

Corporate & Financial Weekly Digest

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SEC Approves Customer Order Protection Rule

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The Securities and Exchange Commission has approved the Financial Industry Regulatory Authority's proposal to adopt a new rule governing customer order protection. FINRA Rule 5320 applies to customer market and limit orders in securities that meet the definition of "OTC Equity Security" as defined in FINRA Rule 6420, as well as securities that meet the definition of "NMS stock" as defined in Rule 600 of SEC Regulation NMS. With respect to marketable and non-marketable customer limit orders, FINRA Rule 5320 includes minimum price improvement amounts that are necessary for a member firm to execute an order on a proprietary basis when holding an unexecuted limit order in that same security, and not be required to execute the held limit order (unless an exception applies). The rule's Supplementary Material provides several exceptions, including for large orders and orders from institutional accounts; a "no-knowledge" exception; and an exception for trades made to offset a customer odd-lot order or to correct a *bona fide* error.

FINRA Rule 5320 goes into effect on September 12 and applies to a customer order at all times that the order is executable by the firm. Therefore, if a customer and firm agree to process the customer's order outside normal market hours, the protections of FINRA Rule 5320 will apply to that customer's order outside normal market hours.

Click [here](#) to read FINRA Regulatory Notice 11-24.

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