

## Corporate & Financial Weekly Digest

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### **FINRA Seeks Public Comment on Proposed Amendments to Rule 5210 Regarding Publication of Indications of Interest**

The Financial Industry Regulatory Authority (FINRA) requests comment on proposed amendments to FINRA Rule 5210 to require that member firms receive a customer order in a security before displaying a quotation or indication of interest (IOI) in a way that purports to represent that the quotation or IOI originated with a customer. Similarly, a firm could not continue to display a quotation or IOI as representing a customer order once the customer order was executed or cancelled.

Indications of interest are non-firm expressions of trading interest that contain one or more of the following elements: security name, side, size, capacity and/or price. Firms have the ability to communicate or advertise proprietary or customer trading interest in the form of IOIs to the marketplace through their own systems or several service providers that disseminate the information to subscribers and/or the marketplace. One attribute that is often associated with an IOI is whether the IOI originated with a customer (what is commonly referred to as a “natural” IOI), rather than with the firm.

In May 2009, FINRA published Regulatory Notice 09-28 (the Notice) reminding firms that, to the extent that they disseminate or use services to communicate indications of interest, IOIs must be truthful, accurate and not misleading. The Notice stated that FINRA could view as untruthful, inaccurate or misleading a firm’s continuing dissemination of a “natural” IOI to the marketplace when the firm no longer represents any such interest on behalf of a customer.

Under the proposed amendments to Rule 5210, firms would not be permitted to label an IOI in any way that indicates the IOI represented customer interest until the firm had received a customer order and had recorded the order on its books and records by, for example, creating an order ticket or entering the terms of the order into the firm’s order management system. Importantly, the proposed amendment does not prohibit firms from displaying IOIs or quotations when they have not received a customer order; it merely prohibits the firm from labeling any such IOI or quotation in a way that indicates that the interest arose with a customer. Similarly, a firm could not continue to display such a quotation or IOI as representing a customer order once the customer order was executed or cancelled.

The proposed rules will be published in the Federal Register for a 30-day public comment period.

To read FINRA Regulatory Notice 11-43, click [here](#).

To read FINRA Regulatory Notice 09-28, click [here](#).

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