(G)); and (2) paragraph (g) (there is no designated symbol in the ADF for reversals and “as/of” trades, and FINRA is proposing to relocate the requirement relating to use of the special trade and step-out indicators to Rule 7130(d)(13)). FINRA is also proposing to relocate paragraph (h) to Rule 7130(d)(16), which is a more appropriate location for the requirements relating to the clearing

¹⁷ See, e.g., Rule 7160.

functionality of the ADF, and to amend that provision to clarify that members must indicate whether a trade is submitted for comparison or is locked-in via an Automatic Give Up Agreement (“AGU”) or Qualified Special Representative agreement (“QSR”). FINRA notes that these provisions do not appear in Rules 6380A and 6380B relating to the TRFs.

Fifth, FINRA is proposing to adopt new paragraph (h) of Rule 6282 to expressly provide that participants may enter into “give up” arrangements whereby one member reports to the ADF on behalf of another member, provided that participants submit to the ADF the appropriate documentation reflecting the arrangement. Proposed paragraph (h) is identical to Rules 6380A(h) and 6380B(g) relating to the TRFs, and provides that the member with the reporting obligation remains responsible for the transaction submitted on its behalf. Further, both the member with the reporting obligation and the member submitting the trade to the ADF are responsible for ensuring that the information submitted is in compliance with all applicable rules and regulations.

The provisions of Rule 6282 will be renumbered and cross-references will be updated, as necessary.

FINRA is also proposing amendments to the Rule 7100 Series, which addresses trade reporting and clearing through the ADF. First, FINRA is proposing to delete the definition of “Browse” in Rule 7110 and the references to this term in the Rule 7100 Series, as there is not a specific “Browse” functionality offered for the ADF.

In addition, FINRA believes that it is no longer necessary to distinguish among types of ADF participants for purposes of the trade reporting rules and therefore is proposing to delete the definitions of “TRACS ECN,” “TRACS Market Maker” and

“TRACS Order Entry Firm” in Rule 7110. FINRA is proposing to use the more general term “Participant” and apply the trade reporting and clearing requirements uniformly to all ADF participants. FINRA notes that this approach conforms to the Rule 7200A and 7200B Series relating to the TRFs. Proposed amendments throughout the Rule 7100 Series (for example, Rule 7120(a) and (b)) would delete the references to these terms and incorporate the more general term “Participant.” FINRA notes that the requirements for a “TRACS ECN,” TRACS Market Maker” and “TRACS Order Entry Firm” in Rule 7120 are largely duplicative, with the exception of the provision in Rule 7120(b)(2)(D) that states that if FINRA finds that a TRACS Market Maker’s failure to maintain a clearing arrangement is voluntary, the withdrawal of quotations will be considered voluntary and unexcused pursuant to Rule 6275. FINRA is proposing to relocate this provision to new Rule 6275.01.¹⁸

Second, FINRA is proposing to amend Rule 7120 to conform, to the extent practicable, the participation requirements for members that report and clear transactions through the ADF to the participation requirements for the TRFs under Rules 7220A and 7220B, including amending paragraph (a)(1) and adding proposed new paragraph (b)(3)(B). The proposed amendments are not substantive and impose neither more nor less stringent requirements on FINRA members that participate in the ADF than the current provisions of Rule 7120. FINRA is also proposing to amend Rule 7120(b)(2)(D) to clarify that the rule (which provides that if a Participant fails to maintain a clearing

¹⁸ FINRA also is proposing non-substantive amendments to the definitions in Rule 7110 to conform to the definitions in Rules 7210A and 7210B relating to the TRFs. The provisions of Rule 7110 will be renumbered as necessary.

relationship, it will be removed from the ADF) applies to Participants that are the reporting party or the contra party.¹⁹

Third, FINRA is proposing to amend paragraph (b) and adopt new paragraph (c) of Rule 7130 regarding when and how trade reports are submitted and which party reports, to conform to paragraphs (b) and (c) of Rules 7230A and 7230B relating to the TRFs. The proposed amendments are non-substantive and will not change the reporting requirements for members reporting and clearing trades through the ADF.

Fourth, FINRA is proposing new paragraph (e) of Rule 7130 to cross-reference the requirements for reporting cancelled trades in Rule 6282. This provision is identical to Rules 7230A(f) and 7230B(e) relating to the TRFs. The provisions of Rule 7130 will be renumbered and cross-references will be updated, as necessary.

Fifth, new paragraph (h) of Rule 7130 would provide members the option of including a transaction fee as part of a clearing report submitted to the ADF and is substantively identical to Rule 7230A(h) relating to the FINRA/Nasdaq TRF and Rule 7230B(i) relating to the FINRA/NYSE TRF.²⁰ Pursuant to the proposed rule, members would be required to provide in reports submitted to the ADF, in addition to all other information required to be submitted by any other rule, pricing information to indicate a

¹⁹ This incorporates Rule 7120(b)(3)(D) (which refers to TRACS Order Entry Firms), which will be deleted pursuant to the proposed rule change.

²⁰ FINRA notes that Rule 7230B(i) was adopted pursuant to a proposed rule change that was filed for immediate effectiveness on October 9, 2013. The operative date of the proposed rule change will be announced in a notice and will be at least 30 days following the date of filing. See Securities Exchange Act Release No. 70702 (October 17, 2013), 78 FR 63268 (October 23, 2013) (Notice of Filing and Immediate Effectiveness; File No. SR-FINRA-2013-044).

total per share or contract price amount, inclusive of the transaction fee. As a result, members would submit as part of their report to the ADF: pricing information to indicate a total price inclusive of the transaction fee, which would be submitted by the ADF to NSCC for clearance and settlement; and the price exclusive of the transaction fee, which would be publicly disseminated. The parties to the trade would know both prices – the price reported for public dissemination and the clearance/settlement price.

Sixth, the ADF will offer match functionality, whereby both parties to the trade submit transaction data and the System performs an on-line match. Proposed Rule 7140(a) addresses such functionality and is identical to Rule 7240A(a) relating to the FINRA/Nasdaq TRF. FINRA proposes to renumber the remaining provisions of Rule 7140 accordingly.

Finally, proposed Rule 7170 provides that failure to comply with any of the trade reporting rules may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010. The proposed rule is identical to Rules 7270A and 7270B relating to the TRFs. FINRA proposes to re-number current Rule 7170 as Rule 7180.

In addition to the amendments outlined above, FINRA is proposing to make other non-substantive technical amendments to a number of ADF rules to conform, to the extent practicable, to the text of the TRF rules. The chart below identifies the ADF rules for which conforming changes to the rule text are being proposed and the corresponding TRF rules:

| ADF Rule | TRF Rule |
|---|-----------------------------------|
| Rule 6282(a)(5) (renumbered herein as 6282(a)(7)) | Rules 6380A(a)(8) and 6380b(a)(8) |
| Rule 6282(e) (renumbered herein as 6282(d)) | Rules 6380A(d) and 6380B(d) |
| Rule 7130(a) | Rules 7230A(a) and 7230B(a) |
| Rule 7160 | Rules 7260A and 7260B |
| Rule 7170 (renumbered herein as Rule 7180) | Rules 7280A and 7280B |

By conforming the trade reporting requirements for the ADF and TRFs, to the extent practicable, the proposed rule change will promote more consistent trade reporting by members and a more complete and accurate audit trail. FINRA notes that most of the proposed conforming changes to Rules 6281 and 6282 and the Rule 7100 Series are technical and non-substantive in nature, and FINRA does not believe that any of the proposed changes would require members to make systems changes in order to comply. Furthermore, FINRA members that currently report to one of the TRFs would already be familiar with the rule amendments that are proposed herein.

Changes to ADF and TRAQS Fees

FINRA proposes to amend Rule 7510(a) to assess a new fee for certain corrective transaction charges. Currently, each party to a trade will be assessed a \$0.25 charge for transactions to break, decline, or reverse a trade. To this category of corrective transaction fees, FINRA proposes to add a \$0.25 charge that will be assessed upon each party that cancels or corrects a trade. The purpose of adding this new change is to defray the administrative costs incurred by FINRA in processing corrective transaction charges, including cancel and correct requests.²¹

²¹ FINRA notes that, because the submission of a corrective request imposes an administrative cost on FINRA, a party will still be assessed a cancel or correct

FINRA also proposes to delete Rule 7530, which assesses a minimum charge of \$5,000 for installation costs associated with connecting to the ADF. This rule also provides that, upon installation, removal, relocation or maintenance of terminal and related equipment, the subscriber shall pay charges incurred by FINRA or its subsidiaries above the \$5,000 minimum. FINRA proposes to delete this provision because it is no longer applicable, since the ADF is software-based and there is no hardware to install, remove or relocate. FINRA also proposes to re-number the remaining provisions in the Rule 7500 Series accordingly.

Technical Changes to Conform or Otherwise Streamline ADF Rules

FINRA is proposing a number of technical changes throughout the ADF rules. For example, FINRA is replacing references to “TRACS,” the “TRACS Trade Comparison Service,” and the “TRACS trade comparison feature” with “ADF” or “the System”²² and in several provisions, deleting such references altogether.²³ Similarly, FINRA is replacing references to the “TRACS trade comparison Participant Application

charge, even if the trade ultimately stands. For example, assume that ABCD submits a trade with counter-party WXYZ, and that the trade is accepted by WXYZ. ABCD then cancels the trade, incurring a \$0.25 cancellation fee. WXYZ takes no further action, such as submitting its own cancellation, so the trade is matched, and the trade goes to the tape and to clearing. Since WXYZ did not submit its own cancellation request, the trade was ultimately not broken; however, FINRA incurred a cost in processing the cancellation request from ABCD regardless of the ultimate outcome of the trade. FINRA thus believes it is appropriate to assess the cancel fee on ADF Market Participants in this scenario.

²² FINRA is proposing to use the term “the System” to apply to the ADF, including the trade comparison feature specifically referred to in the current Rule 7100 Series. The proposed change and the proposed definition of “System” in Rule 7110 conforms to the Rule 7200A and 7200B Series relating to the TRFs.

²³ TRACS (now re-named TRAQS) was a component of the ADF, and this change simplifies the rule text without substantively changing the process by which trades are reported or the ADF otherwise operates.

Agreement” with “Participant Application Agreement.”²⁴ FINRA also proposes to update the definition of a “CQS security” in Rule 6220(a)(6) to include the current national securities exchanges on which the relevant securities are listed or trade pursuant to unlisted trading privileges, and to make a grammatical change. FINRA proposes to change the definition of the ADF in Rule 6210 to remove unnecessary language from that provision, and to make a grammatical change. FINRA proposes to change certain references throughout the rules from “ADF Operations,” “FINRA ADF Operations,” or “TRACS Operations Center” to “FINRA Market Operations” or “FINRA Product Management.”²⁵

In Rule 6220(a)(10), FINRA proposes to revise the definition of “Normal unit of trading” to delete the reference to a “special identifier” appended to the issuer’s symbol if a normal unit of trading is other than 100 shares. This identifier will not be used following migration of the ADF to MPP. FINRA also proposes to delete, in Rule 6272(a)(3), the provision that the National Best Bid and Offer (“NBBO”) is established “by FINRA in accordance with its procedures for determining protected quotations under Rule 600” of Regulation NMS. The ADF will not generate an NBBO upon migration to the MPP; rather, FINRA will use the NBBO as defined in Regulation NMS and as calculated by the Securities Information Processors. Finally, FINRA proposes to modify the time cut-off set forth in Rule 6250(b)(1) and (b)(2) so that the order information that is required to be provided pursuant to this rule shall be provided “no later” than 6:30 p.m.

²⁴ This change simply reflects the global deletion of references to TRACS; the actual agreement remains the same.

²⁵ These changes will reflect the official title of the FINRA group that is responsible for the issues that are addressed in these provisions.

Eastern Time.²⁶

The proposed rule change shall be effective upon Commission approval.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,²⁷ which requires, among other things, that FINRA rules must be 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, and Section 15A(b)(5) of the Act,²⁸ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls, and Section 15A(b)(9) of the Act,²⁹ which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate.

FINRA believes that the proposed rule change is consistent with the Act where it makes non-substantive changes that simply update the rules to reflect changes in FINRA departments or systems, or to correct other outdated references. Examples of such changes include (1) changing the reference from TRACS (Trade Comparison Service) to “ADF” or “the System”; (2) replacing the reference from the TRACS trade reporting Participant Application Agreement to the Participant Application Agreement; (3)

²⁶ FINRA is making this change to clarify that, to the extent that such information is available prior to 6:30 p.m. Eastern Time, the ADF Trading Center need not wait until 6:30 p.m. to report that information to FINRA.

²⁷ 15 U.S.C. 78o-3(b)(6).

²⁸ 15 U.S.C. 78o-3(b)(5).

²⁹ 15 U.S.C. 78o-3(b)(9).

updating the reference of a “CQS Security”; and (4) changing the references from “FINRA ADF Operations” to “FINRA Market Operations” or “FINRA Product Management,” as applicable. These changes update the relevant rule without affecting the substance of that rule.

FINRA believes that the changes to the rules governing the ADF to reflect recent regulatory changes are also consistent with the Act. These changes, which consist of updating the rules to reference the Limit Up-Limit Down Plan and allowing a minimum quoting increment of less than \$0.01 for quotations below \$1, modify the ADF rules to reflect regulatory initiatives that were previously approved or promulgated by the Commission.³⁰

FINRA believes that the changes to the rules to delete functionalities that will no longer be available following the migration of the ADF to MPP are also consistent with the Act; specifically, the deletion of the use of a special identifier if the normal unit of trading is other than 100 shares, and the deletion of the provision for calculating the NBBO. Since the functionalities to be deleted are not being currently utilized, and will not be offered on the ADF upon its migration to MPP, FINRA believes that these changes will help ensure that the rules accurately reflect the operation of the ADF upon its migration to the new platform.

FINRA believes that the provision allowing a Registered Reporting ADF ECN to voluntarily terminate its status as an ADF Market Participant is consistent with the Act because it provides a Registered Reporting ADF ECN with the ability to terminate its

³⁰ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (SEC File No. 4-631) (Limit up-Limit Down adopting release); 17 CFR 242.612(b) (permitting quotations in NMS stocks that are less than \$1.00 per share to be priced in increments of \$0.0001).

status, and for FINRA to make any corresponding changes to the operation of the ADF, on an expedited basis, thus providing for the more efficient operation of the ADF.

FINRA also notes that this provision is comparable to what is already provided to Registered Reporting ADF Market Makers under the rules.

FINRA believes that the change in Rule 6250 to require order information for only those incoming orders that result in an execution, cancellation, correction or rejection is consistent with the Act because it will result in greater operational and regulatory efficiency. Specifically, this change will allow FINRA to continue to obtain the information necessary to perform the relevant surveillance, while reducing the receipt of excess order information, which over-burdens FINRA systems, imposes unnecessary reporting obligations on ADF participants, and contributes to false surveillance alerts. FINRA believes that conforming the order reporting requirements in Rule 6250 to the Order Reporting Specifications, and requiring that certain of this information be reported in milliseconds if the ADF Trading Center's system captures such information in milliseconds, updates the Rule to reflect the actual information that is required to be reported, and further aligns the reporting requirements for the ADF with the reporting requirements for OATS and the TRFs. FINRA also believes that the change in Rule 6250 to require order information for orders that form part of displayed bids or offers is also consistent with the Act. Specifically, this provision will enable FINRA to ascertain the market participant that is responsible for the order generating a quotation displayed on the ADF, which will enhance FINRA's ability to conduct certain quotation-based surveillance.

FINRA believes that the changes to the ADF trade reporting requirements to better align to the TRF trade reporting requirements are also consistent with the Act. The proposed rule will promote more consistent trade reporting by members and a more complete and accurate audit trail. Given that most of these changes are technical and non-substantive in nature, FINRA does not believe that any of the proposed changes would require members to make systems changes in order to comply. FINRA also notes that members that currently report to one of the TRFs would already be familiar with the rule amendments that are proposed herein.

FINRA believes that the proposed changes to the ADF fees are consistent with the Act, as they provide for the equitable allocation of reasonable fees. FINRA notes that these fees will only apply to ADF Market Participants, and that the methodology for assessing these fees will apply equally to all ADF Market Participants. FINRA believes that the proposed \$0.25 charge to be assessed upon a party that cancels or corrects a trade is reasonable because this charge will defray the administrative costs incurred by FINRA in processing corrective transaction charges, including cancel and correct requests, which are incurred by FINRA regardless of whether the trade is ultimately broken. FINRA believes this charge is equitable because the methodology for assessing this fee will apply equally to all ADF Market Participants.

FINRA also believes that the deletion of the fees associated with connecting to the ADF is reasonable and equitably allocated because these fees are no longer applicable to any market participant.

FINRA does not believe that any of these changes will impose a significant or unnecessary burden on its members. FINRA notes that the proposed changes are either

(1) non-substantive; (2) delete functionalities that will not be available following the migration to the MPP; (3) reflect regulatory changes; (4) conform the ADF rules to other FINRA rules; or (5) otherwise increase the operational and regulatory efficiency of the ADF. To the extent that a number of the changes are non-substantive or, in the case of conforming the ADF trade reporting requirements to the TRF trade reporting requirements, mirror requirements currently applicable to FINRA members, FINRA does not believe that members will be significantly or adversely affected by these changes. To the extent that FINRA is proposing certain changes to reflect regulatory developments, FINRA believes that these changes are narrowly tailored to comply with the applicable regulation or rule. FINRA also believes that certain of the proposed changes, such as the provision to allow for the voluntary termination of registration by a Registered Reporting ADF ECN, may increase operational and regulatory efficiency for FINRA and ADF Market Participants alike.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Participation in the ADF is voluntary, and the proposed changes will apply equally to all ADF Market Participants. As discussed above, FINRA does not believe that such changes will significantly impact either ADF Market Participants or other market participants. FINRA also notes that the proposed rule change is designed to assist FINRA in meeting its regulatory obligations by enhancing its ability to efficiently operate the quotation collection and trade reporting aspects of the ADF and to conduct the relevant surveillance.

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-2013-053 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-2013-053. 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-2013-053 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.³¹

Elizabeth M. Murphy
Secretary

³¹ 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.

* * * * *

6000. QUOTATION AND TRANSACTION REPORTING FACILITIES

* * * * *

6200. ALTERNATIVE DISPLAY FACILITY

6210. General

The Alternative Display Facility ([also referred to as] “ADF”) is [the] a facility operated by FINRA for members that choose to quote or effect trades in ADF-eligible securities otherwise than on an exchange. The ADF collects and disseminates quotations and trade reports, and compares trades [through TRACS Trade Comparison Service]. Those FINRA members that use ADF systems for quotation or trade reporting activities must comply with the Rule 6200 and 7100 Series, as well as all other applicable FINRA rules and the federal securities laws.

6220. Definitions

(a) Unless the context requires otherwise, the terms used in the Rule 6200 and Rule 7100 Series shall have the meanings below. Terms not specifically defined below shall have the meaning in the FINRA By-Laws and rules and Rule 600 of SEC Regulation NMS.

(1) through (5) No Change.

(6) “CQS security” is a security that is eligible for inclusion in the Consolidated Quotation Plan and reported to the Consolidated Tape in accordance

with the Consolidated Tape Association Plan. These securities include all common stocks, preferred stocks, long-term warrants, and rights entitling the holder to acquire an eligible security, listed or admitted to unlisted trading privileges on the BATS Exchange Inc., [American Stock Exchange] NYSE MKT LLC, NYSE Arca LLC or the New York Stock Exchange, and securities listed on regional stock exchanges [which] that have been designated by such regional exchange as eligible for reporting to the Consolidated Tape.

(7) through (9) No Change.

(10) “Normal unit of trading” means 100 shares of a security unless, with respect to a particular security, the market where the security is listed determines that a normal unit of trading shall constitute other than 100 shares. [If a normal unit of trading is other than 100 shares, a special identifier shall be appended to the issuer’s symbol.]

(11) No Change.

(12) “Registered Reporting ADF ECN” means a member of FINRA that is an electronic communications network (“ECN”) that elects to display orders in the ADF. A member shall cease being a Registered Reporting ADF ECN when it has withdrawn or voluntarily terminated its quotations on the ADF or when its quotations have been suspended or terminated by action of FINRA. This term also shall include a FINRA member that is an alternative trading system (“ATS”) that displays orders in the ADF. A Registered Reporting ADF ECN may voluntarily withdraw from participation on the ADF upon providing, through electronic delivery, written notice to FINRA Market Operations of its intention to

withdraw as an Registered Reporting ADF ECN, with such withdrawal to be effective upon the first trading day following the provision of such notice announcing the Registered Reporting ADF ECN's intention to withdraw, or such other date as specified in the written notice.

(13) through (16) No Change.

(b) No Change.

* * * * *

6250. Quote and Order Access Requirements

(a) For each security in which an ADF Trading Center displays a bid and offer (for Registered Reporting ADF Market Makers), or a bid [and/] or offer (for Registered Reporting ADF ECNs), in the ADF, it must:

(1) Through (5) No Change.

(6) Provide at least 14 calendar days advance written notice, via facsimile, personal delivery, courier or overnight mail, to [ADF] FINRA Market Operations before denying any registered broker-dealer direct electronic access as defined below. The notice provided hereunder must be based on the good faith belief of an ADF Trading Center that such denial of access is appropriate and does not violate any of the ADF Trading Center's obligations under FINRA rules or the federal securities laws. Further, any notification or publication of an ADF Trading Center's intent to deny access will have no bearing on the merits of any claim between the ADF Trading Center and any affected registered broker-dealer, nor will it insulate the ADF Trading Center from liability for violations of FINRA rules or the federal securities laws, such as Rule 602 of SEC Regulation NMS.

The 14-day period begins on the first business day that [ADF] FINRA Market Operations has receipt of the notice; and

(7) No Change.

(b) Subject to the terms and conditions contained herein, all ADF Trading Centers that display quotations in the ADF must record each item of information described in paragraphs (b)(1) and (2) of this Rule for all orders they receive from another broker-dealer via direct or indirect electronic access[,] only if such order results in an execution, a cancellation, a correction or a rejection by the ADF Trading Center. All ADF Trading Centers must [and] report this information to FINRA as specified below.

(1) ADF Trading Centers must record the following information for every order they receive from another broker-dealer via direct or indirect electronic access:

(A) Unique Order Identifier

(B) Order Entry Firm [(OEID)]

(C) Order Side [(Buy/Sell)]

(D) Order Quantity

(E) [Issue Identifier] Symbol

(F) Order Price

[(G) Order Negotiable Flag]

[(H)G] Time In Force (i.e. regular hours, entire day, other)

[(I)H] Order Date

([J]I) Order Time (expressed in hours, minutes, [and] seconds and milliseconds if the ADF Trading Center's system captures time in milliseconds based on Eastern Time in military format)

([K]J) Minimal Acceptable Quantity (i.e. [ANY], all or none (AON), volume)

([L]K) [Market Making Firm (MMID)] ADF Trading Center

[(M) Trade-or-Move Flag]

([N]L) Any other [modifier] information as specified by FINRA or the SEC (e.g., Customer Order Handling Instructions)

The information described in subparagraphs (A) through ([N]L) must be reported to FINRA by no later than 6:30 p.m. Eastern Time on the day of receipt of the order; provided, however, that an ADF Trading Center must report any information described in subparagraphs (A) through ([N]L) to FINRA immediately upon request.

(2) In addition to the information previously provided pursuant to paragraph (b)(1), ADF Trading Centers must record the following information, as applicable, for every order received via direct or indirect access from another broker-dealer that has been acted upon or responded to:

(A) Unique Order Identifier (as provided in paragraph (b)(1)(A))

(B) Order Response (e.g., [E=]Execute, [D=Decline due to potential Rule 611 of SEC Regulation NMS violation, O=Decline Other, X=Cancel, T=Timed out, P=Partial, I=Price improvement] Cancel, Correct, Reject)

(C) Order Response Time (expressed in hours, minutes, [and] seconds and milliseconds if the ADF Trading Center's system captures time in milliseconds based on Eastern Time in military format)

(D) Quantity

(E) Price

The information described in subparagraphs (A) through (E) must be reported to FINRA by no later than 6:30 p.m. Eastern Time on the day of any response to or action taken regarding an order; provided, however, that an ADF Trading Center must report any information described in subparagraphs (A) through (E) to FINRA immediately upon request.

(3) No Change.

(4) Orders Not Required To Be Recorded

Any order that results in being fully posted to the ADF Trading Center.

The recording and reporting requirements contained in paragraphs (a) and (b) of this Rule shall not apply to orders received via any system operated by a national securities exchange or national securities association such that the association or exchange operating the system has access to and regulates that order activity.

(5) through (7) No Change.

(c) For each bid or offer displayed by an ADF Trading Center on the ADF, the ADF Trading Center must record and report to FINRA the following information in such form as prescribed by FINRA.

(1) All ADF Trading Centers must record and report the following information for each order that is part of a displayed bid or offer, including:

(A) Symbol;

(B) Side;

(C) Price;

(D) Quantity (including displayed quantity);

(E) Order date and time of receipt;

(F) Order instructions (including order type);

(G) Internal order identifiers;

(H) Firm identifiers (including broker order identifier) and capacity information;

(I) Quote identifier;

(J) Quote price;

(K) Quote time;

(L) Short sale exemption reason, as applicable; and

(M) Clearing member.

(2) All ADF Trading Centers must also record and report the execution details, if any, of each order that is part of a displayed bid or offer, including:

(A) Date and time of receipt;

(B) Side;

(C) Price;

(D) Quantity (including executed quantity);

(E) Execution price;

(F) Order instructions (including order type);

(G) Internal order identifiers;

(H) Firm identifiers (including broker order identifier);

(I) Execution identifier;

(J) Quote price;

(K) Quote identifier; and

(L) Quote time.

The information described in paragraphs (1) and (2) shall be reported to FINRA in “next day” file submission, with such information reported to FINRA no later than 8:00 a.m. Eastern Time on the day following receipt of the order; provided, however, that an ADF Trading Center must report any information described in paragraphs (1) and (2) to FINRA immediately upon request. Any information related to time must be reported in the finest increment (e.g., milliseconds) that is captured in the ADF Trading Center’s system.

(c) through (d) renumbered as (d) through (e)

([e]f) Minimum Performance Standards

(1) through (3) No Change.

(4) An ADF Trading Center may contact FINRA [ADF Operations] Product Management and request that a system outage be deemed excused, whether or not the system outage resulted from circumstances within the control of the ADF Trading Center; however, if FINRA [ADF Operations] Product Management becomes aware of the system outage prior to the ADF Trading Center’s request for an excused system outage, FINRA [ADF Operations] Product

Management may, at its own discretion, deem the system outage to be unexcused, based on the specific facts and circumstances surrounding the outage.

([f]g) Procedures for Reviewing System Outages

(1) Any ADF Trading Center that seeks to have a system outage reviewed pursuant to paragraph (e)(3) hereof, shall submit a written request, via facsimile, e-mail, personal delivery, courier or overnight mail [or otherwise,] to [ADF Operations] FINRA Product Management by close of the business day on which the system outage occurs, or the following business day if the system outage occurs outside of normal market hours.

(2) through (5) No Change.

(g) renumbered as (h)

6260. Review of Direct or Indirect Access Complaints

(a) Authority to Receive Complaints

(1) No Change.

(2) Any registered broker-dealer that wishes to file a direct or indirect access complaint shall submit a written complaint stating the pertinent facts that constitute the grounds for such complaint, via facsimile, e-mail, personal delivery, courier or overnight mail, to [ADF] FINRA Market Operations and simultaneously serve by the same means the ADF Trading Center in accordance with Rule 9134(b). Officers of FINRA designated by the Chief Executive Officer of FINRA shall have the authority to review and make a determination regarding direct or indirect access complaints.

(3) No Change.

(b) through (c) No Change.

6270. Quoting and Trading in ADF-Eligible Securities

* * * * *

6272. Character of Quotations

(a) Quotation Requirements and Obligations

A member registered as a Registered Reporting ADF Market Maker shall engage in a course of dealings for its own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets in accordance with this Rule.

(1) No Change.

(2) Pricing Obligations for Registered Reporting ADF Market Makers.

For ADF-eligible securities, a Registered Reporting ADF Market Maker shall adhere to the pricing obligations established by this Rule during the trading day; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not recommence until after the first regular way transaction in the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor, except as permitted under the Regulation NMS Plan to Address Extraordinary Market Volatility.

(A) through (B) No Change.

[(3) National Best Bid and Offer]

[The National Best Bid and Offer shall be determined by FINRA in accordance with its procedures for determining protected quotations under Rule 600 of SEC Regulation NMS.]

(4) through (5) renumbered as (3) through (4).

(b) Minimum Price Variation for Quotations

[The minimum quotation increment for ADF-eligible securities shall be \$0.01.]

The minimum quotation increment for quotations of \$1.00 or above in all ADF-eligible securities shall be \$0.01. The minimum quotation increment for quotations below \$1.00 in all ADF-eligible securities shall be \$0.0001. Quotations failing to meet this standard shall be rejected.

(c) No Change.

* * * * *

6275. Withdrawal of Quotations

(a) through (g) No Change.

••• Supplementary Material: -----

.01 If FINRA finds that an ADF Market Maker's failure to maintain a clearing arrangement pursuant to Rule 7120 is voluntary, the withdrawal of quotations will be considered voluntary and unexcused under this Rule.

* * * * *

6279. Alternative Trading Systems

(a) No Change.

(b) An ATS or ECN that seeks to use FINRA-provided means to comply with Rule 301(b)(3) of SEC Regulation ATS and/or the ECN display alternatives, or to provide orders to the ADF voluntarily shall:

(1) through (2) No Change.

(3) agree to provide for FINRA's dissemination in the quotation data made available to quotation vendors the prices and sizes of FINRA Registered Market Maker orders (and orders from other subscribers of the ATS or ECN, if the ATS or ECN so chooses or is required by Rule 301(b)(3) of SEC Regulation ATS to display a subscriber's order in the ADF), at the highest buy price and the lowest sell price for each ADF-eligible security entered in and disseminated by the ATS or ECN; and prior to entering such prices and sizes, register with [ADF] FINRA Market Operations as a Registered Reporting ADF ECN; and

(4) No Change.

(c) No Change.

6280. Transaction Reporting

6281. Reporting Transactions in ADF-Eligible Securities

This Rule 6280 Series governs the reporting by members of transactions in ADF-eligible securities through [FINRA's Trade Reporting and Comparison Service ("TRACS")] the ADF. Transactions executed otherwise than on an exchange must be reported to the ADF [TRACS], in accordance with Rule 6282 [or other pertinent] and the Rule 7100 Series, as well as all other applicable FINRA rules, unless they are reported to another reporting facility designated by the SEC as being authorized to accept trade reports for trades executed otherwise than on an exchange. [Participation in the trade

reporting function of TRACS is conditioned upon (a) execution of, and continuing compliance with, a TRACS trade reporting Participant Application Agreement and (b) maintenance of the physical security of the equipment on the premises of the member to prevent unauthorized entry of information into the trade reporting function of TRACS.]

6282. Transactions Reported by Members to [TRACS] the ADF

(a) When and How Transactions are Reported [to TRACS]

(1) Transaction Reporting [to TRACS] During Normal Market

Hours

Members shall, as soon as practicable but no later than 10 seconds after execution, transmit to [TRACS] the ADF, or if [TRACS] the ADF is unavailable due to system or transmission failure, by telephone, facsimile or e-mail to [ADF] FINRA Market Operations, last sale reports of transactions in ADF-eligible securities executed between 9:30 a.m. and 4:00 p.m. Eastern Time otherwise than on an exchange. Transactions not reported within 10 seconds after execution shall be designated as late.

(2) Transaction Reporting [to TRACS] Outside Normal Market

Hours

(A) through (D) No Change.

(3) No Change.

(4) Other Modifiers Required to be Reported [to TRACS]

Reporting Members also shall append the applicable trade report modifiers as specified by FINRA to all last sale reports, including reports of “as/of” trades:

(A) through (K) No Change.

To the extent that any of the modifiers required by this Rule conflict, FINRA shall provide guidance regarding the priorities among modifiers and members shall report in accordance with such guidance, as applicable.

(5) The ADF will append the appropriate modifier to indicate that a trade was executed outside normal market hours or that a report was submitted late to the ADF, where such report contains the time of execution, but does not contain the appropriate modifier.

(6) To identify pre-opening and after-hours trades reported late, the ADF will convert to the late modifier, as applicable, on any pre-opening or after-hours report submitted to the ADF more than 10 seconds after execution.

([5]7) Form T Reporting Obligations

All [M]members shall report as soon as practicable to the Market Regulation Department on Form T, last sale reports of transactions in ADF-eligible securities for which electronic submission to [TRACS] the ADF is not possible (e.g., the ticker symbol for the security is no longer available or a[n ADF Trading Center] market participant identifier is no longer active). Transactions that can be reported to [TRACS] the ADF, whether on trade date or on a subsequent date on an “as/of” basis (T+N), shall not be reported on Form T.

(6) renumbered as (8)

(b) Which Party Reports Transaction

(1) In transactions between two members, the executing party shall report the trade [using TRACS].

(2) In transactions between a member and a customer or non-member, the member shall report the trade [using TRACS].

For purposes of this paragraph (b), “executing party” shall mean the member that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction. In a transaction between two members where both members may satisfy the definition of executing party (e.g., manually negotiated transactions via the telephone), the member representing the sell-side shall report the transaction, unless the parties agree otherwise and the member representing the sell-side contemporaneously documents such agreement.

[(c) Information To Be Reported — Two Party Trade Reports]

[(1) A two party trade report is a last sale report that denotes a trade between one Reporting Member and one Non-Reporting Member (or other contra party). The Reporting Member is denoted as the Executing Party or “EPID” side of the trade report and the Non-Reporting Member (or other contra party) is denoted as the Contra Party or “CPID” side of the report.]

[(2) The information listed below must be provided for each transaction that is reported to TRACS. Unless the contra side will have an opportunity to provide its own trade information, the Reporting Member is responsible for the complete and accurate submission of information for both sides of the trade.]

[(A) Security identification symbol (SECID);]

[(B) Number of shares or bonds;]

[(C) Price of the transaction as required by paragraph (h) below;]

[(D) A designated symbol denoting whether the transaction is a buy, sell or cross, and if applicable, a symbol indicating that the transaction is a sell short or sell short exempt trade from the Reporting Member perspective or contra side perspective, irrespective of whether the contra side is a member;]

[(E) A designated symbol denoting whether the transaction, from the perspective of the Reporting Member, is a principal, riskless principal, or agent;]

[(F) If known, a designated symbol denoting whether the transaction, from the perspective of the Non-Reporting Member (or other contra party), is a principal, riskless principal, or agent;]

[(G) For any transaction in an order for which a member has recording and reporting obligations under Rules 7440 and 7450, the trade report must include an order identifier, meeting such parameters as may be prescribed by FINRA, assigned to the order that uniquely identifies the order for the date it was received (see Rule 7440(b)(1));]

[(H) Execution time expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included on the report;]

[(I) The market participant identifier of the Reporting Member and the Non-Reporting Member;]

[(J) Reporting Member clearing broker;]

[(K) Reporting Member Executing Broker in case of a “give up;”

[(L) Non-Reporting Member Executing Broker;]

[(M) Non-Reporting Member introducing broker in case of a “give up;”]

[(N) Non-Reporting Member clearing broker;]

[(O) A designated symbol denoting whether the trade report should be published;]

[(P) A designated symbol denoting whether the trade report should be compared in TRACS;]

[(Q) If the contra side to the trade report is a customer of the Reporting Member, the Reporting Member shall denote that the trade is an internalized trade with the designated symbol;]

[(R) If the contra side to the trade report is a Non-FINRA member, the Reporting Member shall indicate with the designated symbol that the contra side is a non-member.]

[(S) For two party trade reports submitted pursuant to an Automated Give Up (“AGU”) arrangement or a Qualified Service Representative (“QSR”) Agreement, disclosure of the information set forth in subparagraphs (c)(2)(E) and (G) is mandatory.]

[(3) (A) In the event that the EPID side or the CPID side determines that any information provided pursuant to subparagraphs (c)(2)(D), (E), (F), (G), or (H) is inaccurate or incomplete, the EPID side or the CPID side, as applicable, must submit a trade report addendum within fifteen (15) minutes of the

submission of the original trade report to correct or provide some or all of the following information:]

[(i) Short sale indicator;]

[(ii) Volume related to short sale indicator change;]

[(iii) Capacity Indicator;]

[(iv) Volume related to capacity change; or]

[(v) Branch Sequence Number]

[(B) The trade report addendum feature of TRACS may also be used by members to add or modify the User Assigned Reference Number.]

[(C) Each trade report addendum must contain the following information:]

[(i) Reference number for the original trade report that is being amended or modified;]

[(ii) CPID side or EPID side flag; and]

[(iii) MPID.]

[(d) Information To Be Reported — Three Party Trade Reports]

[(1) A three party trade report is a single last sale trade report that denotes one Reporting Member and two Non-Reporting Members (or other contra parties). The Reporting Member is denoted as the Executing Party or “EPID” side of the trade report and the two non-reporting sides are denoted as the Contra Party or “CPID” side of the trade report. In a three party report, the Reporting Member is the buyer to one CPID and the seller to the other CPID. Registered

ECNs may submit three party trade reports. Riskless principal trades also may be submitted by Reporting Members as three party trade reports.]

[(2) The information listed below must be provided for each transaction that is reported to TRACS. Unless the contra side(s) will have an opportunity to provide its own trade information, the Reporting Member is responsible for the complete and accurate submission of information for all sides of the trade.]

[Transaction Information]

[(A) Security Identification Symbol (SECID);]

[(B) Number of shares or bonds;]

[(C) Price of the transaction as required by paragraph (h) below;]

[(D) Execution time expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time must be included on the report;]

[(E) The market participant identifier of the Reporting Member and the two Non-Reporting Members;]

[(F) A designated symbol denoting whether the trade should be published;]

[(G) For any transaction in an order for which a member has recording and reporting obligations under Rules 7440 and 7450, the trade report must include an order identifier, meeting such parameters as may be prescribed by FINRA, assigned to the order that uniquely identifies the order for the date it was received (see Rule 7440(b)(1)). This order

number must associate both the buy side and sell side OATS Execution Reports to the TRACS report.]

[EPID Side]

[(H) All three party trade reports from ECNs must be marked as agency cross transactions;]

[(I) All three party trade reports from Non-ECNs must be denoted as riskless principal trade reports and shall include a designated symbol denoting whether the trade between the non-ECN and the buy-side CPID is a sell, sell short, or sell short exempt transaction;]

[(J) Reporting Member clearing broker;]

[(K) Reporting Member Executing Broker in the case of a “give up”];]

[Buy Side CPID]

[(L) Buy Side CPID executing broker;]

[(M) Buy Side CPID introducing broker in case of a “give up”];]

[(N) Buy Side CPID clearing broker;]

[(O) If known, a designated symbol denoting whether the trade, from the Buy Side CPID’s perspective, is as principal, riskless principal, or agent;]

[(P) If the Buy Side CPID is a customer of the Reporting Member, the Reporting Member shall denote that the trade is an internalized trade with the designated symbol;]

[(Q) If the Buy Side CPID is a non-FINRA member, the Reporting Member shall indicate with the designated symbol that the buy side CPID is a non-member;]

[(R) A designated symbol denoting whether the trade between the EPID and the Buy Side CPID shall be compared in TRACS;]

[Sell Side CPID]

[(S) Sell Side CPID executing broker;]

[(T) Sell Side CPID introducing broker in case of a “give up”];]

[(U) Sell Side CPID clearing broker;]

[(V) If known, a designated symbol denoting whether the trade, from the Sell Side CPID's perspective, is as principal, riskless principal, or agent;]

[(W) A symbol denoting whether the trade, from the Sell Side CPID's perspective, is a sell, sell short, or sell short exempt transaction, irrespective of whether the Sell Side CPID is a member;]

[(X) If the Sell Side CPID is a customer of the Reporting Member, the Reporting Member shall denote that the trade is an internalized trade with the designated symbol;]

[(Y) If the Sell Side CPID is a non-FINRA Member, the Reporting Member shall indicate with the designated symbol that the sell side CPID is a non-member;]

[(Z) A designated symbol denoting whether the trade between the EPID and the Sell Side CPID shall be compared in TRACS;]

[(AA) If the transaction between the Buy Side CPID and the Reporting Member is reported pursuant to an AGU arrangement or a QSR agreement, disclosure of the information set forth in paragraph (d)(2)(O) is mandatory; and]

[(BB) If the transaction between the Sell Side CPID and the Reporting Member is reported pursuant to an AGU arrangement or a QSR agreement, disclosure of the information set forth in subparagraphs (d)(2)(V) and (W) is mandatory.]

[(3) (A) In the event that the EPID side or the CPID side determines that any information provided pursuant to subparagraphs (d)(2)(G), (I), (O), (V), or (W) is inaccurate or incomplete, the EPID side or CPID side, as applicable, must submit a trade report addendum within fifteen (15) minutes of the submission of the original trade report to correct or provide some or all of the following information:]

[(i) Short sale indicator;]

[(ii) Volume related to short sale indicator change;]

[(iii) Capacity Indicator;]

[(iv) Volume related to capacity change; or]

[(v) Branch Sequence Number]

[(B) The trade report addendum feature of TRACS may also be used by members to add or modify the User Assigned Reference Number.]

[(C) Each trade report addendum must contain the following information:]

[(i) Reference number for the original trade report that is being amended or modified;]

[(ii) CPID side or EPID side flag; and]

[(iii) MPID.]

(c) Information To Be Reported

Each last sale report shall contain the following information:

(1) Stock symbol of the designated security;

(2) Number of shares or bonds;

(3) Price of the transaction as required by paragraph (d) below;

(4) A symbol indicating whether the transaction is a buy, sell or cross, and if applicable, sell short or sell short exempt;

(5) The time of execution expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included in the report; and

(6) For any transaction in an order for which a member has recording and reporting obligations under Rules 7440 and 7450, the trade report must include an order identifier, meeting such parameters as may be prescribed by FINRA, assigned to the order that uniquely identifies the order for the date it was received (see Rule 7440(b)(1)).

([e]d) Procedures for Reporting Price, Volume, Capacity and Identification of Other Members

[(1)] Members that [are required, or have the option, to] report transactions pursuant to paragraph ([d]b) above shall transmit last sale reports in the following manner:

(A) through (B) renumbered as (1) through (2)

[(C)3] Reporting Principal and Riskless Principal Transactions

(i) renumbered as (A)

[(ii)B] Exception: A “riskless” principal transaction in which a member after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, shall be reported to [TRACS] the ADF as one [three party] transaction in the same manner as an agency transaction, excluding the mark-up or mark-down, commission-equivalent, or other fee. Alternatively, a member may report a riskless principal transaction by submitting the following report(s):

[a.](i) The member with the obligation to report the transaction pursuant to paragraph ([d]b) above must submit a last sale report for the initial leg of the transaction.

[b.](ii) Where the initial leg of the transaction has been reported to FINRA, regardless of whether a member has a reporting obligation pursuant to paragraph ([d]b) above, the firm must submit, for the offsetting, “riskless” portion of the transaction, either:

[1]a. a clearing-only report with a capacity indicator of “riskless principal,” if a clearing report is necessary to clear the transaction; or

[2]b. a non-tape, non-clearing report with a capacity indicator of “riskless principal,” if a clearing report is not necessary to clear the transaction.

Example:

SELL as a principal 100 shares to another member at 40 to fill an existing order;

BUY as principal 100 shares from a customer at 40 minus a mark-down of \$12.50;

REPORT 100 shares at 40 by submitting a single trade report marked with a “riskless principal” capacity indicator to [TRACS] the ADF or by submitting the following reports:

[3]1. where required by this Rule, a tape report marked with a “principal” capacity indicator; and

[4]2. either a non-tape, non-clearing report or a clearing-only report marked with a “riskless principal” capacity indicator.

In a riskless principal transaction in which a member purchases or sells the security on an exchange to satisfy a customer's order, the trade will be reported by the exchange. A member may, however, submit to [TRACS] the ADF a clearing only report or a non-tape, non-clearing report for the “riskless” leg of a riskless principal transaction where the initial leg has been reported on or through an exchange. Any such report submitted to [TRACS] the ADF shall comply with all applicable requirements for trade reports set forth in this Rule 6282.

Example:

BUY as principal 100 shares on an exchange at 40 to fill an existing order;

DO NOT REPORT this leg (will be reported by exchange).

SELL as principal 100 shares to a customer at 40 plus a mark-up of \$12.50.

A member MAY submit to [TRACS] the ADF either a non-tape, non-clearing report or a clearing-only report for this leg marked with a “riskless principal” capacity indicator.

(D)4 Identification of Other Members for Agency and Riskless

Principal Transactions

Any member that has a reporting obligation pursuant to paragraph (b) above and is acting in a riskless principal or agency capacity on behalf of one or more other members shall submit to FINRA one or more non-tape (either non-tape, clearing-only or non-tape, non-clearing) report(s) identifying such other member(s) as a party to the transaction, if such other member(s) is not identified on the initial trade report submitted to FINRA or a report submitted to FINRA pursuant to Rule 6282[(e)(1)(C)(ii)](d)(3)(B) for the offsetting leg of a riskless principal transaction. Nothing in this Rule 6282[(e)(1)(D)](d)(4) shall negate or modify the riskless principal transaction reporting requirements set forth in Rule 6282[(e)(1)(C)(ii)](d)(3)(B).

Example #1:

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares from Member C at 40 (no mark-down included)

Member A has the reporting obligation under Rule 6282(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member C

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B

Example #2A:

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6282(b)

TAPE REPORT 100 shares at 40 By Member A between Member A and Member B (or Member C)

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C (or Member B)

Example #2B:

Member A MATCHES, as agent, the orders of Member B and Member C for 100 shares at 40

Member A has the reporting obligation under Rule 6282(b)

TAPE REPORT a CROSS of 100 shares at 40 By Member A

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member B *and*

NON-TAPE REPORT 100 shares at 40 By Member A identifying Member C

Example #3:

Member A, as agent or riskless principal on behalf of Member B, BUYS 100 shares on an exchange at 40

DO NOT TAPE REPORT this leg (will be reported by exchange)

NO NON-TAPE REPORT required; however, Member A *may* submit a NON-TAPE REPORT as between Member A and Member B

[(E) Reporting Prior Reference Price Transactions]

[For transactions that are executed at a price different from the current market when the execution is based on a prior reference point in time, members

shall append to the transaction report a trade report modifier designated by FINRA and shall include in the transaction report the prior reference time.]

[Example:]

[At 9:45 a.m., a member discovers that a customer's order to BUY 100 shares at the opening price has not been executed. The member executes the customer's order at 9:45 a.m. at the opening price (40). Current market is 41.]

[REPORT 100 shares at 40 and append the .PRP modifier with the time 9:30.]

(f) renumbered as (e)

[(g) Special Trade Indicator]

[A Reporting Member shall append the designated symbol for special trades, step out trades, reversals, and “as/of” trades.]

[(h) Clearing Indicators]

[A Reporting Member shall use a designated symbol to denote whether the trade is to be: (i) compared in TRACS; (ii) not compared in TRACS; (iii) compared in TRACS pursuant to an Automatic Give Up Agreement (“AGU”); or (iv) not compared in TRACS, but locked in pursuant to a Qualified Service Representation Agreement (“QSR”).]

[(i)f] Reporting Requirements For Certain Transactions and Transfers of Securities

(1) The following shall not be reported to [TRACS] the ADF:

(A) through (D) No Change.

(E) purchases of securities off the floor of an exchange pursuant to a tender offer;

(F) through (G) No Change.

(2) The following shall not be reported to [TRACS] the ADF for publication purposes, but shall be reported for regulatory transaction fee assessment purposes under Rule 7130(c):

(A) through (C) No Change.

([j]g) Reporting Cancelled Trades

(1) Obligation and Party Responsible for Reporting Cancelled Trades

Members shall report the cancellation of any trade through [TRACS] the ADF that was previously submitted to FINRA through [TRACS] the ADF. The member responsible under the Rule 6280 Series for submitting the original trade report shall submit the cancellation report in accordance with the procedures set forth in paragraph ([j]g)(2).

(2) No Change.

(h) A member may agree to allow a Participant to report and lock-in trades on its behalf, if both parties have completed an agreement to that effect as specified by FINRA and submitted it to FINRA Market Operations. However, the member with the reporting obligation remains responsible for the transaction submitted on its behalf. Further, both the member with the reporting obligation and the member submitting the trade to the ADF are responsible for ensuring that the information submitted is in compliance with all applicable rules and regulations.

••• Supplementary Material: -----

.01 Members that would otherwise have the trade reporting obligation under paragraph (b) of this Rule must provide to FINRA notice that they are relying on the exception from

trade reporting under paragraph (i)f)(1)(A) of this Rule for transactions that are part of an unregistered secondary distribution. For each transaction that is part of the unregistered secondary distribution and not trade reported, the member must provide the following information to FINRA: security name and symbol, execution date, execution time, number of shares, trade price and parties to the trade. Such notice and information must be provided no later than three (3) business days following trade date and in such form as specified by FINRA. If the trade executions will occur over multiple days, then initial notice and available information must be provided no later than three (3) business days following the first trade date and final notice and information must be provided no later than three (3) business days following the last trade date. The member must retain records sufficient to document the basis for relying on this trade reporting exception, including but not limited to, the basis for determining that the definition of “distribution” under Rule 100 of SEC Regulation M has been satisfied, as well as evidence of compliance with applicable notification requirements under Rule 5190.

.02 No Change.

* * * * *

**7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS,
AND FACILITY CHARGES**

7100. ALTERNATIVE DISPLAY FACILITY[/TRACS]

7110. Definitions

(a) No Change.

[(b) The term “Browse” shall mean the function of TRACS that permits a Participant to review (or query) for trades in the system identifying the Participant as a

party to the transaction, subject to the specific uses contained in the TRACS Users Guide.]

([c]b) The term “Clearing Broker-Dealer” or “Clearing Broker” shall mean the member firm that has been identified in the [TRACS system] ADF as principal for clearing and settling a trade, whether for its own account or for a correspondent firm.

([d]c) The term “Correspondent Executing Broker-Dealer” or “Correspondent Executing Broker” shall mean the member firm that has been identified in the [TRACS] [s]System as having a correspondent relationship with a clearing firm whereby it executes trades and the clearing function is the responsibility of the clearing firm.

([e]d) The term “Introducing Broker-Dealer” or “introducing broker” shall mean the member firm that has been identified in the [TRACS] [s]System as a party to the transaction, but does not execute or clear trades.

([f]e) The term “Participant” shall mean any member of FINRA in good standing that uses the [TRACS] [s]System [as a Registered Reporting ADF Market Maker or Registered Reporting ADF ECN as defined in Rule 6220, according to the requirements of Rule 6271 and other pertinent FINRA rules, an Order Entry Firm, or a clearing broker-dealer, correspondent executing broker-dealer, or introducing broker-dealer].

(g) renumbered as (f)

([h]g) The term “Reportable [TRACS] System Transaction” shall mean those transactions in a ADF-eligible security that are required, or are eligible, to be submitted utilizing [TRACS] the System pursuant to [the Rule 6280 Series] FINRA rules. The term also shall include transactions in ADF-eligible securities that are for less than one round lot[, and those transactions that are to be compared and locked-in for settlement].

(i)h) The term “Reporting Party” or “Reporting Member” shall mean the [TRACS] Participant that is required to input the trade information, according to the requirements in the Rule 6280 Series.

(j)i) The term [“Trade Reporting and Comparison Service” or “TRACS”] “System” shall mean the [automated system owned and operated by FINRA as part of the] Alternative Display Facility (“ADF”) for purposes of trades in ADF-eligible securities as defined in Rule 6120 [that reports trades and compares trade information entered by TRACS participants and submits “locked-in” trades to Depository Trust Clearing Corporation (DTCC) for clearance and settlement; transmits reports of the transactions automatically to the Securities Information Processor, if required, for dissemination to the public and the industry; and provides participants with monitoring capabilities to facilitate participation in a “locked-in” trading environment].

(k) The term “TRACS ECN” shall mean a member of FINRA that is a Registered Reporting ADF ECN that elects to display orders in the ADF and is a member of a registered clearing agency for clearing or comparison purposes or has a clearing arrangement with such a member.]

(l) The term “TRACS Market Maker” shall mean a member of FINRA that is a Registered Reporting ADF Market Maker and is a member of a registered clearing agency for clearing or comparison purposes or has a clearing arrangement with such a member.]

(m) The term “TRACS Order Entry Firm” shall mean a member of FINRA that is a firm that executes orders but does not act as a market maker in the instant transaction

and is a member of a registered clearing agency for clearing or comparison purposes or has a clearing arrangement with such a member.]

7120. Trade Reporting Participation Requirements [in TRACS Trade Comparison Feature by Participants in the Alternative Display Facility]

[The following Rules 7120 through 7170 apply to members that effect transactions in ADF-eligible securities through the ADF.]

(a) Mandatory Participation for Clearing Agency Members

(1) Participation in [TRACS trade comparison feature] the System is mandatory for any FINRA member that [effects transactions in ADF-eligible securities through the ADF, which are not locked-in and sent directly to Deposit Trust Clearing Corporation (“DTCC”) by that member, unless the member reports the trade to another reporting facility designated by the SEC as being authorized to accept trade reports for trades executed otherwise than on an exchange] has an obligation to report an over the counter transaction to FINRA, unless the member has an alternative electronic mechanism pursuant to FINRA rules for reporting and clearing such transaction. Such participation in the System shall include the reconciliation of all over the counter clearing agency eligible transactions. [All members, whether or not they must participate in the TRACS trade comparison feature, must comply with the trade reporting requirements described in pertinent FINRA rules.]

(2) Participation in [the TRACS trade comparison feature] the System [as a Market Maker] shall be conditioned upon the [TRACS Market Maker’s] Participant’s initial and continuing compliance with the following requirements:

(A) execution of, and continuing compliance with, a [TRACS trade comparison] Participant Application Agreement;

(B) membership in, or maintenance of[,] an effective clearing arrangement with a member of, a clearing agency registered pursuant to the Exchange Act;

(C) [registration as a Registered Reporting ADF Market Maker for ADF-eligible securities pursuant to Rule 6271 and] compliance with all applicable rules and operating procedures of FINRA and the SEC;

(D) maintenance of the physical security of the equipment located on the premises of the [TRACS Market Maker] Participant to prevent unauthorized entry of information into [the TRACS trade comparison feature] the System; and

(E) acceptance and settlement of each trade that the [TRACS trade comparison feature] System identifies as having been effected by such [TRACS Market Maker] Participant, or if settlement is to be made through a clearing member, guarantee of the acceptance and settlement of each [TRACS] the System identified trade by the clearing member on the regularly scheduled settlement date.

[(3) Participation in the TRACS trade comparison feature as an Order Entry Firm shall be conditioned upon the Order Entry Firm's initial and continuing compliance with the following requirements:]

[(A) execution of, and continuing compliance with, a TRACS trade comparison Participant Application Agreement;]

[(B) membership in, or maintenance of, an effective clearing arrangement with a member of a clearing agency registered pursuant to the Exchange Act;]

[(C) compliance with all applicable rules and operating procedures of FINRA and the SEC;]

[(D) maintenance of the physical security of the equipment located on the premises of the TRACS Order Entry Firm to prevent the unauthorized entry of information into the TRACS trade comparison feature; and]

[(E) acceptance and settlement of each trade that the TRACS trade comparison feature identifies as having been effected by such TRACS Order Entry Firm, or if settlement is to be made through a clearing member, guarantee of the acceptance and settlement of each TRACS identified trade by the clearing member on the regularly scheduled settlement date.]

[(4)3] Participation in the [TRACS trade comparison feature] System as a Clearing Broker shall be conditioned upon the Clearing Broker's initial and continuing compliance with the following requirements:

(A) execution of, and continuing compliance with, a [TRACS trade comparison] Participant Application Agreement;

(B) membership in a clearing agency registered pursuant to the Exchange Act;

(C) compliance with all applicable rules and operating procedures of FINRA and the SEC;

(D) maintenance of the physical security of the equipment located on the premises of the [TRACS] System Clearing Broker to prevent the unauthorized entry of information into the [TRACS trade comparison feature] System; and

(E) acceptance and settlement of each trade that the [TRACS trade comparison feature] System identifies as having been effected by itself or any of its correspondents on the regularly scheduled settlement date.

[(5) Participation in the TRACS trade comparison feature as a TRACS ECN shall be conditioned upon the ECN's initial and continuing compliance with the following requirements:]

[(A) execution of, and continuing compliance with, a TRACS trade comparison Participant Application Agreement;]

[(B) membership in, or maintenance of an effective clearing arrangement with a member of, a clearing agency registered pursuant to the Exchange Act;]

[(C) compliance with all applicable rules and operating procedures of FINRA and the SEC;]

[(D) maintenance of the physical security of the equipment located on the premises of the ECN to prevent the unauthorized entry of information into the TRACS trade comparison feature; and]

[(E) acceptance and settlement of each trade that the TRACS trade comparison feature identifies as having been effected by such TRACS ECN, or if settlement is to be made through a clearing member, guarantee of the acceptance and settlement of each TRACS identified trade by the clearing member on the regularly scheduled settlement date.]

[(6)4] Each [TRACS trade comparison] Participant shall be obligated to inform FINRA of non-compliance with any of the participation requirements set forth above.

(b) Participant Obligations [in TRACS]

(1) Access [to TRACS]

Upon execution and receipt by FINRA of the [TRACS trade comparison] Participant Application Agreement, a [TRACS trade comparison] Participant may commence input and validation of trade information in ADF-eligible securities. [TRACS trade comparison] Participants may access the service [via FINRA terminals or Workstations or] through computer interface or such other service as may be designated by FINRA during the hours of operation specified [in the TRACS Users Guide] by FINRA. Prior to such input, all [TRACS comparison] Participants, including those that have trade report information submitted to FINRA by any third party, must obtain from FINRA a unique identifying Market Participant Symbol ([“MMID” or] “MPID”), and use that identifier for trade reporting and audit trail purposes.

(2) [Market Maker] Participant Obligations

(A) [TRACS Market Makers] Participants shall commence participation in the [TRACS trade comparison feature] System by initially contacting [the TRACS Operation Center] FINRA Market Operations to verify authorization for submitting trade data to the [TRACS] [s]System for ADF-eligible securities.

(B) A [TRACS Market Maker] Participant that is a self-clearing firm shall be obligated to accept and clear each trade that the [TRACS trade comparison feature] System identifies as having been effected by that [Market Maker] Participant.

(C) A [TRACS Market Maker] Participant that is an introducing broker or a correspondent executing broker shall identify its clearing broker when it becomes a [TRACS trade comparison] System participant and notify [the TRACS Operation Center] FINRA Market Operations if its clearing broker is to be changed; this will necessitate execution of a revised [TRACS trade comparison] Participant Application Agreement.

(D) If at any time a [TRACS Market Maker] Participant (either the Reporting Party or contra party) fails to maintain a clearing arrangement, it shall be removed from the [TRACS trade comparison feature] System, and be precluded from participation [as a Market Maker] in ADF until such time as a clearing arrangement is reestablished and notice of such arrangement, with an amended [TRACS trade comparison] Participant Application Agreement, is filed with FINRA. [If, however, FINRA finds that the TRACS Market Maker's failure to maintain a clearing

arrangement is voluntary, the withdrawal of quotations will be considered voluntary and unexcused pursuant to Rule 6275.]

[(3) Order Entry Firm Obligations]

[(A) TRACS Order Entry Firms shall commence participation in the TRACS trade comparison feature by initially contacting the TRACS Operation Center to verify authorization for submitting trade data to the TRACS system for ADF-eligible securities.]

[(B) A TRACS Order Entry Firm that is a self-clearing firm shall be obligated to accept and clear each trade that the TRACS trade comparison feature identifies as having been effected by the Order Entry Firm.]

[(C) A TRACS Order Entry Firm that is an introducing broker or a correspondent executing broker shall identify its clearing broker when it becomes a TRACS trade comparison Participant and notify the TRACS Operations Center if its clearing broker is to be changed; this change will necessitate execution of a revised TRACS trade comparison Participant Application Agreement.]

[(D) If at any time a TRACS Order Entry Firm fails to maintain a clearing arrangement, it shall be removed from the TRACS trade comparison feature until such time as a clearing arrangement is reestablished, and notice of such arrangement, with an amended TRACS trade comparison Participant Application Agreement, is filed with FINRA.]

[(4)3] Clearing Broker Obligation

(A) [TRACS] System clearing brokers shall be obligated to accept and clear as a party to the transaction each trade that the [s]System identifies as having been effected by itself or any of its correspondent executing brokers. Clearing brokers may cease to act as principal for a correspondent executing broker at any time provided that notification has been given to, received and acknowledged by [the TRACS Operations Center] FINRA Market Operations and affirmative action has been completed by [the Center] FINRA Market Operations to remove the clearing broker from the [TRACS trade comparison feature] System for that correspondent executing broker. The clearing broker's obligation to accept and clear trades for its correspondents shall not cease prior to the completion of all of the steps detailed in this subparagraph [(4)3].

(B) If at any time a System clearing broker fails to maintain a clearing arrangement, it shall be removed from the System until such time as a clearing arrangement is reestablished, and notice of such arrangement, with an amended Participant Application Agreement, is filed with FINRA.

[(5) ECN Obligations]

[(A) TRACS ECNs shall commence participation in the TRACS trade comparison feature by initially contacting the TRACS Operations Center to verify authorization for submitting trade data to the TRACS trade comparison feature for ADF-eligible securities.]

[(B) A TRACS ECN that is a self-clearing firm shall be obligated to accept and clear each trade that the TRACS trade comparison feature identifies as having been effected by the ECN.]

[(C) A TRACS ECN that is an introducing broker or a correspondent executing broker shall identify its clearing broker when it becomes a TRACS trade comparison Participant and notify the TRACS Operations Center if its clearing broker is to be changed; this change will necessitate execution of a revised TRACS trade comparison Participant Application Agreement.]

[(D) If at any time a TRACS ECN fails to maintain a clearing arrangement, it shall be removed from the TRACS trade comparison feature until such time as a clearing arrangement is reestablished, and notice of such arrangement, with an amended TRACS trade comparison Participant Application Agreement, is filed with FINRA.]

7130. Trade Report Input

(a) Reportable [TRACS] System Transactions

Members shall [utilize TRACS to report transactions that are required to be reported to FINRA through the ADF pursuant to the Rule 6280 Series] comply with the Rule 7100 Series when reporting transactions to the System, including executions of less than one round lot if those executions are to be compared and locked-in. [TRACS also will process trades that are submitted on an automatic locked-in basis for transmission to NSCC. All trades that are reportable transactions pursuant to the Rule 6280 Series will be transmitted to the applicable securities information processor; however, only those

trades that are subject to regular way settlement and are not already locked-in trades will be compared and locked-in through TRACS. Trades that are reported as other than regular way settlement (i.e., Cash, Next-Day, Seller's Option) will not be compared in TRACS or reported to DTCC.] All trades that are reportable transactions will be processed pursuant to an effective transaction reporting plan. Trades that are not already locked-in trades will be compared and locked-in through the System.

(b) When and How Trade Reports are Submitted [to TRACS]

[(1) TRACS trade comparison Participants who are Reporting Members that choose to submit a trade for comparison shall transmit to TRACS the information required by the Rule 6280 Series, as applicable, as soon as practicable but no later than 10 seconds after execution, or such other time period prescribed by rule.]

[(2) A TRACS trade comparison Participant who is a Non-Reporting Member to a transaction shall, within twenty (20) minutes after execution accept (or decline, if applicable) a transaction submitted by the Reporting Member for comparison through TRACS. A Non-Reporting Member has an obligation to ensure that the information that it transmits or accepts in TRACS is timely, accurate and complete. Therefore, if a Non-Reporting Member accepts a transaction in TRACS transmitted by the Reporting Member for comparison through TRACS, then the Non-Reporting Member shall be deemed to have adopted all of the data elements required by Rule 6282, as applicable, concerning the Non-Reporting Member's side of the transaction, absent any subsequent modification of the trade through TRACS.]

[(3) Trades not required to be reported for public dissemination may still be compared and locked-in through TRACS.]

[(4) Reporting Members may conduct the following functions in TRACS pursuant to TRACS specifications established by FINRA: (i) EPID Trade Entry; (ii) Trade Cancellation; and (iii) Trade Break.]

[(5) Non-Reporting Members may conduct the following functions in TRACS pursuant to TRACS specifications established by FINRA: (i) Trade Accept; (ii) Trade Decline; and (iii) Trade Break.]

[(6) A party entering a trade report into the TRACS trade comparison feature shall use a designated symbol to denote whether the party is submitting the trade report as the Reporting Member or the Non-Reporting Member.]

Participants shall transmit trade reports to the System for Reportable System Transactions as soon as practicable but no later than 10 seconds after execution, or such other time period prescribed by rule, or shall accept or decline trades within twenty (20) minutes after execution, according to the requirements of paragraph (c) of this Rule.

(c) Which Party Inputs Trade Reports

Participants shall, subject to the input requirements below, either input trade reports or accept or decline a trade within the applicable time-frames as specified in paragraph (b) of this Rule. Trade reports shall be submitted by the member as required pursuant to Rule 6282(b).

(d) Trade Information To Be Input

The information listed below must be provided for each transaction that is reported to the System. Unless the contra side will have an opportunity to provide its

own trade information, the Reporting Member is responsible for the complete and accurate submission of information for both sides of the trade.

(1) Security identification symbol of the eligible security (SECID);

(2) Number of shares;

(3) Unit price, excluding commissions, mark-ups or mark-downs;

(4) The time of execution expressed in hours, minutes and seconds based on Eastern Time in military format, unless another provision of FINRA rules requires that a different time be included on the report;

(5) A symbol indicating whether the party submitting the trade report represents the Reporting Member (denoted as the Executing Party or “EPID”) side or the Non-Reporting Party (denoted as the Contra Party or “CPID”) side;

(6) A symbol indicating whether the transaction is a buy, sell or cross, and if applicable, a symbol indicating that the transaction is a sell short or sell short exempt trade from the Reporting Member perspective or contra side perspective, irrespective of whether the contra side is a member;

(7) A symbol indicating whether the trade is as principal, riskless principal, or agent;

(8) Reporting side clearing broker (if other than normal clearing broker);

(9) Reporting side executing broker as “give-up” (if any);

(10) Contra side executing broker;

(11) Contra side introducing broker in case of “give-up” trade;

(12) Contra side clearing broker (if other than normal clearing broker);

(13) Designated indicator for special trades and “step outs”;

(14) For any transaction in an order for which a member has recording and reporting obligations under Rules 7440 and 7450, the trade report must include an order identifier, meeting such parameters as may be prescribed by FINRA, assigned to the order that uniquely identifies the order for the date it was received (see Rule 7440(b)(1)).

(15) For any transaction for which the System is used to transfer a transaction fee between two FINRA members, the trade report must comply with the requirements of Rule 7130(h).

(16) For any transaction for which the System is used to clear a transaction, the trade report must indicate whether the trade is to be compared in the System or is locked-in pursuant to an Automatic Give Up Agreement (“AGU”) or a Qualified Special Representative Agreement (“QSR”).

(e) Reporting Cancelled Trades

(1) Obligation and Party Responsible for Reporting Cancelled Trades

With the exception of trades cancelled by FINRA staff in accordance with the Rule 11890 Series, members shall report to the System the cancellation of any trade previously submitted to the System. The member responsible under FINRA rules for submitting the original trade report shall submit the cancellation report in accordance with the requirements set forth in paragraph (e)(2).

(2) Deadlines for Reporting Cancelled Trades

Members shall comply with deadlines set forth in Rule 6282 for reporting cancelled trades.

([c]f) Reporting Certain Transactions for Purposes of Regulatory

Transaction Fee Assessment

The following types of transactions that are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the FINRA By-Laws shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination. Transactions must be submitted to [TRACS] the System by 6:30 p.m. Eastern Time (or the end of the [TRACS] System reporting session that is in effect at that time). Transactions may be entered as clearing or non-clearing.

(1) through (3) No Change.

([d]g) Submission of Non-Tape Reports Associated With Previously

Executed Trades

(1) Members shall not submit to [TRACS] the System any non-tape report (either a non-tape, non-clearing report or a clearing-only report), including but not limited to reports of step-outs and reversals, associated with a previously executed trade that was not reported to [TRACS] the System, unless such report is submitted, pursuant to Rule 6282([e]d), to reflect the offsetting riskless portion of a riskless principal transaction.

(2) Where permitted by subparagraph (1) above, any non-tape report (either a non-tape, non-clearing report or a clearing-only report) associated with a previously executed trade(s) that was not reported to [TRACS] the System must identify the facility or market where the associated trade(s) was reported, as specified by FINRA. For any such report, members must retain and produce, upon request, documentation relating to the associated trade(s).

(h) Inclusion of Transaction Fees in Clearing Reports Submitted to the System

FINRA members may agree in advance to transfer a transaction fee charged by one member to another member on a transaction reported to the System through the submission of a clearing report to the System. Such report, inclusive of the transaction fee, will be submitted to the National Securities Clearing Corporation for processing. To facilitate the transfer of the transaction fee, the report submitted to the System shall provide, in addition to all other information required to be submitted by any other rule, pricing information to indicate a total per share or contract price amount, inclusive of the transaction fee. Prior to submitting any such report, both members and their respective clearing firms, as applicable, must have executed an agreement, as specified by FINRA, permitting the facilitation of the transfer of the transaction fee through the System, as well as any other applicable agreement, such as a give up agreement pursuant to Rule 6282(h), and submitted the executed agreement(s) to FINRA Market Operations. Such agreement(s) are considered member records for purposes of Rule 4511 and must be made and preserved by both members in conformity with applicable FINRA rules. Nothing in this paragraph shall relieve a member from its obligations under FINRA rules and the federal securities laws, including but not limited to, Rule 2232 and SEA Rule 10b-10.

Example:

SELL 100 shares to another member at 10 plus a transaction fee of .01 per share;
REPORT 100 shares at 10 (the per share price exclusive of the transaction fee) to
the System for publication and also report pricing information to indicate a 10.01

per share price inclusive of the transaction fee for purposes of clearance and settlement through the National Securities Clearing Corporation.

7140. [TRACS] Trade Report Processing

Locked-in trades may be determined [through the TRACS trade comparison feature] in the System through one of the following methods:

(a) Trade by Trade Match

Both parties to the trade submit transaction data and the System performs an on-line match;

(b) Trade Acceptance

The Reporting Party enters its version of the trade into the system and the contra party reviews the trade report and accepts or declines the trade. An acceptance results in a locked-in trade; a declined trade report is purged from the [TRACS] [s]System at the end of trade date processing.

(b)c) T+N Trade Processing

T+N entries may be submitted until 6:30 p.m. each business day. At the end of daily matching, all declined trade entries will be purged from the [TRACS] [s]System. [TRACS] The System will not purge any open trade (i.e. unmatched or unaccepted) at the end of its entry day, but will carry-over such trades to the next business day for continued comparison and reconciliation. [TRACS] The System will automatically lock in and submit to NSCC as such any carried-over T to T+21 (calendar day) trade if it remains open as of 2:30 p.m. on the next business day. [TRACS] The System will not automatically lock in T+22 (calendar day) or older open “as/of” trades that were carried-over from the previous business day; these trades will be purged by [TRACS] the System

at the end of the carry-over day if such trades remain open. Members may re-submit these T+22 or older “as/of” trades into [TRACS] the System on the next business day for continued comparison and reconciliation for up to one calendar year.

7150. Obligation to Honor Trades

If a [TRACS trade comparison] Participant is reported by [TRACS] the System as a party to a trade that has been treated as locked-in and sent to DTCC, notwithstanding any other agreement to the contrary, that party shall be obligated to act as a principal to the trade and shall honor such trade on the scheduled settlement date.

7160. Audit Trail Requirements

The data elements specified in [the Rule 6280 Series] Rule 7130(d) are critical to FINRA’s compilation of a transaction audit trail for regulatory purposes. As such, all member firms using the [TRACS Service] trade reporting service of the System have an ongoing obligation to input such information accurately and completely.

7170. Violation of Reporting Rules

Failure of a Participant or person associated with a Participant to comply with any of the rules or requirements of the System may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010.

7180. Termination of [TRACS Service] Access

FINRA may, upon notice, terminate [TRACS service] access to the trade reporting service of the System as to a Participant in the event that a [TRACS] Participant fails to abide by any of the rules or operating procedures of the [TRACS] trade reporting service of the System or FINRA, or fails to honor contractual agreements entered into

with FINRA or its subsidiaries, or fails to pay promptly for services rendered by the [TRACS] trade reporting [S]service of the System.

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7500. CHARGES FOR ALTERNATIVE DISPLAY FACILITY SERVICES AND EQUIPMENT

7510. System Services

(a) Trade Reporting and Comparison [Service]

The following charges shall be paid by ADF participants for use of the [Trade Reporting and Comparison Service (TRACS)] System:

| | |
|-------------------------------------|---|
| Transaction Related Charges: | |
| Comparison | \$0.014/side per 100 shares (minimum 400 shares; maximum 7,500 shares) |
| Automated Give-Up | \$0.029/side (if the associated publicly disseminated trade is not reported to the media through the ADF) |
| Qualified Special Representative | \$0.029/side (if the associated publicly disseminated trade is not reported to the media through the ADF) |
| Late Report — T+N | \$0.30/side unless the trade is executed outside normal ADF operating hours of 8:00 a.m. to 6:30 p.m. and the member's average publicly disseminated trades reported to the media through the ADF per day during the billing period is 150,000 or greater |
| Corrective Transaction Charge | \$0.25/ Break, Decline, <u>Cancel</u> , <u>Correct</u> , Reversal transaction, paid by each party |

(b) Quotation Updates

No change.

* * * * *

[7530. Installation, Removal, Relocation or Maintenance]

[ADF subscribers shall pay a minimum charge of \$5,000 for installation costs associated with connecting to the ADF. Upon installation, removal, relocation or maintenance of terminal and related equipment, or combination thereof, the subscriber shall pay charges incurred by FINRA or its subsidiaries above the \$5,000 minimum, on behalf of the subscriber for the work being performed by the maintenance organization retained by FINRA or its subsidiaries. Upon payment of \$5,000 under this provision, members will receive a credit of up to \$5,000 to be used toward charges imposed under Rule 7510(a) and (b).]

[7540]7530. Other Services

No Change.

[7550]7540. Partial Month Charges

No Change.

[7560]7550. Late Fees

No Change.

[7570]7560. Minor Modifications in Charges

No Change.

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