Trade Reporting Notice

U.S. Treasury Security Auction Awards

Summary

FINRA is issuing this *Notice* to remind members of the transaction reporting requirements related to auction transactions[1] and highlight the publication of further clarifying frequently asked questions (FAQs) on this issue.[2] Specifically, members should not report auction transactions in U.S. Treasury securities to TRACE; these transactions are excluded from the TRACE reporting requirements under Rule 6730(e)(8). Members that erroneously report (or previously have erroneously reported) auction transactions must promptly cancel or reverse those auction transactions.

Questions regarding how to cancel or reverse misreported trades should be directed to FINRA Market Operations at (866) 776-0800.

Other questions concerning this *Notice* should be directed to:

▶ Patrick Geraghty, Vice President, Market Regulation (MR), at (240) 386-4973 or at *patrick.geraghty@finra.org*;

▶ Racquel Russell, Associate General Counsel, Office of General Counsel, at (202) 728-8363 or at *racquel.russell@finra.org*; or

▶ Joseph Schwetz, Senior Director, MR, at (240) 386-6170 or at *joseph.schwetz@finra.org*.

Discussion

Rule 6730(e)(8) provides that an auction transaction in a Treasury security shall not be reported to TRACE. As stated in FINRA's original proposal relating to reporting transactions in U.S. Treasury Securities, "[auction transaction data] is already maintained by the Treasury Dept. as part of the auction process and is readily accessible to regulators; therefore, reporting these transactions to TRACE would be duplicative and provide limited additional benefit to regulators."[3] FINRA is issuing this *Notice* to remind members that auction transactions should not be reported, and is issuing updated FAQs to clarify that auction awards—whether to a direct bidder or an indirect bidder—should not be reported by member firms.[4]

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Specifically, Treasury auction awards, whether a FINRA member's house award or its customers' awards, should not be reported to TRACE. In addition, the delivery of the securities after the auction by the FINRA member to the indirect bidder that represents an auction award should not be reported to TRACE.

Importantly, firms that participate in Treasury auctions should review their TRACE reporting to determine if they have misreported any transactions that represent auction awards, and promptly cancel or reverse any such transaction reports in TRACE. Questions regarding how to cancel misreported trades should be directed to FINRA Market Operations at (866) 776-0800.

Endnotes

1. Rule 6710(hh) defines an "Auction Transaction" as "a transaction in which a member is awarded a U.S. Treasury Security in an Auction." This includes both a FINRA member's proprietary ("house") award as well as its customers' ("indirect bidder") awards.

2. FINRA addresses several trade reporting issues in connection with reporting transactions in U.S. Treasury securities on the *Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE)* page published on finra.org. *See* Section 3.5 of the FAQs.

3. Securities Exchange Act Release No. 78359 (July 19, 2016), 81 FR 48465 (July 25, 2016) (Notice of Filing of File No. SR-FINRA-2016-027).

4. FINRA has updated existing FAQ 3.5.27 and added FAQs 3.5.27.1 and 3.5.27.2, available at *http://www.finra.org/industry/trace/trace-faq*. *See* note 2 *supra*.