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Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

**Via email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov)**

**Re: File No. SR-FINRA-2022-013 – Proposed Rule Change to Amend  
FINRA Rule 6730 to Enhance TRACE Reporting Obligations for U.S.  
Treasury Securities**

Dear Ms. Countryman:

This letter is being submitted by the Financial Industry Regulatory Authority, Inc. (“FINRA”) in response to comments received by the Securities and Exchange Commission (“SEC” or “Commission”) regarding the above-referenced rule filing. The proposed rule change would amend FINRA Rule 6730 to: (i) require members to report electronically executed transactions in U.S. Treasury Securities to FINRA’s Trade Reporting and Compliance Engine (“TRACE”) in the finest increment captured by the system used to execute the transaction, subject to an exception for members with limited trading volume in U.S. Treasury Securities; and (ii) reduce the trade reporting timeframe for transactions in U.S. Treasury Securities to generally require reporting to TRACE as soon as practicable but no later than 60 minutes.

The Commission published the proposed rule change for public comment in the Federal Register on June 3, 2022.<sup>1</sup> The Commission received five comment letters on the rule filing.<sup>2</sup> The following are FINRA’s responses to the material aspects of the comments received.

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<sup>1</sup> See Securities Exchange Act Release No. 95003 (May 27, 2022), 87 FR 33844 (June 3, 2022) (Notice of Filing of File No. SR-FINRA-2022-013) (“Proposal”). Any capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Proposal.

<sup>2</sup> See Letter from Gerard O’Reilly, Co-CEO and Chief Investment Officer, Dimensional Fund Advisors LP, to Vanessa A. Countryman, Secretary, SEC, dated June 22, 2022 (“Dimensional”); Letter from Joanna Mallers, Secretary, FIA

### Reporting Timeframe Reduction

FIA PTG supported the Proposal to reduce the TRACE reporting timeframe for U.S. Treasury Securities and urged the Commission to approve the Proposal without delay.<sup>3</sup> FIA PTG specifically supported the reporting timeframe reduction to 60 minutes, but stated that it views this as an incremental step and urged FINRA to continue monitoring and considering shortening the timeframe even further (ultimately recommending a timeframe of no greater than 15 minutes to match current timeframes for corporate bonds and, for on-the-run U.S. Treasury Securities, a 10-second reporting timeframe to mirror equity markets).<sup>4</sup>

Citadel expressed support for increasing the quality of U.S. Treasury Security data available to the official sector generally and specifically supported the proposed reduction to the reporting timeframe for U.S. Treasury Securities, noting its agreement that the Proposal would provide the official sector with access to more timely data regarding intraday pricing and liquidity dynamics.<sup>5</sup> Citadel further agreed that implementation costs are likely to be low. Citadel stated that the requirement to report transactions “as soon as practicable” should encourage market participants to continue to reduce reporting timeframes, noting that real-time regulatory reporting is a prerequisite to implementing transparency for U.S. Treasury Security transactions.<sup>6</sup>

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Principal Traders Group, to Vanessa A. Countryman, Secretary, SEC, dated June 24, 2022 (“FIA PTG”); Letter from Howard Meyerson, Managing Director, Financial Information Forum, to Vanessa A. Countryman, Secretary, SEC, dated June 24, 2022 (“FIF”); Letter from Stephen John Berger, Managing Director, Global Head of Government & Regulatory Policy, Citadel Securities, to Vanessa A. Countryman, Secretary, SEC, dated June 24, 2022 (“Citadel”); and Letter from Rob Toomey, Managing Director & Associate General Counsel and Charles De Simone, Managing Director, Technology and Operations, SIFMA, to Vanessa A. Countryman, Secretary, SEC, dated June 24, 2022 (“SIFMA”).

<sup>3</sup> See FIA PTG at 1.

<sup>4</sup> See id. at 1-2. Dimensional also urged FINRA to consider publicly disseminating data on individual trades in U.S. Treasury Securities as soon as practicable. See Dimensional at 1. Similarly, Citadel recommended that the Commission continue to work with FINRA and other relevant policymakers in considering how to most effectively implement public transparency in the U.S. Treasury Securities market. See Citadel at 1.

<sup>5</sup> See Citadel at 1.

<sup>6</sup> See id. at 1-2.

SIFMA, however, suggested that FINRA delay amending the reporting timeframe in light of other initiatives associated with the U.S. Treasury Security markets.<sup>7</sup> Among other things, SIFMA noted that the Treasury Department is exploring the possibility for greater transparency into U.S. Treasury Security transactions, including through recent publication of a Request for Information (RFI),<sup>8</sup> and that Chair Gensler has discussed reviewing changes to reporting timeframes.<sup>9</sup> SIFMA expressed concern that implementing technological and operational changes now, followed by subsequent changes later, would be inefficient for members, and that future changes could make the timeframe reduction unnecessary in light of new sources or uses of the information collected. SIFMA further noted that certain depository institutions will begin reporting U.S. Treasury Security information to TRACE under FR 2956, beginning September 1, 2022, and that a delay in any changes to reporting timeframes would allow completion of implementation plans for such depository institution reporting.<sup>10</sup>

FINRA is aware of the referenced initiatives and does not believe that there is any conflict presented with the instant Proposal, nor does FINRA believe that the benefits of the instant Proposal are reduced in light of these other initiatives. First, FINRA recently published Regulatory Notice 22-17 requesting comment on a proposal to shorten the TRACE reporting timeframe for transactions in corporate bonds, agency debt securities, asset-backed securities, and agency pass-through mortgage-backed securities traded to-be-announced for good delivery.<sup>11</sup> That proposal does not address transactions in U.S. Treasury Securities. Second, with respect to the Treasury Department's RFI, should that initiative result in a proposal or recommendation to increase transparency for transactions in U.S. Treasury Securities, such a result would harmonize with a reduced reporting timeframe for U.S. Treasury Securities. A shortened reporting timeframe typically precedes increases in public transparency, as has been the case with prior TRACE initiatives. Finally, with respect to depository institution reporting, FINRA notes that FR 2956 and its supporting statement specify the timeframes in which covered depository institutions must report to TRACE. FINRA understands that such reporting timeframes for depository institutions would not be affected by the Proposal absent further action by the

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<sup>7</sup> See SIFMA at 1.

<sup>8</sup> See Treasury Department, Notice Seeking Public Comment on Additional Transparency for Secondary Market Transactions of Treasury Securities, 87 FR 38259 (June 27, 2022) (Docket No. TREAS-DO-2022-0012).

<sup>9</sup> See SIFMA at 1-2.

<sup>10</sup> See id. at 2. SIFMA further noted that the statistics on member reporting within 60 minutes cited in the Proposal may not be reflective of the capabilities of depository institutions that will be required to begin reporting to TRACE. See id.

<sup>11</sup> See Regulatory Notice 22-17 (August 2, 2022) (FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute).

Federal Reserve. Thus, FINRA continues to believe the Proposal is a beneficial next step towards providing FINRA and the official sector with more timely information about activity in the U.S. Treasury Security markets than the current reporting timeframe, including more timely data about intraday pricing and liquidity.<sup>12</sup>

Finally, SIFMA encouraged FINRA to review the benefits of a shortened reporting timeframe in light of how FINRA and its regulatory partners are using TRACE data, and to consider whether that use is impeded by the current reporting timeframes and whether there are any incremental benefits from a 60-minute timeframe as opposed to an intermediate interval (such as two hours, as originally recommended by SIFMA).<sup>13</sup> As discussed above, FINRA believes that the Proposal strikes an appropriate balance to provide FINRA and the official sector with more timely information about U.S. Treasury Security market activity. FINRA continues to believe that the instant Proposal is appropriate, and notes that members already report over 90 percent of transactions in U.S. Treasury Securities within 60 minutes of the Time of Execution.

#### Execution Timestamps

FIF stated that the proposed changes to require members to report to TRACE to the finest increment of time captured by the execution system would require significant changes to firm and vendor reporting systems as well as to the communications between broker-dealers, counterparties, and vendors.<sup>14</sup> SIFMA raised various operational and technological concerns with the execution timestamp proposal, including differing time standards across different components of execution systems, differences in granularity across firm business lines and platforms, and difficulty in receiving different levels of granularity from execution systems.<sup>15</sup> SIFMA further stated that updating legacy systems is not feasible for many firms, and that these challenges are particularly acute if there is an expectation to harmonize to nanoseconds.

As discussed in the Proposal, FINRA acknowledges that members may need to make operational and technological changes to comply with the amended timestamp requirement to ensure that TRACE reports reflect the finest level of granularity captured by an internal or external execution system. FINRA notes that the Proposal specifies that reporting must be in the same increment of granularity of the execution system but must be an increment of no longer than a second and no shorter than a microsecond; therefore, no harmonization to nanoseconds would be required. As noted in the Proposal, finer time granularity in the audit trail will assist with trade matching and sequencing by allowing

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<sup>12</sup> See also Proposal at 33847.

<sup>13</sup> See SIFMA at 2-3.

<sup>14</sup> See FIF at 2.

<sup>15</sup> See SIFMA at 3.

transactions to be matched more accurately and sequenced with more granularity, which facilitates market oversight. Thus, FINRA continues to believe that the benefits to the regulatory audit trail of aligning the timestamps reported to TRACE with those captured by the relevant execution system are appropriate.<sup>16</sup>

In addition, FIF recommended that FINRA engage with the industry and provide additional clarity as to what is meant by an electronic execution.<sup>17</sup> FIF further noted various TRACE FAQs that refer to the “time of execution” as the time of the “meeting of the minds” and recommended that FINRA clarify the application of this concept to electronic execution scenarios.<sup>18</sup> SIFMA similarly stated that additional challenges are posed by the lack of clarity on what types of transactions are considered to be “electronically executed,” noted the divergence in granularity as between voice trading and electronic executions, and offered to discuss the issue further with FINRA.<sup>19</sup> As discussed in the Proposal, the existing timestamp granularity provision already applies only to transactions that are “executed electronically”<sup>20</sup> and FINRA is not proposing any changes in the instant proposal in this regard. To the extent that members are unable to determine whether the proposed timestamp amendments apply to a particular type of execution, members are encouraged to contact FINRA for guidance.<sup>21</sup>

### Implementation

FIF stated that the proposed amendments regarding timestamp granularity would require extensive coordination and testing across all industry members and that, therefore, it is important that a sufficient time period be provided to allow for industry-wide implementation.<sup>22</sup> FIF noted that it is important that industry members have sufficient time

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<sup>16</sup> See Proposal at 33849. Additionally, the exception for members with limited trading activity is intended to provide relief for firms with limited volume in U.S. Treasury Securities from making the operational and technological changes that may be needed to update their systems to comply with the new requirements. See id.

<sup>17</sup> See FIF at 2.

<sup>18</sup> FIF requested confirmation that TRACE FAQ 3.5.37 regarding truncation of the reported time of execution for U.S. Treasury Securities would continue to apply. See id. at 2-3. FINRA confirms that this FAQ would continue to apply if the Proposal is approved. See also Proposal at 33845 n.13.

<sup>19</sup> See SIFMA at 3.

<sup>20</sup> See Proposal at 33849-50.

<sup>21</sup> See id. at 33850. See FINRA’s website regarding Interpretive Questions at <https://www.finra.org/rulesguidance/interpretive-questions>.

<sup>22</sup> See FIF at 2.

to properly implement the proposed changes and that any implementation timeframe should run from the date that FINRA publishes technical specifications and interpretive FAQs.<sup>23</sup> As noted in the Proposal, if the Commission approves the Proposal, the effective date will be no later than 365 days following publication of the Regulatory Notice announcing Commission approval.<sup>24</sup> FINRA recognizes that firms will need sufficient time to implement the proposed changes and intends to establish the effective date accordingly.

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FINRA believes that the foregoing responds to the material issues raised by the commenters on the rule filing. If you have any questions, please contact me at (202) 728-8012 or robert.mcnamee@finra.org.

Sincerely,

/s/ Robert McNamee

Robert McNamee  
Associate General Counsel  
Office of General Counsel

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<sup>23</sup> See id. at 3.

<sup>24</sup> See Proposal at 33847.