

Alternative Trading Systems (ATsS)

FINRA Announces Implementation Date for Publication of ATS Block-Size Trade Data

Implementation Date: October 3, 2016

Executive Summary

Beginning on Monday, October 3, 2016, FINRA will expand its alternative trading system (ATS) transparency initiative to publish monthly information on block-size trades occurring on ATsS. The data will be available free of charge on FINRA's website.

The amended rule text is available on FINRA's website.

Questions concerning this *Notice* should be directed to:

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- ▶ Brendan Loonam, Director, Business Services, at (212) 858-4203 or brendan.loonam@finra.org; or
- ▶ Brant Brown, Associate General Counsel, Office of General Counsel, at (202) 728-6927 or brant.brown@finra.org.

Background & Discussion

Under the transparency initiative, which FINRA designed to provide additional transparency to over-the-counter (OTC) trading in equity securities, FINRA began making volume and trade count information for equity securities executed in an ATS publicly available on its website in June 2014.¹ FINRA recently expanded this initiative and, on April 25, 2016, will begin publishing the remaining, non-ATS OTC equity volume by member firm and security.²

Under new amendments to FINRA Rule 6110, beginning October 3, 2016, FINRA will begin publishing monthly ATS block-size trading statistics in all NMS stocks, in addition to the ATS and non-ATS data available.³

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Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Institutional
- ▶ Legal
- ▶ Operations
- ▶ Senior Management
- ▶ Systems
- ▶ Trading

Key Topics

- ▶ Alternative Trading Systems
- ▶ Block-Size Trades
- ▶ NMS Stocks
- ▶ OTC Equity Securities
- ▶ OTC Reporting Facility
- ▶ Trade Reporting
- ▶ Trade Reporting Facilities

Referenced Rules & Notices

- ▶ FINRA Rule 6110
- ▶ Regulatory Notice 14-07
- ▶ Regulatory Notice 15-48

FINRA believes that these additional ATS statistics will prove beneficial to firms and the general public and provide interested parties with more detailed information on ATS trading activities, thus further enhancing transparency in the OTC market.

The statistics regarding ATS block-size trades will be aggregated across all NMS stocks (*i.e.*, there will be no security-by-security block data),⁴ will be for a time period of one month of trading,⁵ and will be published no earlier than one month following the end of the month for which trading was aggregated. Rather than narrowly defining what constitutes a “block-size” trade for purposes of this transparency initiative, FINRA concluded it would be most beneficial to provide firms and the public with information on trades using share-based thresholds, dollar-based thresholds, and thresholds that include both shares and dollar amount. Initially, FINRA will publish data with thresholds for ATS block-size trades in the following categories:⁶

- ▶ 10,000 or more shares
- ▶ \$200,000 or more in dollar value
- ▶ 10,000 or more shares and \$200,000 or more in dollar value
- ▶ 2,000 to 9,999 shares
- ▶ \$100,000 to \$199,999 in dollar value
- ▶ 2,000 to 9,999 shares and \$100,000 to \$199,999 in dollar value

For each of these categories, FINRA will publish monthly trade count and volume information for each ATS aggregated across all NMS stocks. As a convenience for users, FINRA will also calculate and display the average trade size and each ATS’s rank as well as “ATS Block Market Share” (*i.e.*, the proportion of each ATS’s block-size trading volume in relation to total block-size trading by all ATSs) and “ATS Block Business Share” (*i.e.*, the proportion of a particular ATS’s overall trading volume that was done as block-size trades) and rankings of those metrics for each of the above categories.

Firms and members of the public can access ATS volume data and non-ATS volume data on the same page of FINRA’s website. Specifically, the OTC Transparency Data page includes tabs for both ATS and non-ATS trade data. Beginning October 3, 2016, the monthly block-size trade data for ATSs will be available under an ATS Blocks tab on the OTC Transparency Data page as well as under an ATS Blocks Download tab. The ATS block-size trade data published will be one month delayed, such that the reports published on October 3, 2016, will reflect ATS trades during August 2016.

Endnotes

1. See *Regulatory Notice 14-07* (February 2014). The information is available at www.finra.org/ats.
2. See *Regulatory Notice 15-48* (November 2015).
3. See Securities Exchange Act Release No. 76931 (January 19, 2016), 81 FR 4076 (January 25, 2016) (Notice of Filing and Immediate Effectiveness of SR-FINRA-2016-002).
4. Initially, the published information will be limited to trades in NMS stocks and therefore will not include data on ATS block-size trades in OTC Equity Securities. FINRA intends to periodically reassess whether, in the future, the publication of block-size trade data should be expanded to include trades in OTC Equity Securities or some subset thereof.
5. All monthly information will be calculated using calendar months. Because the reports will be based on aggregated monthly data rather than weekly data and will include all NMS stocks, Tier 1 and Tier 2 NMS stocks will not be treated differently for purposes of disseminating block-size trading statistics.
6. Any future changes to these thresholds will be announced in advance in a *Regulatory Notice* or similar publication. See Rule 6110(c)(2).