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US Securities and Exchange Commission (SEC)
100 F Street NE
Washington, D.C.
United States
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Date: 28 May 2024

Dear Sir/ Madam

Subject: File Number SR– FINRA–2024–007

The [International Securities Lending Association \(ISLA\)](#) would like to take this opportunity to respond to the Proposed FINRA Rule 6500 Series that would implement Securities Lending and the Transparency Engine – SLATE™, mandated by the Rule 10c-1a under the Securities and Exchange Commission, regarding the Reporting of Securities Loans, Exchange Act Release No. 34-98737 (October 13, 2023).

The International Securities Lending Association (ISLA) is a non-profit industry association, representing the common interests of securities lending and financing market participants across Europe, the Middle East and Africa. Its geographically diverse membership of over 180 firms includes institutional investors, asset managers, custodial banks, prime brokers, and service providers. Working closely with the industry, ISLA advocates for, amongst other things, the importance of securities lending to the broader financial services industry. ISLA also supports, maintains, and obtains legal opinions for the [Global Master Securities Lending Agreement \(GMSLA\)](#), covering both the Title Transfer and Securities Interest over Collateral variants.

Please note that on May 24, 2024, ISLA and five other industry trade bodies filed a request to the SEC for an extension to the comment period, considering that market participants were only provided twenty-one days after publication in the Federal Register to respond, thus our members have been provided with less than a month to review this important proposal. ISLA does not believe that the comment period has been long enough to gather valuable feedback from our respective memberships, in relation to the implementation of this rule and we hope that the SEC will consider the extension request in order to appropriately address the challenges that the FINRA Rule 6500 Series presents.

In the interim, please see below a list of comments collected thus far. It is important to note that the feedback provided in this letter is on behalf of ISLA members who are impacted by the extraterritorial scope of 10c-1a and the proposed SLATE rules.

| | Response to FINRA File Number SR– FINRA–2024–007: | FINRA / SEC References: |
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| 1 | <p>General Comments:</p> <p>ISLA members feel that the Comment period granted is not sufficient to properly assess and review the proposed FINRA rule and consider the challenges it poses to market participants. The Commission published notice of FINRA’s proposed rules on May 1st, 2024, and the notice was published in the Federal Register on May 7th, with a deadline of May 28th for public comment.</p> <p>Technical specifications and pricing for fees to connect to SLATE are not forthcoming within the proposal and hence make it difficult to estimate the time and effort required to build.</p> | Not Applicable |
| 2 | <p>Extraterritoriality & Jurisdictional Challenges:</p> <p>There has been no clarity or guidance provided in the FINRA Rule regarding extraterritoriality or requirements for reporting for non-US market participants engaging in securities lending of US securities.</p> <p>Following direct outreach to the SEC, and referral to page 75,689 of the Final Rule in the Federal Register, it is ISLA’s interpretation that non-US firms would be in scope of the SEC 10c-1a reporting, assuming that all firms are reporting today under the CAT, TRACE and MSRB surveillance systems. ISLA request that FINRA confirm the extraterritorial scope requirements within the proposed rule to ensure compliance for non-US firms, in order to adhere to the reporting requirements accordingly.</p> <p>ISLA also requests that FINRA confirm enforcement rules for non-US firms for incorrect reporting.</p> | SEC Final Rule - page 75,689 |
| 3 | <p>Expanded scope/complexity:</p> <p>FINRA’s proposed SLATE rules would impose requirements on market participants that go directly beyond the Commission’s original requirements under rule 10c-1a.</p> <p>A number of additional fields and indicators were added by FINRA, including a requirement to report all intraday lifecycle events which significantly increases the complexity and expense required to implement the rule.</p> <p>The original SEC rule, prior to the FINRA proposed rule, had 12 Non-Confidential Data Element Fields, 3 Modification Fields and 3 Confidential Data Element Fields, equalling a Total of 18 fields, versus what FINRA has subsequently proposed, that now consists of 14 Non-Confidential Data Element Fields, 6 Modification &</p> | See ISLA points 6 -10 |

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| | <p>Indicators Fields and 10 Confidential Data Element Fields equalling a new Total of 30 fields.</p> <p>ISLA is also aware that there are additional requirements to report intraday lifecycle events, as well as partial and full return trades upon successful settlement, all of which is inconsistent with the original Securities Exchange Act.</p> | |
| 4 | <p>Identifying Reportable Securities:</p> <p>6530(d)(4) “If a Covered Person makes a good faith determination that it has a reporting obligation under the Securities Exchange Act Rule 10c-1a and this Rule 6500 Series, the Covered Person or Reporting Agent, as applicable, must report the Covered Securities Loan as provided in this Rule, and if the Reportable Security is not entered into the SLATE system, the Covered Person or Reporting Agent, as applicable, must promptly notify and provide FINRA Operations, in the form and manner required by FINRA, the information specified in Rule 6530(a)(2)(A) and (B), along with such other information as FINRA deems necessary to enter the Reportable Security for reporting through SLATE.”</p> <p>ISLA would like to note that this is a highly manual process and could lead to a time-lag when setting up new static data that does not already exist within the SLATE system. ISLA would request that static data feeds directly into SLATE, as opposed to relying on users of the system to update – ISLA notes that the current process as outlined would be highly inefficient and open to manual error.</p> | <p>FINRA Proposed Rule 6530, Page 112 d (4)</p> |
| 5 | <p>Daily Reporting Deadlines:</p> <p>Both Initial Covered Securities Loans and Loan Modifications would be required to be reported by the following deadlines:</p> <ol style="list-style-type: none"> 1. For Initial Covered Securities Loans or Loan Modifications effected on a business day at or after 12:00:00 a.m. ET through 7:45:00 p.m. ET, the required information must be reported the same day before 8:00:00 p.m. ET. 2. For Initial Covered Securities Loans or Loan Modifications effected on a business day after 7:45:00 p.m. ET, the required information must be reported no later than the next business day (T+1) before 8:00:00 p.m. ET. 3. For Initial Covered Securities Loans or Loan Modifications effected on a Saturday, a Sunday, a federal or religious holiday, or other day on which SLATE is not open at any time during that day (determined using ET) the required information must be reported the next business day (T+1) before 8:00:00 p.m. ET. <p>ISLA would like FINRA to make clear the definition of ‘effected’ in the above cases. ISLA would like to understand if A) ‘effected’ is equivalent to an ‘event date’ field i.e., the event date that the trade</p> | <p>FINRA Proposed Rule 6530, Page 106 1a-c</p> <p>Also see ISLA point 15</p> |

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| | <p>took place B) is the ‘effected’ date more similar to an execution timestamp that would carry both date and time or C) is the ‘effected date when a trade is verbally agreed upon.</p> <p>ISLA requests a clear and concise definition of the term ‘effected’.</p> | |
| <p>6</p> | <p>Reporting of intraday data:</p> <p>The methodology proposed in the FINRA rule is inconsistent with the final SEC rule for ‘end of day reporting’ which was originally proposed as 15-minute reporting.</p> <p>ISLA would like to note that reporting of intraday activity will result in a significant increase in volume of total reportable activity.</p> <p>ISLA notes that it would appear that market participants can send intraday lifecycle events in either real time or all at end of day, prior to the cut offs shown above in R6530 Page 106 1a-c, (5). ISLA also notes that it is apparent that market participants do not need to send all reporting in chronological order, as the FINRA requirement is for the files that are sent, to be in filed in sequence order.</p> <p>ISLA would like to identify that it may be more plausible to request that the lifecycle events should be reported in chronological order, as opposed to the file sequence order.</p> <p>Settlement Driven Reporting:</p> <p>As part of intraday lifecycle events, ISLA Notes that FINRA are following the EU’s Securities Finance Transaction Regulation (SFTR) to some degree however, FINRA are also asking for all Partial and Full Returns to be checked for settlement first, prior to being reported. In contrast the EU SFTR only requests the final close out of a trade to be reported, i.e., under SFTR, partials only have to be reported on a contractual settlement basis as opposed to an actual settlement basis. ISLA would encourage alignment with the EU’s SFTR where possible as many firms will have systems in place already to account for this.</p> <p>ISLA would like to note that market participants would have to consider how to monitor settlement separately to what they are reporting for regulatory purposes under the proposed rule. This will create a challenge for systems from a books & records perspective.</p> <p>Including partials that follow the settlement driven reporting</p> | <p>FINRA Proposed Rule - supplementary material page 112 & 113 - see above ISLA point 5 and below ISLA point 17</p> |

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| <p>7 requirement i.e., the need to check for successful settlement prior to regulatory reporting, is going to create several challenges for market participants. In the US, the drops come down at 3pm US time, this means that any failing partials will have to be monitored for settlement, the challenge is all failing trades are cancelled and re-set within DTC, so members trying to track a partial that then gets cancelled and re-set up will have a mapping challenge to ensure they are monitoring for settlement the replacement partial trade booking on a daily basis. For example, if a trade fails for 3 days, then on each day from the original partial there will be 3 different trade references from a lifecycle event perspective that will have to be re-sent to not only DTC each time, but also somehow tracked in the same books & records system for SEC 10c-1a regulatory reporting purposes.</p> <p>ISLA would like to emphasise that this is going to be a huge challenge for firms, as the regulatory reporting aspect should not interfere with system books and records, as system books and records systems also feed to credit systems, settlement systems and funding systems, thus the regulatory reporting from this viewpoint has to be ancillary and there is the challenge to de-couple the regulatory reporting from the system books and records.</p> <p>Other Fees or Charges:</p> <p>Page 14 footnote 30: When reporting a rebate rate or lending fee pursuant to proposed Rule 6530(a)(2)(I) or (J), respectively, a Covered Person must report the rebate rate or lending fee as a percentage, and separately report the dollar cost of any other fees or charges.</p> <p>ISLA requests that FINRA make clear the definition of ‘any other fees or charges’. After discussing with ISLA members, it became apparent that this could be interpreted as a number of things for example; a catchall to cover off any payments that occur outside of a monthly billing process, such as corporate action payments via SPO (Special Payment Order), billing adjustments, a correction to a previously charged amount, or basket of securities where there is at least 10 unique issues for a single rate or fee. ISLA notes that securities lending has a monthly billing cycle where typically on the 15th day of the new month, all bills are calculated for the previous month.</p> <p>ISLA requests that FINRA make clear how to populate this field clearly and in what format, to ensure accurate reporting.</p> | <p>FINRA Proposed Rule Page 14 - footnote 30 and Page 107, see section 2 ‘Loan Information’</p> |

Modifiers and Indicators:

The applicable modifiers or indicators as specified by FINRA to all SLATE reports.

(1) **Exclusive Arrangement** - If the Covered Securities Loan is made pursuant to an exclusive arrangement with the borrower or intermediary, select the appropriate **indicator**.

(2) **Loan to Affiliate** - If the Covered Securities Loan is made to an Affiliate of the lender or intermediary, select the appropriate **indicator**.

(3) **Unsettled Loan** - If an Initial Covered Securities Loan or a modification to the amount of Reportable Securities loaned did not settle by the close of SLATE System Hours on the expected settlement date, select the appropriate **indicator**.

(4) **Terminated Loan** - If a Covered Securities Loan has been terminated, select the appropriate **indicator**.

(5) Rate or Fee Adjustment

(A) If a loan rebate rate or lending fee accounts for a billing adjustment or correction to amounts previously rebated or charged, select the appropriate **modifier**; or

(B) If a loan rebate rate or lending fee accounts for the value of a distribution or other economic benefit associated with the Reportable Security, e.g., a corporate action, select the appropriate **modifier**.

(6) **Basket Loan** If a loan rebate rate or lending fee reflects a rate or fee involving a basket of at least 10 unique Reportable Securities for a single agreed rate or fee for the entire basket, select the appropriate **modifier**.

ISLA would like to note that these additional fields were never present in the original Securities Exchange Act, and it would appear that FINRA are looking to gold plate requirements that are not in sync with the Securities and Exchange Act.

FINRA Proposed Rule
6530, Page 110 3c
points 1-6

Also see ISLA point 10

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| <p>9</p> | <p>Rebate/fee adjustment indicator:</p> <p>ISLA requests that this additional field, added by FINRA, needs more clarity.</p> <p>There is additional language in the FINRA proposal noting ‘FINRA plans to use these modifiers for data validation (e.g., in instances where FINRA’s data validation logic identifies the reported rate as potentially erroneous’. ISLA would like to enquire if this implies that FINRA will be performing validation testing to a defined tolerance level and a rejection/correction process.</p> <p>If so, there is the potential for a large number of rejections that could result in a substantial amount of manual intervention:</p> <ul style="list-style-type: none"> a) Reason codes for a rate/fee adjustments would be difficult to implement, as lending systems may not track this. b) It is unclear what this process would look like, however, this would increase the complexity of the reporting process. c) ISLA would like to understand if this more of a "warning" system as opposed to an error rejection. | <p>FINRA Proposed Rule 6530, Page 110 3c (1-6)</p> <p>Also see ISLA point 9</p> |
| <p>10</p> | <p>Use of Reporting Agents:</p> <p>The increased complexity of the FINRA proposal as compared to the SEC final rule increases industry reliance on vendors and reporting agents, increasing overall costs to the industry and also widens the risk of data security concerns.</p> | <p>FINRA Proposed Rule Compliance with reporting obligations page 26</p> |
| <p>11</p> | <p>LEI of security issuer:</p> <p>Required under final SEC rule, however, this field was not included in the original SEC rule proposal for comment.</p> <p>Unlike security identifiers such as a CUSIP or ISIN, security issuer LEIs are not easily accessible and are not always available.</p> <p>ISLA would request the removal of this or alternatively, make the field an optional requirement.</p> | <p>FINRA Proposed Rule 6530, Page 106 - 2a</p> |
| <p>12</p> | <p>Affiliate indicator:</p> <p>See proposed Rule 6710(a). For the purposes of the definition of “Affiliate,” “control,” along with any derivative thereof, means legal, beneficial, or equitable ownership, directly or indirectly, of 25 percent or more of the capital stock (or other ownership interest, if not a corporation) of any entity ordinarily having voting rights.</p> <p>See proposed Rule 6510(a). The term “common control” means the same natural person or entity controls two or more entities. See proposed Rule 6510(a).</p> <p>It is noted in the FINRA proposal that this indicator was added, as</p> | <p>FINRA Proposed Rule 6710 a & 6510 a - Pages 19, 39,40, 47, 69, 89, 90, 96, 103, 110, 111</p> |

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| <p>loans to affiliates may not reflect current market rates.</p> <p>ISLA would like to note that adding an affiliate indicator to these transactions does not add any additional value to the reporting, and could potentially expose confidential information (i.e., a borrower may not know necessarily be aware they are sourcing supply from an affiliated lender).</p> <p>Additionally, the intermediary negotiating the loan may or may not be aware of an affiliate relationship between the borrower and underlying lender. This would require additional resources from beneficial owners to monitor and immediately notify their lending agent as soon as an affiliate relationship was established.</p> | |
| <p>13 <i>Loan Modifications – Information to be Reported:</i></p> <p>For Loan Modifications, each SLATE report shall contain the following information:</p> <ul style="list-style-type: none"> (a) The unique identifier assigned by FINRA to the Initial Covered Securities Loan or, if a unique identifier has not yet been assigned by FINRA, the unique internal identifier assigned to the Covered Securities Loan by the Covered Person responsible for reporting the loan to SLATE; (b) If the Covered Securities Loan is an allocation of an omnibus loan effected pursuant to an agency lending agreement, the unique internal identifier for the associated omnibus loan assigned by the Covered Person responsible for reporting the Covered Securities Loan to SLATE; (c) The MPID (<i>market participant identification</i>) of the Covered Person; (d) The date of the Loan Modification; (e) The time of the Loan Modification; (f) The expected settlement date for modifications to the loan amount (if the expected settlement date is a date other than the date of the Loan Modification), or the effective date for all other Loan Modifications (if effective date is a date other than the date of the Loan Modification); ISLA would like to understand if this is to mean contractual settlement as opposed to actual settlement. Please clarify. (g) Whether the Covered Person is the lender, borrower or intermediary; (h) The modified Data Elements for a Loan Modification to a Covered Securities Loan previously reported to SLATE or all Data Elements for a Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE; and (i) Such modifiers and indicators as required by either the Rule 6500 Series or the SLATE Participant specification. | <p>FINRA Proposed Rule 6530, Page 109 3b (2)</p> |

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| | <p>ISLA Comments:</p> <p>a) This suggests FINRA will generate the UTI, but if FINRA does not, then it would appear that the onus is on the covered person responsible for reporting the covered securities loan, to the SLATE system. ISLA requests that FINRA confirm this.</p> <p>b) ISLA would like to clarify, if the rules mean that the reporting counterparty placing the loan into the market should always generate the UTI upfront, otherwise if FINRA generates the UTI and sends this back to the covered reporting person to then stamp on subsequent lifecycle events which causes additional complexity. Under the EU’s SFTR, trading parties would not send an internal trade reference – Under SFTR firms agree the UTI before you trade and agree who is going to generate and distribute the UTI beforehand. FINRA should follow the SFTR waterfall protocol, where possible for generation and distribution of UTI’s, as many firms will already be familiar with this method for the purposes of reporting their EU securities loans.</p> | |
| <p>14</p> | <p><i>Intraday Loan Modifications:</i></p> <p>If a Covered Securities Loan previously reported to SLATE or a Covered Securities Loan not previously reported to SLATE is modified multiple times throughout the day, a Covered Person must report each Loan Modification as set forth in Rule 6530(b).</p> <p><i>Modifications to an Initial Covered Securities Loan after it has been effected — but before it has been reported to FINRA:</i></p> <p>FINRA has proposed that any modifications to an Initial Covered Securities Loan after it has been effected, but before it has been reported to FINRA, would also have to be reported, as would multiple modifications on the same day to a previously reported Covered Securities Loan.</p> <p>ISLA seeks clarity on whether or not this should be interpreted as – a market participant books a loan, but does not report it at the time, it could then be modified later in the day, then reported with all subsequent lifecycle events at 6pm, therefore when the market participant reports at 6pm, they would have to send a new loan as well as a modification.</p> <p>FINRA has proposed that a change to any party to a Covered Securities Loan would constitute both the termination of the prior Covered Securities Loan (which must be reported as a Loan Modification and tagged with a termination identifier) as well as the initiation of a new loan (which must be reported as an Initial Covered Securities Loan)</p> | <p>FINRA Proposed Rule supplementary material, Pages 112 & 113 - see above ISLA point 6</p> |

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| | <p>a) This suggests intraday reporting of lifecycle events is required, ISLA requests clarification.</p> <p>c) It appears that market participants can send intraday lifecycle events in near real time or all at the end of the day, prior to the cut offs shown above in point 15 of FINRA Proposed Rule 6530, Page 109 3b 1. It appears that firms don't need to send all reporting in chronological order, as the FINRA requirement is for the files that are sent, to be in file sequence order, hence if you send a trade at 6pm and an additional trade at 3pm, and the 3pm file was sent after 6pm, FINRA would be able to accept this from the file sequence and re-order within the SLATE system. Please clarify if this interpretation is correct. ISLA would suggest sending all lifecycle events in chronological order for ease. ISLA also notes that this requirement did not form part of the original Securities Exchange Act.</p> | |
| 15 | <p>Public reporting:</p> <p>De Minimis Loan Transaction Activity - To address concerns regarding potential information leakage, FINRA proposes to omit from the daily loan statistics, volume information for Reportable Securities for which there are three or fewer types of Initial Covered Securities Loans, and Loan Modifications reported to SLATE in total on a given day. However, the proposed de minimis threshold may be viewed by some as reducing the transparency value of the disseminated information. FINRA believes the threshold of three or fewer Initial Covered Securities Loans and Loan Modifications appropriately balances these considerations.</p> <p>ISLA would like to enquire whether this should be mandatory and not an optional exclusion for confidentiality reasons. ISLA would also advise that the minimal amount set, is too low.</p> | <p>FINRA Proposed Rule, Page 100</p> |
| 16 | <p>Dissemination of Loan Information: Part 1 of 2:</p> <p>Dissemination of Loan Information: As required by SEA Rule 10c-1a(g), proposed Rule 6540 (Dissemination of Loan Information) would provide for the public dissemination of securities loan data reported to SLATE and information pertaining to the aggregate loan transaction activity and distribution of loan rates for each Reportable Security. The publicly available data would include:</p> <p>(1) next day (T+1) loan-level data dissemination for Initial Covered Securities Loans and Loan Modifications (except for the loan amount);</p> <p>(2) T+20 dissemination of the loan amount for Initial Covered Securities Loans and Loan Modifications; and</p> <p>(3) daily loan statistics (i.e., aggregate loan activity and distribution of loan rates).</p> | <p>FINRA Proposed Rule 6540, Page 30-33, 36-37, 40, 80, 83, 86- 87, 90 and 113 to 117</p> |

Dissemination of Loan Information: Part 2 of 2:

Next Day Dissemination:

For each Initial Covered Securities Loan and Loan Modification reported to SLATE on a given business day, no later than the morning of the next business day, FINRA will make publicly available:

- (1) the unique identifier assigned by FINRA to the Covered Securities Loan;
- (2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and
- (3)(A) for each Initial Covered Securities Loan, all other Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule; or
- (B) for each Loan Modification to a Covered Securities Loan, the modified Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule; or

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- (C) for each Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE, all other Data Elements reported to SLATE, except the amount of Reportable Securities loaned and as otherwise provided for in paragraph (d) of this Rule.

(b) Delayed Dissemination

For each Initial Covered Securities Loan and Loan Modification reported to SLATE, 20 business days after the date on which the Initial Covered Securities Loan was effected or the loan amount was modified, FINRA will make publicly available:

- (1) the unique identifier assigned by FINRA to the Covered Securities Loan;
- (2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and
- (3) the amount of Reportable Securities loaned reported to SLATE.

ISLA notes that it is unclear what the fee-based service and data would look like. A more customized or enhanced data set also raises confidentiality concerns.

FINRA Proposed Rule 6540, Pages 30-33, 36-37, 40, 80, 83, 86-87, 90, and 113 to 117

Fees for Data:

In its adopting release, the SEC authorised FINRA to charge a fee in connection with data that it publishes pursuant to Rule 10c-1a.

FINRA is proposing to make the data available on its website free of charge for personal, non-commercial purposes only.

For other uses, FINRA would publish or distribute SLATE data for certain fees, which are pending approval by the Commission.

The SEC's final rule removed the requirement in paragraph (h) of the proposed rule that fees only be paid from persons who provide Rule 10c-1a information directly to an RNSA.

The RNSA fees should be borne by market participants more broadly and not just the Covered Persons submitting data (primarily lending agents and direct lenders).

Any fees borne by the beneficial owner will not serve the objectives of the commission and since their agents only receive a small fraction of the income generated, any fees the agents might bear would more than likely have to get passed on either directly, or through negotiations in fee splits in some cases.

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Page 36:

"FINRA would make the data pursuant to proposed Rule 6540(a) through (c) available on FINRA's website free of charge for personal, non-commercial purposes only. For other uses, FINRA would publish or distribute SLATE data for fees that have been filed with the SEC pursuant to Rule 19b-4 under the Exchange Act."

Footnote 80 page 36:

FINRA intends separately to file a proposed rule change to establish SLATE reporting fees and fees for fee-liable data products. Interested parties may subscribe to these fee-liable data products. Professionals would not be permitted to access the SLATE data made available free of charge on FINRA's website, which is provided for personal, non-commercial purposes only.

ISLA would like to comment that FINRA has yet to provide any clarity on what the fees will be or how they will be allocated.

FINRA Proposed Rule,
Page 36 and footnote 80
also on page 36

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| <p>19</p> | <p><i>Duty to Report and Notification of Failure to Report:</i></p> <p>The proposed rules include a general requirement that where a Covered Person makes a good faith determination that it has a reporting obligation under SEC Rule 10c-1a and the SLATE rules, the Covered Person or its Reporting Agent, as applicable, must report the Covered Securities Loan.</p> <p>Additionally, if the Reportable Security is not entered into the SLATE system, the Covered Person or Reporting Agent, as applicable, must promptly notify and provide FINRA Operations the information necessary to enter the Reportable Security for reporting through SLATE.</p> <p>ISLA would like to enquire if this would come under operational resiliency and would also like to understand, what agreements are in place if a vendor does not report and what liability here is placed on the covered person.</p> | <p>FINRA Proposed Rule 6530 d (4), Page 28</p> |
| <p>20</p> | <p><i>Security Measures:</i></p> <p>In connection with the proposal and adoption of SEC Rule 10c-1a, several industry commenters raised concerns over the security of the sensitive data required to be reported under the new SEC and FINRA rules, including the potential significant consequences of a cybersecurity incident (such as a data breach) affecting FINRA’s or the SEC’s databases holding such information.</p> <p>While not directly addressing these concerns, as a condition of participation in SLATE, a SLATE Participant would be required to maintain the physical security of the equipment located on its premises to prevent unauthorized entry of information into SLATE.</p> <p>ISLA would like to enquire, from a cybersecurity perspective what processes, policies or procedures do FINRA members have in place and is this requirement applicable to both domestic and non-US trading parties.</p> | <p>FINRA Proposed Rule 6520 a 2, Page 29</p> |
| <p>21</p> | <p><i>Rules Specific to FINRA Members:</i></p> <p>While Covered Persons that are required to report Covered Securities Loan information to SLATE include both FINRA members and non-FINRA members, FINRA is proposing certain rules specific to FINRA members, including</p> <p>a) an obligation of the member under FINRA Rule 3110 to take reasonable steps to ensure that the Reporting Agent is complying with SEC Rule 10c-1a and the applicable FINRA SLATE rules on the member’s behalf and</p> <p>b) that FINRA may consider a member’s pattern or practice of late reporting without exceptional circumstances to be conduct</p> | <p>FINRA PR Page 11, 38, 41, 42, 61, 88, 91, 92</p> |

inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010

Non FINRA Members:

See SEA Rule 10c-1a(f) and (i). FINRA does not have regulatory authority over Covered Persons or Reporting Agents that are non-FINRA members. As FINRA does today, FINRA would refer to the SEC potential violations of the federal securities laws and rules by non-members, including failures to comply with SEA Rule 10c-1a and FINRA rules adopted pursuant to SEA Rule 10c-1a (e.g., potential SLATE reporting violations or failures to pay when due any SLATE reporting fees).

This covers both FINRA and Non FINRA Members but not the issues around being compliant for reporting to the SLATE system. Also, violations or failures to pay when due any SLATE reporting fees. ISLA would like clarity on what is the enforcement policy on non FINRA members.

ISLA would like to note that any associated costs should be borne by both lenders and borrowers, and not just lenders.

We welcome the opportunity to discuss the information contained in this letter in further detail. Please do not hesitate to contact ISLA directly if you have any questions regarding the feedback or require an additional information.

Yours Faithfully

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