

Equity Trade Reporting

FINRA Amends Its Equity Trade Reporting Rules Relating to Timestamp Granularity

Effective Date: November 15, 2021 (ADF and TRFs)
November 14, 2022 (ORF)

Summary

FINRA has amended its rules to require firms to report time fields in trade reports submitted to a FINRA equity trade reporting facility (or FINRA Facility)¹ using the same timestamp granularity that they use when reporting to the Consolidated Audit Trail (CAT). Once the amendments are effective, firms that report time on CAT order execution events in increments finer than milliseconds must report to the FINRA Facilities in such finer increment—up to nanoseconds. The effective dates of the amendments, along with the schedule for publication of updated technical specifications and testing, are set forth below.

The amended rule text is available in the online FINRA Manual.

Questions regarding this *Notice* may be directed to:

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- ▶ Brendan Loonam, Senior Director, Transparency Services, at (212) 858-4203 or brendan.loonam@finra.org; and
- ▶ for legal and interpretive questions, please contact Lisa Horrigan, Associate General Counsel, Office of General Counsel, at (202) 728-8190 or lisa.horrigan@finra.org.

Background and Discussion

Currently, there is a difference in the timestamp granularity requirements applicable to firms reporting to the FINRA Facilities (up to milliseconds) and to the CAT (up to nanoseconds). FINRA's equity trade reporting rules require firms to report all time fields, including time of execution, to the FINRA Facilities in seconds (*i.e.*, HH:MM:SS) and in milliseconds, if the member's system captures time in milliseconds.² Pursuant to Rule 6860 of FINRA's CAT Compliance Rule,³ except as otherwise provided for Manual Order Events,

December 2, 2020

Notice Type

- ▶ Rule Amendment

Suggested Routing

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

Key Topics

- ▶ Alternative Display Facility (ADF)
- ▶ Consolidated Audit Trail (CAT)
- ▶ NMS Stocks
- ▶ OTC Equity Securities
- ▶ OTC Reporting Facility (ORF)
- ▶ Timestamp Granularity
- ▶ Trade Reporting
- ▶ Trade Reporting Facilities (TRF)

Referenced Rules & Notices

- ▶ FINRA Rules 6282, 6380A, 6380B and 6622
- ▶ FINRA Rule 6860
- ▶ FINRA Rules 7130, 7230A, 7230B and 7330
- ▶ Regulatory Notice 14-21

Industry Members are required to report timestamps for Reportable Events, including order executions, to the CAT in milliseconds.⁴ However, if their system captures time in finer increments, then the Industry Member must report to the CAT in such finer increment up to nanoseconds.

On November 12, 2020, the SEC approved amendments to FINRA's equity trade reporting rules that address this difference in timestamp granularity requirements.⁵ Pursuant to the amendments, Industry Members with an obligation to report order execution events to the CAT under FINRA's CAT Compliance Rule are required to report time fields in trade reports submitted to a FINRA Facility using the same timestamp granularity—currently up to nanoseconds—that they use to report to the CAT.

FINRA notes that, except as discussed below, all trades that are reported to a FINRA Facility are also reportable to the CAT as order execution events. Thus, firms with a reporting obligation under FINRA's trade reporting rules have a CAT reporting obligation and are subject to the timestamp granularity requirements under the CAT Compliance Rule. Once the amendments are implemented, firms reporting time on order execution events to the CAT in increments finer than milliseconds are required to report time to the FINRA Facilities in such finer increments—currently up to nanoseconds.

There is one instance where a firm may have a trade reporting obligation without a corresponding CAT reporting obligation. Specifically, trades in restricted equity securities effected pursuant to Securities Act Rule 144A must be reported to the OTC Reporting Facility (ORF); however, such trades are not reportable to the CAT.⁶ In that limited instance, a firm could report to the ORF in seconds, or if the firm's system captures time in milliseconds, the firm would be required to report in milliseconds. The firm would not be required under the amendments to report in increments finer than milliseconds; however, the firm could voluntarily do so.

Importantly, FINRA is reminding firms of their trade reporting obligations under current rules and guidance. As noted above, FINRA's equity trade reporting rules require firms to report time to the FINRA Facilities in milliseconds if the member's system captures time in milliseconds. Firms reporting to the CAT must have systems that capture time in at least milliseconds to meet CAT reporting requirements. Accordingly, firms reporting time on CAT order execution events in milliseconds (or finer increments) today must report to the FINRA Facilities in milliseconds under current trade reporting rules.⁷ Consistent with current guidance, if a firm submits multiple reports for the same event (*e.g.*, a FINRA Facility trade report and CAT order execution event), FINRA expects the timestamp granularity on the reports to match, and firms may need to update their systems for trade reporting to reflect timestamps in milliseconds used in their CAT reporting systems.⁸ Upon implementation of the amendments, firms must report time to the FINRA Facilities in increments more granular than milliseconds, as discussed above.

Implementation Schedule

The amendments requiring firms to report to the FINRA Facilities in increments finer than milliseconds—up to nanoseconds—will be implemented according to the following schedule:

Alternative Display Facility, FINRA/Nasdaq TRFs and FINRA/NYSE TRF

- ▶ Effective date of amendments: November 15, 2021
- ▶ Publication of updated technical specifications: no later than June 14, 2021
- ▶ Commencement of testing: no later than August 16, 2021

OTC Reporting Facility

- ▶ Effective date of amendments: November 14, 2022
- ▶ Publication of updated technical specifications: no later than June 13, 2022
- ▶ Commencement of testing: no later than August 15, 2022

Endnotes

1. Specifically, the equity FINRA Facilities are (1) the Alternative Display Facility, the FINRA/Nasdaq Trade Reporting Facilities and the FINRA/NYSE Trade Reporting Facility, through which member firms report OTC transactions in NMS stocks to FINRA, and (2) the OTC Reporting Facility, through which member firms report transactions in OTC equity securities to FINRA.
2. See Rules 6282.04, 6380A.04, 6380B.04, 6622.04, 7130.01, 7230A.01, 7230B.01 and 7330.01.
3. See Section 1.1 of the CAT NMS Plan. FINRA's CAT Compliance Rule is the FINRA Rule 6800 Series (Consolidated Audit Trail Compliance Rule).
4. Terms used but not otherwise defined herein have the meaning set forth in the CAT NMS Plan and FINRA's CAT Compliance Rule. Specifically, "Industry Member," "Manual Order Event" and "Reportable Event" are defined under Section 1.1 of the CAT NMS Plan and FINRA Rule 6810.
5. See Securities Exchange Act Release No. 90396 (November 12, 2020), 85 FR 73541 (November 18, 2020) (Order Approving File No. SR-FINRA-2020-029). As discussed in FINRA's filing, the amendments were adopted to comply with the SEC's exemptive relief from certain CAT NMS Plan requirements. The SEC expressly conditioned the relief on the FINRA Facilities accepting timestamps up to nanoseconds. See Securities Exchange Act Release No. 89051 (June 11, 2020), 85 FR 36631 (June 17, 2020).
6. See Rule 6622(a)(3). Unlike trades in OTC equity securities, trades in restricted equity securities effected pursuant to Rule 144A are not required to be reported to the ORF within 10 seconds and as such are not reportable to the CAT.
7. FINRA notes that small Industry Members that do not currently report to FINRA's Order Audit Trail System (OATS) are not required to begin reporting to the CAT until December 13, 2021. Accordingly, FINRA would not expect these non-OATS reporters to report to the FINRA Facilities in milliseconds until December 13, 2021, unless their systems currently capture milliseconds.
8. See [Regulatory Notice 14-21](#) (May 2014).