

Please transfer my entire securities account to the above indicated receiving firm, which has been authorized by me to make payment to you of the debit balance or to receive payment of the credit balance in my securities account. I understand that to the extent any assets or instruments in my securities account are not readily transferable, with or without penalties, such assets or instruments may not be transferred within the time frames required by Rule 11870 of the FINRA Uniform Practice Code.

I understand that you will contact me with respect to the disposition of any assets in my securities account that are nontransferable. If certificates or other instruments in my securities account are in your physical possession, I instruct you to transfer them in good deliverable form, including affixing any necessary tax waivers, to enable such receiving firm to transfer them in its name for the purpose of sale, when and as directed by me. I further instruct you to cancel all open orders for my securities account on your books.

I affirm that I have destroyed or returned to you any credit/debit cards and/or unused checks issued to me in connection with my securities account.

_____	_____
(Customer's Signature)	(Date)

_____	_____
(Customer's Signature if Joint Account)	(Date)

[It is suggested that a copy of the customer's most recent account statement be attached.]

Receiving Firm Contact:

Name _____	Phone Number _____
------------	--------------------

For Broker Use Only:

Mutual Fund Registration Instructions:

Registration Name \_\_\_\_\_

Address \_\_\_\_\_

Tax ID # \_\_\_\_\_

Dividend and Capital Gains Options:

Reinvest ( )	Dividend Cash/Capital Gains Reinvest ( )
All Cash ( )	Deposit to New Plan ( )
Issue Certificate ( )	Deposit to Existing Plan ..... ( )

Broker Instructions (if broker agreement exists):

Name _____
Address _____
RR Name/Number/Branch _____

**(b) Customer Retirement Account Transfer**

<b>CUSTOMER RETIREMENT PLAN SECURITIES ACCOUNT TRANSFER INSTRUCTION</b>	
RECEIVING FIRM _____	CARRYING FIRM _____
RECEIVING FIRM ACCOUNT NUMBER _____	CARRYING FIRM ACCOUNT NUMBER _____
ACCOUNT TITLE	_____ _____ _____
ACCOUNT TYPE _____ (I = IRA, Q = QUALIFIED)	
TAX ID OR SS NUMBER _____	
TO _____	
(Prior Custodian/Trustee Name, Address and Tax ID Number)	
You are the custodian/trustee for my retirement plan securities account with	
_____	
(Carrying Firm Name and Address)	
as my broker. Please be advised that I have amended my retirement plan and have adopted a new retirement plan with the below indicated as successor custodian/trustee and	

_____ as broker	
(Receiving Firm Name and Address)	
<p>Pursuant to said amendment, please transfer all assets in my securities account to such successor custodian/trustee. I understand that to the extent any assets in my account are not readily transferable, with or without penalties, such assets may not be transferred within the time frames required by Rule 11870 of the FINRA Uniform Practice Code.</p> <p>I understand that the above indicated carrying firm will contact me with respect to the disposition of any assets in my account that are nontransferable. I authorize you to deduct any outstanding fees due you from the credit balance in my account. If my account does not contain a credit balance, or if the credit balance in the account is insufficient to satisfy any outstanding fees due you, I authorize you to liquidate the assets in my account to the extent necessary to satisfy any outstanding fees due you. If certificates or other instruments in my account are in your physical possession, I instruct you to transfer them in good deliverable form, including affixing any necessary tax waivers, to enable the successor custodian/trustee to transfer them in its name for the purpose of sale, when and as directed by me. Upon receiving a copy of this transfer instruction, the carrying firm will cancel all open orders for my account on its books.</p>	
_____	_____
(Customer's Signature)	(Date)
<p>Please be advised that _____</p>	
(Successor Custodian/Trustee Name, Address and Tax ID Number)	
<p>_____ will accept the above captioned account as successor custodian/trustee.                  Please send all checks to _____</p>	
<p>_____ and non-DTC eligible items to _____</p>	
_____	_____
(Successor Custodian/Trustee Authorized Signature)	(Date)
_____	_____
(Tax ID Number)	(Date of Trust)

[It is suggested that a copy of the customer's most recent account statement be attached.]	
<u>Receiving Firm Contact:</u>	
Name _____	Phone Number _____
<u>For Broker Use Only:</u>	
Mutual Fund Registration Instructions:	
Registration Name _____	
Address _____	
Tax ID # _____	
Dividend and Capital Gains Options:	
Reinvest ( )	Dividend Cash/Capital Gains Reinvest ( )
All Cash ( )	Deposit to New Plan ( )
Issue Certificate ( )	Deposit to Existing Plan ..... ( )
Broker Instructions (if broker agreement exists):	
Name _____	
Address _____	
RR Name/Number/Branch _____	

**(c) Mutual Fund Re-Registration**

<b>MUTUAL FUND RE-REGISTRATION INSTRUCTIONS USED FOR BROKER-TO-BROKER TRANSFERS</b>		
(1)	TO: _____	Date: _____
	Transfer Agent: _____	
	Address: _____	

(2)	Present Account Information	Name of Fund: _____  Fund A/C #: _____  Certificate # (if in physical form)  [Certificate attached must be in negotiable form.]  Account Registration: _____
(3)(A)	Broker Identification	Old Firm Name and In-house A/C# _____
(3)(B)		New Firm Name and In-house A/C# _____
(4)	Registration Instructions	Please transfer _____ shares from the above-referenced account and register as follows:
	Name _____	
	Address _____	
	Tax ID # _____	
<u>Dividend and Capital Gains Option:</u>		
Reinvest ( )	Dividend Cash/Capital Gains Reinvest ( )	
All Cash ( )	Deposit to New Plan ( )	
Issue Certificate ( )	Deposit to Existing Plan ..... ( )	
(5)	Broker-Dealer Instructions	If a Broker-Dealer Agreement exists:  Name _____  Address _____  RR Name/Number/Branch _____

(6)	Release	<p>In consideration for your complying with the above request, we hereby agree to indemnify the:</p> <p>_____ (fund)</p> <p>and</p> <p>_____ (agent)</p> <p>against any and all losses incurred hereof.</p> <p>Thank you in advance for your cooperation in this matter.</p> <p>Sincerely,</p>
		(Signature Guarantee Stamp)
		_____
		(Authorized Signature)
If there are any questions call:		
_____	_____	
(Signature of Carrying Firm)	(Phone Number)	
_____	_____	
(Signature of Receiving Firm)	(Phone Number)	
Items 1, 2, 3a are completed by the carrying firm.		
Items 3b, 4 and 5 are completed by the receiving firm.		

Amended by SR-FINRA-2010-060 eff. Dec. 15, 2010.  
Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended by SR-FINRA-2007-005 eff. Oct. 22, 2007.  
Amended by SR-NASD-2004-58 eff. Sept. 13, 2004.  
Amended by SR-NASD-2001-53 eff. Sept. 12, 2001.  
Amended by SR-NASD-2000-68 eff. Nov. 17, 2000.  
Amended by SR-NASD-97-28 eff. Aug. 7, 1997.  
Amended by SR-NASD-97-05 eff. May 8, 1997.  
Amended by SR-NASD-95-59 eff. July 1, 1996.  
Amended by SR-NASD-94-56 eff. Mar. 3, 1995.  
Amended by SR-NASD-94-56 eff. Dec. 2, 1994.  
Amended by SR-NASD-93-41 eff. Feb. 1, 1994.  
Amended by SR-NASD-91-61 eff. Mar. 1, 1993.  
Adopted by SR-NASD-85-29 eff. Feb. 24, 1986.

**Selected Notices:** 86-12, 93-17, 93-86, 01-53, 01-66, 04-58, 07-50, 10-49.



## 11880. Settlement of Syndicate Accounts

### (a) Definitions

(1) "Selling syndicate" means any syndicate formed in connection with a public offering to distribute all or part of an issue of corporate securities by sales made directly to the public by or through participants in such syndicate.

(2) "Syndicate account" means an account formed by members of the selling syndicate for the purpose of purchasing and distributing the corporate securities of a public offering.

(3) "Syndicate manager" means the member of the selling syndicate that is responsible for maintenance of syndicate account records.

(4) "Syndicate settlement date" means the date upon which corporate securities of a public offering are delivered by the issuer to or for the account of the syndicate members.

(b) Final settlement of syndicate accounts shall be effected by the syndicate manager within 90 days following the syndicate settlement date.

(c) No later than the date of final settlement of the syndicate account, the syndicate manager shall provide to each member of the selling syndicate an itemized statement of syndicate expenses that shall include, where applicable, the following categories of expenses: legal fees; advertising; travel and entertainment; closing expenses; loss on oversales; telephone; postage; communications; co-manager's expenses; computer, data processing charges; interest expense; and miscellaneous. The amount under "miscellaneous" should not be disproportionately large in relation to other items and should include only minor items that cannot be easily categorized elsewhere in the statement. Any other major items not included in the above categories shall be itemized separately.

### (d) Settlement of Underwritten Public Offerings

The syndicate manager of a public offering underwritten on a "firm-commitment" basis shall, immediately, but in no event later than the scheduled closing date, notify the FINRA's Operation Department of any anticipated delay in the closing of such offering beyond the closing date in the offering document or any subsequent delays in the closing date previously reported pursuant to this Rule.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended eff. May 1, 1987; Mar. 14, 1988; Aug. 3, 1988.  
Adopted eff. Oct. 1, 1985.

**Selected Notices:** 85-59, 87-23, 87-88, 88-73, 10-49.





## 11891. General

The Rule

Notices

For purposes of the Rule 11890 Series, the terms of a transaction are “clearly erroneous” when there is an obvious error in any term, such as price, number of shares, or other unit of trading, or identification of the security.

### ••• Supplementary Material: -----

**.01 Refusal to Abide by Rulings.** It shall be considered conduct inconsistent with just and equitable principles of trade for any member to refuse to take any action that is necessary to effectuate a final decision of a FINRA officer or the UPC Committee under this Rule 11890Series.

**.02 Disruptions or Malfunctions Related to the Use of a FINRA System.** In making a determination regarding whether a transaction is clearly erroneous, FINRA takes into account the circumstances at the time of the transaction, the maintenance of a fair and orderly market, and the protection of investors and the public interest. Participants in FINRA systems are responsible for ensuring that the appropriate price and type of order are entered into FINRA's systems. Simple assertion by a member that it made a mistake in entering an order or a quote, or that it failed to pay attention or to update a quote, may not be sufficient to establish that a transaction was clearly erroneous.

**.03 Extraordinary Market Conditions.** The Rule 11890 Series is generally focused on systemic problems that involve large numbers of parties or trades, or market conditions where it would not be in the best interests of the market for one or more transactions to stand. Additionally, the Rule 11890 Series would include situations where an extraordinary event has occurred or is ongoing that has had a material effect on the market for a security traded over-the-counter or has caused major disruption to the marketplace.

**.04 Account Intrusion.** FINRA's clearly erroneous authority under the Rule 11890 Series does not extend to unauthorized trading activity or attempts to manipulate stock prices by illegally gaining access to legitimate accounts or opening new accounts using false information (often referred to as “account intrusion”). Such suspicious trading activities relate to allegations of fraud and therefore are not within the scope of the Rule 11890 Series. In this regard, members should routinely review the adequacy of their internal controls and ensure that appropriate system safeguards are in place to minimize or eliminate the potential for account intrusion.

Amended by SR-FINRA-2009-068 eff. Feb. 15, 2010.  
Amended by SR-NASD-2006-104 eff. March 5, 2007.  
Amended by SR-NASD-2005-089 eff Oct. 1, 2005.  
Renumbered by SR-NASD-2003-80 eff. May 6, 2003.  
Adopted by SR-NASD-2002-127 eff. Jan. 27, 2003.

**Selected Notices:** 03-11, 10-04.



## 11892. Clearly Erroneous Transactions in Exchange-Listed Securities

The Rule

Notices

### (a) Procedures for Reviewing Transactions

(1) An Executive Vice President of FINRA's Market Regulation Department or Transparency Services Department, or any officer designated by such Executive Vice President (FINRA officer), may, on his or her own motion, review any over-the-counter transaction involving an exchange-listed security arising out of or reported through a trade reporting system owned or operated by FINRA or FINRA Regulation and authorized by the Commission, provided that the transaction meets the thresholds set forth in paragraph (b), except as provided for in paragraphs (c) and (d) below. A FINRA officer acting pursuant to this subparagraph may declare any such transaction null and void if the officer determines that (A) the transaction is clearly erroneous, or (B) such actions are necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest, consistent with the thresholds set forth in paragraph (b), except as provided for in paragraphs (c) and (d) below. Absent extraordinary circumstances, the officer shall take action pursuant to this paragraph generally within 30 minutes after becoming aware of the transaction. When extraordinary circumstances exist, any such action of the officer must be taken no later than the start of trading on the day following the date of execution(s) under review.

(2) If a FINRA officer acting pursuant to this Rule declares any transaction null and void, each party involved in the transaction shall be notified as soon as practicable by FINRA, and the party aggrieved by the action may appeal such action in accordance with Rule 11894, unless the officer making the determination also determines that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest, and further provided that rulings made by FINRA in conjunction with one or more other self-regulatory organizations are not appealable.

### (b) Thresholds

Determinations of a clearly erroneous execution pursuant to paragraph (a)(1) will be made as follows:

#### (1) Numerical Guidelines

Subject to the provisions of paragraph (b)(3) below, a transaction shall be found to be clearly erroneous if the price of the transaction is away from the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for: (A) Multi-Stock Events involving twenty or more securities, as described in paragraph (b)(2) below and (B) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

Reference Price: Circumstance or Product	Normal Market Hours (9:30 a.m. Eastern Time to 4:00 p.m. Eastern Time) Numerical Guidelines (Subject transaction's % difference from the Reference Price):	Outside Normal Market Hours Numerical Guidelines (Subject transaction's % difference from the Reference Price):
Greater than \$0.00 up to and including \$25.00	10%	20%
Greater than \$25.00 up to and including \$50.00	5%	10%
Greater than \$50.00	3%	6%
Multi-Stock Event — Events involving five or more, but less than twenty, securities whose executions occurred within a period of five minutes or less	10%	10%
Multi-Stock Event — Events involving twenty or more securities whose executions occurred within a period of five minutes or less	30%, subject to the terms of paragraph (b)(2) below	30%, subject to the terms of paragraph (b)(2) below
Leveraged ETF/ETN securities	Normal Market Hours Numerical Guidelines multiplied by the leverage multiplier (i.e. 2x)	Normal Market Hours Numerical Guidelines multiplied by the leverage multiplier (i.e. 2x)

### (2) Multi-Stock Events Involving Twenty or More Securities

During Multi-Stock Events involving twenty or more securities, the number of affected transactions may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, FINRA may use a Reference Price other than the consolidated last sale. To ensure consistent application across the markets when this paragraph is invoked, FINRA will promptly coordinate with other self-regulatory organizations to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. FINRA will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by FINRA and the other self-regulatory organizations consistent with this paragraph.

### (3) Additional Factors

Except in the context of a Multi-Stock Event involving five or more securities, a FINRA officer may also consider additional factors to determine whether a transaction is clearly erroneous, including but not limited to, system malfunctions or disruptions; volume and volatility for the security; derivative securities products that correspond to greater than 100% in the direction of a tracking index; news released for the security; whether trading in the security was recently halted/resumed; whether the security is an IPO; whether the security was subject to a stock-split, reorganization, or other corporate action; overall market conditions; Opening and Late Session executions; validity of the consolidated tapes' trades and quotes; consideration of primary market indications; and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

### (c) Multi-day Events

A series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the "Event"). A FINRA officer, acting on his or her own motion, shall take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security is halted before the valuation error is corrected, a FINRA officer shall take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a security. To the extent transactions related to an Event occur on one or more other self-regulatory organization, FINRA will promptly coordinate with such other self-regulatory organization(s) to ensure consistent treatment of the transactions related to the Event, if practicable. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. FINRA will notify each member involved in a transaction subject to this paragraph as soon as practicable of a determination to declare such transaction null and void, and the party aggrieved by the action may appeal such action in accordance with Rule 11894.

#### **(d) Transactions Occurring During Trading Halts**

In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of a self-regulatory organization or responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, a FINRA officer, acting on his or her own motion, shall declare as null and void any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error and is then re-instituted, a FINRA officer also shall declare as null and void transactions that occur before the official, final end of the regulatory halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of normal market hours on the trading day following the date of the execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. FINRA will notify each member involved in a transaction subject to this paragraph as soon as practicable of a determination to declare such transaction(s) null and void, and the party aggrieved by the action may appeal such action in accordance with Rule 11894.

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

##### **.01 Determinations by a National Securities Exchange to Nullify and Void the Terms of One or More Transactions in an Exchange-Listed Security When There Are Corresponding or Related Transactions Reported Through a FINRA System.**

FINRA believes that coordinating with other self-regulatory organizations with the goal of having consistency and transparency regarding the clearly erroneous process is important to the marketplace and to investors. Consequently, for OTC transactions in exchange-listed securities that are reported to a FINRA system, such as a FINRA Trade Reporting Facility ("TRF") or Alternative Display Facility ("ADF"), FINRA will generally follow the determination of a national securities exchange to break a trade(s) when that national securities exchange has broken a trade(s) at or near the price range in question at or near the time in question (in FINRA staff's sole discretion) such that FINRA breaking such trade(s) would be consistent with market integrity and investor protection. In such a case where multiple national securities exchanges have related trades, FINRA will leave a trade(s) unbroken when any of those national securities exchanges has left a trade(s) unbroken at or near the price range in question at or near the time in question (in FINRA staff's sole discretion) such that FINRA breaking such trade(s) would be inconsistent with market integrity and investor protection.

**.02** The amendments set forth in File Nos. SR-FINRA-2010-032 and SR-FINRA-2014-021, and the provisions of Supplementary Material .03 of this Rule shall be in effect during a pilot period that expires at the close of business on October 20, 2020. If the pilot period is not extended or approved as permanent, the version of this Rule prior to SR-FINRA-2010-032 shall be in effect, and the amendments set forth in File No. SR-FINRA-2014-021 and the provisions of Supplementary Material .03 of this Rule shall be null and void.

**.03** Securities Subject to Limit Up-Limit Down Plan. For purposes of this Supplementary Material .03, the phrase "Limit Up-Limit Down Plan" or "Plan" shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of SEC Regulation NMS.

(a) The provisions of Rule 11892 paragraphs (a) through (d) and Supplementary Material .01 above shall govern all over-the-counter transactions in exchange-listed securities reported to a FINRA system, such as a FINRA TRF or ADF, including transactions in securities subject to the Plan, other than as set forth below.

(b) If as a result of a member's technology or systems issue any transaction reported to a FINRA system, such as a FINRA TRF or ADF, occurs outside of the applicable price bands disseminated pursuant to the Plan, a FINRA officer, acting on his or her own motion or at the request of a member, shall review and deem such transaction clearly erroneous, subject to the certification requirement of paragraph (c) below. Absent extraordinary circumstances, any such action of the FINRA officer shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the FINRA officer must be taken by no later than the start of normal market hours on the trading day following the date on which the execution(s) under review occurred. Each member involved in the transaction shall be notified as soon as practicable by FINRA, and a member aggrieved by the action may appeal such action in

accordance with Rule 11894. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, FINRA will make the determination of whether to deem transactions clearly erroneous based on Rule 11892 paragraphs (a) through (d) and Supplementary Material .01 above.

(c) A member requesting review of a transaction pursuant to the above paragraph must certify, in the manner and form prescribed by FINRA, that the subject transaction(s) occurring outside of the applicable price bands disseminated pursuant to the Plan is the result of the member's bona fide technological or systems issue.

Amended by SR-FINRA-2020-008 eff. April 17, 2020.  
Amended by SR-FINRA-2019-025 eff. Oct. 10, 2019.  
Amended by SR-FINRA-2019-011 eff. April 9, 2019.  
Amended by SR-FINRA-2015-034 eff. Dec. 20, 2015.  
Amended by SR-FINRA-2014-021 eff. June 19, 2014.  
Amended by SR-FINRA-2014-013 eff. Mar. 19, 2014.  
Amended by SR-FINRA-2013-041 eff. Sept. 24, 2013.  
Amended by SR-FINRA-2013-012 eff. Jan. 30, 2013.  
Amended by SR-FINRA-2012-038 eff. July 23, 2012.  
Amended by SR-FINRA-2012-005 eff. Jan. 24, 2012.  
Amended by SR-FINRA-2011-039 eff. Aug. 10, 2011.  
Amended by SR-FINRA-2011-037 eff. Aug. 5, 2011.  
Amended by SR-FINRA-2011-014 eff. Mar. 30, 2011.  
Amended by SR-FINRA-2010-065 eff. Dec. 8, 2010.  
Amended by SR-FINRA-2010-032 eff. Sept. 10, 2010.  
Amended by SR-FINRA-2009-068 eff. Feb. 15, 2010.  
Amended by SR-FINRA-2008-037 eff. July 8, 2008.  
Amended by SR-NASD-2006-104 eff. March 5, 2007.  
Amended by SR-NASD-2006-121 eff. Oct. 30, 2006.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-2006-033 eff. Mar. 1, 2006.  
Amended by SR-NASD-2005-089 eff. Oct. 1, 2005.  
Amended by SR-NASD-2005-115 eff. Sep. 22, 2005.  
Amended by SR-NASD-2004-009 eff. July 27, 2005.  
Amended by SR-NASD-2003-125 eff. Aug. 8, 2003.  
Amended by SR-NASD-2002-127 eff. Jan. 22, 2003.  
Amended by SR-NASD-98-85 eff. Oct. 11, 1999.  
Amended by SR-NASD-98-94 eff. April 26, 1999.  
Amended by SR-NASD-96-51 eff. Feb. 23, 1998.  
Amended June 21, 1991; May 21, 1993.  
Adopted eff. Apr. 2, 1990.

**Selected Notices:** 98-21, 99-29, 00-10, 03-11, 10-04, 10-43, 16-04.

## VERSIONS

Apr 17, 2020 onwards



# 11893. Clearly Erroneous Transactions in OTC Equity Securities

The Rule

Notices

## (a) Procedures for Reviewing Transactions

An Executive Vice President of FINRA's Market Regulation Department or Transparency Services Department, or any officer designated by such Executive Vice President, may, on his or her own motion, review 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. A FINRA officer acting pursuant to this paragraph may declare any such transaction null and void if the officer determines that (A) the transaction is clearly erroneous, or (B) 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. If a FINRA officer acting pursuant to this paragraph declares any transaction null and void, each party involved in the transaction shall be notified as soon as practicable by FINRA, and the party aggrieved by the action may appeal such action in accordance with Rule 11894, unless the officer making the determination also determines that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest.

## (b) Clearly Erroneous Factors

### (1) Numerical Guidelines

A transaction in an OTC Equity Security may be found to be clearly erroneous under this Rule only if the execution price of the transaction is away from the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. In some instances, the Numerical Guidelines set forth below are based on a range where the maximum percentage difference applies to the lower execution price in the range and the minimum percentage difference applies to the higher execution price in the range. The range is intended to smooth the percentage changes from tier to tier and allow for more gradual deviations. The Reference Price will generally be the prevailing market price just prior to the time of the trade.

Reference Price	Numerical Guidelines (Subject Transaction's % Difference from the Reference Price)
\$0.9999 and under	20%
\$1.0000 and up to and including \$4.9999	Low end of range minimum 20% – High end of range minimum 10%
\$5.0000 and up to and including \$74.9999	10%
\$75.0000 and up to and including \$199.9999	Low end of range minimum 10% – High end of range minimum 5%
\$200.0000 and up to and including \$499.9999	5%
\$500.0000 and up to and including \$999.9999	Low end of range minimum 5% – High end of range minimum 3%
\$1,000.0000 and over	3%

### (2) Alternative Reference Prices

In unusual circumstances, which may include periods of extreme market volatility, sustained illiquidity, or widespread system issues, FINRA may, in its discretion and with a view toward maintaining a fair and orderly market and the protection of investors and the public interest, use a Reference Price other than the prevailing market price just prior to the time of the trade. Other Reference Prices may include the consolidated inside price, the consolidated opening price, the consolidated prior close, or the consolidated last sale prior to a series of executions.

### (3) Additional Factors

A FINRA officer may also consider additional factors to determine whether a transaction is clearly erroneous, including but not limited to, system malfunctions or disruptions; volume and volatility for the security; derivative securities products that correspond to greater than 100% in the direction of a tracking index; news released for the security; whether trading in the security was recently halted/resumed; whether the security is an IPO; whether the security was subject to a stock-split, reorganization, or other corporate action; overall market conditions; Opening and Late Session executions; validity of the consolidated tapes, trades and quotes; consideration of primary market indications; and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(c) For purposes of this Rule, the term "OTC Equity Security" has the same meaning as defined in Rule 6420, except that the term shall not include any equity security that is traded on any national securities exchange.

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

**.01 Limited Application of Clearly Erroneous Authority to Transactions in OTC Equity Securities.** With respect to OTC Equity Securities in particular, FINRA historically has applied its clearly erroneous authority in only very limited circumstances, for example, where there is an extraordinary event that has had a material effect on the market for the OTC Equity Security and the canceling of trades is necessary to protect investors and ensure a fair and orderly marketplace. This more narrow approach is due to differences in the OTC equity and exchange-listed markets, including the lack of compulsory information flows in the OTC equity market that come as a result of the listing process and the fact that aberrant trading in the OTC equity market is often due to issues other than systems problems or extraordinary events. As a result, in the vast majority of situations relating to OTC Equity Securities, FINRA does not expect to use its clearly erroneous authority; rather, FINRA expects the parties to settle any dispute privately.

Amended by SR-FINRA-2015-034 eff. Dec. 20, 2015.

Amended by SR-FINRA-2010-002 eff. Feb. 15, 2010.

Adopted by SR-FINRA-2009-068 eff. Feb. 15, 2010.

**Selected Notices:** 10-04, 16-04.

#### VERSIONS

Dec 20, 2015 onwards



## 11894. Review by the Uniform Practice Code ("UPC") Committee

The Rule

Notices

(a) A member or person associated with a member may appeal a determination to declare a transaction null and void made by a FINRA officer under Rule 11892 or 11893 to the UPC Committee, unless the officer making the determination also determines that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. An appeal must be made in writing, and must be received by FINRA within thirty (30) minutes after the person making the appeal is given the notification of the determination being appealed. Once a written appeal has been received, the counterparty to the trade that is the subject of the appeal will be notified of the appeal and both parties shall be able to submit any additional supporting written information up until the time the appeal is considered by the UPC Committee. Either party to a disputed trade may request the written information provided by the other party during the appeal process. An appeal shall not operate as a stay of the determination being appealed, and the scope of the appeal shall be limited to trades which the person making the appeal is a party. Once a party has appealed a determination to the UPC Committee, the determination shall be reviewed and a decision rendered, unless (1) both parties to the transaction agree to withdraw the appeal prior to the time a decision is rendered, or (2) the party filing the appeal withdraws its appeal prior to the notification of counterparties under this paragraph. Upon consideration of the record, and after such hearings as it may in its discretion order, the UPC Committee, pursuant to the standards set forth in this Rule, shall affirm, modify, reverse, or remand the determination.

(b)(1) With respect to appeals regarding exchange-listed securities, determinations by the UPC Committee pursuant to this Rule will be rendered as soon as practicable, but generally, on the same trading day as the execution(s) under review. On requests for appeal received after 3:00 p.m., Eastern Time, a determination will be rendered as soon as practicable, but in no case later than the trading day following the date of the execution(s) under review.

(2) With respect to appeals regarding OTC Equity Securities, determinations by the UPC Committee pursuant to this Rule will be rendered as soon as practicable, but in no case later than two trading days following the date of the execution(s) under review.

(c) The decision of the UPC Committee pursuant to an appeal, or a determination by a FINRA officer that is not appealed, shall be final and binding upon all parties and shall constitute final action on the matter in issue. Any determination by a FINRA officer pursuant to Rule 11892 or 11893 or any decision by the UPC Committee pursuant to this Rule shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

### (d) Communications

(1) All materials submitted pursuant to this Rule shall be submitted in writing within the time parameters specified herein via such telecommunications procedures as FINRA may announce from time to time. Materials shall be deemed received at the time indicated by the equipment (i.e., facsimile or computer) receiving the materials. FINRA, in its sole and absolute discretion, reserves the right to reject or accept any material that is not received within the time parameters specified herein.

(2) FINRA shall provide affected parties with prompt notice of determinations under this Rule via facsimile, electronic mail, or telephone (including voicemail); provided, however, that if an officer nullifies or modifies a large number of transactions pursuant to Rule 11892 or 11893, FINRA may instead provide notice to parties via a press release or any other method reasonably expected to provide rapid notice to all market participants.

(e) For purposes of this Rule and other FINRA rules that permit review of FINRA decisions by the UPC Committee, a decision of the UPC Committee may be rendered by a panel of that Committee. The panel shall consist of three or more members of the UPC Committee, provided that no more than 50 percent of the members of any panel are directly engaged in market making activity or employed by a member with revenues from market making activity that exceed ten percent of its total revenues.



Amended by SR-FINRA-2009-068 eff. Feb. 15, 2010.  
Amended by SR-FINRA-2008-037 eff. July 8, 2008.  
Amended by SR-NASD-2006-104 eff. March 5, 2007.  
Amended by SR-NASD-2006-121 eff. Oct. 30, 2006.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006  
Amended by SR-NASD-2006-033 eff. Mar. 1, 2006.  
Amended by SR-NASD-2005-089 eff. Oct. 1, 2005.  
Amended by SR-NASD-2005-115 eff. Sep. 22, 2005.  
Amended by SR-NASD-2004-009 eff. July 27, 2005.  
Amended by SR-NASD-2003-125 eff. Aug. 8, 2003.  
Amended by SR-NASD-2003-080 eff. May 6, 2003.  
Amended by SR-NASD-2002-127 eff. Jan. 22, 2003.  
Amended by SR-NASD-98-85 eff. October 11, 1999.  
Amended by SR-NASD-98-94 eff. April 26, 1999.  
Amended by SR-NASD-96-51 eff. Feb. 23, 1998.  
Amended June 21, 1991; May 21, 1993.  
Adopted eff. Apr. 2, 1990.

**Selected Notices:** 98-21, 99-29, 00-10, 03-11, 10-04.



> FINRA RULES > 11000. UNIFORM PRACTICE CODE

## 11900. Clearance of Corporate Debt Securities

(a) Each member or its agent that is a participant in a registered clearing agency, for purposes of clearing over-the-counter securities transactions, shall use the facilities of a registered clearing agency for the clearance of eligible transactions between members in corporate debt securities.

(b) Paragraph (a) of this Rule does not apply to a transaction between members (the “parties”) whose accounts are carried by a member (the “carrying member”) that clears and settles the transaction through book-keeping transfers between the parties’ accounts at the carrying member.

(c) Pursuant to the Rule 9600 Series, FINRA may exempt any transaction or class of transactions in corporate debt securities from the provision of this Rule as may be necessary to accommodate special circumstances related to the clearance of such transactions or class of transactions.

Amended by SR-FINRA-2020-002 eff. Feb. 16, 2020.  
Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended by SR-NASD-97-28 eff. Aug. 7, 1997.  
Adopted by SR-NASD-95-11 eff. June 30, 1995.

**Selected Notices:** 95-46, 10-49.

< 11894. REVIEW BY THE UNIFORM PRACTICE CODE (“UPC”) COMMITTEE

UP

12000. CODE OF ARBITRATION PROCEDURE FOR CUSTOMER DISPUTES >

### VERSIONS

Feb 16, 2020 onwards

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