

TRACE Reporting of Foreign Sovereign Debt Securities

FINRA Adopts Amendments to Require Reporting of Transactions in U.S. Dollar-Denominated Foreign Sovereign Debt Securities to TRACE

Effective Date: November 6, 2023

Summary

FINRA has adopted amendments to the Rule 6700 series (Trade Reporting and Compliance Engine (TRACE)) to require members to report to TRACE transactions in U.S. dollar-denominated foreign sovereign debt securities. The amendments will take effect on November 6, 2023.

The amended rule text is available in the online FINRA Manual.

Questions regarding this *Notice* should be directed to:

- ▶ Joseph Schwetz, Senior Director, Market Regulation, at (240) 386-6170 or joseph.schwetz@finra.org;
- ▶ Alie Diagne, Senior Director, Transparency Services, at (212) 858-4092 or alie.diagne@finra.org; or
- ▶ for legal and interpretive questions, Adam Kezsbom, Associate General Counsel, Office of General Counsel, at (202) 728-8364 or adam.kezsbom@finra.org.

Background and Discussion

FINRA has adopted amendments to the Rule 6700 Series to require firms to report transactions in U.S. dollar-denominated foreign sovereign debt securities to TRACE.¹ "Foreign sovereign debt security" is defined as a debt security that is issued or guaranteed by the government of a foreign country, any political subdivision of a foreign country or a supranational entity.² Transaction reports in U.S. dollar-denominated foreign sovereign debt securities will not be subject to public dissemination.³

December 13, 2022

Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Fixed Income
- ▶ Legal
- ▶ Operations
- ▶ Systems
- ▶ Trading
- ▶ Training

Key Topics

- ▶ Fixed Income
- ▶ Foreign Sovereign Debt
- ▶ TRACE
- ▶ TRACE-Eligible Security
- ▶ Trade Reporting

Referenced Rules & Notices

- ▶ FINRA Rule 6710
- ▶ FINRA Rule 6730
- ▶ FINRA Rule 6750
- ▶ Trade Reporting Notice 7/19/19

Transactions in U.S. dollar-denominated foreign sovereign debt securities generally will be subject to a same-day reporting requirement. Specifically, reportable TRACE transactions in U.S. dollar-denominated foreign sovereign debt securities executed on a business day at or after 12:00 a.m. Eastern Time (ET) through 5:00 p.m. ET must be reported the same day during TRACE system hours.⁴ Transactions executed on a business day after 5:00 p.m. ET but before the TRACE system closes must be reported no later than the next business day (T+1) during TRACE system hours, and, if reported on T+1, designated “as/of” and include the date of execution.⁵ Firms that wish to report transactions in U.S. dollar-denominated foreign sovereign debt securities on an immediate basis may do so.

Consistent with FINRA’s usual approach when a new product type becomes reportable to TRACE, FINRA will update the TRACE security master list to include the securities that FINRA has identified as U.S. dollar-denominated foreign sovereign debt securities. FINRA intends to make the updated TRACE security master list available to members at least three months in advance of the effective date. Members are reminded of their obligations under TRACE rules to have systems and processes in place to determine whether a transaction in a TRACE-eligible security has occurred, even if the security was not included on the TRACE security master list at the time of the transaction.⁶ Members should consult the technical specifications for corporate and agency debt reporting in preparation for implementation of the U.S. dollar-denominated foreign sovereign debt security reporting requirement.⁷ FINRA also will make available to members a new report card covering transaction reports in U.S. dollar-denominated foreign sovereign debt securities.⁸

Below FINRA provides responses to frequently asked questions on the U.S. dollar-denominated foreign sovereign debt security TRACE reporting requirement. These FAQs also are included on FINRA’s [TRACE FAQ page](#) and may be updated from time to time.

Question 1: Can firms add a U.S. dollar-denominated foreign sovereign debt security to TRACE where a CUSIP or CINS is unavailable?

Yes. Firms may submit through the FINRA Gateway a TRACE New Issue Form requesting a symbol for a U.S. dollar-denominated foreign sovereign debt security where only an ISIN or a FIGI is available for the security.

Question 2: Is a foreign sovereign debt security considered to be “U.S. dollar-denominated” only if it was issued in U.S. dollars or can the determination also be based on the currency in which the security typically trades?

A foreign sovereign debt security is considered “U.S. dollar-denominated” only if the security was issued in U.S. dollars.

Question 3: Are transactions in U.S. dollar-denominated debt issued by a foreign municipality reportable to TRACE?

Yes. As specified in Rule 6710(kk), the term “foreign sovereign debt security” means a debt security issued or guaranteed by the government of a foreign country, any political subdivision of a foreign country, or a supranational entity. “Political subdivision” includes securities issued or guaranteed by state, provincial, or municipal governments.

Endnotes

1. See Securities Exchange Act Release No. 34-95465 (August 10, 2022); 87 FR 50354 (August 16, 2022) (Order Approving File No. SR-FINRA-2022-011).
2. The definition of “TRACE-eligible security” also has been amended to include the term “foreign sovereign debt security.” See Rule 6710(a).
3. See Rule 6750(c)(6), which provides that FINRA will not disseminate information on transactions in foreign sovereign debt securities.
4. Rule 6710(t) generally defines “TRACE system hours” as 8:00:00 a.m. ET through 6:29:59 p.m. ET on a business day, unless otherwise announced by FINRA.
5. Transactions executed on a business day at or after 6:30 p.m. ET through 11:59:59 p.m. ET—or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using ET)—must be reported the next business day (T+1) during TRACE system hours, designated “as/of,” and include the date of execution.
6. See FINRA Rule 6730(a)(7); and [Trade Reporting Notice 7/19/19](#) (FINRA Reminds Firms of Their Obligations Regarding TRACE Reporting). Any member who disagrees with the current classification of a security on the master list should contact FINRA Market Operations at (866) 776-0800.
7. Members are required to report transactions in U.S. dollar-denominated foreign sovereign debt securities in accordance with the [TRACE documentation](#) for corporate and agency securities.
8. Report cards are a type of compliance tool FINRA provides to assist members in meeting regulatory obligations. Report cards provide each member with statistics regarding its reporting activities during each month, including statistics regarding how the firm compares to its peers.

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