

Proposed Changes to Financial Industry Regulatory Authority (FINRA) Classification of Hybrid Securities for Trade Reporting Purposes

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On March 26, the comment period ended for a **Financial Industry Regulatory Authority, Inc.** proposed rule change to adopt an interpretation to clarify the classification of a hybrid security with both debt- and equity-like features for trade reporting purposes. Generally, under FINRA Rule 6622, over-the-counter (OTC) transactions in “OTC Equity Securities” must be reported to the OTC Reporting Facility (ORF), while FINRA Rule 6700 Series requires that transactions in “TRACE-Eligible Securities” be reported to the Trade Reporting and Compliance Engine (TRACE). FINRA proposed including depositary shares in OTC Equity Securities and including capital trust securities and trust preferred securities not listed on a national securities exchange in TRACE-Eligible Securities. In response to a Securities Industry and Financial Markets Association (SIFMA) comment letter, FINRA amended the rule to include depositary shares or preferred securities with a liquidation preference of \$1,000 or more and not listed on a national security exchange in TRACE-Eligible Securities and not in OTC Equity Securities. The proposed changes do not change the text of the rule.

The original *Federal Register* notice is available [here](#).

The *Federal Register* notice of the amendment is available [here](#).

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