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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2021 - * 030

Amendment No. (req. for Amendments *) 1

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

[Redacted description area]

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Robert Last Name * McNamee

Title * Associate General Counsel

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Telephone * (202) 728-8012 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 03/04/2022

(Title *)

By Racquel Russell

Senior Vice President and Director Capital Mark

(Name *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Racquel Russell

Digitally signed by Racquel Russell
Date: 2022.03.04 13:09:35 -05'00'

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

FINRA-2021-030 Partial A-1 Exhibit 4.
FINRA-2021-030 Partial A-1 Exhibit 5.
FINRA-2021-030 Partial A-1 (3.4.22) F
FINRA-2021-030 Partial A-1 Exhibit 1.

On November 22, 2021, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (the “Commission” or “SEC”) proposed rule change SR-FINRA-2021-030, pursuant to which FINRA proposed to amend FINRA Rule 6730 to provide for improved transparency with respect to corporate bond trades where the price of the trade is based on a spread to a benchmark U.S. Treasury Security that was agreed upon earlier in the day (referred to as “delayed Treasury spot trades”) and corporate bond trades that are part of a larger basket trade (“portfolio trades”).

The Commission published the proposed rule change for public comment in the Federal Register on December 7, 2021,¹ and received three comment letters in response to the Proposal.² On January 26, 2022, the Commission published in the Federal Register its notice of designation of a longer period for Commission action on the Proposal.³

With this Partial Amendment No. 1, FINRA is including Exhibit 4, which reflects changes to the text of the proposed rule change pursuant to this Partial Amendment No. 1, and Exhibit 5, which reflects the changes to the current rule text that are proposed in the Proposal, as amended by this Partial Amendment No. 1. This Partial Amendment No. 1 deletes the aspects of the Proposal that relate to delayed Treasury spot trades. FINRA believes that removing the proposed amendments related to delayed Treasury spot trades is appropriate so that FINRA can continue to consider whether any potential alternatives to the proposed approach may better meet FINRA’s regulatory objectives in this area.

¹ See Securities Exchange Act Release No. 93699 (December 1, 2021), 86 FR 69337 (December 7, 2021) (Notice of Filing of File No. SR-FINRA-2021-030) (“Proposal”). Any capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Proposal.

² See Letter from Howard Meyerson, Managing Director, Financial Information Forum, to Vanessa A. Countryman, Secretary, SEC, dated December 23, 2021 (“FIF”); Letter from Chris Killian, Managing Director, Securitization and Credit, Securities Industry and Financial Markets Association, to Vanessa A. Countryman, Secretary, SEC, dated December 28, 2021 (“SIFMA”); and Letter from Michael Grogan, V.P. & Head of US Fixed Income Trading – Investment Grade, Dwayne Middleton, V.P. & Head of Fixed Income Trading, Brian Rubin, V.P. & Head of US Fixed Income Trading – Below Investment Grade, & Jonathan Siegal, V.P. & Senior Legal Counsel – Legislative & Regulatory Affairs, T. Rowe Price, to Vanessa A. Countryman, Secretary, SEC, dated December 30, 2021.

³ See Securities Exchange Act Release No. 94011 (January 20, 2022), 87 FR 4097 (January 26, 2022).

As a result, the Proposal, as amended by this Partial Amendment No. 1, would only amend FINRA's TRACE reporting rules to require members to identify portfolio trades, as described in further detail in the Proposal. In response to the Proposal, the Commission received comments related to the proposed portfolio trade modifier from two commenters, the material aspects of which are summarized and responded to below.

In its letter, SIFMA raised concerns regarding the degree of usefulness of the proposed portfolio trade modifier. Specifically, SIFMA stated that market participants today are generally able to identify portfolio trades based on information that is disseminated by TRACE, and therefore the incremental benefit to transparency of the new portfolio trade modifier is somewhat limited.⁴ In addition, while SIFMA stated that its members do not have a consensus view on the number of securities that should comprise a portfolio trade, SIFMA noted that the utility of the modifier would decrease as the number of securities in the basket gets lower (because it becomes less likely that any individual security would be traded at a price that is off market).⁵

For the reasons set forth in the Proposal, FINRA continues to believe that, on balance, identification of portfolio trades through the proposed portfolio trade modifier would improve market transparency and provide greater certainty to market participants and investors regarding such trades. While some market participants may be capable of inferring portfolio trades from current disseminated data, the added modifier may particularly benefit smaller market participants, market observers and researchers who may not have systems in place to actively screen for portfolio trades using currently available data.⁶ In addition, as discussed in the Proposal, FINRA considered other potential thresholds for the number of unique issues traded that should qualify as a portfolio trade.⁷ FINRA also acknowledged that setting the threshold too low reduces the usefulness of the identifier.⁸ FINRA continues to believe that requiring that the modifier be appended only where the basket contains at least 10 unique issues will capture more portfolio trades and, on balance, provide greater informational benefits to market participants than the threshold originally recommended by the FIMSAC.⁹

⁴ See SIFMA at 1.

⁵ See id. at 2.

⁶ See Proposal, 86 FR 69337, 69344.

⁷ See id.

⁸ See id.

⁹ See id. at 69346; see also FIMSAC, Recommendation Regarding Additional TRACE Reporting Indicators for Corporate Bond Trades, at 3 (February 10, 2020), <https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-additional-trace-flags-recommendation.pdf>.

SIFMA asked for additional clarity around the use of the portfolio trade modifier in certain instances. Specifically, SIFMA noted that there may be cases where, for example, groups of securities trade simultaneously on a bid wanted in competition (BWIC) or offer wanted in competition (OWIC) basis, but where such trades do not constitute a portfolio trade because the securities are not traded for a single agreed price.¹⁰ SIFMA requested further clarity with respect to the meaning of a “single agreed price for the entire basket.” In particular, SIFMA noted circumstances where a firm calculates pricing at the individual security level (including using a pricing list or service) and then communicates those individual prices, along with, for convenience, the aggregate price for the entire group, to the counterparty. SIFMA asked for confirmation that such circumstances would not constitute a “single agreed price for the entire basket” under the portfolio trade definition.

FINRA confirms that the example provided by SIFMA described above would not fall within the “single agreed price” prong of the portfolio trade definition. As discussed in the Proposal, a portfolio trade would be considered to be executed for a single agreed price for the entire basket where the overall price for the basket has been negotiated or agreed on an aggregate basis, including where the parties used a pricing list or pricing service as the starting point for negotiations, but where the final price was determined by applying a uniform spread to all securities in the basket. However, where the parties simply aggregate individual prices obtained from a pricing list or service without further negotiation, this would not be considered within the scope of the proposed portfolio trade modifier. For example, the single agreed price prong would exclude normal multi-dealer list trades that originate as either an OWIC or a BWIC, as such protocols result in a competitively negotiated price for each security in the list.

FIF asked whether the TRACE system will validate whether the counterparties to a trade consistently identify a trade as being part of a portfolio trade.¹¹ FINRA confirms that the portfolio trade modifier will not be part of the TRACE system’s matching logic.

Finally, both SIFMA and FIF raised concerns that the proposed implementation timeframe under the Proposal was too short, and SIFMA also expressed concern over the proposed staged implementation with respect to the different elements of the delayed Treasury spot proposal. FINRA notes that the proposed changes related to the delayed Treasury spot trade are no longer part of the instant proposed rule change and that the portfolio trade amendment, unlike the delayed Treasury spot trade, contains only one component. As proposed, FINRA will publish a Regulatory Notice announcing the effective date of the Proposal no later than 90 days following Commission approval, and the effective date will be no later than 365 days following publication of the Regulatory Notice.

¹⁰ See SIFMA at 2-3.

¹¹ See FIF at 2-3.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2021-030)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Require Members to Append a Modifier to Identify Portfolio Trades when Reporting to TRACE

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 6730 to require members to append a modifier to identify portfolio trades when reporting to FINRA’s Trade Reporting and Compliance Engine (“TRACE”).

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On February 10, 2020, the Commission’s Fixed Income Market Structure Advisory Committee (“FIMSAC”) unanimously approved a recommendation from its Technology and Electronic Trading Subcommittee for FINRA to amend its TRACE³ reporting rules to provide additional information on two types of trades in corporate bond TRACE-Eligible Securities⁴ (“FIMSAC Recommendation”).⁵ Specifically, the FIMSAC

³ TRACE is the FINRA-developed system that facilitates the mandatory reporting of over-the-counter transactions in eligible fixed income securities. See generally Rule 6700 Series.

⁴ Rule 6710(a) generally defines a “TRACE-Eligible Security” as a debt security that is United States (“U.S.”) dollar-denominated and is: (1) issued by a U.S. or foreign private issuer, and, if a “restricted security” as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; (2) issued or guaranteed by an Agency as defined in Rule 6710(k) or a Government-Sponsored Enterprise as defined in Rule 6710(n); or (3) a U.S. Treasury Security as defined in Rule 6710(p). “TRACE-Eligible Security” does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in Rule 6710(o).

⁵ See FIMSAC, Recommendation Regarding Additional TRACE Reporting Indicators for Corporate Bond Trades (February 10, 2020),

recommended that FINRA amend its TRACE reporting rules to require members to:

(1) identify corporate bond trades where the price of the trade is based on a spread to a benchmark U.S. Treasury Security⁶ that was agreed upon earlier in the day (referred to as a “delayed Treasury spot trade”) and report the time at which the spread was agreed upon; and (2) identify corporate bond trades that are part of a larger portfolio trade.

Because the price reported to TRACE for these two types of trades may not reflect the market prices at the time the trades are reported and disseminated, the FIMSAC believed that reporting and disseminating this additional information would improve price transparency in the corporate bond market.⁷

On July 16, 2020, FINRA published Regulatory Notice 20-24 to solicit public comment on potential changes to its TRACE reporting rules in line with the FIMSAC’s recommendations. FINRA also sought comment on whether any modifications to the

<https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-additional-trace-flags-recommendation.pdf>.

⁶ Rule 6710 defines a “U.S. Treasury Security” as “a security, other than a savings bond, issued by the U.S. Department of the Treasury to fund the operations of the federal government or to retire such outstanding securities.” The term “U.S. Treasury Security” also includes separate principal and interest components of a U.S. Treasury Security that has been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program operated by the U.S. Department of Treasury. See Rule 6710(p).

⁷ See FIMSAC Recommendation at 1. FINRA reminds members that, pursuant to Rule 3110, they must have policies and procedures in place that are reasonably designed to ensure compliance with the TRACE reporting rules, including the accurate reporting of applicable trade modifiers or indicators. Firms also must be able to demonstrate that a transaction meets the applicable conditions associated with a particular modifier or indicator.

scope of the FIMSAC's recommended approach might be appropriate.⁸ As discussed in greater detail below, FINRA received seven comments in response to Regulatory Notice 20-24. After further consideration, FINRA is proposing at this time the FIMSAC-recommended change to the TRACE reporting rules to append a modifier to identify portfolio trades, with modifications to clarify and simplify its conditions (based on feedback received in response to Regulatory Notice 20-24), as further discussed below.

FINRA is proposing a new modifier to identify portfolio trades. For purposes of the proposed amendment, a "portfolio trade" is a trade between only two parties for a basket of corporate bonds at a single aggregate price for the entire basket. For example, a market participant may seek to trade a portfolio consisting of 50 corporate bonds. The parties may obtain mid-market prices for each of the 50 component bonds as a framework for the pricing, and, during the negotiation process, ultimately agree on a uniform spread, resulting in an aggregate dollar price for the entire portfolio. In such cases, members must report to TRACE a trade for each individual bond in the basket with an attributed dollar price for each bond. While, in many cases, the reported price for each corporate bond in a portfolio trade is in line with the security's current market price, in other cases—based on, for example, the liquidity profile of a specific bond or other factors—the attributed price reported for an individual security may deviate from its current market price.

The FIMSAC believed it would be beneficial if market participants were able to identify with certainty which trades were part of a portfolio trade because of the

⁸ See FINRA Requests Comment on Proposed Changes to TRACE Reporting Relating to Delayed Treasury Spot and Portfolio Trades, Regulatory Notice 20-24 (July 2020).

possibility that the reported price may not be reflective of the independent market for the bond.⁹ The FIMSAC therefore recommended that FINRA amend its TRACE reporting rules to identify corporate bond trades: (i) executed between only two parties; (ii) involving a basket of securities of at least 30 unique issuers; (iii) for a single agreed price for the entire basket; and (iv) executed on an all-or-none or most-or-none basis.¹⁰

In line with the FIMSAC's recommendation, FINRA is proposing to amend Rule 6730 to provide additional transparency into portfolio trades. Specifically, FINRA is proposing to add new paragraph (d)(4)(H) to Rule 6730 to require that a member append a new modifier¹¹ if reporting a transaction in a corporate bond:¹² (i) executed between only two parties; (ii) involving a basket of corporate bonds of at least 10 unique issues; and (iii) for a single agreed price for the entire basket ("Portfolio Trade Definition"). The new portfolio trade modifier would be disseminated through TRACE, together with other information on the transaction, immediately upon receipt of the transaction report. Based on feedback from commenters, the scope of FINRA's proposed Portfolio Trade

⁹ The FIMSAC acknowledged that market participants currently may be able to surmise which TRACE reports are part of a portfolio trade, based on a common time of execution or the characteristics of the components. See FIMSAC Recommendation at 2.

¹⁰ See FIMSAC Recommendation at 4.

¹¹ As for other TRACE modifiers and indicators under Rule 6730(d)(4), the specific format for the new portfolio trade modifier would be published in TRACE technical specifications.

¹² The FIMSAC Recommendation related to portfolio trades was limited to corporate bond trades. See FIMSAC Recommendation at 2. Similarly, FINRA proposes to limit use of the new modifier to transactions in corporate bonds (i.e., CUSIPs that are disseminated as part of the TRACE Corporate Bond Data Set). FINRA may in the future consider expanding the portfolio trade modifier to cover other types of TRACE-Eligible Securities, such as Agency Debt Securities.

Definition differs from the FIMSAC recommended definition in two ways, as discussed further below.

Both the FIMSAC recommendation and the proposal would limit use of the portfolio trade modifier to instances where the trade is executed between only two parties at a single agreed price for the entire basket. However, instead of applying the portfolio modifier to transactions involving a basket of corporate bonds of 30 or more unique issuers (as recommended by the FIMSAC), FINRA is proposing to apply the portfolio trade modifier to transactions involving a basket of corporate bonds of at least 10 unique issues/securities (i.e., individual securities counted using security identifiers such as CUSIPs or TRACE symbols). As described in further detail below, FINRA received several comments on this aspect of the proposal. Commenters stated that basing the numerical threshold on the number of issuers represented in a portfolio rather than the number of securities would be challenging to implement and would raise interpretive issues, and therefore suggested instead basing the threshold on the number of unique corporate bond securities in the portfolio. Commenters believed that this alternative approach would effectively identify portfolio trades while avoiding challenges that would be associated with correctly identifying bonds associated with a particular issuer. Commenters also stated that basing the threshold on the number of unique issues would be simpler and more easily automatable for members to implement. FINRA agrees that using individual securities, rather than issuers, would provide a simpler and more effective way to identify portfolio trades for purposes of the new modifier. Therefore, FINRA is proposing to base the size threshold condition in prong (ii) of the Portfolio Trade Definition on the number of unique issues in the basket of corporate bonds.

Second, the FIMSAC recommended setting the size threshold for portfolio trades at 30 unique issuers. As described in further detail below, FINRA also received comments on the appropriate basket size, with commenters expressing a range of views on the most appropriate threshold. After further consideration, FINRA is proposing to modify the size threshold in prong (ii) of the Portfolio Trade Definition by lowering the threshold from 30 to 10 unique securities. FINRA believes that lowering the threshold for use of the portfolio trade modifier to 10 would provide greater informational benefits to market participants by capturing a greater number of transactions that satisfy the other conditions of the Portfolio Trade Definition.

Consistent with the FIMSAC Recommendation, prong (iii) of the Portfolio Trade Definition would apply the new modifier to transactions entered into “for a single agreed price” for the entire basket. As described above, this prong represents the key characteristic of portfolio trades, *i.e.*, that the transaction is entered into at an agreed aggregate price for the entire basket (as opposed to individually negotiated trades), which may result in the attributed price reported for individual securities in the basket being away from their current market price.

FINRA notes that the FIMSAC also recommended that the Portfolio Trade Definition include a requirement that the basket be executed on an “all-or-none or most-or-none basis.”¹³ One commenter suggested deleting the reference to “most-or-none” in this proposed prong because a definition of “most-or-none” does not currently exist in current market practice and the concept is not well understood. After further consideration, FINRA believes that removing this prong in its entirety would reduce the

¹³ See FIMSAC Recommendation at 4.

proposal's complexity without reducing the new modifier's informational value. FINRA is therefore not proposing to include an "all-or-none or most-or-none" prong as part of the Portfolio Trade Definition. Therefore, if two parties agree on a price with respect to a basket of bonds, the component trades would be identified with the new portfolio trade modifier so long as the resulting basket trade includes the minimum of 10 unique issues at a single agreed price, regardless of the number of securities that originally were contemplated as part of the basket.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. FINRA will publish a Regulatory Notice announcing the effective date of the proposed rule change no later than 90 days following Commission approval, and the effective date will be no later than 365 days following publication of the Regulatory Notice.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁴ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change to improve transparency for portfolio trades is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, generally, to protect investors and the public.

¹⁴ 15 U.S.C. 78q-3(b)(6).

FINRA believes that the proposed rule change will improve transparency into pricing in the corporate bond market and enhance FINRA's regulatory audit trail data by specifically identifying portfolio trades, which is a type of trade where the price may not be reflective of the current market price at the time the trades are reported and disseminated.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Economic Impact Assessment

Regulatory Objective

As discussed above, portfolio trades may not be reflective of the current market price for the bonds and may be less informative for market participants that rely on TRACE for price discovery or other analyses. The proposed modifier would specifically identify these types of trades.

Economic Baseline

Evidence supports the hypothesis that portfolio trading has been increasing over time.¹⁵ An analysis by Morgan Stanley shows that \$88 billion in portfolio trades were executed from January 2019 through November 2019, compared to virtually none in 2017.¹⁶ The analysis also shows that portfolio trades with 140 bonds or more increased

¹⁵ See infra notes 16 and 17.

¹⁶ See Jennifer Surane & Matthew Leising, Bond Trade That's Gone from Zero to \$88 Billion in Two Years, BLOOMBERG (Nov. 18, 2019),

tenfold since 2018. According to a Financial Times article citing Greenwich Associates' survey of 67 bond traders, more than 50% of the traders have executed a portfolio trade in the past year.¹⁷

FINRA computed the annual percentage of trades that can be classified as portfolio trades of increasing portfolio sizes from 2015 to 2020 using TRACE data. For purposes of these calculations, a "portfolio trade" is a trade of a basket of corporate bonds between only two parties at the same execution time.¹⁸ "Portfolio size" is defined as the number of unique CUSIPs contained in the basket. This analysis demonstrates that portfolio trades reported to TRACE grew significantly in the past six years. For example, Table 1 shows that the percentage of customer portfolio trades involving at least 10 CUSIPs more than quadrupled from 1.34% in 2015 to 5.64% in 2020. For portfolio trades involving at least 30 CUSIPs, the percentage of trades increased from 0.29% in 2015 to 3.60% in 2020. Inter-dealer portfolio trades grew at an even higher rate, albeit from a lower base level.

<https://www.bloomberg.com/news/articles/2019-11-18/the-bond-trade-that-s-gone-from-zero-to-88-billion-in-two-years>.

¹⁷ See Joe Rennison, Robert Armstrong & Robin Wigglesworth, *The New Kings of the Bond Market*, FINANCIAL TIMES (Jan. 22, 2020), <https://www.ft.com/content/9d6e520e-3ba8-11ea-b232-000f4477fbca>. Among those traders, 75% executed the portfolio trade with dealers while the remaining did so through other means such as an electronic trading platform.

¹⁸ Using current TRACE data, FINRA can only approximate "portfolio trades" as defined in the proposed rule change. Specifically, the analysis may include trades that are not executed at a single agreed price for the entire basket or that are not limited to two parties. As a result, the method used in this analysis may include as a "portfolio trade" some trades that would fall outside of the scope using the criteria set forth in the proposed rule change. However, FINRA believes that the method used in these calculations is reasonable for purposes of the analysis given the scope of information currently available in TRACE.

Table 1: Percentage of trades by portfolio size

	2015	2016	2017	2018	2019	2020
1: Customer Trades						
>= 1	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
>= 2	14.60%	12.63%	13.14%	16.38%	18.89%	21.94%
>= 10	1.34%	1.21%	1.10%	2.20%	3.09%	5.64%
>= 20	0.44%	0.38%	0.42%	1.30%	1.98%	4.10%
>= 30	0.29%	0.15%	0.25%	1.01%	1.62%	3.60%
>= 50	0.20%	0.06%	0.18%	0.86%	1.33%	2.98%
>= 70	0.16%	0.05%	0.16%	0.78%	1.15%	2.58%
>= 100	0.11%	0.04%	0.14%	0.71%	0.95%	2.10%
2: Dealer to Dealer Trades						
>= 1	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
>= 2	3.65%	4.73%	5.44%	7.99%	11.36%	14.44%
>= 10	0.39%	0.78%	0.99%	2.68%	5.03%	7.18%
>= 20	0.09%	0.27%	0.41%	2.03%	4.14%	6.22%
>= 30	0.02%	0.08%	0.17%	1.70%	3.55%	5.54%
>= 50	0.00%	0.01%	0.08%	1.34%	2.65%	4.31%
>= 70			0.07%	1.04%	1.97%	3.38%
>= 100			0.06%	0.73%	1.21%	2.49%

Economic Impact

A modifier identifying trades executed as part of a portfolio trade would allow market participants to identify with certainty which trades occurred at attributed prices as part of a portfolio trade. With this information, market participants could better identify trade prices that may not reflect the market price for the individual bond. This modifier will improve post-trade price transparency. While some market participants may be capable of inferring portfolio trades from current disseminated data,¹⁹ the added modifier may particularly benefit smaller market participants, market observers and researchers

¹⁹ See SIFMA Letter, infra note 22.

who may not have systems in place to actively screen for portfolio trades using currently available data.

FINRA members would incur costs associated with making system changes required to accommodate the new modifier. This would represent a fixed cost to FINRA members that execute and report portfolio trades. The variable cost of reporting the new modifier should be minimal to firms as costs are currently incurred for existing TRACE reporting. In addition, while market participants currently may infer that some trades may be portfolio trades, they cannot do so with certainty. The FIMSAC noted that there may be an increased theoretical risk that a market participant may identify the seller of a portfolio trade if these trades are identified in disseminated data.²⁰ FINRA requested comments on the possibility of increased risk and members did not raise concerns regarding such risk.

Effects on competition

FINRA does not believe that the proposed modifier will unduly burden competition. The costs for a firm to modify the reporting process for the proposed modifier will be proportional to the fixed cost of the firm's reporting system, and thus be helped by similar factors. For example, firms with no activity in portfolio trades may not need to update their system; firms with limited activity may choose to manually input the new modifier; and firms can also use third party reporting system vendors, which are intended to take advantage of lower costs due to economy of scale.

²⁰ See FIMSAC Recommendation at 2.

Alternatives Considered

FINRA considered other thresholds for the number of unique issues to qualify as a portfolio trade, such as 30 unique issues, similar to the FIMSAC recommendation to identify trades involving a basket of at least 30 unique issuers (rather than issues), or as few as 2 unique issues, as suggested by some commenters. Lowering the threshold generally captures more portfolio trades and therefore provides greater informational benefits to market participants. It may also discourage traders from splitting up portfolio trades into smaller lists that do not meet the specified criteria to avoid identifying trades under the proposal. On the other hand, setting the threshold too low reduces the usefulness of the identifier. Portfolio trades are used to diversify individual bond risk and save on trading costs. Most of these benefits will diminish as the portfolio size becomes small. The deviation of individual bond price in a portfolio from market price will likely be less as the number of bonds in the portfolio decreases. The proposed threshold of 10 strikes an appropriate balance between the trade-offs and is also recommended by some commenters.²¹

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The proposed rule change was published for comment in Regulatory Notice 20-24 (July 2020). Seven comments were received in response to the Regulatory Notice.²² A

²¹ See Jane Street Letter and SIFMA Letter, infra note 22.

²² See Comment submission from Melinda Ramirez, Consultant, dated July 19, 2020 (stating only “Thank you for the opportunity to invest..” [sic]); letter from Gregory Babyak, Global Head of Regulatory Affairs, Bloomberg L.P., to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 14, 2020 (“Bloomberg Letter”); letter from Howard Meyerson, Managing Director, Financial Information Forum, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 14, 2020 (“FIF Letter”); letter from Kathleen

copy of the Regulatory Notice is available on FINRA’s website at <http://www.finra.org>. A list of the comment letters received in response to Regulatory Notice 20-24 is available on FINRA’s website.²³ Copies of the comment letters received in response to the Regulatory Notice are also available on FINRA’s website. The comments relevant to the instant proposed rule change are summarized below.

T. Rowe Price supported the proposal to require members to identify corporate bond trades that are components of a larger portfolio trade, as defined in the FIMSAC Recommendation.²⁴ T. Rowe Price noted that the prices reported to TRACE for transactions that are part of a portfolio trade may not be at the current market for the security and that the proposal would benefit investment advisers and other market participants by providing timely and definitive clarity on whether a transaction is part of a portfolio trade, and further would support price formation.²⁵ T. Rowe Price also noted

Callahan, FIX Operations Director, FIX Trading Community, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 14, 2020 (“FIX Letter”); letter from Matt Berger, Global Head of Fixed Income and Commodities, Jane Street Capital, LLC, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 14, 2020 (“Jane Street Letter”); letter from Chris Killian, Managing Director, Securitization and Credit, SIFMA, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 15, 2020 (“SIFMA Letter”); and letter from Michael Grogan, V.P. & Head of US Fixed Income Trading – Investment Grade, Dwayne Middleton, V.P. & Head of Fixed Income Trading, Brian Rubin, V.P. & Head of US Fixed Income Trading – Below Investment Grade and Jonathan Siegel, V.P. & Senior Legal Counsel – Legislative & Regulatory Affairs, T. Rowe Price, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated September 15, 2020 (“T. Rowe Price Letter”).

²³ See SR-FINRA-2021-030 (Form 19b-4, Exhibit 2b) (available on FINRA’s website at <http://www.finra.org>).

²⁴ See T. Rowe Price Letter at 1.

²⁵ See T. Rowe Price Letter at 1-2.

benefits of the proposal to transaction cost analysis and the portfolio valuation process for institutional investors.²⁶

FIF, Bloomberg and Jane Street generally supported the proposal but suggested certain modifications to the conditions for trades that would qualify for the proposed portfolio trade modifier under the FIMSAC Recommendation,²⁷ while SIFMA expressed generally mixed views on the portfolio trade proposal.²⁸

FIF and SIFMA recommended that prong (ii) of the Portfolio Trade Definition be changed to a threshold based on the number of unique issues or securities, rather than the number of unique issuers.²⁹ FIF noted that shifting to a security basis for this prong would avoid challenges in identifying and processing which bonds are associated with a particular issuer and would result in more trades being reported as portfolio trades, which would provide greater transparency and enhance FINRA's audit trail.³⁰ FIF also stated that basing the determination of a portfolio trade on the number of unique issuers would raise the question of whether bonds of affiliated issuers should be counted as one or multiple issuers, and highlighted in particular bonds issued by special purpose vehicle subsidiaries.³¹ SIFMA stated that while it understands that using the number of unique issuers is intended to scope in diversified portfolio trades, its members raised the concern

²⁶ See T. Rowe Price Letter at 2.

²⁷ See FIF Letter at 1-2; Bloomberg Letter at 3-4; Jane Street Letter at 2.

²⁸ See SIFMA Letter at 1-3.

²⁹ See FIF Letter at 2; SIFMA Letter at 2-3.

³⁰ See FIF Letter at 2-3.

³¹ See FIF Letter at 3.

that doing so would be more complicated to implement than basing the threshold on the number of securities in the portfolio.³² SIFMA noted several examples of potential complications that could arise by using unique issuers, such as determining how to treat affiliates and subsidiaries and how guarantees might affect the analysis.³³ SIFMA stated that these issues would require market participants to generate large lists of bonds and determine how to attribute each bond to a unique issuer, which would not be easily automatable and would introduce the risk of errors and omissions in TRACE reporting.³⁴ FINRA agrees with these commenters that using a threshold based on the number of individual securities, rather than issuers, to determine when to append the portfolio trade modifier would result in a clearer and easier to implement approach to identifying portfolio trades, and has modified the proposal accordingly.

Jane Street, Bloomberg, FIF and SIFMA commented on the threshold number for appending the portfolio trade modifier, which the FIMSAC recommendation set at 30. FIF stated that a trade involving fewer than 30 unique issuers should still be considered a portfolio trade if it meets the other conditions in the definition.³⁵ Jane Street stated that 30 unique issuers is too high and recommended that a basket containing bonds from at least 10 unique issuers should be reported using the portfolio trade modifier, which would maximize the informational benefit of the new modifier since many portfolio trades

³² See SIFMA Letter at 2-3.

³³ See SIFMA Letter at 3.

³⁴ See SIFMA Letter at 3.

³⁵ See FIF Letter at 2.

contain bonds of between 10 and 30 unique issuers.³⁶ SIFMA stated that some of its members believe that a lower number of securities would be more appropriate, such as 10, while other of its members are comfortable with the proposed 30 or an even higher number.³⁷ Bloomberg recommended that TRACE should identify every situation where two or more securities are transacted at an agreed upon price where the price may not reflect the current market price for the bonds.³⁸ As described above, FINRA has modified the proposal by lowering the threshold from 30 to 10. FINRA believes that lowering the threshold for portfolio trades that would be identified by the new modifier in this manner would provide greater informational benefits to market participants. However, FINRA believes that a lower threshold than 10 issues, such as two or more securities, would be over-inclusive and reduce the usefulness of the modifier.

With respect to the proposed prong requiring that a portfolio trade must be executed on an all or none or most or none basis, Bloomberg noted that an “all-or-none” designation is “an execution constraint that is well defined in all markets” but that the concept of “most-or-none” does not currently exist and would require further clarification around what number of constituents in the basket constitutes “most.”³⁹ Bloomberg therefore recommended using a definition of a basket that focuses on executions, rather than order designations.⁴⁰ As described above, FINRA agrees that this aspect of the

³⁶ See Jane Street Letter at 2.

³⁷ See SIFMA Letter at 3.

³⁸ See Bloomberg Letter at 4.

³⁹ See Bloomberg Letter at 3-4.

⁴⁰ See Bloomberg Letter at 4.

initial proposal is not well-understood and believes that the Portfolio Trade Definition would be best implemented without an “all-or-none or most-or-none” prong. Therefore, under the current formulation, if two parties enter into negotiations with respect to a basket of bonds, the component trades would be identified with the new portfolio trade modifier so long as the resulting basket trade meets the other conditions specified in the Portfolio Trade Definition.

SIFMA also commented more broadly on the portfolio trade proposal. SIFMA stated that its members see two aspects to the portfolio trade proposal: (1) the identification of portfolio trades vs. other kinds of trades and (2) the identification of potentially off-market trades.⁴¹ With respect to the first aspect, SIFMA noted that, while the proposal would make it easier to identify portfolio trades, some of its members believe it is already fairly easy to identify portfolio trades today without the specific modifier.⁴² However, SIFMA also noted that other of its members believe that the proposal would benefit smaller market participants, market observers and researchers, who may not have systems in place to actively screen for portfolio trades using currently available data.⁴³ SIFMA noted that some of its members have concerns about the potential impact on liquidity resulting from disclosure of trading strategies, while other members did not believe that this is a material concern. With respect to the second aspect, SIFMA stated that some of its members have questioned the appropriateness of a

⁴¹ See SIFMA Letter at 1.

⁴² See SIFMA Letter at 2. SIFMA also expressed concern that the proposal shifts TRACE away from being a price transparency tool into a tool that provides trading strategy details. See id.

⁴³ See SIFMA Letter at 2.

flag that does not provide definitive information regarding whether the price is off-market, since a price in a portfolio trade may or may not be off-market.⁴⁴ SIFMA noted that dealers are already expected to review each line item in a portfolio trade to determine if it is off-market and, if so, append the existing special price indicator in TRACE reports. SIFMA stated that one potential benefit of the proposal could be to reduce compliance burdens if the new portfolio trade modifier replaces the special price indicator for components of portfolio trades.⁴⁵ On a related point, SIFMA asked FINRA to confirm that the portfolio trade modifier would be taken into account in fair pricing reviews.⁴⁶ SIFMA also stated dealers should not face an undue burden to explain why a price on a trade identified as a portfolio trade was off-market.⁴⁷ FINRA confirms that the portfolio trade modifier would be taken into account in FINRA's reviews of members' trading activities, including fair pricing reviews, along with any other indicators or modifiers that may be appended to individual trades (such as the special price indicator, where applicable). However, the new portfolio trade modifier would not replace any other applicable indicators or modifiers, including the special price indicator, where applicable. FINRA continues to believe that, on balance, identification of portfolio trades through the proposed portfolio trade modifier would improve market transparency and provide greater certainty to market participants and investors regarding such trades.

⁴⁴ See SIFMA Letter at 2.

⁴⁵ See SIFMA Letter at 2.

⁴⁶ See SIFMA Letter at 2.

⁴⁷ See SIFMA Letter at 2.

Bloomberg also commented more generally on the portfolio trade proposal. Bloomberg stated that it has significant reservations about the portfolio trade proposal because there would be significant incentives for liquidity seekers to avoid sending baskets that meet criteria.⁴⁸ Specifically, Bloomberg noted that dissemination of individual components of portfolio trades as unrelated transactions in TRACE data, as it is today, protects liquidity seekers, while appending the proposed modifier could lead to significant information leakage such that market participants would understand both why and how the trade was executed.⁴⁹ Bloomberg expressed concern that the modifier would therefore be problematic because it would alert the market that a change in portfolio strategy had occurred, for example by allowing participants to reverse engineer a particular institution's views on a particular issue, which could dampen liquidity. Bloomberg stated that these concerns would reduce the transparency benefits sought by the proposal because liquidity seekers and providers may simply split up their baskets into smaller lists that do not meet the proposed criteria for the portfolio trade modifier.⁵⁰ Bloomberg also suggested that transparency could be enhanced by instead identifying every situation where two or more securities are transacted at an agreed upon price where the price may not reflect the current market price for the bonds, drawing an analogy to reporting modifiers used for equities in the public data feeds to indicate transactions with special circumstances that impact price.⁵¹ As discussed above, FINRA believes that, on

⁴⁸ See Bloomberg Letter at 3.

⁴⁹ See Bloomberg Letter at 3.

⁵⁰ See Bloomberg Letter at 3.

⁵¹ See Bloomberg Letter at 4.

balance, identification of portfolio trades through the new proposed portfolio trade modifier would improve market transparency and provide greater certainty to market participants and investors regarding such trades. With respect to Bloomberg's suggestion to identify any portfolio trades involving two or more securities, as discussed above FINRA believes such a low threshold would be over-inclusive and would reduce the usefulness of the modifier, while a threshold of 10 securities as proposed would benefit market participants by providing greater transparency into pricing in the corporate bond market, while avoiding capturing transactions that are not portfolio trades, as that term is commonly understood in the market. In addition, as discussed above, FINRA believes lowering the threshold to 10 unique issues (from the threshold of 30 set forth in the FIMSAC Recommendation) may discourage traders from splitting up portfolio trades into smaller lists that do not meet the specified criteria for the proposed modifier to avoid identifying the trade under the proposal.

FIF requested guidance on application of the portfolio trade proposal in certain scenarios. Specifically, FIF stated that its members request guidance on whether non-TRACE-Eligible Securities should be counted toward the portfolio basket size threshold where a portfolio trade involves some bonds that are TRACE-Eligible Securities and other bonds that are not TRACE-Eligible Securities.⁵² FINRA confirms that a security that is a non-TRACE Eligible Security, as well as a security other than a corporate bond that is a TRACE Eligible Security, should not be counted toward the portfolio basket size threshold. FIF also asked for guidance on the definition of a "single agreed price" in the

⁵² See FIF Letter at 3.

context of a portfolio trade.⁵³ FINRA is clarifying that a portfolio trade would be considered to be executed for a “single agreed price” for the entire basket where the overall price for the basket has been negotiated or agreed on an aggregate basis, including where the parties used a pricing list or pricing service as the starting point for negotiations but the final price was determined by applying a uniform spread to all securities in the basket. However, where the parties simply aggregate individual prices obtained from a pricing list or service without further negotiation, this would not be considered within the scope of the proposed portfolio trade modifier.⁵⁴

FIX suggested that it can assist in developing standard solutions for reporting the proposed new portfolio trade modifier.⁵⁵ For example, FIX noted that the TrdType and TrdSubType fields could be used to identify portfolio trades.⁵⁶ FINRA notes that it supports several technical standards for reporting of trade information to TRACE, including FIX, and that the specific format and requirements for the new portfolio trade modifier would be published in TRACE technical specifications.

FIF and Bloomberg commented on the implementation period that would be necessary with respect to the proposed rule change. FIF requested that the implementation timeline for the changes commence upon the publication of updated

⁵³ See FIF Letter at 3.

⁵⁴ For example, consistent with the FIMSAC’s recommendation, the “single agreed price” prong would “exclude normal multi-dealer list trades that originate as either an electronic OWIC or a BWIC as such protocols result in a competitively negotiated price for each security in the list.” See FIMSAC Recommendation at 3 n.5.

⁵⁵ See FIX letter at 3.

⁵⁶ See FIX letter at 2.

technical specifications and the issuance of FAQs by FINRA, given the significant technical work that will be required to implement the proposal and various issues where the industry will require interpretive guidance from FINRA.⁵⁷ Bloomberg noted that consumers of TRACE data will need specifications in advance to make changes to systems to ingest the updated data feed and interpret the data.⁵⁸ Bloomberg therefore recommended that FINRA provide the industry with “plenty of time” to accommodate the changes and that FINRA should conduct outreach with members to determine an appropriate amount of lead time following FINRA’s release of FAQs and TRACE messaging specifications needed to code, test and implement the necessary changes.⁵⁹

FINRA acknowledges that members reporting to TRACE require an appropriate amount of time to implement the systems and other changes necessary to report the additional information required under the proposed rule change. As noted above, if the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. FINRA will publish a Regulatory Notice announcing the effective date of the proposed rule change no later than 90 days following Commission approval, and the effective date will be no later than 365 days following publication of the Regulatory Notice. As is generally the case for TRACE rule changes, FINRA will endeavor to publish updated technical specifications as far as possible in advance of the effective date and will work with members to provide interpretive guidance, where needed.

⁵⁷ See FIF Letter at 3.

⁵⁸ See Bloomberg Letter at 5.

⁵⁹ See Bloomberg Letter at 5.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2021-030 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2021-030. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The

Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2021-030 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶⁰

Jill M. Peterson
Assistant Secretary

⁶⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 4

Exhibit 4 shows the changes proposed in this Partial Amendment No. 1, with the proposed changes in the original filing shown as if adopted. Proposed new language in this Partial Amendment No. 1 is underlined; proposed deletions in this Partial Amendment No. 1 are in brackets.

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

* * * * *

6730. Transaction Reporting

(a) through (b) No Change.

(c) Transaction Information To Be Reported

Each TRACE trade report shall contain the following information:

(1) through (12) No Change.

(13) If the member is reporting a transaction that occurred on an ATS pursuant to Rule 6732, the ATS's separate MPID obtained in compliance with Rule 6720(c); and

(14) [If the member is appending the Delayed Treasury Spot Trade Modifier pursuant to paragraph (d)(4) of this Rule, the time at which the spread was agreed upon; and]

[(15)] Such trade modifiers as required by either the TRACE rules or the TRACE users guide.

(d) Procedures for Reporting Price, Capacity, Volume

(1) through (3) No Change.

(4) Modifiers and Indicators

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

(A) through (G) No Change.

(H) [Delayed Treasury Spot Trade Modifier]

[If reporting a transaction in a corporate bond, the price of which is based on a spread to the yield of a U.S. Treasury Security and where the spread was agreed upon that day prior to the Time of Execution of the transaction, select the appropriate modifier.]

[(I)] Portfolio Trade Modifier

If reporting a transaction in a corporate bond: (i) executed between only two parties; (ii) involving a basket of corporate bonds of at least 10 unique issues; and (iii) for a single agreed price for the entire basket, select the appropriate modifier.

(e) through (f) No Change.

••• Supplementary Material: -----

.01 through .07 No Change.

* * * * *

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

* * * * *

6730. Transaction Reporting

(a) through (c) No Change.

(d) Procedures for Reporting Price, Capacity, Volume

(1) through (3) No Change.

(4) Modifiers[;] and Indicators

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

(A) through (G) No Change.

(H) Portfolio Trade Modifier

If reporting a transaction in a corporate bond: (i) executed between only two parties; (ii) involving a basket of corporate bonds of at least 10 unique issues; and (iii) for a single agreed price for the entire basket, select the appropriate modifier.

(e) through (f) No Change.

••• Supplementary Material: -----

.01 through .07 No Change.

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