

Trade Reporting Notice

FINRA Announces the Effective Date of Modifications to the TRACE System

Effective Date: August 4, 2008

Executive Summary

In a *Trade Reporting Notice* dated February 22, 2008, FINRA announced that it had modified the TRACE system to accept equity CUSIPs¹, and reminded member firms that they must report transactions to TRACE in securities that are “TRACE-eligible securities,” such as unlisted convertible debt, unlisted equity-linked notes and similar debt securities. FINRA also reminded firms that only unlisted convertible debt and unlisted equity-linked notes are treated as debt for purposes of trade reporting; convertible debt and equity-linked notes that are listed on a national securities exchange must be reported to the appropriate equity trade reporting facility.

Effective August 4, 2008, modifications to the TRACE system will allow firms to more easily meet certain of the reporting requirements set forth in the February 22, 2008 *Notice*.² FINRA will issue a Technical Notice detailing the system changes and the impact to member firms and data vendors.

Questions concerning this *Notice* should be directed to:

- tracefeedback@finra.org;
- FINRA Operations, at (866) 776-0800;
- Elliot Levine, Chief Counsel, Transparency Services, at (202) 728-8405;
- Patrick Geraghty, Director, Market Regulation, at (240) 386-4973; or
- Office of General Counsel, at (202) 728-8071.

July 1, 2008

Key Topic(s)

- Debt Securities with Equity CUSIPs
- Equity-Linked Notes
- TRACE

Referenced Rules & Notices

- NASD Rule 6200 Series
- Trade Reporting Notice 02/22/08

Discussion

In a *Trade Reporting Notice* dated February 22, 2008, FINRA announced that it had modified the Trade Reporting and Compliance Engine (TRACE) system to accept transaction reports for TRACE-eligible securities that have equity CUSIPs. The February 22, 2008 *Notice* also reminded firms that convertible debt and equity-linked notes that are *not listed* on a national securities exchange are considered debt securities for purposes of trade reporting and must be reported to TRACE. However, when these securities are *listed* on a national securities exchange and traded over-the-counter, they must be reported to FINRA's Alternative Display Facility or one of FINRA's Trade Reporting Facilities.

Effective August 4, 2008, the TRACE system will allow firms to more easily meet certain reporting requirements set forth in the February 22, 2008 *Notice*. Specifically, since certain TRACE-eligible securities such as equity-linked notes, often have par values less than \$1000. FINRA is modifying the TRACE system so that transactions in such securities can be reported and disseminated without the need to submit a modified trade entry. FINRA will issue a Technical Notice detailing the system changes and the impact to data vendors and member firms, and also providing guidance on reporting trades in equity-linked notes with par values of less than \$1000.

The modifications will be effective on August 4, 2008.

Endnotes

- 1 CUSIP stands for Committee on Uniform Securities Identification Procedures and is a registered trademark of Standard and Poor's, Inc. (S&P). Each security is assigned a unique CUSIP by a service administered by S&P. The configuration of an equity CUSIP differs from a debt CUSIP. When the TRACE System was built, it was not designed to accept equity CUSIPs.
- 2 Until the modifications are effective, member firms should report transactions in TRACE-eligible securities with equity CUSIPs to Market Regulation via e-mail to the bondreporting@finra.org mailbox or via Paper Form T.