

described in Section I.B.1 would require that each margin portfolio contains only transactions from the same account type, Netting Members use separate Deposit IDs for different transaction types, each Segregated Indirect Participant's margin requirement be calculated separately on a gross basis as though each Segregated Indirect Participant were a separate Netting Member, and Segregated Customer Margin for each indirect participant be deposited into a separate interest-earning Segregated Customer Margin Custody Account. These changes should enhance FICC's ability to isolate the risk profiles of individual indirect participants from Netting Members, which should help FICC better understand and monitor each individual participant's risk exposures. In addition, the calculation and collection of Segregated Customer Margin on a gross basis, as described in Section I.B.1 and 1.B.2, and the establishment of a \$1 million cash floor for Segregated Customer Margin, as described in Section I.B.2.a, should help ensure that FICC will have sufficient margin to manage the risk to FICC during an indirect participant default.

Accordingly, the proposed changes would be consistent with Rule 17ad-22(e)(19) because they should enhance FICC's ability to identify, monitor, and manage the material risks to FICC associated with indirect participants relying on Netting Members to access FICC's clearance and settlement services.<sup>167</sup>

#### H. Consistency With Rule 17ad-22(e)(23)(ii)

Rule 17ad-22(e)(23)(ii) requires that FICC establish, implement, maintain and enforce written policies and procedures providing sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in FICC.<sup>168</sup> The proposed changes described in Section I.B.3 to consolidate and clarify FICC's margin calculation methodology in the proposed Margin Component Schedule, adopt a method for allocating net unsettled positions to individual indirect participants for purposes of calculating margin requirements and to clarify the calculation of the ECP should make it easier for both Netting Members and indirect participants to identify and price the potential margining costs associated with how each chooses to

submit transactions to FICC for clearance and settlement.

Accordingly, the proposed changes would be consistent with Rule 17ad-22(e)(23)(ii) because they should enhance the ability of Netting Members and indirect participants to identify and evaluate the costs to access FICC's clearance and settlement services.<sup>169</sup>

#### IV. Conclusion

*It is therefore noticed*, pursuant to Section 806(e)(1)(I) of the Clearing Supervision Act, that the Commission DOES NOT OBJECT to Advance Notice (SR-FICC-2024-802), as modified by Partial Amendment No. 1, and that FICC is AUTHORIZED to implement the proposed change as of the date of this notice or the date of an order by the Commission approving proposed rule change SR-FICC-2024-007, whichever is later.

By the Commission.

**Sherry R. Haywood,**

*Assistant Secretary.*

[FR Doc. 2024-27766 Filed 11-26-24; 8:45 am]

**BILLING CODE 8011-01-P**

#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101697; File No. SR-FINRA-2024-020]

#### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Adopt Fees in FINRA Rule 7720 (Securities Lending and Transparency Engine (SLATE™))

November 21, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 20, 2024, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as "establishing or changing a due, fee or other charge" under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to

<sup>169</sup> 17 CFR 240.17ad-22(e)(23)(ii).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to adopt new FINRA Rule 7720 (Securities Lending and Transparency Engine (SLATE™)) to establish securities loan reporting fees and securities loan data products with associated fees in connection with FINRA's separately proposed Rule 6500 Series (Securities Lending and Transparency Engine (SLATE)) establishing securities loan reporting and data dissemination requirements.<sup>5</sup>

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

###### (i) Background

On October 13, 2023, the Commission adopted new SEA Rule 10c-1a<sup>6</sup> to require any "covered person"<sup>7</sup> who agrees to a "covered securities loan"<sup>8</sup> to

<sup>5</sup> See *infra* note 6.

<sup>6</sup> See 17 CFR 240.10c-1a ("SEA Rule 10c-1a"); Securities Exchange Act Release No. 98737 (October 13, 2023), 88 FR 75644 (November 3, 2023) (Reporting of Securities Loans) ("Adopting Release").

<sup>7</sup> SEA Rule 10c-1a(j)(1) defines a "covered person" as (i) any person that agrees to a covered securities loan on behalf of a lender ("intermediary") other than a clearing agency when providing only the functions of a central counterparty pursuant to Rule 17Ad-22(a)(2) of the Exchange Act or a central securities depository pursuant to Rule 17Ad-22(a)(3) of the Exchange Act; or (ii) any person that agrees to a covered securities loan as a lender when an intermediary is not used unless paragraph (j)(1)(iii) of this section applies; or (iii) a broker or dealer when borrowing fully paid or excess margin securities pursuant to Rule 15c3-3(b)(3) of the Exchange Act.

<sup>8</sup> SEA Rule 10c-1a(j)(2) defines a "covered securities loan" as a transaction in which any

<sup>167</sup> 17 CFR 240.17ad-22(e)(19).

<sup>168</sup> 17 CFR 240.17ad-22(e)(23)(ii).

provide specified information to a registered national securities association (“RNSA”).<sup>9</sup> The RNSA is then required to make publicly available information regarding reported securities loans, as described in SEA Rule 10c–1a.<sup>10</sup> In its Adopting Release, the Commission stated its belief that SEA Rule 10c–1a would increase transparency in the securities lending market, resulting in a reduction in the information disadvantage faced by end borrowers and beneficial owners, improve price discovery, increase competition among providers of securities lending analytics services, reduce costs associated with tracking market conditions for broker-dealers and lending programs, and improve decision-making by investors, beneficial owners, and other market participants.<sup>11</sup>

SEA Rule 10c–1a(f) requires an RNSA that is collecting the information required to be reported under the rule to implement rules regarding the format and manner of its collection of information described in paragraphs 10c–1a(c) through 10c–1a(e) of SEA Rule 10c–1a and make publicly available such information in accordance with rules promulgated by the RNSA pursuant to Section 19(b) of the Exchange Act and Rule 19b–4 thereunder. In accordance with this requirement, on May 1, 2024, FINRA filed with the Commission a proposed rule change to adopt the new FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE)) to establish reporting requirements for Covered Securities Loans<sup>12</sup> and to

person on behalf of itself or one or more other persons, lends a reportable security to another person, with exclusions for a position at a clearing agency that results from central counterparty services pursuant to Rule 17Ad–22(a)(2) of the Exchange Act or central securities depository services pursuant to Rule 17Ad–22(a)(3) of the Exchange Act, and the use of margin securities, as defined in Rule 15c3–3(a)(4) of the Exchange Act, by a broker or dealer. “Reportable security” is defined in SEA Rule 10c–1a(j)(3) as any security or class of an issuer’s securities for which information is reported or required to be reported to the consolidated audit trail as required by § 242.613 of the Exchange Act and the CAT NMS Plan (“CAT”), the Financial Industry Regulatory Authority’s Trade Reporting and Compliance Engine (“TRACE”), or the Municipal Securities Rulemaking Board’s Real-Time Transaction Reporting System (“RTRS”), or any reporting system that replaces one of these systems.

<sup>9</sup> SEA Rule 10c–1a(j)(5) defines an “RNSA” as an association of brokers and dealers that is registered as a national securities association pursuant to 15 U.S.C. 78c–3 of the Exchange Act. FINRA currently is the only RNSA.

<sup>10</sup> See SEA Rule 10c–1a(g).

<sup>11</sup> See Adopting Release, 88 FR 75644, 75692.

<sup>12</sup> A “Covered Securities Loan” means a “covered securities loan” as defined in SEA Rule 10c1–a(j)(2).

provide for the public dissemination of loan information.<sup>13</sup>

In its Adopting Release, the Commission recognized that an RNSA would incur costs to develop and maintain systems to comply with the covered securities loan reporting and data dissemination requirements of SEA Rule 10c–1a<sup>14</sup> and expressly permitted an RNSA to establish and collect reasonable fees pursuant to rules established under Section 19(b) of the Exchange Act and Rule 19b–4 thereunder.<sup>15</sup> The purpose of this proposed rule change is to establish a SLATE fee structure to allow FINRA to recover reasonably estimated incremental direct ongoing costs associated with complying with SEA Rule 10c–1a.<sup>16</sup>

Among other things, the SLATE Proposal would establish the requirements for reporting Initial Covered Securities Loans<sup>17</sup> and Loan Modifications<sup>18</sup> to SLATE and would require that such reports be submitted to FINRA timely, accurately, and completely.<sup>19</sup> In the SLATE Proposal, FINRA stated its intention to file separately a proposed rule change to establish covered securities loan reporting fees and to establish securities loan data products with associated fees.<sup>20</sup> The SLATE Proposal also provided that FINRA would make specified securities loan information available on its website free of charge for personal, non-commercial purposes only.<sup>21</sup> In the instant filing, FINRA

<sup>13</sup> See Securities Exchange Act Release No. 100046 (May 1, 2024); 89 FR 38203 (May 7, 2024) (Notice of Filing of File No. SR–FINRA–2024–007) (Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine)) (“SLATE Proposal”).

<sup>14</sup> See Adopting Release, 88 FR 75644, 75717.

<sup>15</sup> See Adopting Release, 88 FR 75644, 75648.

<sup>16</sup> FINRA does not have regulatory authority over Covered Persons or Reporting Agents that are non-FINRA members. As FINRA does today, FINRA would refer to the SEC potential violations of the federal securities laws and rules by non-members, including failures to comply with SEA Rule 10c–1a and FINRA rules adopted pursuant to SEA Rule 10c–1a (e.g., potential SLATE reporting violations or failures to pay when due any SLATE fees).

<sup>17</sup> “Initial Covered Securities Loan” means a new Covered Securities Loan not previously reported to SLATE. See proposed Rule 6510(d).

<sup>18</sup> “Loan Modification” means a change to any Data Element with respect to a Covered Securities Loan (irrespective of whether such Covered Securities Loan was previously reported to SLATE). See proposed Rule 6510(e).

<sup>19</sup> See proposed Rule 6530(c)(1); see also SLATE Proposal, 89 FR 38203, 38210.

<sup>20</sup> See SLATE Proposal, 89 FR 38203, 38206.

<sup>21</sup> See SLATE Proposal, 89 FR 38203, 38212 n.80. The SLATE data that FINRA will make available (pursuant to FINRA Rule 6540.02) will be displayed (viewable) free of charge on the FINRA website for personal, non-commercial purposes and will not be available in downloadable form through this means. Persons interested in receiving from FINRA

proposes to establish such reporting fees and to establish SLATE data products with associated fees, as described below.

#### (ii) Proposed Rule Change

FINRA is proposing to establish new Rule 7720 to provide for reporting fees for: (1) SLATE system connectivity; (2) Initial Covered Securities Loan reporting; (3) Loan Modification reporting; (4) late reporting; and (5) reporting cancellations, corrections, and deletions. Rule 7720 also establishes data products with associated fees for SLATE Loan-Level Data and Daily Loan Statistics;<sup>22</sup> and Historic SLATE Data.<sup>23</sup>

#### SLATE Reporting Fees

Previously proposed new Rule 6530(a) would establish the requirements relating to the reporting of Initial Covered Securities Loans to SLATE. Proposed Rule 7720(b)(1) provides that, for each such Initial Covered Securities Loan report, a SLATE Participant will be subject to a reporting fee of \$0.07 per submission. Previously proposed new Rule 6530(b) would establish the requirements relating to the reporting of Covered Securities Loan Modifications to SLATE. Proposed Rule 7720(b)(2) provides that, for each such Loan Modification report, a SLATE Participant will be subject to a reporting fee of \$0.03 per submission.

Proposed Rule 7720 also establishes fees for the reporting of cancellations, corrections, and deletions of previously submitted Covered Securities Loans and for the late submission of Initial Covered Securities Loan and Loan Modification reports, which is consistent with the requirement that Covered Persons report timely, accurately, and completely to SLATE,<sup>24</sup> and facilitates the dissemination of accurate and complete information to regulators and the public.<sup>25</sup> Specifically,

downloadable files of SLATE data must subscribe to the appropriate data product made available pursuant to proposed Rule 7720.

<sup>22</sup> “SLATE Loan-Level Data and Daily Loan Statistics” means the data described in proposed Rule 6540(a) through (c).

<sup>23</sup> “Historic SLATE Data” means SLATE Loan-Level Data and Daily Loan Statistics from the beginning of SLATE data reporting through the end of the most recent calendar year.

<sup>24</sup> See proposed Rule 6530(c)(1). Proposed Rule 6530(c)(2) further provides that a member’s pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010. See SLATE Proposal, 89 FR 38203, 38210.

<sup>25</sup> “[SEA Rule 10c–1a] is designed to provide access to timely, comprehensive securities loan information to market participants, the public, and

Continued

pursuant to proposed Rule 7720(b)(3), a SLATE Participant will be charged a cancel,<sup>26</sup> correct,<sup>27</sup> or delete<sup>28</sup> fee of \$0.10 per canceled, corrected, or deleted Covered Securities Loan report. In addition, proposed Rule 7720(b)(4) establishes a late fee of \$0.20 per Initial Covered Securities Loan report or Loan Modification report that is not timely reported to SLATE as required pursuant to the Rule 6500 Series.<sup>29</sup>

Proposed Rule 7720 also sets forth the fees for connecting to SLATE. Specifically, proposed Rule 7720(a) provides that a SLATE Participant may choose to report Covered Securities Loans to FINRA pursuant to the Rule 6500 Series either via: (1) the SLATE web browser; or (2) a third-party reporting intermediary (and such third party must use the SLATE web browser). The fee for connecting to the SLATE web browser is \$25 per month per user ID and will be assessed for connecting to SLATE through the browser, whether a Covered Person Reporting Agent, or other third party.<sup>30</sup>

#### SLATE Loan-Level Data and Daily Loan Statistics

FINRA is proposing Rule 7720(c) to establish the SLATE Loan-Level Data and Daily Loan Statistics data product with associated fees. As defined in Rule 7720(e)(2), “SLATE Loan-Level Data and Daily Loan Statistics” means the data described in proposed Rule 6540 (Dissemination of Loan Information) paragraph (a), which addresses next-day dissemination;<sup>31</sup> paragraph (b), which

regulators, which will help provide borrowers and lenders with better tools to assess the terms of their securities loans and enhance the ability of regulators to oversee the securities lending market.” Adopting Release, 88 FR 75644, 75648.

<sup>26</sup> A “cancellation” is used to remove a single event from the SLATE system. See Draft SLATE Participant Reporting Specifications, available at <https://www.finra.org/filing-reporting/slate>.

<sup>27</sup> A “correction” is used to replace fields in a prior reported event. See Draft SLATE Participant Reporting Specifications, available at <https://www.finra.org/filing-reporting/slate>.

<sup>28</sup> A “deletion” is used to remove an entire loan and all corresponding loan events (*i.e.*, modifications, corrections, etc.). See Draft SLATE Participant Reporting Specifications, available at <https://www.finra.org/filing-reporting/slate>.

<sup>29</sup> While FINRA will seek to address late or inaccurate SLATE reporting through its customary means, FINRA believes it is appropriate to establish fees to promote timely and accurate reporting. See also SLATE Proposal, 89 FR 38203, 38206 n.17.

<sup>30</sup> The \$25 per month fee for connecting to the SLATE web browser is assessed per user (not per entity). Therefore, a single SLATE Participant will be charged \$25 per month times the number of users that it determines to authorize for connecting to SLATE through the browser for SLATE reporting. This connectivity fee is not applicable to, or assessed on, SLATE data product subscribers for the purposes of receiving SLATE data.

<sup>31</sup> SLATE data that is subject to next day dissemination generally consists of the data set

addresses delayed dissemination;<sup>32</sup> and paragraph (c), which addresses daily loan statistics (*i.e.*, aggregate loan transaction activity<sup>33</sup> and loan rate distribution data<sup>34</sup>). Proposed Rule 7720(c) sets forth the fees applicable to subscribers that are persons and organizations other than qualifying Tax-Exempt Organizations<sup>35</sup> and subscribers that are qualifying Tax-Exempt Organizations. Recipients of the SLATE Loan-Level Data and Daily Loan Statistics product described herein will be required to execute appropriate agreements with FINRA to subscribe to SLATE Loan-Level Data and Daily Loan Statistics.

Under proposed Rule 7720(c)(1)(A), a fee of \$3,000 per month will apply for daily receipt of the SLATE Loan-Level

forth in Rule 6540(a): (1) the unique identifier assigned by FINRA to the loan; (2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; (3)(a) for each Initial Covered Securities Loan, all other Data Elements reported to SLATE, except the amount of securities loaned and confidential data elements; (b) for each Loan Modification, the modified Data Elements reported to SLATE, except the amount of securities loaned and confidential data elements; or (c) for each Loan Modification to a Covered Securities Loan that was not previously required to be reported to SLATE, all other Data Elements reported to SLATE, except the amount of securities loaned and confidential data elements.

<sup>32</sup> SLATE data that is subject to delayed dissemination (20 business days after the date on which the Initial Covered Securities Loan was effected or the loan was modified) generally consists of the data set forth in Rule 6540(b): (1) the unique identifier assigned by FINRA to the Covered Securities Loan; (2) the security identifier(s) specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate; and (3) the amount of securities loaned reported to SLATE.

<sup>33</sup> Aggregate loan transaction activity data generally consists of the data set forth in Rule 6540(c)(1); specifically, the security identifier specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to disseminate and the aggregate volume of securities subject to an Initial Covered Securities Loan or modification to the amount of Reportable Securities loaned, reported on the prior business day.

<sup>34</sup> Loan rate distribution data generally consists of: (1) the security identifier specified in Rule 6530(a)(2)(A) or (B) that FINRA determines is appropriate to identify the relevant Reportable Security; (2) the highest rebate rate, lowest rebate rate, and volume weighted average of the rebate rates by U.S. currency and non-U.S. currency, as applicable, reported for Initial Covered Securities Loans collateralized by cash and for Loan Modifications collateralized by cash (where the Loan Modification involved a change to the rebate rate); and (3) the highest lending fee or rate, lowest lending fee or rate, and volume weighted average of the lending fees or rates reported for Initial Covered Securities Loans not collateralized by cash and for Loan Modifications not collateralized by cash (where the Loan Modification involved a change to the lending fee or rate).

<sup>35</sup> A “Tax-Exempt Organization” means an organization that is described in Section 501(c) of the Internal Revenue Code (26 U.S.C. 501(c)) and has received recognition of the exemption from federal income taxes from the Internal Revenue Service. See Proposed Rule 7720(e)(3).

Data and Daily Loan Statistics, except for qualifying Tax-Exempt Organizations. The data is enabled for unlimited internal use through any number of display applications; separate fees and uses apply to qualifying Tax-Exempt Organizations (as discussed below). As further provided in proposed Rule 7720(c)(1)(A), the fee of \$3,000 per month entitles subscribers to use SLATE Loan-Level Data and Daily Loan Statistics in one or more of the following ways: internal operational and processing systems, internal monitoring and surveillance systems, internal price validation, internal portfolio valuation services, internal analytical programs leading to purchase/sale or other trading decisions, and other related activities, and the repackaging of market data for delivery and dissemination outside the organization, such as indices or other derivative products. Bulk redistribution of SLATE Loan-Level Data and Daily Loan Statistics<sup>36</sup> is not permitted under this subscription type, which is limited to internal use. In addition, any derivative products shall not permit end users to determine underlying SLATE Loan-Level Data and Daily Loan Statistics.

Under proposed Rule 7720(c)(1)(B), a vendor display redistribution fee of \$10,000 per month will apply for the display of SLATE Loan-Level Data and Daily Loan Statistics through any number of external display applications. However, bulk redistribution of SLATE Loan-Level Data and Daily Loan Statistics is not permitted. Therefore, any party wishing to receive a distribution of SLATE Loan-Level Data and Daily Loan Statistics files must subscribe directly with FINRA.

Proposed Rule 7720(c)(2) establishes a monthly fee of \$1,500 applicable to qualifying Tax-Exempt Organizations for the daily receipt of SLATE Loan-Level Data and Daily Loan Statistics. FINRA is establishing a fee level for qualifying Tax-Exempt Organizations that is half of the fee that will be assessed on parties other than qualifying Tax-Exempt Organizations. The data is enabled for unlimited internal use. A Tax-Exempt Organization qualifies to receive SLATE Loan-Level Data and Daily Loan Statistics if it does not redistribute such data in bulk, or it redistributes such data in bulk or otherwise (*e.g.*, unlimited external display) at no charge solely to other

<sup>36</sup> Bulk redistribution of SLATE data refers to the redistribution of the SLATE data files described in proposed Rule 7720. Bulk redistribution of SLATE data generally is not permitted, except for qualifying Tax-Exempt Organizations, subject to specified restrictions, as described in proposed Rule 7720(c)(2) and (d)(2).

Tax-Exempt Organizations that agree to be subject to the same restrictions.

#### Historic SLATE Data

FINRA also is proposing Rule 7720(d) to establish the Historic SLATE Data product with associated fees. As defined in Rule 7720(e)(1), “Historic SLATE Data” means “SLATE Loan-Level Data and Daily Loan Statistics” from the beginning of SLATE data reporting (currently scheduled to commence on January 2, 2026) through the end of the most recent calendar year. Historic SLATE Data will be made available within one month of year-end (e.g., Historic SLATE Data for calendar year 2026 will be available by January 31, 2027; Historic SLATE Data for calendar year 2027 will be available by January 31, 2028, and so on). Proposed Rule 7720(d) sets forth the fees for Historic SLATE Data applicable to subscribers that are persons and organizations other than qualifying Tax-Exempt Organizations, and subscribers that are qualifying Tax-Exempt Organizations. Recipients of the Historic SLATE Data product described herein will be required to execute appropriate agreements with FINRA.

Under proposed Rule 7720(d)(1)(A), a single fee of \$2,000 will apply to persons or organizations other than qualifying Tax-Exempt Organizations for development and set-up to begin receiving Historic SLATE Data. The set-up fee is a one-time fee. Proposed Rule 7720(d)(1)(B) provides that a fee of \$5,000 per calendar year will apply for receipt of Historic SLATE Data, except for qualifying Tax-Exempt Organizations. The data is enabled for unlimited internal use through any number of display applications. As further provided in proposed Rule 7720(d)(1)(B), the fee of \$5,000 per calendar year entitles persons or organizations other than qualifying Tax-Exempt Organizations to use Historic SLATE Data in one or more of the following ways: internal operational and processing systems, internal monitoring and surveillance systems, internal price validation, internal portfolio valuation services, internal analytical programs leading to purchase/sale or other trading decisions, and other related activities, and the repackaging of market data for delivery and dissemination outside the organization, such as indices or other derivative products. Bulk redistribution of Historic SLATE Data is not permitted under this subscription type, which is limited to internal use. In addition, any derivative products shall not permit end users to determine underlying SLATE Loan-Level Data and Daily Loan Statistics.

Proposed Rule 7720(d)(2) establishes the fees applicable to qualifying Tax-Exempt Organizations for receipt of Historic SLATE Data. A Tax-Exempt Organization qualifies to receive Historic SLATE Data if it does not redistribute such data in bulk, or it redistributes such data in bulk or otherwise at no charge solely to other Tax-Exempt Organizations that agree to be subject to the same restrictions. Under proposed Rule 7720(d)(2)(A), a single fee of \$1,000 will apply to any qualifying Tax-Exempt Organization for development and set-up to begin receiving Historic SLATE Data. The set-up fee is a one-time fee and was established to amount to half of the fee that would be assessed on parties other than qualifying Tax-Exempt Organizations for data set up. Proposed Rule 7720(d)(2)(B) provides that a fee of \$2,500 per calendar year will apply to any qualifying Tax-Exempt Organization for receipt of Historic SLATE Data, which is half of the fee that would be assessed on parties other than qualifying Tax-Exempt Organizations for these data. Historic SLATE Data is enabled for unlimited internal use and may be redistributed by a qualifying Tax-Exempt Organization in bulk or otherwise (e.g., unlimited external display) subject to the restrictions in paragraph (d)(2) (i.e., redistributed at no charge solely to other Tax-Exempt Organizations that agree to be subject to the same restrictions prescribed in the rule).

#### SLATE Cost Recovery

As further discussed below in the Economic Impact Assessment, the proposed fees described herein are designed to permit FINRA to recover costs associated with the operation of the SLATE program, as expressly permitted for an RNSA under the Exchange Act and SEA Rule 10c-1a.<sup>37</sup> FINRA currently estimates an average of approximately \$4.5 million in incremental direct ongoing costs per year from 2026 through 2028 (including the incremental direct ongoing costs incurred in 2024 and 2025 to be recovered over the 3-year period),<sup>38</sup> and approximately \$4.4 million in annual incremental direct ongoing costs thereafter. In an effort to make SLATE

<sup>37</sup> See 10c-1a(i); see also Adopting Release 88 FR 75644, 75687.

<sup>38</sup> While SEA Rule 10c-1a does not require that securities loan reporting commence until January 2026 or that loan data dissemination commence until April 2026, FINRA has necessarily already begun making financial expenditures in response to the SEC's adoption of Rule 10c-1a so that FINRA will be positioned to comply with all of the obligations applicable to an RNSA under that rule.

financially self-sustaining on an ongoing basis, the proposed fees are designed to generate an amount of revenue that is calibrated to align with the estimated incremental direct ongoing costs associated with the SLATE program, to enable FINRA to meet its obligations pursuant to the SEA Rule 10c-1a mandate, as further described below.

Specifically, FINRA's incremental direct costs associated with operating the SLATE program include costs for cloud resources (compute and storage), data validation, business rule processing, reference data, data dissemination, billing generation, technology operations monitoring and support, and alert escalation and remediation. Additional costs include staffing related to product management, application management, ongoing business and operational support for the user interface, and administration of participant information and applicable agreements.<sup>39</sup>

FINRA intends to reassess the SLATE reporting fees and data products and associated fees after the commencement of SLATE reporting and dissemination and obtaining additional information regarding reporting volumes and subscription interest. To the extent that FINRA determines that a change to the SLATE fee structure would be appropriate to better align SLATE revenues with the incremental direct ongoing costs incurred in connection with the SLATE program, FINRA would file a proposed rule change with the Commission pursuant to Section 19(b) of the Exchange Act and Rule 19b-4 thereunder.

FINRA has filed the proposed rule change for immediate effectiveness. The Commission's release adopting SEA Rule 10c-1a specified the compliance dates applicable to securities loan reporting and data dissemination.<sup>40</sup> Accordingly, if the Commission approves FINRA's proposed rules establishing the reporting and dissemination requirements, unless an extension is provided pursuant to Commission order, the implementation date of the proposed FINRA rules establishing the securities loan reporting fees will correspond to the commencement of reporting to SLATE, and the implementation date of the proposed FINRA rules establishing the securities loan data products with associated fees will correspond to the commencement of SLATE data

<sup>39</sup> To the extent possible, FINRA will leverage existing systems, personnel, and processes in connection with FINRA's SLATE program consistent with FINRA's structure as a not-for-profit self-regulatory organization.

<sup>40</sup> See *supra* note 6.

dissemination. If the SEC extends the compliance dates for SEA Rule 10c-1a's reporting or dissemination requirements, FINRA's proposed rules addressing covered securities loan reporting fees and securities loan data products with associated fees would become effective consistent with the SEC's extended timeframe for reporting and data dissemination, respectively.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act, which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.<sup>41</sup> FINRA also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act, which requires, among other things, that FINRA rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.<sup>42</sup>

Consistent with Section 984(b) of the Dodd-Frank Act, which mandates that the Commission increase the transparency of information available to brokers, dealers, and investors regarding securities loan activity, on October 13, 2023, the Commission adopted SEA Rule 10c-1a.<sup>43</sup> SEA Rule 10c-1a requires a Covered Person who agrees to a Covered Securities Loan to provide specified information to an RNSA.<sup>44</sup> The RNSA that is collecting the information required to be reported under the rule is then required to make publicly available information regarding reported securities loans, as described in SEA Rule 10c-1a.<sup>45</sup> Because FINRA is an RNSA, FINRA proposed to adopt the SLATE rules and is building a system (the proposed SLATE system) to which Covered Securities Loan information would be reported. SEA Rule 10c-1a sets forth other related requirements for an RNSA, as described in SEA Rule 10c-1a and the Adopting Release.<sup>46</sup> These mandates increase

costs to FINRA, as an RNSA, that necessitate funding.

Section 15A(b)(2) of the Act requires that an RNSA be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.<sup>47</sup> FINRA therefore believes it is consistent with the Act that FINRA impose reasonable fees that are designed to support FINRA with regard to expenditures to meet its regulatory obligations in connection with the securities loan reporting and transparency initiative. In addition, FINRA notes that SEA Rule 10c-1a itself explicitly provides that the RNSA may establish and collect reasonable fees, pursuant to rules that are promulgated pursuant to Section 19(b) and Rule 19b-4 of the Exchange Act.<sup>48</sup>

As discussed above, and further below in the Economic Impact Assessment, FINRA is establishing a fee structure to implement reasonable fees relating to the SLATE program; specifically: (1) SLATE system connectivity fees; (2) fees in connection with reporting Covered Securities Loan information to SLATE; and (3) SLATE data products and associated fees. The fees being proposed herein are reasonable, including because they are designed to generate an amount of revenue that is calibrated to align with the estimated incremental direct ongoing costs associated with the SLATE program and to enable FINRA to meet its regulatory obligations.

FINRA believes it is equitable, reasonable, and consistent with the Exchange Act that the proposed SLATE system connectivity and reporting fees be assessed directly on the parties that have been designated by the Commission as bearing the underlying regulatory responsibility for reporting securities loan information to an RNSA—*i.e.*, Covered Persons that report to the SLATE system (and their agents).<sup>49</sup> In the Adopting Release, the Commission stated that ". . . RNSAs may establish and collect reasonable fees, pursuant to rules that are effective pursuant to section 19(b) of the

Exchange Act and Rule 19b-4 thereunder, from each person who provides any data set forth in paragraphs (b) through (e) of this section directly to an RNSA."<sup>50</sup> The Adopting Release also stated that "[t]he final rule will also impose direct costs on an RNSA responsible for collecting, maintaining, and distributing the data, who may pass on these costs by imposing fees on entities that provide Rule 10c-1a information to an RNSA and/or consumers of Rule 10c-1a data."<sup>51</sup>

FINRA also believes that it is equitable, reasonable, and consistent with the Exchange Act to require that the parties reporting data to SLATE be directly responsible for paying SLATE fees because the reporting process is a primary driver of the costs that the proposed fees are intended to recover. Thus, assessing the SLATE system connectivity and reporting fees on Covered Persons (and their agents) aligns the direct responsibility for SLATE cost recovery with the parties generating the information collection costs.<sup>52</sup>

The proposed SLATE data products are offered on equal terms to similarly situated parties that choose to access the data products. Thus, FINRA believes that the proposed SLATE data fees are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, as provided for in Section 15A(b)(6).<sup>53</sup> Under the proposal, with one exception (qualifying Tax-Exempt Organizations), the content of the information in the data products and the data products' usage rights are offered on the same terms to interested parties. Thus, any party (except for a qualifying Tax-Exempt Organization) that seeks to access SLATE Loan-Level Data and Daily Loan Statistics will pay a fee depending upon whether such party seeks the right to use the data solely internally, as described in

<sup>41</sup> 15 U.S.C. 78o-3(b)(5).

<sup>42</sup> 15 U.S.C. 78o-3(b)(6).

<sup>43</sup> See generally Adopting Release, 88 FR 75644. See also Public Law 111-203, 124 Stat. 1376 (2010).

<sup>44</sup> See SEA Rule 10c1-a(a)(1).

<sup>45</sup> See SEA Rule 10c-1a(g).

<sup>46</sup> As noted above, SEA Rule 10c-1a anticipates that an RNSA will propose rules consistent with the Commission's mandate. See SEA Rule 10c-1a(i). Section 984(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") added section 10(c)(1) to the Exchange Act to provide the Commission with authority over securities lending. See 15 U.S.C. 78j(c)(1). Section 984(b) of the Dodd-Frank Act mandates that the

Commission increase the transparency of information available to brokers, dealers, and investors with respect to the loan or borrowing of securities. See Public Law 111-203, 124 Stat. 1376 (2010).

<sup>47</sup> 15 U.S.C. 78o-3(b)(2).

<sup>48</sup> See SEA Rule 10c-1a(i).

<sup>49</sup> "Under the Exchange Act, RNSAs are allowed to adopt rules that impose the equitable allocation of reasonable fees among members and issuers, and other persons that use an RNSA facility or system." (citation omitted). See Adopting Release, 88 FR 75644, 75687.

<sup>50</sup> See Adopting Release, 88 FR 75644, 75687.

<sup>51</sup> See Adopting Release, 88 FR 75644, 75693.

<sup>52</sup> FINRA understands that many members shift at least some of the regulatory fees incurred to other parties. For instance, it is regular practice among clearing and trading firms to "pass through" the Trading Activity Fee ("TAF") to the underlying firm executing the trade. Further, FINRA understands that executing firms commonly pass the TAF directly on to their customers. See Securities Exchange Act Release No. 90176 (October 14, 2020), 85 FR 66592, 66603 (October 20, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-032). "The entities that provide Rule 10c-1a information to an RNSA may absorb these costs in the form of lower profits or may pass them on to their customers in the form of increased fees for broker-dealer services or lending program services." See Adopting Release 88 FR 75644, 75693.

<sup>53</sup> 15 U.S.C. 78o-3(b)(6).

proposed Rule 7720(c)(1)(A) (\$3,000 per month), or whether such party seeks the right to display the data externally, as described in proposed Rule 7720(c)(1)(B) (\$10,000 per month).<sup>54</sup> The higher fee of \$10,000 per month proposed in Rule 7720(c)(1)(B) is not unfairly discriminatory (as compared to the \$3,000 per month fee for internal use only) given the significantly expanded usage rights authorized under proposed Rule 7720(c)(1)(B), which permits the display of SLATE Loan-Level Data and Daily Loan Statistics through any number of external display applications.<sup>55</sup> All interested parties (except qualifying Tax-Exempt Organizations) will be assessed the same fee, with the same usage rights, for Historic SLATE Data.

Proposed Rule 7720 would apply a lower fee to qualifying Tax-Exempt Organizations for both the SLATE Loan-Level Data and Daily Loan Statistics as well as the Historic SLATE Data. As is the case with other data products offered by FINRA, *e.g.*, TRACE,<sup>56</sup> FINRA offers data products at a reduced fee to qualifying Tax-Exempt Organizations that have received recognition of the exemption from federal income taxes from the Internal Revenue Service.<sup>57</sup> In the proposed rule change, FINRA has established the proposed fees applicable to qualifying Tax-Exempt Organizations as half of the amounts that will be assessed to parties other than qualifying Tax-Exempt Organizations. FINRA also notes that Tax-Exempt Organizations only qualify for the reduced fees offered under the rule if they do not redistribute the data in bulk, or redistribute the data in bulk or otherwise at no charge solely to other Tax-Exempt Organizations that agree to be subject to the same restrictions.<sup>58</sup> FINRA believes this aspect of the proposed rule change is appropriate given the not-for-profit nature of such organizations and therefore is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, as provided for in Section 15A(b)(6).<sup>59</sup>

FINRA also believes that the amounts of the proposed SLATE fees are equitable, reasonable, and consistent with the Exchange Act. As further discussed in the Economic Impact Assessment, in developing reporting activity estimates, FINRA used data gathered through outreach to industry

participants, including data vendors, agent lenders, prime brokers, retail brokers, and beneficial owners. FINRA believes that the proposed SLATE data subscription fees also are reasonable given the usage rights and the use cases for the data. Because the proposed SLATE data products are a new product offering, it is difficult to estimate subscription levels and associated revenue. In addition, based on FINRA's experience, subscribership to data products may be slower initially, with interest building over time. As a result, FINRA has initially sought to rely primarily on revenues through SLATE reporting to offset the costs that FINRA seeks to recover in connection with the SEA Rule 10c-1a mandate. As such, the proposed fees generally are consistent with FINRA's efforts to align its operating expenses with its operating revenues, target break-even cash flows, and continue to responsibly manage expenses driven by mandatory initiatives in a manner consistent with FINRA's public Financial Guiding Principles.<sup>60</sup> The proposed SLATE fees will be applied consistently to all similarly situated parties that are required to report Covered Securities Loans (and their agents) (*i.e.*, SLATE Participants) and to those that choose to subscribe to SLATE data products.<sup>61</sup>

For the reasons discussed herein, FINRA believes that the proposed rule change is consistent with Section 15A(b)(5) of the Exchange Act, including that the proposal provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.<sup>62</sup> FINRA likewise believes that the proposed rule change is consistent with Section 15A(b)(6) of the Act, which requires, among other things, that FINRA rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.<sup>63</sup>

<sup>60</sup> See FINRA's Financial Guiding Principles, [https://www.finra.org/sites/default/files/finra\\_financial\\_guiding\\_principles\\_0.pdf](https://www.finra.org/sites/default/files/finra_financial_guiding_principles_0.pdf). As discussed above, FINRA intends to reassess the SLATE reporting fees and data products and associated fees after gaining experience with the operation of SLATE and obtaining additional information regarding reporting volumes and subscription interest. To the extent that FINRA determines that a change to the SLATE fee structure would be appropriate to better align SLATE revenues with the incremental direct ongoing costs incurred in connection with the SLATE program, FINRA would file a proposed rule change with the Commission pursuant to Section 19(b) of the Exchange Act and Rule 19b-4 thereunder.

<sup>61</sup> The proposed data products will be offered on the same terms to any similarly situated party that seeks to subscribe.

<sup>62</sup> 15 U.S.C. 78o-3(b)(5).

<sup>63</sup> 15 U.S.C. 78o-3(b)(6).

### B. Self-Regulatory Organization's Statement on Burden on Competition

Section 15A(b)(9) of the Act requires that FINRA's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.<sup>64</sup> FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

#### Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the regulatory need for the proposed rule change, its potential economic impacts, including distributional and competitive effects, and the alternatives considered in assessing how to best meet FINRA's regulatory objectives. The regulatory need is discussed above.

#### Economic Baseline

In its Adopting Release, the SEC estimated that 609 Covered Persons and Reporting Agents would be affected by SEA Rule 10c-1a, of which 255 were Providing Covered Persons, 248 were Non-Providing Covered Persons, and 106 were Reporting Agents.<sup>65</sup> FINRA has estimated that approximately 125,000 Initial Covered Securities Loan reports and 200,000 Loan Modification reports per day may be reported to SLATE.<sup>66</sup> FINRA estimates that approximately 0.5% of Initial Covered Securities Loan reports and Loan Modification reports could result in corrections, cancellations, or deletions, and approximately 0.5% could be reported late.<sup>67</sup> FINRA anticipates that the volume of erroneous and late reports

<sup>64</sup> 15 U.S.C. 78o-3(b)(9).

<sup>65</sup> "Providing Covered Persons" would provide information directly to an RNSA while "Non-Providing Covered Persons" would use a reporting agent to provide information to an RNSA. See Adopting Release, 88 FR 75644, 75718. "Reporting Agent" is defined in SEA Rule 10c-1a(j)(4).

<sup>66</sup> The quantity of Loan Modification reports will be impacted by Covered Persons' reporting decisions, among other factors. For example, the extent to which Covered Persons choose to report rates as a spread to benchmark will affect the quantity of Loan Modification reports due to be reported, which in turn will impact fee revenues.

<sup>67</sup> This estimate is based on FINRA's experience with TRACE reporting. As of August 2024, the correction rate was approximately 0.8% for corporate bond reports and 0.68% for U.S. Treasury reports. The rate of late reports was 0.61% for corporate bonds and 0.42% for U.S. Treasury Securities. The correction and late reporting rates may be lower for SLATE reporting because proposed Rule 6530 generally provides a longer timeframe for reporting Covered Securities Loans to SLATE than is provided for corporates and U.S. Treasury Securities under the TRACE reporting regime.

<sup>54</sup> See proposed Rule 7720(c)(1)(A)-(B).

<sup>55</sup> See proposed Rule 7720(c)(1)(B).

<sup>56</sup> See Rule 7730(d)(1)(B).

<sup>57</sup> See supra note 35.

<sup>58</sup> See proposed Rule 7720(c)(2) and (d)(2).

<sup>59</sup> 15 U.S.C. 78o-3(b)(6).

will decrease over time as Covered Persons gain experience with SLATE reporting.

#### Economic Impacts

The economic impact of the currently proposed reporting fees, data products and associated subscription fees are discussed below.

#### SLATE Reporting Fees

As discussed above, Covered Persons will incur fees for reporting Initial Covered Securities Loans and Loan Modifications. Specifically, FINRA proposes that, for each Initial Covered Securities Loan report, a SLATE Participant will be subject to a fee of \$0.07 per submission and for each Loan Modification report, a SLATE Participant will be subject to a fee of \$0.03 per submission. FINRA also proposes that a SLATE Participant will be charged a cancel, correct, or delete fee of \$0.10 per canceled, corrected, or deleted Covered Securities Loan report, and a late fee of \$0.20 per Initial Covered Securities Loan or Loan Modification that is not reported timely to SLATE.

Developing estimates for the anticipated number and type of SLATE reports is challenging due to the availability of only limited information upon which to base estimates. In developing estimates, FINRA used data gathered through outreach to industry participants, including data vendors, agent lenders, prime brokers, retail brokers, and beneficial owners. These estimates were used to develop the proposed fee structure, which is intended to align SLATE revenues with the incremental direct ongoing costs incurred in connection with the SLATE initiative.

Given the estimated number of reports and proposed reporting fees discussed above, FINRA approximates that annual revenues from reporting fees would be \$2,205,000 for Initial Covered Securities Loan reports,<sup>68</sup> \$1,512,000 for Loan Modification reports,<sup>69</sup> \$40,950 for corrections, cancellations, and deletions,<sup>70</sup> and \$81,900 for late

<sup>68</sup> FINRA arrived at \$2,205,000 by multiplying the estimated number of daily Initial Loan Reports (125,000) by the proposed fee rate of \$0.07 by the number of business days per year (252 days).

<sup>69</sup> FINRA arrived at \$1,512,000 by multiplying the estimated number of daily Loan Modification Reports (200,000) by the proposed fee rate of \$0.03 by the number of business days per year (252 days).

<sup>70</sup> FINRA arrived at \$40,950 by multiplying the sum of the estimated number of daily Initial Loan Reports (125,000) and the estimated number of daily Loan Modification Reports (200,000) by the estimated rate of reports requiring a correction, cancellation, or deletion (0.5%) by the proposed fee rate of \$0.10 by the number of business days per year (252 days).

reports.<sup>71</sup> SLATE Participants will incur a \$25 fee per user per month for connecting to the SLATE web browser. Given the estimated number of Covered Persons and Reporting Agents from the SEC's Adopting Release,<sup>72</sup> FINRA estimates the total connection fees per year would be \$365,400.<sup>73</sup> Together, FINRA estimates SLATE reporting fees would total \$4,205,250 per year.<sup>74</sup>

FINRA considered the potential impact of the proposed SLATE reporting fee structure on securities lending activities. Covered Persons' securities lending activities will impact the amount of reporting fees that they would incur. Some types of Covered Persons, such as lending agents, may incur relatively larger reporting fees compared to other Covered Persons due to their function in the securities lending market (e.g., agent lenders generally transact as Covered Persons in higher volumes relative to other securities lending market participants). Lending agents may pass along fully or partially the reporting fees to beneficial owners, for instance, in the form of a direct charge or higher fees charged for lending services. The reporting fees also may affect how Covered Persons structure or conduct their securities lending business—e.g., how lending agents determine to structure pool or lending programs. However, Covered Persons' choices are also affected by other factors, including counterparty risk and business models.

#### SLATE Data Products and Associated Fees

As described above, FINRA is proposing to establish SLATE data products and associated fees.<sup>75</sup>

<sup>71</sup> FINRA arrived at \$81,900 by multiplying the sum of the estimated number of daily Initial Loan Reports (125,000) and the estimated number of daily Loan Modification Reports (200,000) by the estimated rate of late reports (0.5%) by the proposed fee rate of \$0.20 by the number of business days per year (252 days).

<sup>72</sup> See Adopting Release, 88 FR 75644, 75718.

<sup>73</sup> FINRA arrived at \$365,400 by multiplying the estimated number of Covered Persons and Reporting Agents (609) by an assumed 2 user accounts per Covered Person by the proposed fee rate of \$25 per month by 12 months per year.

<sup>74</sup> FINRA arrived at \$4,205,250 by adding the estimated annual revenue from reporting fees for Initial Covered Securities Loan Reports (\$2,205,000), the estimated annual revenue from reporting fees for Loan Modification Reports (\$1,512,000), the estimated annual revenue from correction, cancellation, and deletion fees (\$40,950), the estimated annual revenue from fees for late reports (\$81,900), and the estimated annual revenue from connection fees (\$365,400).

<sup>75</sup> Separate from the SLATE data products and associated fees proposed herein, FINRA intends to make T+1 data, T+20 data, and daily loan statistics available on FINRA's website free of charge for personal, non-commercial purposes only. See *supra* note 21.

Specifically, FINRA is proposing to make SLATE Loan-Level Data and Daily Loan Statistics available on a subscription basis to qualifying Tax-Exempt Organizations (for \$1,500/month) as well as to persons and organizations other than qualifying Tax-Exempt Organizations (for \$3,000/month). Also as described above, vendors may subscribe to display externally SLATE Loan-Level Data and Daily Loan Statistics (for \$10,000/month). The proposed SLATE data products will enable a broader range of market participants to access comprehensive securities lending data than would otherwise be available in the absence of the proposed data products, which will further enhance market transparency and efficiency. As discussed in the Adopting Release, the broader availability of securities lending information may lead to increased competition for data analytics services as the barriers to entry for providing such services decline and new entrants compete to provide analytics services.<sup>76</sup>

The proposed fees associated with the SLATE Loan-Level Data and Daily Loan Statistics product apply only to market participants that choose to subscribe. Market participants likely will assess the costs and benefits of having access to these data as compared to their existing sources of securities lending data.<sup>77</sup> Vendors externally displaying SLATE Loan-Level Data and Daily Loan Statistics may charge for access to SLATE data. If vendors use securities lending data obtained from FINRA to replace existing, more expensive sources of securities lending data, they may pass some or all of the savings on to their clients.

As described above, in addition to SLATE Loan-Level Data and Daily Loan Statistics, FINRA also will make Historic SLATE Data available: (1) to qualifying Tax-Exempt Organizations (for a \$1,000 set-up fee and \$2,500 per calendar year); and (2) to persons and organizations other than qualifying Tax-Exempt Organizations (for a \$2,000 set-up fee and \$5,000 per calendar year). Historic SLATE loan information would facilitate the availability of securities lending data to interested parties, such as academics, in connection with research efforts.<sup>78</sup>

Given the substantial uncertainty in future subscribership for new data products and the likelihood that interest may grow slowly over time, FINRA's

<sup>76</sup> See Adopting Release, 88 FR 75644, 75712.

<sup>77</sup> For a discussion of the current state of transparency in securities lending, see Adopting Release, 88 FR 75644, 75696–75700.

<sup>78</sup> See Adopting Release, 88 FR 75644, 75705, 75717.



best and conservative estimation of potential initial future revenues from data product subscriptions is \$250,000. Together with the estimated reporting fee revenues discussed above, FINRA estimates approximately \$4.2 million in annual revenue from reporting fees and \$250,000 in revenue from data product subscriptions for total annual revenue of approximately \$4.5 million. This aligns with FINRA's estimated incremental direct ongoing costs of approximately \$4.5 million per year from 2026 through 2028, and approximately \$4.4 million in incremental direct ongoing costs thereafter.

#### Alternatives Considered

In developing the proposed rule change, FINRA considered various alternatives and the potential costs and benefits of those alternatives. Among other things, FINRA considered a volume-based reporting fee structure where reporting fees would vary depending on loan size. However, because loan size may not be proportional to the potential revenue from reportable securities loans, a volume-based reporting fee structure may create distortions in the market. For example, the ratio of lending revenue to loan volume for short-term financing or balance sheet management is generally lower than for securities lending transactions used for accessing hard-to-borrow securities. Volume-based reporting fees also could result in a substantial concentration of reporting fees on Covered Persons with a higher share of large-volume loans. Therefore, FINRA believes that a flat fee rate per report will distribute fees in a more equitable manner across market participants.

#### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

#### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>79</sup> and paragraph (f)(2) of Rule 19b-4 thereunder.<sup>80</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of

investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-FINRA-2024-020 on the subject line.

##### Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-FINRA-2024-020. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2024-020 and

should be submitted on or before December 18, 2024.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>81</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

[FR Doc. 2024-27742 Filed 11-26-24; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-101699; File No. SR-SAPPHIRE-2024-36]

### Self-Regulatory Organizations; MIAX Sapphire, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Exchange Rule 402, Criteria for Underlying Securities To List and Trade Options on the iShares Bitcoin Trust (the "Trust")

November 21, 2024.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 18, 2024, MIAX Sapphire, LLC ("Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Exchange Rule 402, Criteria for Underlying Securities. The text of the proposed rule change is available on the Exchange's website at <https://www.miaxglobal.com/markets/us-options/miax-sapphire/rule-filings>, at the Exchange's principal office, and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these

<sup>81</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>79</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>80</sup> 17 CFR 240.19b-4(f)(2).