
SEC Approves FINRA Rules to Establish Securities Lending Reporting Facility

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On January 2, 2025, the Securities and Exchange Commission (SEC) approved the FINRA Rule 6500 Series (the SLATE Rules),¹ which establishes the Securities Lending and Transparency Engine (SLATE), a new facility for the reporting and public dissemination of information about certain securities loans. The SEC approved the SLATE Rules despite a pending legal challenge in the US Court of Appeals for the Fifth Circuit to Rule 10c-1a under the Securities Exchange Act of 1934 (Exchange Act), which directed FINRA to implement the SLATE Rules.²

If Rule 10c-1a is not vacated by the Court (or if implementation of SLATE reporting is not delayed), the SLATE Rules will require securities lending market participants to begin reporting loan information to SLATE on January 2, 2026. In the meantime, FINRA has published on its website draft SLATE Participant Reporting Specifications³ and a preliminary project timeline to begin industry testing, which is currently set for July 2025 (specific day TBD).

Background

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Congress granted the SEC authority over securities lending and required the SEC to promulgate rules designed to increase the transparency of securities loan information.⁴ In November 2023, the SEC adopted Rule 10c-1a to fulfill that Congressional mandate.⁵ Rule 10c-1a requires Covered

¹ The text of the SLATE Rules as approved by the SEC is available [here](#).

² *Nat'l Assoc. of Private Fund Managers et al. v. Sec. & Exch. Comm'n*, Case No. 23-60626 (5th Cir. Dec. 14, 2023).

³ Participant Specification for Securities Lending and Transparency Engine (SLATE™) <https://www.finra.org/sites/default/files/2024-05/slate-participant-specification.pdf>.

⁴ See Section 984 of the Dodd-Frank Act.

⁵ Reporting of Securities Loans, 88 Fed. Reg. 75644 (Nov. 3, 2023).

Persons⁶ (or Reporting Agents⁷ acting on their behalf) to report specified data elements about Covered Securities Loans⁸ in Reportable Securities⁹ to a registered national securities association (RNSA)¹⁰ and such RNSA to make publicly available certain of those data elements that are not “confidential.” Rule 10c-1a further directed the RNSA—i.e., FINRA—to implement rules regarding the format and manner of collection of securities loan information.

At the same time that the SEC adopted Rule 10c-1a, the SEC also adopted Rule 13f-2 under the Exchange Act, which requires firms to disclose information about short sale transactions.¹¹ Industry groups acting on behalf of private fund managers challenged Rule 13f-2 and Rule 10c-1a, filing suit in the US Court of Appeals for the Fifth Circuit shortly after the rules were adopted, arguing that the SEC violated the Administrative Procedure Act in adopting each rule. Their challenge called the rules “fundamentally inconsistent,” among other reasons, because the SEC took different approaches in each rule to disclosures of similar market activity (i.e., securities loans and short sales) and because the SEC did not evaluate the joint impact of these interconnected rules.

Notwithstanding this legal challenge, the SEC and FINRA continued to develop a framework for securities loan reporting. FINRA initially proposed the SLATE Rules on May 1, 2024, and later amended them in a filing on November 14, 2024. That amended version was approved by the SEC on January 2, 2025. Notably, in the amended version, FINRA scaled back its original proposal by

⁶ See Rule 10c-1a(j)(1). The term “Covered Person” means: (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 § 240.17Ad-22(a)(2) (“Rule 17Ad-22(a)(2)”) of the Exchange Act or a central securities depository pursuant to § 240.17Ad-22(a)(3) (“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.

⁷ See Rule 10c-1a(j)(4). The term “Reporting Agent” means a broker, dealer, or registered clearing agency that enters into a written agreement with a covered person [to provide the required loan information to an RNSA on their behalf].

⁸ See Rule 10c-1a(j)(2). The term “Covered Securities Loan” means: (i) A transaction in which any person on behalf of itself or one or more other persons, lends a reportable security to another person. (ii) Notwithstanding paragraph (j)(2)(i) of this section, 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 will not be a covered securities loan for purposes of this rule. (iii) Notwithstanding paragraph (j)(2)(i) of this section, the use of margin securities, as defined in § 240.15c3-3(a)(4) (“Rule 15c3-3(a)(4)”) of the Exchange Act, by a broker or dealer will not be a covered securities loan for purposes of this rule. (A) Provided, however, if a broker or dealer lends such margin securities to another person, the loan to the other person is a covered securities loan for purposes of this rule.

⁹ See Rule 10c-1a(j)(3). The term “Reportable Security” means 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 (“Rule 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.

¹⁰ FINRA is currently the only RNSA.

¹¹ Short Position and Short Activity Reporting by Institutional Investment Managers, 88 Fed. Reg. 75100 (Nov. 1, 2023).

modifying or eliminating several requirements, including some of the more controversial requirements that were not explicitly contemplated by Rule 10c-1a and that would have made loan reporting more onerous for market participants.

FINRA Rule 6500 Series and SLATE

a. SLATE Participant Obligations

Participation in SLATE is mandatory for Covered Persons—whether or not they are FINRA members.¹² Although FINRA does not have regulatory authority over Covered Persons or Reporting Agents that are non-FINRA members, it has stated that it “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 reporting fees).”¹³ A Covered Person (or a Reporting Agent on behalf of the Covered Person) must become a SLATE Participant to report loan information to SLATE. A SLATE Participant is required to obtain a Market Participant Identifier (MPID), execute and comply with a SLATE Participant agreement and related SEC and FINRA Rules, and maintain physical security of its on-premises equipment to prevent unauthorized entry of information into SLATE.

Notably, the SLATE Rules include a self-reporting obligation for noncompliance that does not have a materiality threshold like the self-reporting requirement under FINRA Rule 4530. SLATE Participants are required to inform FINRA of noncompliance with, or changes to, SLATE Participant requirements, including “continuing compliance with ... [the] SLATE Participant application agreement and all applicable rules and operating procedures of FINRA and the SEC.”¹⁴ Accordingly, firms that become SLATE Participants will need to develop policies and procedures to enable compliance with the SLATE Participant requirements as well as this FINRA self-reporting requirement.

b. Reporting Securities Loan Information

FINRA Rule 6530 establishes the requirements for SLATE Participants to report new Covered Securities Loans and modifications thereto, including reporting deadlines and data elements required to be reported. SLATE Participants are expected to report a laundry list of data elements, including information about Reportable Securities underlying a loan, and the terms of the loan, the parties to the loan, to SLATE when the loan is first effected as well as when the loan is modified.

¹² The SLATE Rules incorporate the Rule 10c-1a definitions of “Covered Person,” “Covered Securities Loan,” “Reporting Agent” and “Reportable Security.”

¹³ Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATETM)), 89 Fed. Reg. 38203, 38206, n.17 (May 7, 2024).

¹⁴ See FINRA Rule 6520(a).

Loans and loan modifications effected during a business day (at or after 12:00:00 a.m. ET through 7:00:00 p.m. ET) are expected to be reported the same day by 11:59:59 p.m. ET, and loans and loan modifications effected after business hours or on weekends or holidays are expected to be reported on the next business day (T+1) by 11:59:59 p.m. ET.

While a Covered Person may employ another SLATE Participant to submit loan information to SLATE on their behalf, the Covered Person remains ultimately responsible for ensuring that timely, accurate and complete information is reported unless they have retained a SLATE Participant that is a Reporting Agent (i.e., a broker-dealer or registered clearing agency that enters the requisite written agreement with the Covered Person) to take on those responsibilities pursuant to that agreement. Reporting Agents, in turn, will make reports on a Covered Person's behalf and are required to provide FINRA with a current list of each Covered Person on whose behalf they report information to SLATE.

c. Dissemination of Loan Information

FINRA Rule 6540 establishes when and what information reported to SLATE will be made publicly available. While certain Confidential Data Elements¹⁵ will not be made public, FINRA will make available no later than the morning of the next business day after a loan or modification is reported to SLATE any nonconfidential data elements except for the amount of Reportable Securities loaned, which will be made available 20 business days after the date on which the loan was effected or modified. FINRA also will make available daily loan statistics, including (1) for each Reportable Security, aggregate volume of securities subject to a loan or modification¹⁶ and (2) information pertaining to the distribution of loan rebate rates and lending fees or rates.

While FINRA will make SLATE data available on its website free of charge for personal, noncommercial purposes only,¹⁷ FINRA adopted fees for SLATE Participants to use SLATE and to access SLATE data for commercial use under FINRA Rule 7720, which include (1) a monthly systems fee per user ID, (2) reporting fees per report to SLATE that differ based on the type of report and (3) various data fees to establish connectivity and receive daily and/or historic SLATE data.¹⁸

¹⁵ “Confidential Data Element” means an item of information that a covered person must report under SEA Rule 10c-1a(e) and FINRA Rule 6530(a)(2)(M) through (U). FINRA Rule 6510(a). The Confidential Data Elements generally include information about the parties to a Covered Securities Loan, including, for example, certain identifying information about the parties (such as their name or MPID), whether the loan was made from a broker-dealer's inventory to its customer, and whether the loan is being used to close out a fail to deliver.

¹⁶ FINRA will omit from the aggregate loan activity volume information de minimis activity where there were fewer than 10 distinct Covered Securities Loans in that security on the prior business day. *See* FINRA Rule 6540.01.

¹⁷ *See* FINRA Rule 6540.02.

¹⁸ The amended text of FINRA Rule 7720 and the associated fee schedule are available [here](#).

d. Dissemination of Loan Information

FINRA Rule 6550 establishes an open-ended mechanism for FINRA to suspend SLATE reporting and/or dissemination of certain Covered Securities Loans or data elements, as market conditions may warrant. The decision to suspend reporting is to be made in consultation with the SEC, and the suspension may last for such period of time as FINRA deems necessary. In developing procedures to implement SLATE reporting, SLATE Participants should account for FINRA's ability to suspend reporting or dissemination of specific loans or data elements so that they are prepared in case FINRA needs to exercise this authority.

Conclusion and Next Steps for Market Participants

While the future of SLATE is not set in stone given the pending legal challenge to Rule 10c-1a, if SLATE survives, firms will be expected to begin reporting securities loan information at the start of 2026 absent an extension or other relief. Assuming SLATE moves forward, firms should consider how they are going to comply with securities loan reporting requirements prior to SLATE's launch. Covered Persons seeking to use a Reporting Agent should seek out those arrangements, negotiate the requisite agreements and consider how to operationalize them. SLATE Participants should prepare their systems as well as policies and procedures to implement SLATE reporting and to meet the other obligations of SLATE Participants (e.g., notification and security requirements) under the SLATE Rules. SLATE Participants also should engage with FINRA on any questions they may have regarding the SLATE Participant Reporting Specifications, which we expect will continue to evolve as we move closer to SLATE's 2026 launch, and be ready for when FINRA starts SLATE industry testing.

Contributors



Bruce H. Newman
PARTNER

bruce.newman@wilmerhale.com

+1 212 230 8835



Stephanie Nicolas
PARTNER

stephanie.nicolas@wilmerhale.com

+1 202 663 6825



Kyle P. Swan
COUNSEL

kyle.swan@wilmerhale.com

+1 202 663 6409