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## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-99075; File No. SR-FINRA-2023-017]**

**Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.;**  
**Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend**  
**FINRA Rules to Conform to Exchange Act Rules 15c6-1 and 15c6-2 to Shorten the**  
**Standard Settlement Cycle for Most Broker-Dealer Transactions from Two**  
**Business Days after the Trade Date to One Business Day after the Trade Date**

December 4, 2023

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”) and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 28, 2023, 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 and II 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,<sup>3</sup> 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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rules 2341 (Investment Company Securities), 4515 (Approval and Documentation of Changes in Account Name or Designation), 6282 (Transactions Reported by Members to the ADF), 6380A (Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting), 7140 (Trade Report Processing), 7240A (Trade Report Processing), 7340 (Trade Report Processing), 11140 (Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”), 11150 (Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”), 11210 (Sent by Each Party), 11320 (Dates of Delivery), 11620 (Computation of Interest), 11860 (COD Orders), 11893 (Clearly Erroneous Transactions in OTC Equity Securities), and 11894 (Review by the Uniform Practice Code (“UPC”) Committee) to conform to the Commission’s final amendments to Exchange Act Rule 15c6-1 and adoption of Exchange Act Rule 15c6-2 to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date (“T+2”) to one business day after the trade date (“T+1”).<sup>4</sup>

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

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<sup>4</sup> See Securities Exchange Act Release No. 96930 (February 15, 2023), 88 FR 13872 (March 6, 2023) (File No. S7-05-22) (Shortening the Securities Transaction Settlement Cycle) (“SEC T+1 Adopting Release”). The effective date of final Exchange Act Rules changes is May 5, 2023, and the compliance date is May 28, 2024.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

In October 1993, the Commission adopted Exchange Act Rule 15c6-1 to shorten the standard U.S. trade settlement cycle for most securities transactions from five business days after the trade date (“T+5”) to three business days after the trade date (“T+3”).<sup>5</sup> In March 2017, the Commission amended Exchange Act Rule 15c6-1 to further shorten the trade settlement cycle from T+3 to T+2.<sup>6</sup> On both occasions, FINRA

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<sup>5</sup> See Securities Exchange Act Release No. 33023 (October 6, 1993), 58 FR 52891 (October 13, 1993) (File No. S7-5-93). The implementation date of Exchange Act Rule 15c6-1 was June 7, 1995. See Securities Exchange Act Release No. 34592 (November 9, 1994), 59 FR 59137 (November 16, 1994) (File No. S7-5-93). When adopted, Exchange Act Rule 15c6-1 prohibited broker-dealers from effecting or entering into a contract for the purchase or sale of a security (other than an exempted security, government security, municipal security, commercial paper, bankers’ acceptances, or commercial bills) that provides for payment of funds and delivery of securities later than the third business day after the date of the contract unless otherwise expressly agreed to by the parties at the time of the transaction. Although not covered by Exchange Act Rule 15c6-1, in 1995, the Commission approved the Municipal Securities Rulemaking Board’s (“MSRB”) rule change requiring transactions in municipal securities to settle by T+3. See Securities Exchange Act Release No. 35427 (February 28, 1995), 60 FR 12798 (March 8, 1995) (Order Approving File No. SR-MSRB-94-10).

<sup>6</sup> See Securities Exchange Act Release No. 80295 (March 22, 2017), 82 FR 15564 (March 29, 2017) (File No. S7-22-16). The compliance date for the T+2 settlement cycle was September 5, 2017. In April 2016, the Commission approved the MSRB’s rule change requiring transactions in municipal securities to settle by T+2. See Securities Exchange Act Release No. 77744 (April 29, 2016), 81 FR 26851 (May 4, 2016) (Order Approving File No. SR-MSRB-2016-04).

amended its settlement-related rules to conform to the Commission’s changes to the trade settlement cycle.<sup>7</sup>

Even before the adoption of the T+2 settlement cycle, the concept of a T+1 settlement cycle already was being considered.<sup>8</sup> In this regard, the Depository Trust & Clearing Corporation (“DTCC”) published a white paper in February 2021 highlighting the benefits of moving to a T+1 settlement cycle, particularly in light of the unprecedented market activity and volatility that had occurred in 2020 and early 2021.<sup>9</sup> Following the publication of the DTCC White Paper, the industry formed an Industry Steering Committee (“ISC”)<sup>10</sup> and an Industry Working Group (“IWG”)<sup>11</sup> to develop an industry consensus for the transition to a T+1 settlement cycle. In December 2021, SIFMA, ICI, DTCC, and Deloitte published a report summarizing the work conducted by the ISC and IWG and setting forth the ISC’s recommendations for transitioning to a T+1

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<sup>7</sup> See Securities Exchange Act Release No. 35507 (March 17, 1995), 60 FR 15616 (March 24, 1995) (Order Approving File No. SR-NASD-94-56); Securities Exchange Act Release No. 80004 (February 9, 2017), 82 FR 10835 (February 15, 2017) (Order Approving File No. SR-FINRA-2016-047) and Securities Exchange Act Release No. 80004A (March 6, 2017), 82 FR 13517 (March 13, 2017) (Correction to Order Approving File No. SR-FINRA-2016-047). Other self-regulatory organizations (“SROs”), including, as previously noted, the MSRB, also amended their rules to conform to the shortening of the settlement cycle to T+3 and then T+2.

<sup>8</sup> See, e.g., Deloitte & Touche LLP (“Deloitte”), T+2 Industry Implementation Playbook (12/18/2015), <https://www.ust2.com/pdfs/T2-Playbook-12-21-15.pdf>; Investor Advisory Committee, U.S. Securities and Exchange Commission Recommendation of the Investor Advisory Committee: Shortening the Settlement Cycle in U.S. Financial Markets (February 12, 2015), <https://www.sec.gov/spotlight/investor-advisory-committee-2012/settlement-cycle-recommendation-final.pdf>.

<sup>9</sup> See DTCC, Advancing Together: Leading the Industry to Accelerated Settlement (February 2021) (“DTCC White Paper”), <https://www.dtcc.com/-/media/Files/PDFs/White%20Paper/DTCC-Accelerated-Settle-WP-2021.pdf>.

<sup>10</sup> Participants in the ISC include, among others, DTCC, the Securities Industry and Financial Markets Association (“SIFMA”), and the Investment Company Institute (“ICI”). See <https://www.dtcc.com/ust1>.

<sup>11</sup> The IWG included over 800 subject matter advisors representing over 160 firms from buy- and sell-side firms, custodians, vendors, and clearinghouses. See *infra* note 12.

settlement cycle.<sup>12</sup> Thereafter, in August 2022, SIFMA, ICI, and Deloitte published a T+1 implementation playbook to help market participants prepare for the implementation of T+1 settlement.<sup>13</sup>

On February 9, 2022, the Commission published a proposal to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1.<sup>14</sup> In the SEC T+1 Proposing Release, the Commission noted its belief that shortening the settlement cycle from T+2 to T+1 can promote investor protection, reduce risk, and increase operational and capital efficiency. Moreover, the Commission noted that two episodes involving increased market volatility—the outbreak of the COVID-19 pandemic in March 2020 and the “meme” stock phenomenon in January 2021—refocused attention on a T+1 standard settlement cycle. In the SEC T+1 Proposing Release, the Commission further noted that substantial progress has been made toward identifying the technological and operational changes that are necessary to establish a T+1 settlement cycle, including the industry-level changes that would be necessary to transition from a T+2 standard to a T+1 standard settlement cycle. In proposing new Exchange Act Rule 15c6-2, the Commission stated that additional regulatory steps were “necessary to improve the processing of institutional transactions, advancing two other longstanding objectives shared by the Commission and the securities industry: the completion of trade allocations, confirmations, and affirmations on trade date (an objective often referred

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<sup>12</sup> See SIFMA, ICI, DTCC & Deloitte, Accelerating the U.S. Securities Settlement Cycle to T+1 (December 1, 2021), <https://www.sifma.org/wp-content/uploads/2021/12/Accelerating-the-U.S.-Securities-Settlement-Cycle-to-T1-December-1-2021.pdf>.

<sup>13</sup> See SIFMA, ICI & Deloitte, T+1 Securities Settlement Industry Implementation Playbook (August 2022), [https://www.sifma.org/wp-content/uploads/2022/08/T1\\_Industry\\_Implementation\\_Playbook.pdf](https://www.sifma.org/wp-content/uploads/2022/08/T1_Industry_Implementation_Playbook.pdf).

<sup>14</sup> See Securities Exchange Act Release No. 94196 (February 9, 2022), 87 FR 10436 (February 24, 2022) (File No. S7-05-22) (“SEC T+1 Proposing Release”).

to as “same-day affirmation”) and the straight-through processing of securities transactions.”<sup>15</sup> The Commission received numerous comment letters on the proposal, specifically regarding the proposed amendments to Exchange Act Rule 15c6–1 and proposed new Exchange Act Rule 15c6-2.<sup>16</sup>

Following consideration of the comments, on February 15, 2023, the Commission adopted final rules to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1.<sup>17</sup> In addition to the amendments to Exchange Act Rule 15c6-1 to shorten the settlement cycle, the Commission adopted new Exchange Act Rule 15c6-2 regarding same-day allocations and affirmations.

Final Exchange Act Rule 15c6-1 requires most broker-dealer transactions to settle by T+1, subject to certain exceptions. Final Exchange Act Rule 15c6-2 addresses same day allocations, confirmations and affirmations to improve institutional trades and straight-through processing. Certain transactions, primarily involving institutional trades, require post-trade exchange of confirmations and affirmations, in order for the parties to compare trade details and facilitate settlement with third-party custodians. In addition, investment managers that effect block trades for the accounts of several customers simultaneously need to provide post-trade underlying account allocation instructions to the broker or custodian before these transactions can settle. Final Exchange Act Rule 15c6-2 requires a broker-dealer to either enter into a written agreement or establish, maintain, and enforce written policies and procedures reasonably designed to ensure the completion of allocations, confirmations,

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<sup>15</sup> See SEC T+1 Adopting Release, supra note 4, 88 FR 13872, 13873.

<sup>16</sup> Copies of all comment letters received by the Commission are available at <https://www.sec.gov/comments/s7-05-22/s70522.htm>.

<sup>17</sup> See supra note 4.

and affirmations (or any combination thereof) as soon as technologically practicable and no later than the end of trade date in order to complete settlement by T+1.

#### Proposed Rule Change

Given the Commission's recent changes to shorten the standard settlement cycle for most U.S. securities transactions from T+2 to T+1, FINRA is proposing amendments to its rules to align them with the changes set forth in the T+1 Adopting Release. As such, FINRA is proposing to amend FINRA Rules 2341 (Investment Company Securities), 4515 (Approval and Documentation of Changes in Account Name or Designation), 6282 (Transactions Reported by Members to the ADF), 6380A (Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting), 7140 (Trade Report Processing), 7240A (Trade Report Processing), 7340 (Trade Report Processing), 11140 (Transactions in Securities "Ex- Dividend," "Ex-Rights" or "Ex-Warrants"), 11150 (Transactions "Ex-Interest" in Bonds Which Are Dealt in "Flat"), 11210 (Sent by Each Party), 11320 (Dates of Delivery), 11620 (Computation of Interest), 11860 (COD Orders), 11893 (Clearly Erroneous Transactions in OTC Equity Securities), and 11894 (Review by the Uniform Practice Code ("UPC") Committee).

The details of the proposed rule change are described below.

#### FINRA Rule 2341 (Investment Company Securities)

Rule 2341(m)(1) requires members, including underwriters, that engage in direct retail transactions for investment company shares to transmit payments received from customers for the purchase of investment company shares to the payee by the end of the second business day after receipt of a customer's order to purchase such shares, or by the end of one business day after receipt of a customer's payment for such shares, whichever

is later. FINRA is proposing to amend Rule 2341(m)(1) to change the two-business day transmittal requirement to one business day. FINRA is not proposing any changes to the one-business day alternative.

4515 (Approval and Documentation of Changes in Account Name or Designation)

Rule 4515 requires that, before a customer order is executed, the account name or designation must be placed upon the order form or other similar record for the transaction, and addresses the approval and documentation procedures for changes in such account name or designation. Additionally, Rule 4515.01 provides that when accepting orders from investment advisers, the member firm may allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, as long as the firm receives specific account designations or customer names from such investment advisers by noon of the next business day following the trading session.<sup>18</sup> FINRA is proposing to amend Rule 4515.01 to provide that when accepting orders from investment advisers, a member firm may allow such investment advisers to make allocations on their orders for customers on whose behalf the investment advisers submit the orders, as long as the member firm receives specific account designations or customer names from such investment advisers

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<sup>18</sup> Rule 4515.01 applies only where there is more than one customer for any particular order and it extends to investment advisers that are registered under the Investment Advisers Act or that, but for Investment Advisers Act Section 203(b) or 203A, would be required to register under the Investment Advisers Act. In addition, Rule 4515.01 clarifies that member firms may not knowingly facilitate the allocation of orders from investment advisers in a manner other than in compliance with both (i) the investment adviser's intent at the time of trade execution to allocate shares on a percentage basis to the participating accounts and (ii) the investment adviser's fiduciary duty with respect to allocations for such participating accounts, including but not limited to allocations based on the performance of a transaction between the time of execution and the time of allocation.

by no later than the end of the day on the trade date. FINRA is proposing to amend the timeframe by which a member firm must receive the specific account designations or customer names from the investment adviser to conform Rule 4515.01 with the same-day confirmation, allocation, and affirmation requirements of new Exchange Act Rule 15c6-2.

FINRA Rules 6282 (Transactions Reported by Members to the ADF), 6380A (Transaction Reporting), 6380B (Transaction Reporting), 6622 (Transaction Reporting)

Rules 6282(a)(4)(D), 6380A(a)(5)(D), 6380B(a)(5)(D), and 6622(a)(5)(D)

address transaction reporting with respect to the Alternative Display Facility (“ADF”), the FINRA/Nasdaq Trade Reporting Facility (“NQTRF”), the FINRA/NYSE Trade Reporting Facility, and the Over-the-Counter Reporting Facility (“ORF”), respectively. Specifically, these rules require a reporting firm to identify a Next Day Trade by appending the appropriate modifier to a last sale report. FINRA is proposing to delete Rules 6282(a)(4)(D), 6380A(a)(5)(D), 6380B(a)(5)(D), and 6622(a)(5)(D) because, upon implementation of a T+1 trade settlement cycle, a Next Day Trade will become a Regular Way Trade, which is the default settlement type for transaction reporting and does not require a modifier.

FINRA Rules 7140 (Trade Report Processing), 7240A (Trade Report Processing), and 7340 (Trade Report Processing)

Rules 7140(a)(3), 7240A(a)(3), and 7340(a)(3) address the automatic lock-in of trades in the ADF, the NQTRF, and the ORF, respectively. These rules provide that any trade that remains open at the end of its entry day will be carried over and automatically locked-in by the corresponding system. The trade is then submitted to the National

Securities Clearing Corporation (“NSCC”) at 2:30 p.m. Eastern Time (“ET”) on the next business day. FINRA is proposing to amend Rules 7140(a)(3), 7240A(a)(3), and 7340(a)(3) to change the time a trade is submitted to the NSCC from 2:30 p.m. ET to noon ET to allow for sufficient time for NSCC to process the trade.

FINRA Rule 11140 (Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”)

Rule 11140(b)(1) provides that for dividends or distributions, and the issuance or distribution of warrants, that are less than 25 percent of the value of the subject security, if definitive information is received sufficiently in advance of the record date, the date designated as the “ex-dividend date” shall be the first business day preceding the record date if the record date falls on a business day, or the second business day preceding the record date if the record date falls on a day designated by FINRA’s Uniform Practice Code Committee (“Committee”) as a non-delivery date. FINRA is proposing to shorten the timeframes in Rule 11140(b)(1) by one business day. As such, the date designated as the “ex-dividend date” would be the record date if the record date falls on a business day, or the first business day preceding the record date if the record date falls on a day designated by the Committee as a non-delivery date. In addition, the proposed rule change would make a non-substantive technical change to the rule.

FINRA Rule 11150 (Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”)

Rule 11150(a) prescribes the manner for establishing “ex-interest dates” for transactions in bonds or other similar evidences of indebtedness which are traded “flat.” Such transactions are “ex-interest” on (1) the first business day preceding the record date

if the record date falls on a business day, (2) the second business day preceding the record date if the record date falls on a day other than a business day, or (3) the second business day preceding the date on which an interest payment is to be made if no record date has been fixed. FINRA is proposing to shorten the timeframes in Rule 11150(a) by one business day. Therefore, the transactions would be “ex-interest” on (1) the record date if the record date falls on a business day, (2) the first business day preceding the record date if the record date falls on a day other than a business day, or (3) the first business day preceding the date on which an interest payment is to be made if no record date has been fixed.

FINRA Rule 11210 (Sent by Each Party)

Rule 11210(a) requires each party to a transaction, other than a cash transaction, to send a Uniform Comparison or Confirmation of the transaction on or before the first business day following the date of the transaction. FINRA is proposing to shorten the timeframe in Rule 11210(a) and require the sending of the Uniform Comparison or Confirmation of a transaction by the end of the day on the trade date. In addition, the proposed rule change would clarify that, as a result of this change, the timeframe for the exchange of comparisons or confirmations for all transactions (cash and non-cash) would be the same.

Paragraphs (c) and (d) of Rule 11210 set forth the “Don’t Know” (“DK”) voluntary procedures for using “DK Notices” (FINRA Form No. 101) or other forms of notices, respectively. Depending upon the notice used, a confirming member may follow the “DK” procedures when it sends a comparison or confirmation of a trade (other than one that clears through the National Securities Clearing Corporation or other registered

clearing agency), but does not receive a comparison or confirmation or a signed “DK” from the contra-member by the close of one business day following the trade date of the transaction. The procedures generally provide that after this time period, the confirming member shall send a “DK Notice” (or similar notice) to the contra-member. The contra-member then has two business days after receipt of the confirming member’s notice to either confirm or “DK” the transaction.

FINRA is proposing to amend paragraphs (c) and (d) of Rule 11210 to provide that the “DK” procedures may be used by the confirming member if it does not receive a comparison or confirmation or signed “DK” from the contra-member by the end of the day on the trade date of the transaction, rather than by the current close of one business day following the trade date of the transaction. In addition, FINRA is proposing amendments to paragraphs (c)(2)(A), (c)(3), and (d)(5) of Rule 11210 to adjust the time in which a contra-member has to respond to a “DK Notice” (or similar notice) from two business days after the contra-member’s receipt of the notice to one business day after the contra-member’s receipt of the notice.

#### FINRA Rule 11320 (Dates of Delivery)

Rule 11320 prescribes delivery dates for various transactions. Paragraph (b) states that for a “regular way” transaction, delivery must be made on, but not before, the second business day after the date of the transaction. FINRA is proposing to amend Rule 11320(b) to change the reference to the second business day following the date of the transaction to the first business day following the date of the transaction.

Rule 11320(c) provides that in a “seller’s option” transaction, delivery may be made by the seller on any business day after the second business day following the date

of the transaction and prior to the expiration of the option. FINRA is proposing to amend Rule 11320(c) to change the reference to the second business day following the date of the transaction to the first business day following the date of the transaction.

FINRA Rule 11620 (Computation of Interest)

In the settlement of contracts in interest-paying securities other than for cash, Rule 11620(a) requires the calculation of interest at the rate specified in the security up to, but not including, the second business day after the date of the transaction. FINRA is proposing to amend Rule 11620(a) to shorten the timeframe to the first business day following the date of the transaction.

FINRA Rule 11860 (COD Orders)

Rule 11860(a) directs members to follow various procedures before accepting collect on delivery (“COD”) or payment on delivery (“POD”) orders.<sup>19</sup> Rule 11860(a)(3) provides that the member must deliver to the customer a confirmation, or all relevant data customarily contained in a confirmation with respect to the execution of the order, not later than the close of business on the next business day after any such execution. FINRA is proposing to amend Rule 11860(a)(3) to shorten the timeframe for delivery in the rule to no later than the end of the day on the trade date. In addition, the proposed rule change would make a non-substantive technical change to the rule.

Rule 11860(a)(4) requires that the member have obtained an agreement from the customer that the customer will furnish its agent instructions with respect to the receipt or

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<sup>19</sup> A COD order is a purchase by the customer where the agent is to receive the securities against payment for the purchase and a POD order is a sale by the customer where the agent is to deliver the securities against payment of the sale proceeds. Alternative industry terms for COD and POD orders are delivery vs. payment (“DVP”) and receipt vs. payment (“RVP”).

delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order, and that in any event the customer will assure that such instructions are delivered to its agent no later than the close of business on the first business day after the date of execution of a COD or POD order.

In light of the Commission's recent adoption of final Exchange Act Rule 15c6-2, FINRA is proposing to amend Rule 11860(a)(4) to provide that prior to accepting a COD or POD order, the member shall have entered into the written agreement, or established the written policies and procedures, required by SEA Rule 15c6-2 with respect to any resulting transaction.

FINRA Rule 11893. Clearly Erroneous Transactions in OTC Equity Securities

Rule 11893 governs clearly erroneous determinations involving transactions in OTC Equity Securities. Pursuant to Rule 11893(a), a FINRA officer may declare any transaction involving an OTC Equity Security arising out of or reported through a trade reporting system owned or operated by FINRA or FINRA Regulation and authorized by the Commission null and void if the officer determines that (1) the transaction is clearly erroneous, or (2) such actions are necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest; provided, however, that the officer shall take action pursuant to this paragraph as soon as possible after becoming aware of the transaction, but in all cases by 3:00 p.m., Eastern Time, on the next trading day following the date of the transaction(s) at issue. FINRA is proposing to amend Rule 11893(a) to require a FINRA officer to take action as soon as possible after becoming aware of the transaction, but in all cases no later than the start of trading on the day

following the date of the transaction(s) at issue. FINRA is proposing this change to the rule so that, in the new T+1 environment, a determination regarding whether a transaction is null and void is made before the trade settles. The proposed change also closely aligns the timeframe for a FINRA officer to take action with respect to the review of a clearly erroneous transaction in OTC Equity Securities with the timeframe for such action in exchange-listed securities provided in FINRA Rule 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities).

FINRA Rule 11894. Review by the Uniform Practice Code (“UPC”) Committee

Rule 11894 governs the appeal to the UPC Committee of a FINRA officer's determination to declare an execution null and void. Under the rule, an appeal must be made in writing and must be received by FINRA within 30 minutes after the person making the appeal is given the notification of the determination being appealed. If the appeal pertains to OTC Equity Securities, Rule 11894(b)(2) requires the UPC committee to render a determination as soon as practicable, but in no case later than two trading days following the date of the execution(s) under review. In connection with the shortening of the settlement cycle to T+1, FINRA is proposing to amend Rule 11894(b)(2) to require the UPC Committee to render a determination as soon as practicable, but in no case later than the trading day following the date of the execution(s) under review. This proposed rule change also more closely aligns the timeframe for UPC Committee determinations with respect to OTC Equity Securities with those for exchange-listed securities set forth in Rule 11894(b)(1).

Effective Date of Proposed Rule Change

FINRA has filed the proposed rule change for immediate effectiveness. The

operative date of the proposed rule change will be May 28, 2024, or such later date as may be announced by the Commission for compliance for Exchange Act Rules 15c6-1 and 15c6-2..

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>20</sup> 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, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will minimize potential confusion and help industry participants comply with the T+1 settlement cycle by harmonizing FINRA rules with final Exchange Act Rules 15c6-1 and 15c6-2. FINRA further believes that by defining “regular way” settlement as occurring on T+1, the proposed rule change will result in a reduction of the overall level of systemic risk in the financial system and an increase in operational and capital efficiency of the clearance and settlement process. In addition, FINRA believes that the shortening of the settlement cycle will benefit investors by more quickly providing them access to the proceeds of their securities transactions.

### B. Self-Regulatory Organization’s Statement on Burden on Competition

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<sup>20</sup> 15 U.S.C. 78o-3(b)(6).

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.

#### Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the potential economic impacts of the proposed rule change, including anticipated costs, benefits, and distributional and competitive effects, relative to current baseline, and the alternatives FINRA considered in assessing how best to meet FINRA's regulatory objectives.

##### 1. Regulatory Need

The proposed rule change will harmonize FINRA rules with final Exchange Act Rules 15c6-1 and 15c6-2, minimizing potential confusion and helping industry participants comply with the T+1 settlement cycle.

##### 2. Economic Baseline

The economic baseline for the proposed rule change consists of current FINRA Rules 2341, 4515, 6282, 6380A, 6380B, 6622, 7140, 7240A, 7340, 11140, 11150, 11210, 11320, 11620, 11860, 11893, and 11894 as well as the amendments adopted by the SEC in final Rules 15c6-1 and 15c6-2.

##### 3. Economic Impacts

The proposed changes to FINRA rules conform trade processing and asset servicing activities to the shortened settlement cycle and do not impose any burdens on

industry beyond those that industry must incur to implement the SEC's final rules pertaining to a T+1 settlement cycle.<sup>21</sup>

4. Alternatives Considered

An alternative to the proposed changes to FINRA Rule 11860 to shorten the relevant timeframes to facilitate the transition to T+1 consistent with final Exchange Act Rule 15c6-2 (no later than the end of the day on trade date) is to specify the exact hours on the trade date by which a member must deliver a confirmation and a customer must deliver instructions on the receipt or delivery of the securities. While this alternative would create more uniform practices, we [sic] believe that the proposed changes to FINRA Rule 11860 would provide greater flexibility and allow members and customers to establish the timelines that are more suitable for their operational capacities and constraints.

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.

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,

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<sup>21</sup> The proposed rule changes are also largely consistent with recommendations by industry trade groups. See *supra* note 13.

or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>22</sup> and Rule 19b-4(f)(6) thereunder.<sup>23</sup>

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-FINRA-2023-017 on the subject line.

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<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the self-regulatory organization to give the Commission written notice of the self-regulatory organization's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. FINRA has satisfied this requirement

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-2023-017. 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-2023-017 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.<sup>24</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>24</sup> 17 CFR 200.30-3(a)(12).