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June 11, 2025

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006

Re: Regulatory Notice 25-04: FINRA Launches Broad Review to Modernize Rules Regarding Member Firms and Associated Persons

Dear Ms. Mitchell:

The FIA Principal Traders Group (“FIA PTG”)¹ appreciates the opportunity to comment on the FINRA Review to Modernize Rules Regarding Member Firms and Associated Persons (the “Modernization Review”). FIA PTG members are among the most active providers of liquidity to derivatives markets in the US and welcome the opportunity to participate in the Modernization Review and commend FINRA for undertaking this worthwhile initiative.

Please find our suggestions below:

1. CAT/ EBS

FINRA should support industry efforts aimed at reducing the cost of the CAT, while maintaining information critical to surveilling for market integrity. Further, FINRA should undertake efforts to eliminate duplicative reporting in other systems such as TRF and EBS.

- a. CAT: FINRA should support an overhaul of the current system, including (a) dramatically reducing the annual budget and (b) transitioning the system into the SEC’s budget.

¹ FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy.

- b. EBS: In connection with restructuring CAT, FINRA should support retiring EBS for all equities and options requests. When the CAT was adopted – it was premised on retiring EBS. Now we are left with duplicative costs.

2. TRF – Eliminate duplicative Reporting that is captured by CAT

FINRA should review and remove all the requirements that are now made moot by CAT. TRF historically captured regulatory reporting data that was combined with OATS. All of this data is now captured by CAT and should be eliminated from the TRF.

- a. all requirements for sending reports that are non-Tape, non-clearing (e.g., "riskless principal reports", etc.).
- b. all requirements on Tape and clearing reports that are not necessary for Tape volume or clearing functions -- for example, to report either party's "Capacity" (Agent or Principal) on a trade.

3. ADFs

The IntelligentCross ADF proposal made clear that there is not an appropriate framework around ECNs and market makers quoting on the ADF, especially as it relates to markets that employ an intentional delay. FINRA should codify the approval process and ongoing requirements for ADF participants.

- a. FINRA should set out a clear process for approval and ongoing operation of ADF participants. This should include making determinations of “automated quotation” status and ongoing filing requirements for functionality changes.
 - i. FINRA advanced this proposal without conducting adequate independent analysis.
 - ii. Automated quotation determination in any ECN or market maker that uses an intentional delay should be determined only through a rule filing clearly explaining the process that is filed with the Commission.

4. Scrutinizing ATS Private Rooms

Private rooms in ATSs require greater transparency both in ATS filings and in trading volume. FINRA has taken steps to ensure reporting of volume information is clearer in other contexts, whereas an ATS that reports its volume conflates broadly available volume with one-to-one or one-to-some volume from private rooms.

- a. In connection with regulating the broker-dealer operator of the ATS, require more transparency on ATS-N regarding each liquidity pool available on the platform.
- b. Publish guidance that an ATS cannot deem all orders in a private room to be “Not Held” (thereby escaping Rule 605 reporting for private room trading). Give ATS operators a reasonable timeline to comply.

5. Improving the Margin Framework for Listed Options

While capital requirements recognize the offset between options and their underlying equities, no cross-margining exists between the products as they are cleared and settled at different clearinghouses. FIA PTG supports building the capability to obtain cross-margining between equities and options in order to improve efficiency in the options market. We believe FINRA could help facilitate this by modifying Rule 4210.

- a. FINRA should support efforts to achieve cross-margining between equities and options (NSCC and OCC).
- b. In addition, Rule 4210 should be modernized and provide more flexibility to the OCC to implement a risk-based margin framework across all types of market participants. The importance of risk-based margin requirements should be increased compared to per contract minimums.

6. TRACE System

FINRA should invest in TRACE and at a minimum bring it up to par with the functionality and tools available on the TRFs.

- a. The specs for Treasuries, Corporates, and Munis are all different (not just due to the product types).
- b. TRAQS lacks basic functionality compared to the Nasdaq TRF or NYSE TRF user terminals. There is no way to upload files for input or corrections; etc.

7. TRF and TRACE discrepancies

TRF and TRACE perform similar functions for the stock and bond markets, respectively. However, there are several distinctions in the guidance associated with the two systems that appear to be system driven rather than rule driven. Stocks and bonds are both securities and should be subject to the same logic and guidance as it relates to transaction reporting. There should not be divergence between the two systems unless there is a clearly explained underlying rationale supported by law.

- a. FINRA should compare and contrast the guidance associated with the two systems and align reporting.
- b. FINRA uses the term “beneficial owner” and does not make clear when it means “title holder” or “ultimate beneficial owner.” FINRA should make clear what transactions require public reporting and what transactions require reporting without public dissemination.
- c. FINRA should as a matter of practice consider transactions between an affiliated member and another member as well as an affiliated member and a non-member whereas existing FAQs often reference either one or the other leaving an obvious gap in guidance.

- d. FINRA should allow the parties to a bond trade to eliminate duplicative reporting to TRACE, by signing a Uniform Reporting Agreement (URA) – as is done with stock trades on the TRFs. Forcing both parties to report the same trade is costly and of little value.

8. TRF – Expand for Overnight Trading

The TRFs should be open when the SIP is open in order to ensure appropriate transparency of the over-the-counter market during extended market hours.

- a. Both the SIP and the TRFs need to be available during the hours that exchanges are open for trading (e.g., 23/5). It is important to maintain equivalent levels of transparency for both on-exchange and off-exchange trading during the anticipated overnight sessions. While the TRFs are not currently open from 4am to 8am, we believe this should be addressed and extended when markets move to 23/5.

9. ORF/ TAF

FINRA should work with the industry to rationalize regulatory fees in the options and equities markets. The options industry would benefit from streamlining market surveillance. In the equities markets, TAF should be allocated based the full range of products FINRA surveils. In the current state, complex products offered to customers that require a high level of oversight are subsidized by higher volume equities transactions.

- a. ORF: In addition, FINRA should work with the options exchanges to streamline market surveillance in the options market and reduce duplicative requests and associated costs.
- b. TAF: The FINRA TAF should be allocated based on cost and applied across the full range of asset classes subject to FINRA's purview.

10. Modernizing Rules re: Block Trading

- a. Rule 5270 prohibits a member from trading in a given security (or related financial instrument) when it has material, non-public market information concerning an imminent block transaction in that security, a related financial instrument or a security underlying the related financial instrument prior to the time information concerning the block transaction has been made publicly available or has otherwise become stale or obsolete.

FINRA should modernize the definitions of “publicly available” and “stale or obsolete.”

11. Displaying OTC Equity Quotations in Multiple Quotation Mediums

- a. Rule 6438 requires members that display priced quotations on a real-time basis for an OTC equity security in two or more quotation mediums to display the same priced quotations for the security in each medium, with an exception for certain quotations that represent a

customer limit order. Given the inability to mark an order as “representative” in CAT, FINRA should update the rule to delete the reference to “represent.”

12. Clarifying Registration Requirements

As the market has become more automated, roles and responsibilities have changed. This has made it less clear which roles and responsibilities require registration.

- a. Rule 1220 requires certain member employees to register as a “Securities Trader.” FINRA should clarify that technology support functions, such as turning on/off quoters, troubleshooting, and reconciliation, do not fall within this definition.

13. Remote Inspection Requirements

Remote inspections of Registered Representatives’ homes or remote offices should only be required in limited circumstances in which the RR interacts with public customers, or where they hold books and records, or customer cash, checks, or securities in their home. In many instances, RRs are simply logging into firm systems that capture the appropriate books and records. In addition, FINRA should make accommodations for circumstances that may prevent an RR from commuting to the office.

- a. Should only apply to RRs interacting with the public. Meeting with the public, maintaining physical books and records, holding physical cash or securities.
- b. RRs logging into Members’ systems to monitor activity or trade should not require an inspection.
- c. There should be a clear safe harbor for ad hoc work from home exceptions (e.g., medical surgery, etc.).

14. Annual CEO Certification Timing

Annual CEO Certification timing should provide greater flexibility.

- a. Rule 3130(b) requires a broker-dealer CEO to make a certification that “is effected no later than on the anniversary date of the previous year’s certification.” This results in the date moving up each year, as firms do not want to wait until the last day. The filing deadline should be the last day of the month that is 12 months after the previous year’s certification.

15. Institutional Account Definition

FINRA’s asset standard of \$50 million to be considered an “institution” is inconsistent with other standards in the industry and has limited growth in some markets, including cash Treasuries.

- a. Rule 4512(c) should be amended to align with the \$10 million asset standard in the Commodity Exchange Act’s Eligible Contract Participant (ECP) definition.

Jennifer Piorko Mitchell, FINRA

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If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group



Joanna Mallers
Secretary