

FINRA Issues Guidance on Reporting Interest Positions Held in Master/Sub-Accounts or Parent/Child Accounts

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On December 6, the Financial Industry Regulatory Authority (FINRA) issued a notice to reiterate that firms must report short positions in each individual firm or customer account on a gross basis under FINRA Rule 4560 (Short-Interest Reporting).

FINRA Rule 4560 requires firms to maintain a record of total “short” positions in all customer and proprietary firm accounts and to regularly report such information to FINRA. Under the rule, member firms must record and report all gross short positions existing in each individual firm or customer account, including the account of a broker-dealer, that resulted from either a “short sale” (defined in Rule 200(a) of Regulation SHO), or where the transactions that caused the short position were marked “long” due to the firm’s or the customer’s net long position at the time of the transaction.

The notice provides that firms must report short interest in each individual firm or customer account—including each sub- or child account—on a gross, as opposed to net, basis, (e.g., not netted against the other sub- or child accounts). Further, the notice provides that regardless of whether sub- or child accounts share the same beneficial owner, or whether the firm has actual or inquiry notice of common ownership, the firm is required to report gross short positions existing in each individual customer account.

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