

## Corporate & Financial Weekly Digest

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### **FINRA Proposes to Reinstitute Short Exempt Marking for Trade Reporting and OATS**

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On August 20, the Securities and Exchange Commission published a notice that the Financial Industry Regulatory Authority proposes to adopt rule changes to its trade reporting and Order Audit Trail System (OATS) in response to recent amendments to SEC Regulation SHO. Among other things, the amendments:

1. implement a “short sale circuit breaker” for National Market System stocks that once triggered prohibits the execution or display of short sale orders at a price less than or equal to the current national best bid for the remainder of the day and the following day; and
2. reinstitute a “short sale exempt” marking category, which allows broker-dealers to mark certain sell orders as “short exempt” once the short sale circuit breaker has been triggered.

The short sale circuit breaker described above is triggered by a 10% or more decrease in the price of the security from such security’s closing price at the end of the regular trading hours on the prior trading day.

#### **Trade Reporting**

In response to the reinstatement of the short sale exempt marking category, FINRA proposes to change its trade reporting rules. Specifically, under the proposed rule changes, FINRA members would have to indicate on trade reports if a transaction is short sale exempt.

#### **OATS**

Likewise, FINRA’s proposed rule changes would require FINRA members to record the designation of an order as short sale exempt when an order is received or originated.

To read the text of the amendment to Regulation SHO, click [here](#).

To read the text of FINRA’s proposed rule change, click [here](#).