TRADEliance

Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006

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To whom it may concern,

Thank you for extending the offer for stakeholders to contribute comment to FINRA 22-17. TRADEliance is a consulting firm with a mission to support firms in the capital markets. Our expertise and background is largely in the Compliance, Operations and Trading space, so we have an immense appreciation for FINRA's goals as it pertains to this proposal. After reviewing the request for comment, we feel there may be additional items for consideration that may alleviate some industry concerns.

The request for comment indicates that all transactions, absent of an exception, would be required to be reported as soon as practicable, but no later than one minute from the time of execution. Time of execution is defined as the time when the parties to a transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade. While this definition is technically clear, in practice it presents challenges, particularly for dealer transactions. The request for comment only addresses the requirement for firms to report their trades within one minute of the time of execution established by that firm. The process of confirming the time of execution varies from firm to firm, and thus, could create inconsistency in the time of execution outside of a one-minute window.

FINRA's current framework indirectly recognizes this inconsistency. In addition to monitoring lateness for dealer trades in relation to the 15 minute reporting window, dealer trades are also monitored to ensure that the time of execution reported by the dealer is no more than 15 minutes from the time of execution reported by the counterparty. The request for comment only opines on the change to the 15 minute reporting window, while being silent on the concept of the 15 minute time of trade difference. If the intention is to align the 15 minute time of trade difference to the one minute requirement, it would create considerable difficulty for firms to comply.

TRADEliance appreciates the research conducted by both FINRA and the MSRB identifying the support and perceived need to align on a one minute reporting time frame for nearly all fixed income securities. Generally speaking, a consistent framework across all fixed income securities would be preferable. However, the data provided shows a fair amount of disparity across product types and attributes as it pertains to reporting times. It will be difficult, based on this data, for firms to comply with a one minute threshold for all scenarios given the considerable variation that exists. The provided data appears to make a case that compliance for firms would be more difficult to achieve prior to the five minute mark.

The analysis of those reported securities was thorough; however, FINRA's analysis did not appear to truly examine the transactions that were reported outside of the various thresholds. Contributing factors to transactions being reported outside of the reporting thresholds could include manual orders, lack of straight through processing, and security master cusip setups. Additionally, FINRA suggests that the data on trade cancellations and corrections may not indicate a correlation between faster reporting and a higher error rate. However, FINRA failed to analyze the reason why trade corrections and cancellations were occurring – research that may be necessary to identify challenges that firms would face if a narrower reporting time frame was required. These reasons may not be easy or cost effective to fix, especially for smaller, introducing brokerage firms. FINRA should further review these scenarios before proceeding with a rule change.

Lastly, FINRA should re-evaluate the potential benefits of this rule change. The proposal states that the goal for this change is to enhance transparency. While that is a fair goal to have, it's unlikely that individual retail customers a) have the insight to check market data for price discovery, and b) that they are individually and personally frustrated at having to wait 15 minutes to see their prints displayed. The impact to firms in terms of time, cost and resources, but also in the increased chance of enforcement is an outweighed negative for firms to a very minor positive change for retail clients.

The request for comment clearly demonstrates that a decrease from 15 minutes to five would be far easier to comply with for all security types and market participants than a decrease to one minute. If FINRA and the MSRB are determined to narrow the reporting window, it may be more palatable to consider a five minute threshold as opposed to one.

TRADEliance appreciates that both FINRA and the MSRB are looking to decrease this reporting window based on the perceived enhancements in transparency. However, FINRA should consider that the very nature of the fixed income markets works in contravention to this stated goal. The manual and decentralized nature of fixed income trading will make a one minute reporting threshold extraordinarily difficult to obtain with the same compliance rates as firms are achieving in the current structure.

We sincerely appreciate the time and consideration of our comments and would be happy to engage further.

Thank you,
Jesy LeBlanc and Kat Miller, TRADEliance, LLC.