

July 5, 2018

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

**Re: File No. SR-FINRA-2018-015 (Proposed Rule Change to Amend Rule 6433 to Adopt the OTC Quotation Tier Pilot as Permanent) – Response to Comments**

Dear Mr. Fields:

This letter is being submitted by Financial Industry Regulatory Authority, Inc. (“FINRA”) in response to comments submitted to the U.S. Securities and Exchange Commission (“SEC” or “Commission”) regarding the above-referenced rule filing.<sup>1</sup> The SEC received one comment letter that supported the Proposal and requested an exception for unsolicited customer orders, as discussed below.<sup>2</sup>

While Vandham supports adopting the pilot tiers as permanent, Vandham argues that the minimum tier size requirements should not apply to unsolicited customer orders such that members would be permitted to display quotations that represent unsolicited customer interest irrespective of size.<sup>3</sup> One of FINRA’s goals in revising Rule 6433 was to achieve a reasonable balance between customer limit order display<sup>4</sup> and facilitating a meaningful minimum dollar-value commitment to the market for all displayed quotations. Thus, under the Proposal, some customer orders

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<sup>1</sup> See Securities Exchange Act Release No. 83129 (April 30, 2018), 83 FR 20131 (May 7, 2019) (Notice of Filing of SR-FINRA-2018-015) (“Proposal”).

<sup>2</sup> See Letter to Brent J. Fields, Secretary, Commission, from Eugene P. Torpey, Chief Compliance Officer, Vandham Securities Corp., dated May 10, 2018 (“Vandham”).

<sup>3</sup> See Vandham.

<sup>4</sup> Rule 6460 (Display of Customer Limit Orders) does not require display of customer limit orders that are below the tier sizes set forth in Rule 6433. See *Regulatory Notice* 10-42 (Regulation NMS-Principled Rules) (September 2010) (FAQ #3).

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(whether solicited or unsolicited), as well as proprietary quotations, would not be displayable if below the minimum quotation sizes prescribed by the rule. FINRA continues to believe that the Proposal achieves an appropriate balance of these two objectives. In addition, as stated in the Proposal, the pilot tiers (which have operated for over five years) have resulted in a positive impact on the level of customer limit orders eligible for display under the Rule 6460 (which is subject to Rule 6433's quotation size minimums).<sup>5</sup> FINRA remains of the view that Rule 6433's minimum quotation sizes (and corresponding minimum dollar-value commitments) should continue to apply for all displayed interest, and does not believe that an exception for any subset of customer orders should be adopted at this time.

If you have any questions, please contact me at 202-728-8363.

Best regards,



Racquel L. Russell

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<sup>5</sup> See Proposal.