March 9, 2023

Re: Collection of Non-Centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement Market (TREAS-DO-2023-0001-0001; 12 CFR Part 1610)

Dear Sir or Madam:

The Financial Industry Regulatory Authority, Inc. (“FINRA”) appreciates this opportunity to comment on the Department of the Treasury’s Office of Financial Research (“OFR”) proposal to establish a data collection covering non-centrally cleared bilateral transactions in the U.S. repurchase agreement (“repo”) market. The Proposal would require certain brokers, dealers, and other financial companies with large exposures to the non-centrally cleared bilateral repo market to report information on their repo transactions that are not centrally cleared and have no tri-party custodian to OFR on a daily basis.

FINRA strongly supports the Proposal, which would fill a key data gap in an important area where regulators do not currently have transaction-level insight into a significant portion of the market—non-centrally cleared bilateral repos. The Proposal, if adopted, would provide for the daily reporting of specified transactional data for non-centrally cleared bilateral repos, which would be made available to regulators overseeing this critical segment of the U.S. financial system. FINRA agrees with OFR that, among other benefits, obtaining this information is “key to the [Financial Stability Oversight Council’s] effective identification and monitoring of emerging threats to the stability of the U.S. financial system and would fill in the remaining gap in coverage” of the U.S. repo market.

FINRA’s experience with transaction reporting for equity and fixed income securities has enhanced our regulatory oversight functions and our ability to assess the marketplace. For example, FINRA uses fixed income security transaction information reported to FINRA’s Trade Reporting and Compliance Engine (TRACE) to conduct extensive surveillance of the fixed income markets to ensure market integrity and investor protection. The data is also used in examinations of FINRA members and,

---

1 See Department of the Treasury, Collection of Non-Centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement Market, 88 FR 1154 (January 9, 2023) (the “Proposal”).

2 See id. at 1160.
where warranted, enforcement actions. More broadly, the TRACE data has enabled FINRA to gain a much deeper understanding of the structure, dynamics, and trends in different segments of the fixed income markets, which in turn helps to inform rulemaking and policy on a forward-looking basis. FINRA believes that OFR’s proposed collection of transaction information for non-centrally cleared bilateral repos will similarly prove valuable to inform oversight of the U.S. repo market.

As discussed in the Proposal, OFR may require submission of information either through OFR itself or through a collection agent. FINRA possesses extensive experience establishing and operating regulatory programs and systems for the collection and analysis of securities transaction information, both for regulatory audit trail and transparency purposes. For example, as noted above, FINRA has operated TRACE for over twenty years, through which FINRA collects and disseminates transaction information from its members—some of whom would also likely be subject to reporting under the Proposal—for a range of fixed income securities. During that time, FINRA has continually enhanced its data collection efforts, including by expanding the scope of fixed income securities subject to TRACE reporting.

Most recently, in 2017 FINRA began collecting information on its members’ Treasury security secondary market transactions and, in accordance with rulemaking by the Federal Reserve Board (FRB), in September 2022 also began receiving Treasury security transaction information from certain non-FINRA member depository institutions, as a data collection provider to the FRB. In furtherance of its transaction reporting program, FINRA has established an extensive infrastructure for transaction-level data collection, validation, and analysis, including, among other things:

- hardware and software infrastructure;
- connectivity solutions;
- processes and procedures for onboarding reporting firms and authorization of users;
- technical specifications outlining message formats and protocols for submissions, cancellations, and corrections;
- security master set-up and maintenance;
- data validation and monitoring protocols and processes;
- infrastructure and protocols for software and specification updates (including test environments);
- operational support for user base; and
- systems for data analysis and surveillance.

FINRA would welcome the opportunity to engage with OFR on this important initiative, including discussing the potential for FINRA to assist OFR with the data collection contemplated under the Proposal, leveraging our infrastructure and experience.

---

3 See id. at 1167.
FINRA looks forward to continued engagement with OFR on this matter. If you have any questions or would like to further discuss FINRA’s views and comments, please contact Stephanie Dumont, Executive Vice President, Market Regulation and Transparency Services, FINRA, at (202) 728-8176 (stephanie.dumont@finra.org).

Very truly yours,

Marcia E. Asquith
Corporate Secretary, EVP
Board and External Relations