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CORPORATE & FINANCIAL
WEEKLY DIGEST

# Corporate & Financial Weekly Digest

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### FINRA Reminds Firms of Trade Reporting Requirements Relating to Customer Sales of Low-Value OTC Equity Securities

The Financial Industry Regulatory Authority has issued a Trade Reporting Notice (the Notice) to remind firms that sales of low-value over-the counter (OTC) equity securities positions from customer accounts that may be deemed by the customer and firm to be worthless are subject to FINRA trade reporting rules and must be reported to FINRA for publication purposes.

In the Notice, FINRA provides that if a firm purchases its customer's positions in low-value OTC equity securities (for example, to enable the customer to claim a capital loss for tax purposes), the sales are considered trades (i.e., there is a beneficial change in ownership) and are not expressly excluded from FINRA trade reporting rules. Accordingly, firms must report these sales to FINRA for public dissemination purposes as they would any other trade.

FINRA notes that the OTC Reporting Facility (ORF) can accommodate six decimal places for purposes of reporting a per share price. If the per share price is equal to or less than $.000001, firms should report a price of $.000001. Any trade reported at a per share price less than $.0001 will be publicly disseminated with a price of $.0000.

In the Notice, FINRA also reminds firms that in these transactions, best execution obligations under NASD Rule 2320 still apply, and firms are required to use reasonable diligence to ascertain whether there is a market for the security.

Click here to read the Trade Reporting Notice.

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