



October 10, 2014

VIA ELECTRONIC SUBMISSION

Kevin M. O'Neill
Deputy Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C., 20549-1090

Re: File Number SR-FINRA-2014-030

Dear Mr. O'Neill:

Global OTC ("Global OTC"),¹ appreciates the opportunity to comment on the above referenced filing of the Financial Industry Regulatory Authority, Inc. ("FINRA"). FINRA proposes to: (1) adopt rules governing the treatment of quotations in OTC equity securities ; (2) require member inter-dealer quotation systems to provide FINRA with a written description of quotation related data products offered and related pricing information, including fees, rebates, discounts, and cross-product pricing incentives; (3) expand the reporting requirements related to quotation information in OTC equity securities; and (4) delete the Rule 6500 Series and related rules and cease operation of the OTCBB (collectively, the "Proposal").

Global OTC strongly supports FINRA's efforts in the OTC equity space and generally agrees with the goals of the Proposal. However, Global OTC urges FINRA to include additional guidance in the Proposal regarding the obligations of members trading OTC Equity Securities. Specifically, Global OTC believes that in connection with its proposal to require member inter-dealer quotation systems to adopt rules governing the treatment of quotations in OTC Equity Securities, FINRA should clarify the application to its members' of Rule 6437, prohibiting locking and crossing quotations, when a member follows ship and post procedures.

¹ Global OTC is an Alternative Trading System (ATS) registered with the U.S. Securities and Exchange Commission ("SEC") and operated by Archipelago Trading Services, Inc. ("ATSI"), a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority ("FINRA"). Global OTC provides an electronic platform for trading Over-the-Counter (OTC) Equity Securities. Global OTC's subscriber's orders are electronically handled for execution at prices equal to or better than the National Best Bid or Offer (NBBO) for each security.

A. Provide further guidance on use of “ship and post” procedures to satisfy obligations under FINRA Rule 6437

The Commission has long emphasized that “the rules relating to quotations shall be designed to produce fair and informative quotations, to prevent fictitious or misleading quotations, and to promote orderly procedures for collecting, distributing, and publishing quotations.”²

Accordingly, FINRA adopted, among other rules, Regulation NMS principled rules (i.e., FINRA Rules 6434, 6437, and 6450) in the OTC equity marketplace.³ While these rules lay the groundwork for facilitating efficient OTC Equity Securities markets there are gaps which Global OTC would like to see addressed in FINRA’s current proposal. In particular, Global OTC believes that the OTC equity securities market would benefit from additional guidance regarding members’ obligations not to engage in a pattern or practice of displaying quotations that are locking or crossing another quote.⁴

Under Regulation NMS, SROs are required to establish rules to require members reasonably to avoid displaying quotations that lock or cross any protected quotation (i.e., a quote that is immediately and automatically accessible and the best bid or offer) and displaying manual quotations that lock or cross any quotation disseminated by the SIP. In connection with this requirement, the SEC approved SRO rules addressing locking and crossing quotations that include an ISO exception to the lock/cross rules if market participants “ship and post.” Under these SRO rules, market participants may comply with SEC Rule 610(d) by routing ISOs to execute against all protected quotations with a price that is equal to those protected (i.e., automated) quotes that would be locked or crossed by the displayed price.⁵

Global OTC recommends that FINRA provide guidance regarding its Rule 6437 that when a member follows “ship and post” procedures it has satisfied its obligation to avoid displaying, or engaging in a pattern or practice of displaying, locking or crossing quotations in OTC Equity Securities. This clarification would be consistent with the SEC’s approval of SRO rules implementing the SEC’s locked and crossed markets rule applicable to NMS stocks. Absent such clarification a member that satisfies its obligations under Rule 6437 by sending an order to trade with the full displayed size of the quote being locked or crossed, such a member may be required to repeatedly send orders in an attempt to unlock or uncross a quote that does not change.

² See Securities Exchange Act Section 15A(b)(11) – or See 15U.S.C. 780-3(b)(11)

³ See Securities Exchange Act Release No. 62359 (June 22, 2010).

⁴ While FINRA Regulatory Notice 10-42 does provide some guidance on ship and post procedures, it remains unclear a member’s obligation to resolve locked/crossed markets after such member has followed ship and post procedures by shipping to the full display size of another firm’s quote.

⁵ See Division of Trading and Markets: Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS, Section 5.02. See NYSE Rule 19.

Guidance from FINRA in this regard is particularly critical because, unlike SEC Rule 610(d), FINRA's locked and crossed rule for OTC Equity Securities, does not permit automated quotations to lock or cross manual quotations. Accordingly, the policies and procedures of members that post automated quotations in OTC Equity securities on Global OTC must reasonably avoid displaying, or engaging in a pattern or practice of displaying, locking or crossing manual as well as automated quotations. The obligation to ship orders to trade with the full displayed size of a manual quote, combined with the reduced likelihood that a manual quote will change as a result of such order, reduces the usefulness of the "ship and post" procedures with regard to a minimizing locked and crossed markets.

In addition, there is a practice of not marking orders as non-firm prior to 9:30 a.m. ET, though such orders are not considered firm by member. This further exacerbates the resolution of locked and crossed markets through a "ship and post" procedure. Global OTC recommends that FINRA clarify whether quotes posted prior to 9:30 a.m. ET must be firm⁶, unless indicated non-firm, or that such orders may be considered non-firm because it is outside of normal business hours. Because FINRA's Rule 6437 requires members to avoid displaying, or engaging in a pattern or practice of displaying, locking or crossing quotations, whether firm or non-firm, a member must ship an order for the full displayed size of quotations that are non-firm in the pre-market hours. These non-firm quotations do not trade with a member's order and such member's subsequent posted order will lock or cross the non-firm quotation. Global OTC believes that it would reduce unnecessary and futile routing of orders to non-firm quotations if FINRA provided guidance that a member satisfies its obligations under Rule 6437 by shipping an order for the full displayed price.

B. Support proposal to require member inter-dealer quotation systems to provide FINRA with a written description of quotation-related data products offered and related pricing information

Global OTC believes that providing this type of information will provide more transparency to OTC participants and notes that similar requirements already exist in the exchange space. As such, Global OTC supports FINRA's proposal in this regard.

C. Support expanding the reporting requirements related to quotation information in OTC equity securities

Global OTC strongly supports FINRA's proposed reporting requirements and believes that supplying the proposed information to FINRA will facilitate the regulation of the OTC equity securities markets. Further, as much of this information is already captured in the Global OTC

⁶ Similar to that guidance which is currently provided for in FINRA Rule 6540 but will be deleted as part of FINRA's proposal delete the OTCBB rule set in connection with the decommissioning of OTCBB.

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system, Global OTC does not believe that such reporting requirements are unnecessarily burdensome.

D. Support deleting the Rule 6500 series and related rules and cease operation of the OTCBB

As noted above, Global OTC agrees with FINRA that OTCBB volume and relevance has dissipated over the last few years and as such does not object to OTCBB ceasing operation nor to the deletion of the Rule 6500 series. However, Global OTC does believe that now is the opportune time for FINRA to review the other Rule series governing OTC markets and provide additional clarity and guidance.

We appreciate the Commission's consideration of our comments. Should the Commission or its Staff have any questions, please feel free to contact Barry Scadden, Vice President, ATS Trade Support and Operations, [REDACTED]

Sincerely,

