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Page 1 of * 44

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2023 - * 003

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 type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule		
			<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 checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend FINRA Rules to Address Duplicative Requirements

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 * Faisal Last Name * Sheikh

Title * Principal Counsel

E-mail * faisal.sheikh@finra.org

Telephone * (202) 728-8379 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 03/01/2023

(Title *)

By Racquel Russell

Senior Vice President and Director of Capital M

(Name *)

Racquel
Russell

Digitally signed by Racquel
Russell
Date: 2023.03.01 16:21:57
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NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information *

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FINRA-2023-003 19b-4.docx

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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FINRA-2023-003 Exhibit 1.docx

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 Advanced 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 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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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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FINRA-2023-003 Exhibit 5.docx

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 “Exchange Act”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to, in light of member obligations relating to the Consolidated Audit Trail (“CAT”), amend FINRA Rule 4590 (Synchronization of Member Business Clocks), amend FINRA Rule 6250 (Quote and Order Access Requirements), eliminate FINRA Rule 6431 (Recording of Quotation Information), and amend FINRA Rule 6439 (Requirements for Member Inter-Dealer Quotation Systems).

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

The Chief Legal Officer of FINRA authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

¹ 15 U.S.C. 78s(b)(1).

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

(a) Purpose

The National Market System Plan governing the Consolidated Audit Trail (the “CAT NMS Plan”)² is intended to create, implement, and maintain a consolidated audit trail that will capture in a single consolidated data source customer and order event information for orders in NMS securities³ and OTC equity securities,⁴ across all markets, from the time of order inception through routing, cancellation, modification, or execution.⁵ FINRA is filing the proposed rule change to amend FINRA rules in light of the CAT NMS Plan to eliminate duplicative requirements or otherwise clarify regulatory obligations. Specifically, FINRA is proposing amendments to: (1) clarify overlapping clock synchronization requirements for members; (2) delete duplicative requirements relating to order and quote recording and reporting requirements in connection with the alternative display facility (“ADF”); (3) delete duplicative requirements relating to the reporting of quotation information for OTC equity securities; and (4) delete duplicative

² FINRA and the national securities exchanges filed the CAT NMS Plan with the Commission pursuant to Section 11A of the Exchange Act and Rule 608 of Regulation NMS thereunder, and it was approved by the SEC on November 15, 2016. See Securities Exchange Act Release No. 79318 (November 15, 2016), 81 FR 84696 (November 23, 2016) (“CAT Approval Order”).

³ See Rule 600(b)(54) of Regulation NMS.

⁴ See FINRA Rule 6420(f).

⁵ See e.g., Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (August 1, 2012).

requirements relating to the submission of order-level quotation information for OTC equity securities.⁶

Synchronization of Member Business Clocks

FINRA Rule 4590 requires members to synchronize their business clocks, including computer system clocks and mechanical time stamping devices, that are used for purposes of recording the date and time of any event that must be recorded pursuant to the FINRA By-Laws or other FINRA rules. Rule 4590 further requires that business clocks, including computer system clocks and manual time stamp machines, be synchronized to within a one second tolerance of the National Institute of Standards (NIST) atomic clock, except that computer system clocks that are used to record events in NMS securities, including standardized options, and OTC equity securities, must be synchronized to within a 50-millisecond tolerance of the NIST clock. FINRA adopted Rule 4590 before the CAT NMS Plan was approved and before FINRA adopted Rule 6820.

FINRA Rule 6820 (Clock Synchronization)⁷ addresses clock synchronization obligations pursuant to the CAT NMS Plan and prescribes the requirements for industry members in synchronizing their business clocks. FINRA is therefore proposing amendments to clarify that Rule 4590 applies only where Rule 6820 does not. Therefore, Rule 6820, rather than Rule 4590, would apply to business clocks used to record events for NMS securities and OTC equity securities, but Rule 4590 would apply to business

⁶ The proposed rule change would also update cross-references in FINRA Rules 6220, 6275 and 6279, including updating citations to Rule 600(b) of Regulation NMS.

⁷ Rule 6820 falls under the CAT Compliance Rule Series.

clocks that record events in debt securities. This proposed rule change is intended solely to eliminate overlapping rule requirements and promote clarity.

Alternative Display Facility Quote and Order Access Requirements

FINRA Rule 6250 provides quoting and order access requirements for members that utilize FINRA's ADF to display quotes in an ADF-eligible security.⁸ Pursuant to Rule 6250, ADF Trading Centers⁹ must record and report to FINRA on a daily basis specified order information. Among other things, paragraph (b) of Rule 6250 requires an ADF Trading Center to record and report orders originated, received, transmitted, modified, canceled, or executed by other broker-dealers via direct or indirect access and paragraph (c) requires an ADF Trading Center to record and report to FINRA certain information for each order that is part of a displayed bid or offer on the ADF, or the execution details, if any, of each order that is part of a displayed bid or offer.

FINRA is proposing amendments to Rule 6250 to delete requirements that are duplicative of requirements under the CAT NMS Plan or that are otherwise unnecessary to oversee the ADF. Specifically, FINRA Rule 6830 (Industry Member Data Reporting)¹⁰ requires members, including members meeting the definition of an ADF Trading Center, to comply with the reporting requirements of the CAT NMS Plan.

⁸ FINRA Rule 6220(a)(2) defines an "ADF-eligible security" as an NMS stock as defined by SEC Regulation NMS.

⁹ FINRA Rule 6220(a)(4) defines an "ADF trading center" as a registered reporting ADF market maker, or a registered reporting ADF electronic communications network that is a "trading center," as defined by SEC Regulation NMS, and that is certified, pursuant to Rule 6250, to display its quotations or orders through the ADF.

¹⁰ Rule 6830 falls under the CAT Compliance Rule Series.

Pursuant to Rule 6830(a), Industry Members must report to the CAT Central Repository information with respect to orders originated, received, transmitted, modified, canceled, or executed by other broker-dealers, which is duplicative of the requirements currently specified in Rule 6250(b) and (c). Accordingly, FINRA is proposing to delete Rule 6250(b) and 6250(c) in their entirety to avoid unnecessary or duplicative regulatory requirements.¹¹

FINRA has confirmed that the information required to be submitted by members pursuant to Rule 6830(a) is sufficient for FINRA oversight of the ADF. Specifically, the following items proposed to be deleted under Rule 6250(b)(1) are available in CAT data: unique order identifier; order entry firm; order side; order quantity; symbol; order price; time in force; order date; order time; minimal acceptable quantity; and ADF trading center. In addition, the following items proposed to be deleted under Rule 6250(b)(2) are available in CAT data: unique order identifier; order response time; quantity; and price. The following items proposed to be deleted under Rule 6250(c)(1) are available in CAT data: symbol; side; price; quantity; order date and time of receipt; order instructions; firm identifiers and capacity information; quote identifier; quote price; and quote time. Order response, which is proposed to be deleted under Rule 6250(b)(1), is derivable from CAT data, as CAT tracks all related events in the lifecycle of an order, such as cancellations, modifications, and order or route acceptances. FINRA notes that every order submitted to the CAT Central Repository is assigned a unique order identifier, which FINRA believes obviates the need for a separate internal order identifier as is currently required

¹¹ FINRA proposes to renumber Rules 6250(d), 6250(e), 6250(f), 6250(g) and 6250(h) as Rules 6250(b), 6250(c), 6250(d), 6250(e), and 6250(f) in light of the proposed deletion of Rules 6250(b) and 6250(c).

under Rule 6250(c)(1). FINRA also has access to information in the CAT Central Repository regarding whether an order is marked short sale exempt.¹² With respect to the recordkeeping requirements of Rule 6250(b), FINRA notes that Rule 6890 (Recordkeeping) requires industry members to maintain and preserve records of the information required to be recorded under the CAT Compliance Rule Series for the period of time and accessibility specified in SEA Rule 17a-4(b) and SEA Rule 17a-4(f), obviating the need for the separate recordkeeping provisions of Rule 6250(b).¹³

Recording of Quotation Information in OTC Equity Securities

FINRA Rule 6431 was implemented in 2003 to provide FINRA with access to quotation data for “OTC equity securities,” as defined under FINRA Rule 6420 (Definitions),¹⁴ to facilitate FINRA’s oversight of members and, when necessary, reconstruct market activity.¹⁵ Rule 6431 generally requires OTC Market Makers¹⁶ that

¹² Rule 6250(c)(1) also requires members to submit to FINRA the reason for any short sale exemption as well as the identity of the clearing member. Neither of these items of information are currently available in the CAT Central Repository; however, obtaining this information through daily submissions is not necessary for FINRA to effectively oversee ADF activity. Should the facts and circumstances of any particular matter warrant obtaining additional insight into the reasons for a short sale exemption or the identity of a clearing member, FINRA would contact the relevant member to request the relevant information.

¹³ See Rule 6800 Series (Consolidated Audit Trail Compliance Rule).

¹⁴ See Rule 6420.

¹⁵ See Securities Exchange Act Release No. 47587 (March 27, 2003), 68 FR 16328 (April 3, 2003) (Order Approving File No. SR-NASD-2000-042). See also Notice to Members 03-28 (June 2003).

¹⁶ FINRA Rule 6420(g) generally defines “OTC Market Maker” as a member of FINRA that holds itself out as a market maker by entering proprietary quotations or indications of interest for a particular OTC equity security in any IDQS,

display quotations on a non-FINRA- or non-member-operated inter-dealer quotation system (“IDQS”) to record information about their quotations and to report the information to FINRA upon request, including, e.g., trade date, time the quotation is displayed, security name and symbol. Rule 6431 does not require such information to be recorded or reported by the IDQSs themselves. Due to changes in the marketplace, members have not reported quotation data to FINRA pursuant to Rule 6431 for several years since the IDQS that previously was not a FINRA member became a FINRA member. Because Rule 6431 only applies to quotation activity occurring on a non-FINRA- or non-member-operated IDQS, members were not required to report quotation data that occurred on a member system pursuant to Rule 6431. Today, FINRA has access to quotation information occurring on an IDQS necessary to conduct its oversight functions because member IDQSs are subject to the CAT NMS Plan, which requires members to, among other things, report specified order and quote information to the CAT Central Repository. Accordingly, FINRA is proposing to delete Rule 6431.

Requirements for Member Inter-Dealer Quotation Systems

FINRA adopted Rule 6439 to, among other things, expand and enhance the obligations of member IDQSs that permit quotation updates on a real-time basis in OTC equity securities.¹⁷ Pursuant to Rule 6439(d), covered IDQSs must submit to FINRA on a monthly basis specified aggregate and order-level information for orders in OTC equity securities. FINRA is proposing to delete paragraph (d)(1)(B) of Rule 6439, which was

including any system that the SEC has qualified pursuant to Section 17B of the Act.

¹⁷ See Securities Exchange Act Release No. 92105 (June 3, 2021); 86 FR 30663 (June 9, 2021) (Order Approving File No. SR-FINRA-2020-031).

adopted before comparable information for OTC equity securities was being reported to CAT. Rule 6439(d)(2) specifically provides that member IDQs are not required to report to FINRA any of the items of information specified in Rule 6439(d)(1)(B) if, at a minimum, the items specified in Rule 6439 (d)(1)(B)(i) through (xi) are subject to reporting to the CAT under Rule 6830. The information specified in Rule 6439 (d)(1)(B)(i) through (xi) became subject to CAT reporting on December 31, 2021 and therefore Rule 6439(d)(1)(B), by its terms, does not apply to any FINRA members in light of CAT obligations. Therefore, FINRA is proposing to delete Rule 6439(d)(1)(B) because members currently are required to report comparable data pursuant to the CAT NMS Plan. Specifically, the following items proposed to be deleted under Rule 6439(d)(1)(B) are required to be reported to the CAT Central Repository: buy/sell; security symbol; price; size, all or none indicator; order entry firm identifier; order receipt time; time in force; and executed quantity. Response time and order response are derivable through CAT data, as CAT tracks all related events in the lifecycle of an order, such as cancellations, modifications, and order or route acceptances.

As noted in Item 2, FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁸ which requires, among other things, that FINRA rules

¹⁸ 15 U.S.C. 78o-3(b)(6).

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)(9) of the Act,¹⁹ which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate. FINRA believes that the proposed rule change will eliminate overlapping, duplicative or otherwise unnecessary rule requirements and promote clarity and consistency regarding member obligations under FINRA rules.

FINRA believes that this proposed rule change is consistent with the Act because it implements, interprets or clarifies the provisions of the CAT NMS Plan, and is designed to assist FINRA and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the CAT NMS Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”²⁰ To the extent that the proposed rule change implements, interprets or clarifies the CAT NMS Plan and applies specific requirements to Industry Members, FINRA believes that the proposed rule change furthers the objectives of the CAT NMS Plan, as identified by the SEC, and is therefore consistent with the Act.

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

¹⁹ 15 U.S.C. 78o-3(b)(9).

²⁰ See CAT Approval Order, supra note 2.

Act. The proposed rule change brings clarity and consistency to FINRA rules without adding any burden on firms.

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 on this proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

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)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act²¹ and paragraph (f)(6) of Rule 19b-4 thereunder,²² in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

FINRA requests that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii),²³ so FINRA can implement the proposed rule change immediately. In accordance with Rule 19b-4(f)(6),²⁴ FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f)(6).

²³ 17 CFR 240.19b-4(f)(6)(iii).

²⁴ 17 CFR 240.19b-4(f)(6).

change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.²⁵

The proposed rule change would not significantly affect the protection of investors or the public interest because it will eliminate overlapping, duplicative or otherwise unnecessary rule requirements and promote clarity and consistency regarding member obligations under FINRA rules. This proposed rule change also would not impose any significant burden on competition because it does not introduce any new requirements on firms and treats all similarly situated members in a like manner. Accordingly, FINRA has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act²⁶ and paragraph (f)(6) of Rule 19b-4 thereunder.²⁷

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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.

²⁵ 17 CFR 240.19b-4(f)(6)(iii).

²⁶ 15 U.S.C. 78s(b)(3)(A)(iii).

²⁷ 17 CFR 240.19b-4(f)(6).

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-2023-003)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rules to Address Duplicative Requirements

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 , the 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. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. 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, in light of member obligations relating to the Consolidated Audit Trail (“CAT”), to amend FINRA Rule 4590 (Synchronization of Member Business Clocks), amend FINRA Rule 6250 (Quote and Order Access Requirements), eliminate

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

FINRA Rule 6431 (Recording of Quotation Information), and amend FINRA Rule 6439 (Requirements for Member Inter-Dealer Quotation Systems).

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.

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 National Market System Plan governing the Consolidated Audit Trail (the "CAT NMS Plan")⁴ is intended to create, implement, and maintain a consolidated audit trail that will capture in a single consolidated data source customer and order event information for orders in NMS securities⁵ and OTC equity securities,⁶ across all markets,

⁴ FINRA and the national securities exchanges filed the CAT NMS Plan with the Commission pursuant to Section 11A of the Exchange Act and Rule 608 of Regulation NMS thereunder, and it was approved by the SEC on November 15, 2016. See Securities Exchange Act Release No. 79318 (November 15, 2016), 81 FR 84696 (November 23, 2016) ("CAT Approval Order").

⁵ See Rule 600(b)(54) of Regulation NMS.

⁶ See FINRA Rule 6420(f).

from the time of order inception through routing, cancellation, modification, or execution.⁷ FINRA is filing the proposed rule change to amend FINRA rules in light of the CAT NMS Plan to eliminate duplicative requirements or otherwise clarify regulatory obligations. Specifically, FINRA is proposing amendments to: (1) clarify overlapping clock synchronization requirements for members; (2) delete duplicative requirements relating to order and quote recording and reporting requirements in connection with the alternative display facility (“ADF”); (3) delete duplicative requirements relating to the reporting of quotation information for OTC equity securities; and (4) delete duplicative requirements relating to the submission of order-level quotation information for OTC equity securities.⁸

Synchronization of Member Business Clocks

FINRA Rule 4590 requires members to synchronize their business clocks, including computer system clocks and mechanical time stamping devices, that are used for purposes of recording the date and time of any event that must be recorded pursuant to the FINRA By-Laws or other FINRA rules. Rule 4590 further requires that business clocks, including computer system clocks and manual time stamp machines, be synchronized to within a one second tolerance of the National Institute of Standards (NIST) atomic clock, except that computer system clocks that are used to record events in NMS securities, including standardized options, and OTC equity securities, must be

⁷ See e.g., Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (August 1, 2012).

⁸ The proposed rule change would also update cross-references in FINRA Rules 6220, 6275 and 6279, including updating citations to Rule 600(b) of Regulation NMS.

synchronized to within a 50-millisecond tolerance of the NIST clock. FINRA adopted Rule 4590 before the CAT NMS Plan was approved and before FINRA adopted Rule 6820.

FINRA Rule 6820 (Clock Synchronization)⁹ addresses clock synchronization obligations pursuant to the CAT NMS Plan and prescribes the requirements for industry members in synchronizing their business clocks. FINRA is therefore proposing amendments to clarify that Rule 4590 applies only where Rule 6820 does not. Therefore, Rule 6820, rather than Rule 4590, would apply to business clocks used to record events for NMS securities and OTC equity securities, but Rule 4590 would apply to business clocks that record events in debt securities. This proposed rule change is intended solely to eliminate overlapping rule requirements and promote clarity.

Alternative Display Facility Quote and Order Access Requirements

FINRA Rule 6250 provides quoting and order access requirements for members that utilize FINRA's ADF to display quotes in an ADF-eligible security.¹⁰ Pursuant to Rule 6250, ADF Trading Centers¹¹ must record and report to FINRA on a daily basis specified order information. Among other things, paragraph (b) of Rule 6250 requires an ADF Trading Center to record and report orders originated, received, transmitted,

⁹ Rule 6820 falls under the CAT Compliance Rule Series.

¹⁰ FINRA Rule 6220(a)(2) defines an "ADF-eligible security" as an NMS stock as defined by SEC Regulation NMS.

¹¹ FINRA Rule 6220(a)(4) defines an "ADF trading center" as a registered reporting ADF market maker, or a registered reporting ADF electronic communications network that is a "trading center," as defined by SEC Regulation NMS, and that is certified, pursuant to Rule 6250, to display its quotations or orders through the ADF.

modified, canceled, or executed by other broker-dealers via direct or indirect access and paragraph (c) requires an ADF Trading Center to record and report to FINRA certain information for each order that is part of a displayed bid or offer on the ADF, or the execution details, if any, of each order that is part of a displayed bid or offer.

FINRA is proposing amendments to Rule 6250 to delete requirements that are duplicative of requirements under the CAT NMS Plan or that are otherwise unnecessary to oversee the ADF. Specifically, FINRA Rule 6830 (Industry Member Data Reporting)¹² requires members, including members meeting the definition of an ADF Trading Center, to comply with the reporting requirements of the CAT NMS Plan. Pursuant to Rule 6830(a), Industry Members must report to the CAT Central Repository information with respect to orders originated, received, transmitted, modified, canceled, or executed by other broker-dealers, which is duplicative of the requirements currently specified in Rule 6250(b) and (c). Accordingly, FINRA is proposing to delete Rule 6250(b) and 6250(c) in their entirety to avoid unnecessary or duplicative regulatory requirements.¹³

FINRA has confirmed that the information required to be submitted by members pursuant to Rule 6830(a) is sufficient for FINRA oversight of the ADF. Specifically, the following items proposed to be deleted under Rule 6250(b)(1) are available in CAT data: unique order identifier; order entry firm; order side; order quantity; symbol; order price; time in force; order date; order time; minimal acceptable quantity; and ADF trading

¹² Rule 6830 falls under the CAT Compliance Rule Series.

¹³ FINRA proposes to renumber Rules 6250(d), 6250(e), 6250(f), 6250(g) and 6250(h) as Rules 6250(b), 6250(c), 6250(d), 6250(e), and 6250(f) in light of the proposed deletion of Rules 6250(b) and 6250(c).

center. In addition, the following items proposed to be deleted under Rule 6250(b)(2) are available in CAT data: unique order identifier; order response time; quantity; and price. The following items proposed to be deleted under Rule 6250(c)(1) are available in CAT data: symbol; side; price; quantity; order date and time of receipt; order instructions; firm identifiers and capacity information; quote identifier; quote price; and quote time. Order response, which is proposed to be deleted under Rule 6250(b)(1), is derivable from CAT data, as CAT tracks all related events in the lifecycle of an order, such as cancellations, modifications, and order or route acceptances. FINRA notes that every order submitted to the CAT Central Repository is assigned a unique order identifier, which FINRA believes obviates the need for a separate internal order identifier as is currently required under Rule 6250(c)(1). FINRA also has access to information in the CAT Central Repository regarding whether an order is marked short sale exempt.¹⁴ With respect to the recordkeeping requirements of Rule 6250(b), FINRA notes that Rule 6890 (Recordkeeping) requires industry members to maintain and preserve records of the information required to be recorded under the CAT Compliance Rule Series for the period of time and accessibility specified in SEA Rule 17a-4(b) and SEA Rule 17a-4(f), obviating the need for the separate recordkeeping provisions of Rule 6250(b).¹⁵

¹⁴ Rule 6250(c)(1) also requires members to submit to FINRA the reason for any short sale exemption as well as the identity of the clearing member. Neither of these items of information are currently available in the CAT Central Repository; however, obtaining this information through daily submissions is not necessary for FINRA to effectively oversee ADF activity. Should the facts and circumstances of any particular matter warrant obtaining additional insight into the reasons for a short sale exemption or the identity of a clearing member, FINRA would contact the relevant member to request the relevant information.

¹⁵ See Rule 6800 Series (Consolidated Audit Trail Compliance Rule).

Recording of Quotation Information in OTC Equity Securities

FINRA Rule 6431 was implemented in 2003 to provide FINRA with access to quotation data for “OTC equity securities,” as defined under FINRA Rule 6420 (Definitions),¹⁶ to facilitate FINRA’s oversight of members and, when necessary, reconstruct market activity.¹⁷ Rule 6431 generally requires OTC Market Makers¹⁸ that display quotations on a non-FINRA- or non-member-operated inter-dealer quotation system (“IDQS”) to record information about their quotations and to report the information to FINRA upon request, including, e.g., trade date, time the quotation is displayed, security name and symbol. Rule 6431 does not require such information to be recorded or reported by the IDQSs themselves. Due to changes in the marketplace, members have not reported quotation data to FINRA pursuant to Rule 6431 for several years since the IDQS that previously was not a FINRA member became a FINRA member. Because Rule 6431 only applies to quotation activity occurring on a non-FINRA- or non-member-operated IDQS, members were not required to report quotation data that occurred on a member system pursuant to Rule 6431. Today, FINRA has access to quotation information occurring on an IDQS necessary to conduct its oversight functions because member IDQSs are subject to the CAT NMS Plan, which requires

¹⁶ See Rule 6420.

¹⁷ See Securities Exchange Act Release No. 47587 (March 27, 2003), 68 FR 16328 (April 3, 2003) (Order Approving File No. SR-NASD-2000-042). See also Notice to Members 03-28 (June 2003).

¹⁸ FINRA Rule 6420(g) generally defines “OTC Market Maker” as a member of FINRA that holds itself out as a market maker by entering proprietary quotations or indications of interest for a particular OTC equity security in any IDQS, including any system that the SEC has qualified pursuant to Section 17B of the Act.

members to, among other things, report specified order and quote information to the CAT Central Repository. Accordingly, FINRA is proposing to delete Rule 6431.

Requirements for Member Inter-Dealer Quotation Systems

FINRA adopted Rule 6439 to, among other things, expand and enhance the obligations of member IDQs that permit quotation updates on a real-time basis in OTC equity securities.¹⁹ Pursuant to Rule 6439(d), covered IDQs must submit to FINRA on a monthly basis specified aggregate and order-level information for orders in OTC equity securities. FINRA is proposing to delete paragraph (d)(1)(B) of Rule 6439, which was adopted before comparable information for OTC equity securities was being reported to CAT. Rule 6439(d)(2) specifically provides that member IDQs are not required to report to FINRA any of the items of information specified in Rule 6439(d)(1)(B) if, at a minimum, the items specified in Rule 6439 (d)(1)(B)(i) through (xi) are subject to reporting to the CAT under Rule 6830. The information specified in Rule 6439 (d)(1)(B)(i) through (xi) became subject to CAT reporting on December 31, 2021 and therefore Rule 6439(d)(1)(B), by its terms, does not apply to any FINRA members in light of CAT obligations. Therefore, FINRA is proposing to delete Rule 6439(d)(1)(B) because members currently are required to report comparable data pursuant to the CAT NMS Plan. Specifically, the following items proposed to be deleted under Rule 6439(d)(1)(B) are required to be reported to the CAT Central Repository: buy/sell; security symbol; price; size, all or none indicator; order entry firm identifier; order receipt time; time in force; and executed quantity. Response time and order response are

¹⁹ See Securities Exchange Act Release No. 92105 (June 3, 2021); 86 FR 30663 (June 9, 2021) (Order Approving File No. SR-FINRA-2020-031).

derivable through CAT data, as CAT tracks all related events in the lifecycle of an order, such as cancellations, modifications, and order or route acceptances.

FINRA has filed the proposed rule change for immediate effectiveness. The effective date and the implementation date will be the date of filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,²⁰ 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)(9) of the Act,²¹ which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate. FINRA believes that the proposed rule change will eliminate overlapping, duplicative or otherwise unnecessary rule requirements and promote clarity and consistency regarding member obligations under FINRA rules.

FINRA believes that this proposed rule change is consistent with the Act because it implements, interprets or clarifies the provisions of the CAT NMS Plan, and is designed to assist FINRA and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the CAT NMS Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of

²⁰ 15 U.S.C. 78o-3(b)(6).

²¹ 15 U.S.C. 78o-3(b)(9).

the purposes of the Act.”²² To the extent that the proposed rule change implements, interprets or clarifies the CAT NMS Plan and applies specific requirements to Industry Members, FINRA believes that the proposed rule change furthers the objectives of the CAT NMS Plan, as identified by the SEC, and is therefore consistent with the Act.

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. The proposed rule change brings clarity and consistency to FINRA rules without adding any burden on firms.

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 on this proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²³ and Rule 19b-4(f)(6) thereunder.²⁴

²² See CAT Approval Order, supra note 4.

²³ 15 U.S.C. 78s(b)(3)(A).

²⁴ 17 CFR 240.19b-4(f)(6).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or 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-2023-003 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-2023-003. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2023-003 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.²⁵

Jill M. Peterson
Assistant Secretary

²⁵ 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.

* * * * *

4500. BOOKS, RECORDS AND REPORTS

* * * * *

4590. Synchronization of Member Business Clocks

(a) No Change.

(b) Business clocks, including computer system clocks and manual time stamp machines, must record time in hours, minutes and seconds and must be synchronized to a source that is synchronized to within a one second tolerance of the National Institute of Standards' (NIST) atomic clock[, except that computer system clocks that are used to record events in NMS securities, including standardized options, and OTC Equity Securities as that term is defined in FINRA Rule 6420, must be synchronized within a 50-millisecond tolerance of the NIST clock]. This tolerance includes all of the following:

(1) through (3) No Change.

(c) No Change.

••• Supplementary Material: -----

.01 No Change.

.02 Members must comply with the provisions of this Rule 4590 only to the extent that Rule 6820 (Clock Synchronization) under the Rule 6800 Series (Consolidated Audit Trail Compliance Rule) does not apply, e.g., to business clocks that record events in debt securities.

* * * * *

6000. QUOTATION, ORDER, AND TRANSACTION REPORTING FACILITIES

* * * * *

6200. ALTERNATIVE DISPLAY FACILITY

* * * * *

6220. Definitions

(a) No Change.

(1) No Change.

(2) “ADF-eligible security” means an NMS stock as defined in Rule 600(b)[(47)](54) of SEC Regulation NMS.

(3) No Change.

(4) “ADF Trading Center” means a Registered Reporting ADF Market Maker, or a Registered Reporting ADF ECN that is a “Trading Center,” as defined in Rule 600(b)[(78)](95) of SEC Regulation NMS, and that is certified, pursuant to Rule 6250, to display its quotations or orders through the ADF.

(5) through (15) No Change.

(b) No Change.

* * * * *

6250. Quote and Order Access Requirements

(a) 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 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]

[(C) Order Side]

[(D) Order Quantity]

[(E) Symbol]

[(F) Order Price]

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

[(H) Order Date]

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

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

[(K) ADF Trading Center]

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

[The information described in subparagraphs (A) through (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 (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., Execute, Cancel, Correct, Reject)]

[(C) Order Response Time (expressed in hours, minutes, 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) Maintaining and Preserving Records]

[(A) In addition to submitting the information described herein to FINRA, each member shall maintain and preserve records of the

information required to be recorded under this Rule for the period of time and accessibility specified in SEA Rule 17a-4(b).]

[(B) The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on “micrographic media” as defined in SEA Rule 17a-4(f)(1)(i) or by means of “electronic storage media” as defined in SEA Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEA Rule 17a-4(f) and may be maintained and preserved for the required time in that form.]

[(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) Method of Transmitting Data]

[Members shall transmit this information in such form as prescribed by FINRA.]

[(6) Reporting Agent Agreements]

[(A) “Reporting Agent” shall mean a third party that enters into any agreement with a member pursuant to which such third party agrees to fulfill such member’s obligations under this Rule.]

[(B) Any member may enter into an agreement with a Reporting Agent pursuant to which the Reporting Agent agrees to fulfill the obligations of such member under this Rule. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Rule.]

[(C) All written documents evidencing an agreement described in subparagraph (6)(B) shall be maintained by each party to the agreement.]

[(D) Each member remains responsible for compliance with the requirements of this Rule, notwithstanding the existence of an agreement described in this paragraph.]

[(7) Withdrawal of Quotations]

[If an ADF Trading Center knows or has reason to believe that it or its Reporting Agent is not complying with the requirements of this Rule, the ADF Trading Center must withdraw its quotations from the ADF until such time that the member is satisfied that it is in compliance with the requirements of this Rule.]

[(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.]

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

[(f)](d) Minimum Performance Standards

(1) ADF Trading Centers must submit “Automated Quotations,”[.] as defined in Rule 600(b)[(3)](6) of SEC Regulation NMS to the ADF for posting. “Manual Quotations,” as defined in Rule 600(b)[(37)](45) of SEC Regulation NMS, shall not be submitted to the ADF. As a precondition to becoming an ADF Trading Center, an ADF Trading Center must, among other things, certify to FINRA their compliance with this paragraph based on reasonable forecasts of peak volume activity and the establishment of policies and procedures to ensure only “Automated Quotations,” as defined in Rule 600(b)[(3)](6) of SEC Regulation NMS, are submitted to the ADF.

(2) In the event that an ADF Trading Center experiences three [(3)] unexcused system outages during a period of five [(5)] business days, the ADF Trading Center may be suspended from quoting in the ADF in all or certain issues for a period of [twenty (]20[)] business days. With respect to an ADF Trading Center, a “system outage” shall mean an inability to post “Automated Quotations,” as defined by Rule 600(b)[(3)](6) of SEC Regulation NMS, in the ADF or an inability to immediately and automatically respond to orders.

(3) Officers of FINRA [or FINRA Regulation] designated by the Chief Executive Officer of FINRA shall, pursuant to the procedures set forth in paragraph [(g)](e) of this Rule[below], have the authority to review any system outage to determine whether the system outage should be excused. An officer may deem a system outage excused upon proof by the ADF Trading Center that the system outage resulted from circumstances not within the control of the ADF Trading Center. The burden shall rest with the ADF Trading Center to demonstrate that a system outage should be excused.

(4) No Change.

[(g)](e) Procedures for Reviewing System Outages

(1) Any ADF Trading Center that seeks to have a system outage reviewed pursuant to paragraph [(f)](d)(3) of this Rule[hereof], shall submit a written request, via facsimile, e-mail, personal delivery, courier or overnight mail to 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) An ADF Trading Center that seeks review of a system outage shall supply any supporting information for a determination under paragraph [(f)](d)(3) to FINRA staff by the close of business on the day following the system outage.

(3) An ADF Trading Center that seeks review of a system outage shall supply FINRA staff with any information requested to make a determination pursuant to paragraph [(f)](d)(3).

(4) An officer shall, in accordance with paragraph [(f)](d)(3), make a determination whether a system outage is excused by the close of business on the day following the receipt of information supplied pursuant to paragraphs [(g)](e)(2) and [(g)](e)(3).

(5) An ADF Trading Center may appeal a determination made under paragraph [(f)](d)(3) to a three-member subcommittee comprised of current or former industry members of FINRA's Market Regulation Committee in writing, via facsimile or otherwise, by the close of business on the day a determination is rendered pursuant to paragraph [(f)](d)(3). An appeal to the subcommittee shall operate as a stay of the determination made pursuant to paragraph [(f)](d)(3). Once a written appeal has been received, the ADF Trading Center may submit any additional supporting written documentation, via facsimile or otherwise, up until the time the appeal is considered by the subcommittee. The subcommittee shall render a determination by the close of business following the day a notice of appeal is received. The subcommittee's determination shall be final and binding.

(h) renumbered as (f).

* * * * *

6275. Withdrawal of Quotations

(a) An ADF Trading Center that wishes to withdraw quotations in a security, other than instances when an ADF Trading Center is unable to submit automated quotations to the ADF, shall contact ADF Operations to obtain excused withdrawal status prior to withdrawing its quotations. If an ADF Trading Center cannot submit automated quotations or is unable to immediately and automatically respond to orders, as required by Rule 6250(c)(e), the ADF Trading Center must immediately withdraw its quotations and promptly contact ADF Operations. An excused withdrawal of quotations may be granted by ADF Operations upon satisfying one of the conditions specified in this Rule.

(b) Excused withdrawal status based on circumstances beyond the ADF Trading Center's control may be granted for up to five (5) business days, unless extended by ADF Operations. Excused withdrawal status based on demonstrated legal or regulatory requirements, supported by appropriate documentation and accompanied by a representation that the condition necessitating the withdrawal of quotations is not permanent in nature, may, upon notification, be granted for not more than (60) days (unless such request is required to be made pursuant to paragraph (d) of this Rule below). Excused withdrawal status based on religious holidays may be granted only if notice is received by FINRA one business day in advance and is approved by FINRA. Excused withdrawal status based on vacation may be granted only if:

(1) through (2) No Change.

(c) through (g) No Change.

••• **Supplementary Material:** -----

.01 No Change.

* * * * *

6279. Alternative Trading Systems

(a) FINRA may provide a means to permit alternative trading systems (“ATs”), as such term is defined in Regulation ATS, and electronic communications networks (“ECNs”), as such term is defined in Rule 600(b)(31)(23) of SEC Regulation NMS, to comply with the display requirements of Rule 301(b)(3) of SEC Regulation ATS and the terms of the ECN display alternative provided for in Rule 602(b)(5)(ii)(A) and (B) of SEC Regulation NMS (“ECN display alternatives”). FINRA will not facilitate compliance with access requirements, which are the responsibility of ADF Trading Centers under Rule 6250.

(b) through (c) No Change.

* * * * *

6400. QUOTING AND TRADING IN OTC EQUITY SECURITIES

* * * * *

6431. Reserved.[Recording of Quotation Information]

[(a) Quotation Recording Requirements]

[(1) Subject to the terms and conditions contained herein, each OTC Market Maker that displays priced quotations (bid and/or offer) or unpriced indications of interest in OTC Equity Securities in an inter-dealer quotation system that permits quotation updates on a real-time basis shall record each item of information described in paragraph (b) of this Rule. This quote activity record must reflect all changes in an OTC Market Maker’s priced quotation or quotation

size displayed or unpriced indication of interest, and the time any such change was effected.]

[(2) Members shall record each item of information required to be recorded under this Rule in such form as is prescribed by FINRA from time to time.]

[(3) Maintaining and Preserving Records]

[(A) Each member shall maintain and preserve records of the information required to be recorded under this Rule for the period of time and accessibility specified in SEA Rule 17a-4(a).]

[(B) The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on “micrographic media” as defined in SEA Rule 17a-4(f)(1)(i) or by means of “electronic storage media” as defined in SEA Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEA Rule 17a-4(f) and may be maintained and preserved for the required time in that form.]

[(b) Information to be Recorded]

[The quotation activity record required pursuant to paragraph (a) of this Rule shall contain, at a minimum, the following information for every priced quotation (bid and/or offer) or unpriced indication of interest displayed by the member during the trading day:]

[(1) Submitting firm;]

[(2) Inter-dealer quotation system or medium;]

[(3) Trade date;]

[(4) Time quotation displayed (expressed in hours, minutes and seconds);]

[(5) Security name and symbol;]

[(6) Bid and bid quotation size (if applicable);]

[(7) Offer and offer quotation size (if applicable);]

[(8) Prevailing Inside Bid; and]

[(9) Prevailing Inside Offer]

[If no updates were entered to an OTC Market Maker's quotation or quotation size for any given trading day, the member must record the information in subparagraphs (b)(1) through (7).]

[(c) Quotations Not Required To Be Recorded]

[The recording requirements contained in paragraphs (a) and (b) of this Rule shall not apply to quotations of OTC Equity Securities that are displayed on an inter-dealer quotation system that is:]

[(1) operated by a registered securities association or a national securities exchange; or]

[(2) operated by a member of FINRA.]

[(d) Reporting Requirements]

[(1) General Requirement]

[Members shall report information required to be recorded under this Rule to FINRA upon its request.]

[(2) Method of Transmitting Data]

[Members shall transmit this information in such form prescribed by FINRA.]

[(e) Reporting Agent Agreements]

[(1) “Reporting Agent” shall mean a third party that enters into any agreement with a member pursuant to which such third party agrees to fulfill such member's obligations under this Rule.]

[(2) Any member may enter into an agreement with a Reporting Agent pursuant to which the Reporting Agent agrees to fulfill the obligations of such member under this Rule. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Rule.]

[(3) All written documents evidencing an agreement described in paragraph (e)(2) shall be maintained by each party to the agreement.]

[(4) Each member remains responsible for compliance with the requirements of this Rule, notwithstanding the existence of an agreement described in this paragraph.]

[(f) Withdrawal of Quotations or Unpriced Indications of Interest]

[If a member knows or has reason to believe that it or its Reporting Agent is not complying with the requirements of this Rule, the member must withdraw its quotations or unpriced indications of interest until such time that the member is satisfied that its quotation data is being properly recorded and reported.]

* * * * *

6439. Requirements for Member Inter-Dealer Quotation Systems

A member inter-dealer quotation system (whether or not also an alternative trading system or “ATS” as defined by Rule 300(a) of SEC Regulation ATS) that permits quotation updates on a real-time basis in OTC Equity Securities must comply with the following requirements:

(a) through (c) No Change.

(d)[(1)] Member inter-dealer quotation systems that do not automatically execute all orders presented for execution against displayed quotations for which a member subscriber has a Rule 5220 obligation must [report to FINRA the below order and related response information for such orders in an OTC Equity Security] provide to FINRA aggregated information per member subscriber market participant identifier (MPID) across all symbols quoted by the MPID during the preceding calendar month. The following information must be reported on a monthly basis in the form and manner prescribed by FINRA:

[(A) MPID-level Aggregate Information. The member inter-dealer quotation system must provide to FINRA aggregated information per member subscriber market participant identifier (MPID) across all symbols quoted by the MPID during the preceding calendar month; specifically:]

[(i)](1) Total number of marketable orders presented for execution against the MPID’s quotation;

[(ii)](2) Average execution (full or partial) time for marketable orders presented against the MPID’s quotation based on the time an order is presented;

[(iii)](3) Total number of full or partial executions based on the time a marketable order is presented that are within the following execution timeframes: < 5 seconds; ≥ 5 seconds and < 10 seconds; ≥10 and < 20 seconds; and ≥ 20 seconds;

[(iv)](4) Total number of marketable orders presented against the MPID's quotation that did not receive a full or partial execution; and

[(v)](5) Average response time of the highest 10% and highest 50% of the MPID's response times for marketable orders (for full or partial executions);

[(B) Order-level Information. The member inter-dealer quotation system must provide to FINRA information for each order presented against an MPID's quotation during the preceding calendar month; specifically:]

[(i) Buy/Sell;]

[(ii) Security symbol;]

[(iii) Price;]

[(iv) Size;]

[(v) All or None indicator (Y/N);]

[(vi) Order entry firm MPID;]

[(vii) Order receipt time;]

[(viii) Time in force;]

[(ix) Response time;]

[(x) Order Response (e.g., execute, reject, cancel, etc.);]

[(xi) Executed quantity;]

[(xii) System-generated order number (if any); and]

[(xiii) Position in queue for quote (e.g., IL, IL2);]

[(2) Member inter-dealer quotation systems are not required to report to FINRA pursuant to this Rule any of the items of information specified in paragraph (d)(1)(B) of this Rule if, at a minimum, the items specified in paragraph (d)(1)(B)(i) through (xi) are subject to reporting to the Consolidated Audit Trail under Rule 6830;]

(e) through (f) No Change.

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