



## 4560. Short-Interest Reporting

The Rule

Notices

(a) Each member shall maintain a record of total "short" positions in all customer and proprietary firm accounts in all equity securities (other than Restricted Equity Securities as defined in Rule 6420) and shall regularly report such information to FINRA in such a manner as may be prescribed by FINRA. Reports shall be received by FINRA no later than the second business day after the reporting settlement date designated by FINRA.

(b) Members shall record and report all gross short positions existing in each individual firm or customer account, including the account of a broker-dealer, that resulted from (1) a "short sale," as that term is defined in Rule 200(a) of SEC Regulation SHO, or (2) where the transaction(s) that caused the short position was marked "long," consistent with SEC Regulation SHO, due to the firm's or the customer's net long position at the time of the transaction. Members shall report only those short positions resulting from short sales that have settled or reached settlement date by the close of the reporting settlement date designated by FINRA.

(c) The recording and reporting requirements of this Rule shall not apply to:

(1) any sale by any person, for an account in which he has an interest, if such person owns the security sold and intends to deliver such security as soon as is possible without undue inconvenience or expense; and

(2) any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment.

Amended by SR-FINRA-2012-001 eff. Nov. 30, 2012.  
Amended by SR-FINRA-2010-003 eff. June 28, 2010.  
Amended by SR-FINRA-2008-057 eff. Dec. 15, 2008.  
Amended by SR-FINRA-2008-033 eff. Dec. 15, 2008.  
Amended by SR-NASD-2006-131 eff. Sept. 6, 2007.  
Amended by SR-NASD-2007-047 eff. July 6, 2007.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2005-112 eff. July 3, 2006.  
Amended by SR-NASD-2005-001 eff. Jan. 7, 2005.  
Amended by SR-NASD-2002-178 eff. Dec. 16, 2002.  
Amended by SR-NASD-94-67 eff. May 1, 1995.  
Amended by SR-NASD-87-23 eff. Aug. 31, 1987.  
Adopted by SR-NASD-85-34 eff. Jan. 20, 1986.

**Selected Notices:** 85-77, 85-87, 86-4, 86-15, 86-61, 87-15, 95-8, 03-08, 07-24, 07-31, 08-57, 10-26, 12-38.

### VERSIONS

Nov 30, 2012 onwards



## 4570. Custodian of Books and Records

The Rule

Notices

### (a) Designation of Custodian

A member that files a Form BDW shall designate on the Form BDW, as the custodian of the member's books and records: (i) a person associated with the member at the time that the Form BDW is filed; or (ii) another FINRA member.

### (b) Obligations of Custodians

The custodian designated on the Form BDW shall preserve the books and records of the member that filed the Form BDW for the remainder of the applicable retention periods under FINRA and Exchange Act rules and make such records available for inspection by FINRA upon request. Further, the custodian shall preserve and produce such books and records in the same manner in which they were received from the member that filed the Form BDW.

Where a member has agreed to act as custodian of the books and records of another member that has filed a Form BDW, the member that has agreed to act as custodian shall: (i) treat such books and records as if they were its own books and records; and (ii) arrange upon its dissolution for such books and records to continue to be retained for the remainder of the applicable retention periods under FINRA and Exchange Act rules in the same manner as its own books and records consistent with this Rule.

### (c) Consent Requirement

A member that is filing a Form BDW shall, before the submission of the form, obtain from the person designated on the form as custodian of the member's books and records the person's affirmative consent to act in such a capacity. Prior to obtaining a custodian's consent, such member shall inform the custodian of its obligations under the Exchange Act and FINRA Rules, including this Rule.

A person designated on a Form BDW as custodian of a member's books and records shall, at the time that the Form BDW is filed, represent to FINRA, in a method prescribed by FINRA, that the person: (i) consented to act as a custodian; (ii) understands the responsibilities of a custodian; and (iii) shall provide to FINRA upon request during the course of the required retention periods the books and records of the member for which the person is acting as a custodian.

#### ••• Supplementary Material: -----

**.01 Converting Records to Other Acceptable Formats.** Nothing in paragraph (b) of this Rule shall preclude the custodian from converting a record from a format acceptable under FINRA and Exchange Act rules to another format acceptable under such rules (e.g., converting from paper to electronic storage media), provided that such records are not altered or deleted during the conversion process.

**.02 Members Acting as Custodians.** Nothing in paragraph (b) of this Rule shall require a member that is acting as custodian to verify the completeness or accuracy of the books and records that it is receiving from the member that filed the Form BDW.

Amended by SR-FINRA-2018-039 eff. Aug. 19, 2019.  
Amended by SR-FINRA-2009-080 eff. April 19, 2010.  
Adopted by SR-NASD-99-76 eff. Sept. 11, 2000.

**Selected Notices:** 00-56, 10-10, 19-16.

### VERSIONS

Aug 19, 2019 onwards

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## 4580. Books and Records Requirements for Government Distribution and Solicitation Activities

(a) A covered member that engages in distribution or solicitation activities with a government entity on behalf of any investment adviser that provides or is seeking to provide investment advisory services to such government entity shall maintain books and records that pertain to Rule 2030, including a list or other record of:

(1) The names, titles and business and residence addresses of all covered associates of the covered member;

(2) The name and business address of each investment adviser on behalf of which the covered member has engaged in distribution or solicitation activities with a government entity within the past five years, but not prior to August 20, 2017;

(3) The name and business address of all government entities with which the covered member has engaged in distribution or solicitation activities for compensation on behalf of an investment adviser, or which are or were investors in any covered investment pool on behalf of which the covered member has engaged in distribution or solicitation activities with the government entity on behalf of the investment adviser to the covered investment pool, within the past five years, but not prior to August 20, 2017; and

(4) All direct or indirect contributions made by the covered member or any of its covered associates to an official of a government entity, or direct or indirect payments to a political party of a state or political subdivision thereof, or to a political action committee.

(b) Records relating to the contributions and payments referred to in paragraph (a)(4) must be listed in chronological order and indicate:

(1) The name and title of each contributor;

(2) The name and title (including any city/county/state or other political subdivision) of each recipient of a contribution or payment;

(3) The amount and date of each contribution or payment; and

(4) Whether any such contribution was the subject of the exception for certain returned contributions pursuant to Rule 2030.

(c) The terms used in this Rule 4580 shall have the same meaning as defined in Rule 2030.

(d) Any book or other record made, kept, maintained and preserved in compliance with SEA Rules 17a-3 and 17a-4, or with rules adopted by the Municipal Securities Rulemaking Board, which are substantially the same as the book or other record required to be made, kept, maintained and preserved under this Rule, shall be deemed to be made, kept, maintained and preserved in compliance with this Rule.

Adopted by SR-FINRA-2015-056 eff. Aug. 20, 2017.

**Selected Notice:** 16-40



## 4590. Synchronization of Member Business Clocks

(a) Each member shall synchronize its 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, with reference to a time source as designated by FINRA, and shall maintain the synchronization of such business clocks in conformity with such procedures as are prescribed by FINRA.

(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) The difference between the NIST standard and a time provider's clock;
- (2) Transmission delay from the source; and
- (3) The amount of drift of the member's clock.

(c) Computer system and mechanical clocks must be synchronized every business day before market open to ensure that recorded event timestamps are accurate. To maintain clock synchronization, clocks must be checked against the standard clock and re-synchronized, as necessary, throughout the day.

### ••• Supplementary Material: -----

**.01** Members must document and maintain their clock synchronization procedures. Among other requirements, members must keep a log of the times when they synchronize their clocks and the results of the synchronization process. This log should include notice of any time the clock drifts more than the tolerance specified in paragraph (b) of this Rule. This log should be maintained for the period of time and accessibility specified in SEC Rule 17a-4(b), and it should be maintained and preserved for the required time period in paper format or in a format permitted under SEC Rule 17a-4(f).

Amended by SR-FINRA-2016-005 eff. Aug. 15, 2016.  
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.  
Adopted by SR-NASD-97-56 eff. according to schedule in Rule 6957.

**Selected Notices:** 98-33, 08-57, 16-23.

### VERSIONS

Aug 15, 2016 onwards