

(N) tax anticipation notes.

(2) A carrying member may not reject ("DK") a fail contract, including a Receive/Deliver Instruction generated by an automated customer account transfer system, in connection with assets in an account that has been transferred but which assets have not been delivered to the receiving member.

(3) All fail contracts established pursuant to the requirements of this Rule shall be clearly marked or captioned as such. This paragraph will not apply if a fail contract participates in a repricing and reconfirmation service offered by a registered clearing agency.

(4) All fail contracts required to be established on safekeeping positions must be so indicated.

(5) Open fail contracts established pursuant to the requirements of this Rule shall be marked-to-market regularly.

(6) Nontransferable assets and in the process of being transferred directly to the customer are exempt from the requirement in paragraph (e) of this Rule.

(7) Members may agree to close out fail contracts established pursuant to the requirements of this Rule through the delivery of securities that are substantially comparable to those owed with the prior consent of the customer.

(8) A receiving member shall reject a delivery of a security that cannot be deemed a safekeeping position against a fail contract as such.

(9) A receiving member must deem receipt of a duly executed limited partnership change of trustee form, with respect to limited partnership interests, or a mutual fund re-registration form, with respect to mutual fund shares, as adequate delivery for purposes of transferring such assets pursuant to this Rule. With respect to mutual fund shares, a receiving member must deem receipt of a mutual fund re-registration form evidencing book-entry shares in an account as adequate delivery for purposes of transferring such shares, provided the registration form contains the customer's new account number at the fund. The carrying member shall be responsible for obtaining this number and entering it on the form prior to submission to the receiving member. This provision is applicable to book-entry shares and is not intended to preclude the delivery of physical certificates.

(g) Prompt Resolution of Discrepancies

(1) Any discrepancies relating to positions or money balances that exist or occur after transfer of a customer's securities account assets must be resolved promptly.

(2) The carrying member must promptly distribute to the receiving member any transferrable assets that accrue to the account after the transfer of a customer's securities account has been effected.

(3) When a member receives a claim notice relating to a securities account asset transfer, the member must resolve the claim within five (5) business days from receipt of such claim or take exception to the claiming member by setting forth specific reasons for denying the claim.

(h) Close-Out Procedures

A valued fail contract in a security, for which there are no established close-out procedures, and which has not been completed by the carrying member, may be closed by the receiving member not sooner than the third business day following the date delivery was due, in accordance with the following procedure:

(1) Written notice shall be delivered to the carrying member at its office not later than 12:00 noon, Eastern Time (ET), two business days preceding the execution of the proposed "close-out."

(2)(A) Every notice of "close-out" shall state the settlement date, the quantity and contract price of the securities covered by said contract, and shall state further that unless delivery is effected at or before a certain specified time, which may not be prior to 3:00 p.m. ET, the security may be "closed-out" on the date specified for the account of the carrying member.

(B) Original notices may only be issued pursuant to fail contracts marked or captioned as fails established pursuant to paragraph (f)(3) of this Rule.

(C) Notice may be redelivered immediately to another member from whom the securities involved are due in the form of a re-transmitted notice. A re-transmitted notice must be delivered to subsequent members not later than 12:00 noon ET one business day preceding the original date of execution of the proposed close-out.

(D) Re-transmitted notices may be issued against a fail contract regardless of its origin.

(3)(A) On failure of the carrying member to effect delivery in accordance with the notice, or to obtain a stay as hereinafter provided, the receiving member may close the contract by purchasing the securities necessary to complete the contract. Such execution will also operate to close-out all contracts covered under re-transmitted notices.

(B) The party executing the "close-out" shall immediately upon execution, but not later than 6:00 p.m. ET on the date of the execution of such "close-out," notify the member for whose account the securities were bought as to the quantity purchased and the price paid. Such notification shall be in written or electronic form having immediate receipt capabilities. If a medium with immediate receipt capabilities is not available, the telephone shall be used for the purpose of same day notification, and written or similar electronic notification having next day receipt capabilities must be sent out simultaneously. In either case formal confirmation of purchase along with a billing or payment (depending upon which is applicable) shall be forwarded as promptly as possible after the execution of the "close-out." Notification of the execution of the "close-out" shall be given to succeeding members to whom a re-transmitted notice was issued using the same procedures stated herein.

(C) If prior to the closing of a contract on which a "close-out" notice has been given, the receiving member receives from the carrying member written notice stating that the securities, except for those securities due from a depository, are (i) in transfer; (ii) in transit; (iii) being shipped that day; (iv) due from a depository, and include the certificate numbers; then the receiving member must extend the execution date of the "close-out" for a period of seven (7) calendar days from the date delivery was due under the "close-out."

(4) In the event that a "close-out" is not completed on the day specified in the notice, said notice shall expire at the close of business on the day specified in the notice, or if extended, at the close of business on the last day of the extension.

(i) Sell-Out Procedures

(1) Upon failure of the receiving member to accept delivery in accordance with the terms of the contract, and lacking a (A) properly executed Uniform Redamation Form; (B) depository generated rejection advice; or (C) valid Reversal Form; the carrying member may, without notice, "sell-out" in the best available market, for the liability of the party in default, all or any part of the securities due or deliverable under the contract.

(2) The party executing a "sell-out" as prescribed above shall notify, no later than 6:00 p.m. ET on the day of execution, the member, for whose account and liability such securities were sold, of the quantity sold and the price received. Such notification shall be in written or electronic form having immediate receipt capabilities. A formal confirmation of such sale shall be forwarded as promptly as possible after the execution of the "sell-out."

(j) Exemptions

(1) Pursuant to the Rule 9600 Series, FINRA may exempt from the provisions of this Rule, either unconditionally or on specified terms and conditions, (A) any member or (B) any type of account, security or financial instrument.

(2) The following assets are deemed subject to delayed delivery and are exempt from paragraph (e) of this Rule:

- (A) insurance policies (annuities);
- (B) stripped coupons;
- (C) when-issued or when-distributed securities.

(3) Zero value fail-to-receive and fail-to-deliver instructions shall be generated for the assets specified in paragraph (j)(2) of this Rule.

(k) Retirement Plan Securities Accounts

(1) It is the responsibility of the receiving member to obtain the approval of its custodian/trustee accepting a customer's retirement plan securities account before submitting a transfer instruction for such account assets to the carrying member or its custodian/trustee to facilitate transfer of the account assets.

(2) If, with respect to the transfer of a retirement plan securities account assets, outstanding fees are due the custodian/trustee for the account, such fees must be deducted from the credit balance in the account or, if the account does not contain a credit balance or if the credit balance is insufficient to satisfy such fees, assets in the account must be liquidated to the extent necessary to satisfy such fees. If liquidation of assets in the account is not practicable, such fees must then be transferred to and accepted by the receiving member as a debit item with the account.

(l) Securities Account

For the purposes of this Rule, the term "securities account" shall be deemed to include any and all of the account's money market fund positions or the redemption value thereof.

(m) Participant in a Registered Clearing Agency

(1) When both the carrying member and the receiving member are participants in a registered clearing agency having automated customer securities account asset transfer capabilities and are eligible to use such capabilities, the securities account asset transfer

procedure, including the establishing and closing out of fail contracts, must be accomplished in accordance with the provisions of this Rule and pursuant to the rules of and through such registered clearing agency with the exception of specifically designated assets transferred pursuant to the submittal of a customer's authorized alternate instructions to the carrying member.

(2) When such registered clearing agency has the capability to transfer mutual fund positions or to employ functionalities including Partial Transfer Receive (PTR), Partial Transfer Delivery (PTD), Fail Reversal, Mutual Fund Fail Cleanup, or Reclaim Processing, such capability must be utilized with the exception of specifically designated assets transferred pursuant to the submittal of a customer's authorized alternate instructions to the carrying member.

(3) When securities account assets are transferred in whole and such registered clearing agency has the capability to transfer residual credit positions (both cash and securities) that have accrued to an account after the account has been transferred (residual credit processing), such capability must be utilized for transferring residual credit positions from the carrying member to the receiving member.

(4) When both the carrying member and the receiving member are participants in a registered clearing agency having automated customer securities account asset transfer capabilities with a facility permitting electronic transmittal of customer account asset transfer instructions, such facilities shall be used in accordance with the following:

(A) members using such facilities shall execute an agreement designated by the Committee specifying the rights, obligations and liabilities of all participants in or users of such facilities;

(B) customer account transfer instructions shall be transmitted in accordance with the procedures prescribed by the registered clearing agency;

(C) the transmittal of a transfer request through such electronic facilities shall constitute a representation by the receiving member that it has received a properly executed TIF or other actual authority to receive the customer's securities and funds;

(D) transfer instructions transmitted through such facilities shall contain the information necessary for the clearing agency and the carrying member to respond to the transfer instruction as may be specified by this Rule and the clearing agency; and

(E) non-standard ACAT processing, such as Partial Transfer Receives (PTR), Partial Transfer Deliver (PTD) Fail Reversal, and reclaim processing shall be transmitted through such facilities, if the facility permits.

(5) For purposes of this Rule, the term "registered clearing agency" shall be deemed to be a clearing agency as defined in the Exchange Act and registered in accordance with the Exchange Act. For purposes of this Rule, the term "participant in a registered clearing agency" shall mean a member of a registered clearing agency that is eligible to make use of the agency's automated customer securities account transfer capabilities.

(n) Transfers Accomplished Ex-Clearing

(1) If one or both of the members processing a customer account transfer pursuant to this Rule is not a member of a registered clearing agency, the fail-to-receive and fail-to-deliver contracts required to be established pursuant to paragraph (e) of this Rule must be established outside a clearing corporation on an "ex-clearing house" basis. Similarly, settlement of the fail contracts and any close-out executions must be made "ex-clearing house."

(2) Each member (including members that do not utilize automated customer securities account asset transfer facilities) is required, for a minimum period of six (6) months after the transfer of securities account assets in whole is completed, to transfer credit balances (both cash and securities) that occur in such transferred account assets within (10) ten business days after the credit balances accrue to the account.

••• Supplementary Material: -----

.01 Written Procedures. Members must establish, maintain and enforce written procedures to affect and supervise the transfer of securities account assets pursuant to this Rule that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

.02 Transfer of Retirement Plan Securities. With respect to the transfer of retirement plan securities account assets, the carrying member is responsible for informing the customer that the choice of method of disposition of such assets may result in liability for the payment of taxes and penalties with respect to such assets.

.03 Sample Transfer Instruction Forms.

(a) Customer Account Transfer

CUSTOMER SECURITIES ACCOUNT TRANSFER INSTRUCTION

	(Date)
RECEIVING FIRM _____	CARRYING FIRM _____
RECEIVING FIRM ACCOUNT NUMBER _____	CARRYING FIRM ACCOUNT NUMBER _____
ACCOUNT TITLE	_____ _____ _____
ACCOUNT TYPE _____ (C = CASH, M = MARGIN)	
TAX ID OR SS NUMBER _____	
TO _____	
(Receiving Firm Name and Address)	
Please receive my entire securities account from the below indicated carrying firm and remit to it the debit balance or accept from it the credit balance in my securities account.	
TO _____	
(Carrying Firm Name and Address)	

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 _____
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For Broker Use Only:

Mutual Fund Registration Instructions:

Registration Name _____

Address _____

Tax ID # _____

Dividend and Capital Gains Options:

Reinvest ()	Dividend Cash/Capital Gains Reinvest ()
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All Cash ()	Deposit to New Plan ()
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Issue Certificate ()	Deposit to Existing Plan ()
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Broker Instructions (if broker agreement exists):

Name _____
Address _____
RR Name/Number/Branch _____

(b) Customer Retirement Account Transfer

CUSTOMER RETIREMENT PLAN SECURITIES ACCOUNT TRANSFER INSTRUCTION	
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)
Please be advised that _____	
(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>	
_____ and non-DTC eligible items to	

(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

MUTUAL FUND RE-REGISTRATION INSTRUCTIONS USED FOR BROKER-TO-BROKER TRANSFERS		
(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.

[◀ 11860. COD ORDERS](#)

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[11880. SETTLEMENT OF SYNDICATE ACCOUNTS ▶](#)

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> [FINRA RULES](#) > [11000. UNIFORM PRACTICE CODE](#) > [11800. CLOSE-OUT PROCEDURES](#)

11880. Settlement of Syndicate Accounts

(a) Definitions

(1) "Corporate debt security" means a debt security that is United States ("U.S.") dollar-denominated and issued by a U.S. or foreign private issuer, including a Securitized Product as defined in Rule 6710(m). "Corporate debt security" does not include a Money Market Instrument as defined in Rule 6710(o).

(2) "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.

(3) "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.

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

(5) "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

(1) Final settlement of syndicate accounts shall be effected by the syndicate manager within 90 days following the syndicate settlement date, except as provided in paragraph (b)(2) of this Rule.

(2) Final settlement of syndicate accounts for a public offering of a corporate debt security shall be effected by the syndicate manager by remitting to each syndicate member at least 70 percent of the gross amount due to such syndicate member within 30 days following the syndicate settlement date, with any final balance due remitted 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-2022-025 eff. Jan. 1, 2023.
 Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.
 Amended by SR-NASD-88-22 eff. Aug. 3, 1988.
 Amended by SR-NASD-87-47 eff. June 12, 1988.
 Amended by SR-NASD-87-7 eff. May 1, 1987.
 Adopted by SR-NASD-85-14 eff. Oct. 1, 1985.

Selected Notices: [85-59](#), [87-23](#), [87-88](#), [88-34](#), [88-73](#), [10-49](#), [22-24](#).

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[11890. CLEARLY ERRONEOUS TRANSACTIONS](#) >

VERSIONS

Jan 01, 2023 onwards

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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 11890 Series.

.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 occurring outside of Normal Market Hours (9:30 a.m. Eastern Time to 4:00 p.m. Eastern Time) or eligible for review pursuant to paragraph (b)(1) of this Rule 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 guidelines set forth in this Rule. 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 guidelines set forth in this Rule. 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 decision is made by a FINRA officer under Supplementary Material .02 of this Rule regarding transactions that occurred outside of the applicable Price Bands disseminated pursuant to the LULD Plan, and further provided that rulings made by FINRA in conjunction with one or more other self-regulatory organizations are not appealable.

(b) Clearly Erroneous Review

(1) Review of Transactions Occurring During Normal Market Hours

If the execution time of the transaction(s) under review is during Normal Market Hours, the transaction will not be reviewable as clearly erroneous unless the transaction:

(A) is in an NMS Stock that is not subject to the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan" or "LULD Plan"). In such case, the Numerical Guidelines set forth in paragraph (b)(2) of this Rule will be applicable to such NMS Stock;

(B) was executed at a time when Price Bands under the LULD Plan were not available, or is the result of a member's technology or systems issue that results in the transaction occurring outside of the applicable LULD Price Bands pursuant to Supplementary Material .02 of this Rule, or is executed after the primary listing market for the security declares a regulatory trading halt, suspension, or pause pursuant to paragraph (e) of this Rule. A transaction subject to review pursuant to this paragraph shall be found to be clearly erroneous if the price of the subject transaction to buy (sell) is greater than (less than) the Reference Price, described in paragraph (c) of this Rule, by an amount that equals or exceeds the applicable Percentage Parameter defined in Appendix A to the LULD Plan ("Percentage Parameters"); or

(C) involved, in the case of (i) a corporate action or new issue or (ii) a security that enters a Trading Pause pursuant to the LULD Plan and resumes trading without an auction, a Reference Price that is determined to be erroneous by a FINRA officer because it clearly deviated from the theoretical value of the security. In such circumstances, FINRA may use a different Reference Price pursuant to paragraph (c)(2) of this Rule. A transaction subject to review pursuant to this paragraph shall be found to be clearly erroneous if the price of the subject transaction to buy (sell) is greater than (less than) the new Reference Price, described in paragraph (c)(2) of this Rule, by an amount that equals or exceeds the Numerical Guidelines or Percentage Parameters, as applicable depending on whether the security is subject to the LULD Plan.

(2) Review of Transactions Occurring Outside of Normal Market Hours or Eligible for Review Pursuant to Paragraph (b)(1)

(A)

(A) Subject to the additional factors described in paragraph (b)(2)(C) of this Rule, a transaction executed outside of Normal Market Hours, or eligible for review pursuant to paragraph (b)(1)(A) of this Rule, 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.

Reference Price: Circumstance or Product	Normal Market Hours Numerical Guidelines for Transactions Eligible for Review Pursuant to Paragraph (b)(1)(A) (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)(B) of this Rule	30%, subject to the terms of paragraph (b)(2)(B) of this Rule
Leveraged ETF/ETN securities	N/A	Normal Market Hours Numerical Guidelines multiplied by the leverage multiplier (i.e. 2x)

(B) Multi-Stock Events Involving Twenty or More Securities

Multi-Stock Events involving twenty or more securities may be reviewable as clearly erroneous if they occur outside of Normal Market Hours or are eligible for review pursuant to paragraph (b)(1)(A) of this Rule. During Multi-Stock Events, 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.

(C) 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, provided the execution occurred outside of Normal Market Hours or is eligible for review pursuant to paragraph (b)(1)(A) of this Rule. Such additional factors include but are 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) Reference Price

The Reference Price referred to in paragraphs (b)(1) and (b)(2) of this Rule will be equal to the consolidated last sale immediately prior to the execution(s) under review except for:

(1) in the case of Multi-Stock Events involving twenty or more securities, as described in paragraph (b)(2)(B) of this Rule;

(2) in the case of an erroneous Reference Price, as described in paragraph (b)(1)(C) of this Rule. In the case of paragraph (b)(1)(C)(i), FINRA would consider a number of factors to determine a new Reference Price that is based on the theoretical value of the security, including but not limited to, the offering price of the new issue, the ratio of the stock split applied to the prior day's closing price, the theoretical price derived from the numerical terms of the corporate action transaction such as the exchange ratio and spin-off terms, and for an OTC up-listing, the price of the security as provided in the prior day's FINRA Trade Dissemination Service final closing report. In the case of paragraph (b)(1)(C)(ii), the Reference Price will be the last effective Price Band that was in a limit state before the Trading Pause; or

(3) 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, provided that such circumstances occurred outside of Normal Market Hours, or are eligible for review pursuant to paragraph (b)(1)(A) of this Rule.

(d) 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 Percentage Parameters or 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](#).

(e) 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 Percentage Parameters or 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 Transactions Occurring Outside of LULD Plan Price Bands

(a) 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 LULD 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 (b) of this Supplementary Material. 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(b)(1)(B).

(b) A member requesting review of a transaction pursuant to paragraph (a) of this Supplementary Material 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.

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 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

Oct 01, 2022 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