

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100594; File No. SR-FINRA-2024-004)

July 25, 2024

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Partial Amendment No. 1 to Proposed Rule Change to Amend FINRA Rule 6730 to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute

I. Introduction

On January 11, 2024, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change (SR-FINRA-2024-004) to amend FINRA Rule 6730 to reduce the 15-minute reporting timeframe for transactions reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”) system to one minute, with exceptions for FINRA member firms with de minimis reporting activity and for manual trades. The proposed rule change was published for comment in the Federal Register on January 25, 2024.³

On February 29, 2024, pursuant to Section 19(b)(2) of the Act,⁴ the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.⁵ On April 22, 2024, the Commission instituted proceedings under Section

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 99404 (Jan. 19, 2024), 89 FR 5034 (Jan. 25, 2024) (“Notice”). Comments received on the proposed rule change are available at: <https://www.sec.gov/comments/sr-finra-2024-004/srfinra2024004.htm>.

⁴ 15 U.S.C. 78s(b)(2).

⁵ See Securities Exchange Act Release No. 99640 (Feb. 29, 2024), 89 FR 16042 (Mar. 6, 2024). The Commission designated April 24, 2024, as the date by which the Commission shall approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change.

19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposed rule change.⁷ On July 18, 2024, the Commission, pursuant to Section 19(b)(2) of the Act,⁸ designated September 20, 2024, as the date by which the Commission shall either approve or disapprove the proposed rule change.⁹ On July 18, 2024, FINRA responded to comments¹⁰ and filed a partial amendment to the proposed rule change in response to certain comments on the proposed rule change (“Partial Amendment No. 1”). Partial Amendment No. 1 is described in Item II below, which has been substantially prepared by FINRA.¹¹ The Commission is publishing this notice to solicit comments on Partial Amendment No. 1 from interested persons.¹²

II. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Partial Amendment

FINRA is proposing the following amendments to the filing:

1. FINRA proposes to amend the proposed manual trades exception to provide FINRA members with an additional year to transition to five-minute reporting for manual trades

As discussed in the original filing, the proposed rule change would create an exception

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ See Securities Exchange Act Release No. 100006 (Apr. 22, 2024), 89 FR 32475 (Apr. 26, 2024).

⁸ 15 U.S.C. 78s(b)(2).

⁹ See Securities Exchange Act Release No. 100555 (July 18, 2024), 89 FR 59948 (July 24, 2024) (“Extension”).

¹⁰ See Letter from Racquel L. Russell, Senior Vice President, Director of Capital Markets Policy, Office of General Counsel, FINRA, dated July 18, 2024, available at <https://www.sec.gov/comments/sr-finra-2024-004/srfinra2024004.htm>.

¹¹ The Commission has reformatted FINRA’s presentation of its proposed modifications to, and descriptions of, the proposed rule change.

¹² Partial Amendment No. 1 is also available on FINRA’s website at <https://www.finra.org/sites/default/files/2024-07/SR-FINRA-2024-004-Partial-A-1.pdf>.

from the proposed one-minute reporting requirement for manual trades.¹³ As originally proposed, manual trades would have been subject to reporting as soon as practicable with a five-minute outer-limit reporting timeframe, phased in after two years.¹⁴ Specifically, where a trade qualified for the manual trades exception, a 15-minute outer limit would have applied for the first year following implementation; a 10-minute outer limit would have applied for the second year; and a five-minute outer limit would have applied thereafter.¹⁵ Some commenters raised various concerns regarding the feasibility of five-minute reporting for manual trades, and some commenters recommended that FINRA study and assess (and provide an opportunity for public comment on) the feasibility of five-minute reporting for manual trades prior to its implementation or maintain a 15-minute reporting requirement for manual trades.¹⁶

In response to these comments, FINRA is amending the proposed rule change to extend the phase-in period for five-minute reporting by one year so that FINRA members would have three years to transition to five-minute reporting for manual trades.¹⁷

Accordingly, the proposed rule change, as amended, would provide that a FINRA member relying on the manual trades exception will be required to report the manual trade as soon as practicable and no later than within 15 minutes of the time of execution (for up to one calendar year from the effectiveness of the proposed amendments), within 10 minutes of the time of execution (for up to three calendar years from the effectiveness of the proposed amendments), and within five minutes of the time of execution (three or more calendar years from the

¹³ See Notice, supra note 3.

¹⁴ Id.

¹⁵ Id.

¹⁶ See Partial Amendment No. 1 at 4.

¹⁷ Id.

effectiveness of the proposed amendments).¹⁸ Partial Amendment No. 1 will provide FINRA with additional time to assess FINRA members' trade reporting times in connection with manual trades and request comment on the operation of the manual trades exception—and FINRA will be prepared to make adjustments, as necessary, prior to the effectiveness of the five-minute reporting timeframe.¹⁹

Following are the changes proposed in Partial Amendment No. 1, with the proposed changes in the original filing shown as if adopted. Proposed new language in Partial Amendment No. 1 is italicized; proposed deletions in Partial Amendment No. 1 are in brackets:

6730. Transaction Reporting

(a) through (f) No Change.

••• Supplementary Material: -----

.01 through **.08** No Change.

.09 Exception for Manual Trades

(a) No Change.

(b) Except as otherwise specifically provided in paragraph (a)(2) of this Rule with respect to List or Fixed Offering Price Transactions and Takedown Transactions, a member relying on the exception for manual trades in this Supplementary Material .09 must report the transaction as soon as practicable but no later than within: 15 minutes of the Time of Execution (this 15-minute outer timeframe is available for up to one calendar year from the effectiveness of this Supplementary Material .09); within 10 minutes of the Time of Execution (this 10-minute outer timeframe is available for up to three[two]

¹⁸ See proposed Rule 6730.09(b).

¹⁹ See Partial Amendment No. 1 at 5.

calendar years from the effectiveness of this Supplementary Material .09); or within 5 minutes of the Time of Execution (this 5-minute outer timeframe is applicable three[two] or more calendar years from the effectiveness of this Supplementary Material .09), as further provided in this paragraph.

(1) No Change.

(2) Transactions Executed During TRACE System Hours

Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported as soon as practicable, but no later than within 15, 10, or 5 minutes of the Time of Execution[after the TRACE system opens] (the 15-, 10-, or 5-minute outer timeframe is available for up to one year, up to three[two] years, or three[two] or more years, respectively, from the effectiveness of this Supplementary Material .09), except as provided in paragraph (b)(3) of this Supplementary Material .09.

(3) Transactions Executed Less Than 5 Minutes Before TRACE System Closes

Transactions executed on a business day less than 15, 10, or 5 minutes (the 15-, 10-, or 5-minute timeframe is available for up to one year, up to three[two] years, or three[two] or more years, respectively, from the effectiveness of this Supplementary Material .09) before 6:30:00 p.m. Eastern Time must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), but no later than within 15 minutes after the TRACE system opens the next

business day, and if reported on T + 1, designated “as/of” and include the date of execution.

(4) No Change.

2. FINRA proposes to make a correction to the text of proposed Rule 6730.09(b)(2)

Additionally, Partial Amendment No. 1 would make a correction to the proposed rule text such that proposed Rule 6730.09(b)(2) would require reporting within the prescribed timeframe from “the Time of Execution” rather than “after the TRACE system opens.”²⁰ As originally proposed, for transactions subject to the manual trades exception that were executed on a business day at or after 8:00:00 a.m. Eastern Time (“ET”) through 6:29:59 p.m. ET (i.e., during TRACE system hours), the rule text erroneously would have required reporting “...as soon as practicable, but no later than within 15, 10, or 5 minutes after the TRACE system opens....”²¹ Partial Amendment No. 1 would correct the text of proposed Rule 6730.09(b)(2) so that it requires reporting of these transactions “...as soon as practicable, but no later than within 15, 10, or 5 minutes of the Time of Execution....”²²

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended by Partial Amendment No. 1, is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission’s internet comment form (<https://www.sec.gov/rules/sro.shtml>); or

²⁰ See Partial Amendment No. 1 at 5.

²¹ See proposed Rule 6730.09(b)(2).

²² See Partial Amendment No. 1 at 5.

- Send an email to rule-comments@sec.gov. Please include file number SR-FINRA-2024-004 on the subject line.

Paper Comments:

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

All submissions should refer to file number SR-FINRA-2024-004. This file number should be included on the subject line if email 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 (<https://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 the filing also will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to File Number SR-FINRA-2024-004 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²³

Sherry R. Haywood,
Assistant Secretary.

²³ 17 CFR 200.30-3(a)(12).