

October 2014

FINRA Proposes Rule Changes

Focuses on high-frequency trading and equity market transparency

At a recent FINRA Board of Governors meeting, a series of proposed rule changes were announced. The Board authorized Regulatory Notices on the following regulatory initiatives:

- **ATS Transparency** - proposal to publish a market participant's non-ATS over the counter equity volume. This is an expansion of the recently implemented ATS transparency initiative.
- **ATS Order Book Information** - proposal for ATSS to provide FINRA with order book information that is not currently reported by the ATS to the Order Audit Trail System (OATS).
- **Trade Sequencing** - proposal to identify OTC trades in NMS stocks reported more than two seconds after a trade execution as "out of sequence" for public dissemination purposes.
- **Clock Synchronization** - proposal that firms synchronize their computer system business clocks to the National Institute of Standards and Technology atomic clock with an allowable drift of between 50-200 milliseconds.
- **Supervision of Algorithmic Trading Strategies** - proposal to provide additional guidance regarding effective controls and practices to prevent adverse impacts on the market.
- **Registration of Associated Persons Involved in the Preparation of Algorithmic Strategies** - proposal to establish a registration requirement for associated persons who are (1) primarily responsible for the design, development or for directing the significant modification of an algorithmic trading strategy or (2) responsible for supervising such functions.
- **Fixed Income Pricing Disclosure** - proposal for member firms to provide confirmation disclosure of pricing in same-day principal trades of retail size.
- **Fixed Income Quotation Information** - proposal requiring that ATSS report to FINRA for regulatory purposes information regarding the quotations they display to their general subscriber base for certain fixed income securities.

For additional information regarding the above proposals, please see FINRA's website.