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

File No. * SR 2023 - * 015

Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

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

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|---|--|---|--|--|--|
| Initial * <input checked="" type="checkbox"/> | Amendment * <input 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"/> |
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Rule

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| <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 *).

Proposed Rule Change Relating to Dissemination of Information on Individual Transactions in U.S. Treasury Securities and Related Fees

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 * Lauren Last Name * Schreur

Title * Associate General Counsel

E-mail * lauren.schreur@finra.org

Telephone * (240) 386-6881 Fax

Signature

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

Date 11/02/2023

(Title *)

By Racquel Russell

Senior Vice President and Director, Capital Mar

(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: 2023.11.02 16:55:47 -04'00'

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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FINRA-2023-015 19b-4.docx

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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FINRA-2023-015 Exhibit 1.docx

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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FINRA-2023-015 Exhibit 5.docx

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.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to (1) amend FINRA Rules 6710 and 6750 to provide that FINRA will disseminate information on individual transactions in U.S. Treasury Securities that are On-the-Run Nominal Coupons reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”) on an end-of-day basis with specified dissemination caps for large trades, and (2) amend FINRA Rule 7730 to include U.S. Treasury Securities within the existing fee structure for end-of-day and historic TRACE data.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

¹ 15 U.S.C. 78s(b)(1).

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

(a) Purpose

On July 10, 2017,² FINRA members began reporting information on transactions in U.S. Treasury Securities³ to TRACE.⁴ In addition, pursuant to requirements adopted by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”), on September 1, 2022, certain banks that are not FINRA members (“covered depository institutions”) began reporting information on transactions in specified fixed income securities, including U.S. Treasury Securities, to TRACE.⁵ Information reported to TRACE regarding individual transactions in U.S. Treasury Securities is currently used for regulatory and other official sector purposes only and is not disseminated publicly. FINRA makes the data regarding individual transactions in U.S. Treasury Securities

² See Regulatory Notice 16-39 (October 2016); see also Securities Exchange Act Release No. 79116 (October 18, 2016), 81 FR 73167 (October 24, 2016) (Order Granting Accelerated Approval of File No. SR-FINRA-2016-027).

³ Under Rule 6710(p), a “U.S. Treasury Security” means a security, other than a savings bond, issued by the U.S. Department of the Treasury (the “Treasury Department”) 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 Treasury Department.

⁴ 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.

⁵ See Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB, 86 FR 59716 (October 28, 2021) (Federal Reserve approval to implement the Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements (FR 2956; OMB No. 7100-NEW)).

available to the official sector to assist them in the monitoring and analysis of the U.S. Treasury Security markets.⁶

Since the commencement of TRACE reporting for U.S. Treasury Securities, FINRA has actively studied the reported data and, in consultation with the Treasury Department, considered ways that it can enhance transparency in the U.S. Treasury Security market. On March 10, 2020, FINRA began posting on its website weekly, aggregate data on the trading volume of U.S. Treasury Securities reported to TRACE.⁷ In February 2023, FINRA increased the cadence of the aggregated volume data it publishes for U.S. Treasury Securities to daily, and enhanced the content of the aggregate data by adding trade counts and, for On-the-Run Nominal Coupons,⁸ volume-weighted average price information.⁹

⁶ The Treasury Department, the Federal Reserve Board, the Federal Reserve Bank of New York, the SEC and the U.S. Commodity Futures Trading Commission (CFTC) comprise the Inter-Agency Working Group for Treasury Market Surveillance (IAWG or “official sector”).

⁷ See FINRA Press Release, FINRA Launches New Data on Treasury Securities Trading Volume, <https://www.finra.org/media-center/newsreleases/2020/finra-launches-new-data-treasury-securities-trading-volume>; see also Securities Exchange Act Release No. 87837 (December 20, 2019), 84 FR 71986 (December 30, 2019) (Order Approving File No. SR-FINRA-2019-028). FINRA also made historical weekly aggregate data for transactions in U.S. Treasury Securities reported since January 2019 available for download on its website.

⁸ See *infra* note 19 and accompanying text for the proposed definition of “On-the-Run Nominal Coupon.”

⁹ See Technical Notice, Enhancements to Aggregated Reports and Statistics for U.S. Treasury Securities, <https://www.finra.org/filing-reporting/trace/enhancements-weekly-aggregated-reports-statistics-122822>; see also Securities Exchange Act Release No. 95438 (August 5, 2022), 87 FR 49626 (August 11, 2022) (Order Approving File No. SR-FINRA-2022-017).

In remarks at the 2022 U.S. Treasury Market Conference,¹⁰ Under Secretary for Domestic Finance Liang proposed a policy of publicly releasing secondary market transaction data for On-the-Run Nominal Coupons, with end-of-day dissemination and with appropriate cap sizes. The Treasury Department’s views on their policy proposal were informed by a range of inputs, including responses to a survey of the primary dealers, analysis and recommendations from the Treasury Borrowing Advisory Committee (“TBAC”),¹¹ and public comments submitted in response to its Request for Information (“RFI”) on Additional Transparency for Secondary Market Transactions of Treasury Securities.¹² The Treasury Department concluded that transaction-level transparency can provide important benefits for the U.S. Treasury Securities market, but should proceed in a gradual and calibrated manner to mitigate risks for large trades or for trades in less liquid segments of the U.S. Treasury Securities market. Accordingly, the Treasury Department recommended that the next step should be to release transaction data for On-the-Run Nominal Coupons, with end-of-day dissemination and appropriate cap sizes.¹³

¹⁰ Remarks by Under Secretary for Domestic Finance Nellie Liang at the 2022 Treasury Market Conference (November 16, 2022), <https://home.treasury.gov/news/press-releases/jy11110> (“Treasury Conference Remarks”).

¹¹ See Treasury Department, Additional Public Transparency in Treasury Markets, (November 2022), <https://home.treasury.gov/system/files/221/TBACCharge1Q42022.pdf> (“TBAC Findings”).

¹² 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).

¹³ See TBAC Findings, supra note 11, at 28-29; Treasury Conference Remarks, supra note 10.

Consistent with the Treasury Department’s proposed policy, and in furtherance of FINRA’s mission as a national securities association to protect investors and promote market integrity, FINRA believes that providing transaction-level information for trades in On-the-Run Nominal Coupons, with end-of-day dissemination and appropriate cap sizes, is an appropriate next step to increase transparency in transactions in U.S. Treasury Securities. Accordingly, as described in more detail below and in consultation with the Treasury Department, FINRA is proposing to commence dissemination of individual transaction information at this time for On-the-Run Nominal Coupons,¹⁴ on an end-of-day basis with appropriate dissemination caps for large trades. The proposed rule change would not require any reporting changes by members or covered depository institutions.

Scope and Timing of Dissemination

Under Rule 6750(a), FINRA disseminates information on all transactions in TRACE-Eligible Securities,¹⁵ including transactions effected pursuant to Securities Act

¹⁴ The proposed rule change would not affect FINRA’s existing publication of aggregate U.S. Treasury Security data. FINRA would continue to publish daily and monthly aggregate U.S. Treasury Security data on the same terms as it does today, which include aggregate data on other types of U.S. Treasury Securities in addition to On-the-Run Nominal Coupons. See supra notes 7 and 9 and accompanying text.

¹⁵ 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). Beginning on November 6, 2023, the definition of “TRACE-Eligible Security” will be amended to also include a Foreign Sovereign Debt Security as defined in new paragraph (kk) of Rule 6710. See FINRA Adopts Amendments to Require Reporting of Transactions in U.S. Dollar-Denominated Foreign

Rule 144A, immediately upon receipt of the transaction report, except as provided in paragraphs (b) and (c) of Rule 6750 (Dissemination of Transaction Information). In relevant part, current Rule 6750(c)(5) provides that FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is a U.S. Treasury Security.

Under the proposed rule change, FINRA would begin disseminating individual transaction information for On-the-Run Nominal Coupon U.S. Treasury Securities on an end-of-day basis. As for all individual TRACE transaction information that FINRA disseminates, the disseminated transaction information for U.S. Treasury Securities would be anonymized, *i.e.*, it would not include the market participant identifier (MPID) or other identifying information regarding the parties to the trade. However, consistent with other TRACE products, the disseminated transaction information would include counterparty type (*i.e.*, dealer, customer, affiliate, or alternative trading system (“ATS”)), a flag to indicate whether the trade was executed on an ATS, and other trade modifiers and indicators. To implement such dissemination, FINRA is proposing to amend Rule 6750(c)(5) (to be redesignated as Rule 6750(d)(5)) to provide that FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is a U.S. Treasury Security “other than an On-the-Run Nominal Coupon,” and to add a new paragraph (c) to Rule 6750 providing that FINRA will disseminate information on

Sovereign Debt Securities to TRACE, [Regulatory Notice 22-28](#) (December 2022); see also Securities Exchange Act Release No. 95465 (August 10, 2022); 87 FR 50354 (August 16, 2022) (Order Approving File No. SR-FINRA-2022-011) (“Foreign Sovereign Filing”).

individual transactions in On-the-Run Nominal Coupons on an end-of-day basis.¹⁶

Consistent with the Treasury Department's proposed policy, these proposed amendments to Rule 6750 would provide for FINRA to disseminate information on individual transactions in U.S. Treasury Securities on an end-of-day basis only, rather than immediately upon receipt of the transaction report, and would specifically limit such dissemination to On-the-Run Nominal Coupons.¹⁷ FINRA believes that disseminating information on individual transactions in On-the-Run Nominal Coupons on an end-of-day basis at this time would strike an appropriate balance between enhancing transparency by providing timely information to the public about U.S. Treasury Security market activity and mitigating potential information leakage concerns that could arise with a more accelerated dissemination timeframe, such as a real-time data feed.¹⁸ FINRA may in the future consider whether it would be appropriate to disseminate information for transactions in U.S. Treasury Securities on a more accelerated basis.

¹⁶ To accommodate the addition of new paragraph 6750(c), the proposed rule change would redesignate current Rule 6750(c) as Rule 6750(d), and make conforming changes to the paragraph cross-references in Rule 6750(a) and Supplementary Material .01 to Rule 6750. The proposed rule text also reflects the inclusion of Rule 6750(c)(6) (to be redesignated as Rule 6750(d)(6)), which will be added by the Foreign Sovereign Filing effective November 6, 2023. See Foreign Sovereign Filing, supra note 155.

¹⁷ The proposed dissemination would include all transactions in On-the-Run Nominal Coupons reported to TRACE, including both transactions reported by FINRA members and transactions reported by covered depository institutions pursuant to rulemaking by the Federal Reserve. See supra note 5 and accompanying text.

¹⁸ FINRA members are generally required to report transactions in U.S. Treasury Securities to TRACE within 60 minutes of the Time of Execution. See Rule 6730(a)(4).

To provide clarity regarding the scope of transactions in U.S. Treasury Securities that would be subject to individual dissemination under amended Rule 6750, FINRA is proposing to add a definition of “On-the-Run Nominal Coupon” as new paragraph (ll) of Rule 6710 (Definitions).¹⁹ Specifically, “On-the-Run Nominal Coupon” would be defined to mean the most recently auctioned U.S. Treasury Security that is a Treasury note or bond paying fixed rate nominal coupons starting after the close of the TRACE system on the day of its Auction through the close of the TRACE system on the day of the Auction of a new issue for the next U.S. Treasury Security of the same maturity.²⁰ For further clarity, the proposed definition would specify that On-the-Run Nominal Coupons do not include Treasury bills, STRIPS, Treasury Inflation-Protected Securities (TIPS), floating rate notes (FRNs), or any U.S. Treasury Security that is a Treasury note or bond paying a fixed rate nominal coupon that is not the most recently issued U.S. Treasury Security of a given maturity (i.e., off-the-run nominal coupons).²¹ FINRA

¹⁹ The proposed paragraph designation for the new definition of “On-the-Run Nominal Coupon” in Rule 6710 reflects the inclusion of paragraphs (jj) and (kk) in Rule 6710, which were added, respectively, by the Corporate Bond New Issue Reference Data Service Filing (see Securities Exchange Act Release No. 90939 (January 15, 2021); 86 FR 6922 (January 25, 2021) (Order Approving File No. SR-FINRA-2019-008)) and Foreign Sovereign Filing. While the Corporate Bond New Issue Reference Data Service Filing has not been implemented, the Foreign Sovereign Filing will become effective November 6, 2023. See Foreign Sovereign Filing, supra note 15.

²⁰ Under Rule 6710(gg), “Auction” means the bidding process by which the Treasury Department sells marketable securities to the public pursuant to Part 356 of Title 31 of the Code of Federal Regulations.

²¹ FINRA will identify the most recently auctioned U.S. Treasury Security that is a Treasury note or bond paying fixed rate nominal coupons as an “On-the-Run Nominal Coupon” in TRACE reference data beginning on the business day after its auction.

believes this proposed definition is consistent with Treasury Department usage and industry practice in categorizing different types of U.S. Treasury Securities, and is also consistent with how FINRA currently categorizes different U.S. Treasury Securities for purposes of groupings in its existing U.S. Treasury Security aggregate data.²² Consistent with the Treasury Department's proposed policy, FINRA believes it is appropriate at this time to limit dissemination of individual transaction information to On-the-Run Nominal Coupons. FINRA may in the future consider whether it would be appropriate to disseminate information for transactions in other types of U.S. Treasury Securities, such as off-the-run nominal coupons.

Dissemination Protocols

As described above, under the proposed rule change all individual transactions in On-the-Run Nominal Coupons reported to TRACE on a given trading day would generally be included in the end-of-day dissemination file for such date. However, to further mitigate concerns around information leakage for large trades and in consideration of the different risk and liquidity characteristics among different U.S. Treasury Security tenors, FINRA would implement transaction size dissemination caps to indicate that the size of a trade was above a designated threshold. This approach is consistent with the Treasury Department's proposed policy as well as FINRA's existing dissemination protocols for other types of TRACE-Eligible Securities.

²² Information about the U.S. Treasury Security aggregate statistics, including security subtypes and groupings, is available at <https://www.finra.org/finra-data/browse-catalog/about-treasury>.

Accordingly, in consultation with the Treasury Department, FINRA proposes to apply the following transaction size dissemination caps based on the maturity of the On-the-Run Nominal Coupon at issuance:²³

- Two Years: \$250 million;
- Three Years: \$250 million;
- Five Years: \$250 million;
- Seven Years: \$150 million;
- 10 Years: \$150 million;
- 20 Years: \$50 million; and
- 30 Years: \$50 million.

Thus, for example, a \$200 million transaction in a 10-year On-the-Run Nominal Coupon would be disseminated with a trade size of “150MM+” rather than the actual dollar amount of the trade.²⁴ As discussed further below, FINRA believes these transaction size

²³ FINRA would incorporate information about these dissemination caps in the TRACE dissemination protocols published on its website, available at <https://www.finra.org/filing-reporting/trade-reporting-and-compliance-engine-trace/trace-reporting-timeframes>. Specifically, information about the dissemination caps would be added as a new bullet in the “Transparency” column of the row of the table describing the protocols for “Treasury Bonds,” to read as follows: “Individual transactions in On-the-Run Nominal Coupons are disseminated on an end-of-day basis with security identifiers (e.g., CUSIP) and the following transaction size caps based on the maturity of the security at issuance: 2 Years: \$250 million; 3 Years: \$250 million; 5 Years: \$250 million; 7 Years: \$150 million; 10 Years: \$150 million; 20 Years: \$50 million; 30 Years: \$50 million.”

²⁴ As described further below, these dissemination caps would apply for the end-of-day dissemination file. Consistent with its approach to other TRACE data products, FINRA also plans to provide an Historic TRACE data product covering the same scope of transactions, which would provide the actual, uncapped transaction sizes on a six-month delayed basis.

caps are appropriately tailored to mitigate potential information leakage concerns related to large transactions given the different liquidity and concentration characteristics of the market for each maturity. In consultation with the Treasury Department and based on ongoing analysis of the data, FINRA may in the future make adjustments to these dissemination caps to maintain the appropriate balance between enhanced transparency and protecting against potential information leakage that could negatively impact trading behaviors. Any proposed future changes to the dissemination caps would be filed with the Commission pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934.

Dissemination Fees

FINRA is also proposing amendments to Rule 7730 (Trade Reporting and Compliance Engine) to expand the existing fee framework for the TRACE End-of-Day Transaction File and the Historic TRACE Data product to include data products providing for the dissemination of information on individual transactions in On-the-Run Nominal Coupons. Rule 7730, among other things, sets forth the TRACE data products offered by FINRA in connection with information on TRACE-Eligible Securities and associated data fees.

Among other products, Rule 7730 provides for the dissemination of an End-of-Day TRACE Transaction File and Historic TRACE Data. Rule 7730(g)(6) defines the End-of-Day TRACE Transaction File to mean a daily file that includes all transaction data disseminated as part of Real-Time TRACE transaction data on that day, which is separately available for each data set for which Real-Time TRACE transaction data is available (i.e., the Corporate Bond Data Set, Agency Data Set, SP Data Set, and Rule

144A Data Set)²⁵ and made available daily after the TRACE system closes. Rule 7730(g)(4) defines Historic TRACE Data to mean historic transaction-level data with elements to be determined from time to time by FINRA in its discretion as stated in a Regulatory Notice or other equivalent publication, which will not include market participant identifiers (MPIDs). Historic TRACE Data is separately available for each of the Historic Corporate Bond Data Set, the Historic Agency Data Set, the Historic SP Data Set, and the Historic Rule 144A Data Set, as defined in Rule 7730(g)(4)(A) through (D). Historic Corporate Bond and Historic Agency Data is delayed a minimum of six months, while Historic SP Data is delayed a minimum of 18 months and Historic Rule 144A Data carries a delay consistent with the delay period applicable to the component security type (e.g., the delay for a Rule 144A transaction in a Securitized Product (SP) is 18 months, while the delay for a Rule 144A transaction in a corporate bond is six months). Generally, Historic TRACE Data includes the same transaction information as provided in the End-of-Day TRACE Transaction File for a given period of time, except that the End-of-Day TRACE Transaction File includes dissemination caps for large transactions while the Historic TRACE Data includes the actual, uncapped transaction sizes.

Rule 7730 sets forth, among other things, the fees applicable to receive the End-of-Day TRACE Transaction File and Historic TRACE Data from FINRA, which apply individually for each data set (i.e., a separate fee applies for each of the Corporate Bond Data Set, Agency Data Set, SP Data Set, and Rule 144A Data Set). The fee for the End-

²⁵ These data sets are defined in Rule 7730(c), which sets forth the market data fees for Real-Time TRACE transaction data. Under Rule 7730(g)(3), “Real-Time” is defined to mean that period of time starting from the time of dissemination by FINRA of transaction data on a TRACE-Eligible Security, and ending no more than four hours thereafter.

of-Day TRACE Transaction File is \$750/month per data set,²⁶ with a lower \$250/month per data set fee available to qualifying Tax-Exempt Organizations.²⁷ The fee for Historic TRACE Data is \$2,000/calendar year per data set, with a lower \$500/calendar year per data set fee available to qualifying Tax-Exempt Organizations.²⁸ A single fee of \$2,000 for development and set-up to receive Historic TRACE Data also applies, with a lower \$1,000 development and set-up fee available to qualifying Tax-Exempt Organizations.²⁹

FINRA is proposing that the End-of-Day TRACE Transaction File and Historic Data include a new set of data for U.S. Treasury Securities, as outlined above, with the same fees for the Treasury data set that exist for other sets of TRACE-Eligible Securities. To effectuate these changes, under the proposed rule change, FINRA would amend the

²⁶ There is no charge for receipt of the End-of-Day TRACE Transaction file for a given data set for a subscriber to the Vendor Real-Time Data feed for that data set.

²⁷ For purposes of Rule 7730, a Tax-Exempt Organization means an organization that is described in Section 501(c) of the Internal Revenue Code (26 U.S.C. §501(c)) and has received recognition of the exemption from federal income taxes from the Internal Revenue Service. See Rule 7730(g)(2).

²⁸ The \$2,000 fee for non-qualifying Tax Exempt Organizations is applicable where the subscriber receives the data for internal use and internal and/or external display application, but bulk re-distribution of data is not permitted at this rate. A non-qualifying Tax Exempt Organization seeking bulk re-distribution of the Historic TRACE Data is instead subject to a fee of \$1/CUSIP per calendar year (or part thereof) within a single data set of Historic TRACE Data per each recipient of re-distributed data, with a maximum fee per data set of \$1,000/calendar year (or part thereof) per each recipient of re-distributed data. A qualifying Tax-Exempt Organization is subject to the \$500/calendar year per data set fee for internal use and internal and/or external display application, with bulk re-distribution of data permitted with certain restrictions.

²⁹ The development and set-up fee is a one-time fee when a subscriber initially begins receiving Historic TRACE Data for any data set. The fee does not apply if a subscriber switches data sets, or adds additional data sets, of Historic TRACE Data.

existing definition of “End-of-Day TRACE Transaction File” in Rule 7730(g)(6) to include the End-of-Day Transaction File for U.S. Treasury Securities as a separately available daily file that includes transaction data for On-the-Run Nominal Coupons reported to TRACE on that day.³⁰ FINRA would similarly amend the definition of “Historic TRACE Data” in Rule 7730(g)(4) to add a new definition of “Historic Treasury Data Set” to include all historic transactions in On-the-Run Nominal Coupons reported to TRACE. Historic Treasury Data would also be subject to a minimum six-month delay, as is the case currently for the existing Historic Corporate Bond and Historic Agency Data sets.³¹ The addition of U.S. Treasury Securities to the current framework in Rule 7730 for the TRACE End-of-Day Transaction File and Historic TRACE Data products would apply the existing data fees for each current TRACE data set to the new U.S. Treasury data sets.³² FINRA believes these fees are reasonable, and notes that, as for any of the TRACE data sets, subscribing to each product is optional for members and others.

FINRA has an expansive and robust regulatory program regarding U.S. Treasury Securities, involving TRACE reporting requirements; dissemination of aggregate data

³⁰ A clarifying edit would also be made to the first sentence of Rule 7730(g)(6), which defines End-of-Day TRACE Transaction File for the existing data sets, to clarify that it applies for Data Sets other than U.S. Treasury Securities. This change is necessary because the definition for other Data Sets is based on data disseminated as part of Real-Time TRACE transaction data on that day for a given data set, which will not be applicable for U.S. Treasury Securities.

³¹ A conforming change would also be made in the description of Historic TRACE Data in Rule 7730(d) to add the Historic Treasury Data Set to the list of data sets comprising Historic TRACE Data.

³² As for other types of TRACE-Eligible Securities, FINRA also anticipates making transaction information for On-the-Run Nominal Coupons available free of charge for personal, non-commercial purposes only through FINRA’s Fixed Income Data website, available at <https://www.finra.org/finra-data/fixed-income>.

and, if this filing is approved, dissemination of individual transaction data; surveillance and examination for complete and accurate reporting; and surveillance, examinations, and enforcement for manipulation and other unfair and prohibited trading practices, both in the U.S. Treasury Security market and across markets and products. FINRA to date has not implemented any additional fees to recover its implementation or ongoing operation costs with respect to its regulatory programs concerning activity in U.S. Treasury Securities.³³ FINRA continues to review its revenue and cost structure and consider ways to fund its operations in this area. FINRA believes the fees proposed in the instant filing are reasonable given the incremental costs to be incurred by FINRA in developing, producing, and distributing the new U.S. Treasury Security data sets and providing ongoing administrative, functional, and technical support to subscribers. However, FINRA notes that such fees will not, and are not designed to, recover FINRA's full costs with respect to FINRA's regulatory programs regarding TRACE for U.S. Treasury Securities; FINRA intends to further consider the most appropriate fee structure(s) to recover these costs.

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

³³ FINRA notes that, unlike for other types of TRACE-Eligible Securities, FINRA does not currently charge reporting fees for transactions in U.S. Treasury Securities.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,³⁴ 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, and Section 15A(b)(9) of the Act,³⁵ which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate. FINRA believes that the proposal represents an important step in enhancing transparency in the U.S. Treasury Securities market, consistent with the Treasury Department's proposed policy, by beginning dissemination of individual transaction information in a calibrated and careful manner, on an end-of-day basis, limited to On-the-Run Nominal Coupons, and with appropriate dissemination caps for large trades. FINRA believes that providing this data to the public would improve price transparency for U.S. Treasury Securities, benefiting liquidity and resilience in this critical market, while also mitigating potential information leakage concerns that could negatively impact market behavior.

FINRA also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,³⁶ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls. Pursuant to the proposed rule change, FINRA will establish

³⁴ 15 U.S.C. 78o-3(b)(6).

³⁵ 15 U.S.C. 78o-3(b)(9).

³⁶ 15 U.S.C. 78o-3(b)(5).

fees for (i) the new End-of-Day TRACE Transaction file for U.S. Treasury Securities and (ii) the new Historic TRACE Data product for U.S. Treasury Securities. In each case, the fees will be the same as those FINRA already charges to receive each of the other data sets for other types of TRACE-Eligible Securities. FINRA believes these fees are reasonable and are identical to existing fees already in place for end-of-day and historic data products for other types of TRACE-Eligible Securities. FINRA further notes that the fees will be applied equally to all similarly situated interested parties that choose to subscribe to either data product, and that subscribing to these data products is optional for members and others.

Thus, FINRA believes that the proposed rule change is in the public interest and consistent with the Act.

4. 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

FINRA has undertaken an economic impact assessment, as set forth below, to further analyze the regulatory need for the proposed amendments to the TRACE rules, their potential economic impacts, and the alternatives considered in assessing how to best meet FINRA's regulatory objectives.

Regulatory Need

Under existing rules, transaction-level data in U.S. Treasury Securities reported to TRACE is used for regulatory and other official sector purposes and is not publicly

disseminated.³⁷ Currently, market participants may access some post-trade information for U.S. Treasury Securities directly through multiple private platforms. However, the data provided by such private platforms is not comprehensive, its content and format might vary across venues, and the data is available only to those trading on a specific platform or subscribing to its data services.

FINRA believes that the proposed amendments relating to dissemination of individual transaction information for U.S. Treasury Securities are consistent with FINRA's ongoing TRACE transparency initiatives. The proposal may create a more level playing field, increase understanding of market activity, enhance market liquidity, reduce transaction costs, and assist in price efficiency and valuation.

Economic Baseline

FINRA analyzed secondary market activity in U.S. Treasury Securities from September 1, 2022, to February 28, 2023 using transactions reported to TRACE.³⁸ During the six-month sample period, there were 941 unique trade reporters (904 broker-

³⁷ As noted, FINRA shares this data with the IAWG, which includes the Treasury Department, The Federal Reserve Board, The Federal Reserve Bank of New York, the SEC, and the CFTC. See supra note 6.

³⁸ The reported statistics include transactions reported to TRACE by covered depository institutions pursuant to Federal Reserve Board requirements. Beginning September 1, 2022, certain depository institutions (Covered Depository Institutions) were required to report transactions in U.S. Treasury Securities, agency debt securities and agency mortgage-backed securities (Covered Securities) to FINRA's Trade Reporting and Compliance Engine (TRACE). For more information, see <https://www.finra.org/filing-reporting/trace/federal-reserve-depository-institution-reporting>.

dealers, 17 ATs, 15 depository institutions, and five depository institution customers).³⁹

Table 1 shows that, during the sample period, there were on average 302,120 trades per day in all U.S. Treasury Securities with an average daily volume of approximately \$732.01 billion. Daily trades in Treasury notes and bonds⁴⁰ on average accounted for 77.6 percent of all daily trades and 74.6 percent of the total daily dollar volume in all U.S. Treasury Securities, which also includes bills, TIPS and STRIPS in addition to notes and bonds.

Table 1: Trading Activity in Treasury Securities

| Type | Number of Trades | | Dollar Volume | |
|---------------------------------------|---------------------------|------------|---------------------|-------------|
| | Average Daily (Thousands) | Total (MM) | Average Daily (\$B) | Total (\$T) |
| Total | 302.12 | 36.56 | 732.01 | 88.57 |
| Security Type | | | | |
| Bills | 63.17 | 7.64 | 165.89 | 20.07 |
| Notes & Bonds | 234.56 | 28.38 | 546.27 | 66.10 |
| TIPS | 2.82 | 0.34 | 16.30 | 1.97 |
| STRIPS | 1.57 | 0.19 | 3.55 | 0.43 |
| Counterparty Type⁴¹ | | | | |
| Customer | 83.45 | 10.10 | 270.64 | 32.75 |
| Dealer | 148.87 | 18.01 | 301.00 | 36.42 |

³⁹ Reporting parties were identified using market participant identifiers (MPIDs). Depository institution customers are depository institutions with buy-side activity only.

⁴⁰ Treasury notes and bonds include nominal coupon securities and 2-year FRNs.

⁴¹ The “customer” counterparty type includes trades between broker-dealers and customers or between covered depository institutions and customers. The “dealer” counterparty type includes interdealer trades, trades between broker-dealers and covered depository institutions, as well as trades among covered depository institutions. The “affiliate” counterparty type includes trades between broker-dealers and non-member affiliates or trades between covered depository institutions and non-member affiliates. The “PTF” counterparty type includes trades conducted by principal trading firms (PTFs) and other non-FINRA members on a “covered ATS,” as defined in FINRA Rule 6730.07.

| | | | | |
|--------------|--------|-------|--------|-------|
| Affiliate | 11.36 | 1.38 | 78.65 | 9.52 |
| PTF | 58.44 | 7.07 | 81.72 | 9.89 |
| Venue | | | | |
| ATS | 157.14 | 19.01 | 251.15 | 30.39 |
| Non-ATS | 144.98 | 17.54 | 480.86 | 58.18 |

Further analysis of the data shows that the average daily number of trades and average daily dollar volume of On-the-Run Nominal Coupons were approximately 166,240 and \$392.80 billion respectively which were substantially higher than the number and volume of trades in off-the-run nominal coupons (approximately 68,079 and \$150.18 billion respectively).

Table 2 provides more detail regarding the trades in the On-the-Run Nominal Coupons that are subject to the proposed amendments. On-the-Run Nominal Coupons on average accounted for approximately 55 percent of the total daily number of trades and 53.7 percent of the total daily volume of trades in U.S. Treasury Securities during the sample period.⁴² Separating out the activity by maturity shows that 5-year notes are the most actively traded both in terms of the number and volume of trades. The analysis also shows active interdealer trading and electronic trading, as proxied by ATS volume, in this market segment and a substantial volume of trades by non-FINRA members, such as PTFs, on the ATS platforms that are subject to Rule 6730.07.⁴³

⁴² The average transaction size in these securities was \$2.37 million. The median and the 99th percentile are approximately \$1 million and \$26.76 million, respectively.

⁴³ The proportion of customer and non-ATS trades are substantially lower in On-the-Run Nominal Coupons compared to the broader Treasury Securities market. Trade sizes for transactions in U.S. Treasury Securities that occur on an ATS are, on average, smaller than non-ATS trades.

Table 2: Trading Activity in On-the-Run Nominal Coupon Treasury Securities

| Type | Number of Trades | | Dollar Volume | |
|--------------------------|---------------------------|------------|--------------------|-------------|
| | Average Daily (Thousands) | Total (MM) | Average Daily(\$B) | Total (\$T) |
| Total | 166.24 | 20.11 | 392.80 | 47.53 |
| Maturity | | | | |
| 2Y | 21.99 | 2.66 | 60.19 | 7.28 |
| 3Y | 20.19 | 2.44 | 53.27 | 6.45 |
| 5Y | 46.72 | 5.65 | 115.38 | 13.96 |
| 7Y | 13.76 | 1.66 | 31.85 | 3.85 |
| 10Y | 43.95 | 5.32 | 94.24 | 11.40 |
| 20Y | 5.14 | 0.62 | 10.66 | 1.29 |
| 30Y | 14.50 | 1.75 | 27.21 | 3.29 |
| Counterparty Type | | | | |
| Customer | 10.34 | 1.25 | 100.87 | 12.20 |
| Dealer | 90.93 | 11.00 | 184.99 | 22.38 |
| Affiliate | 7.02 | 0.85 | 33.47 | 4.05 |
| PTF | 57.95 | 7.01 | 73.48 | 8.89 |
| Venue | | | | |
| ATS | 130.17 | 15.75 | 184.87 | 22.37 |
| Non-ATS | 36.07 | 4.36 | 207.93 | 25.16 |

Economic Impacts

Given the unique and fundamental role of the U.S. Treasury Securities market in the global economy, promoting the market's liquidity, efficient functioning, and resilience in times of stress is crucial both to Treasury market participants and the broader financial system.

The following sections outline the potential benefits and costs of the proposed dissemination of end-of-day and historical transaction-level information for On-the-Run Nominal Coupons, with appropriate dissemination caps for large trades. The discussion is informed by the public comments submitted in response to the Treasury Department's

RFI,⁴⁴ the Sia Partners/SIFMA survey results,⁴⁵ TBAC Findings,⁴⁶ and the academic literature.

Anticipated Benefits

While the RFI and survey respondents expressed mixed opinions on the impact of increased transparency on market liquidity and resilience, they broadly supported a gradual and calibrated approach to providing additional transparency in the Treasury Security market.⁴⁷ The anticipated benefits included reducing trading costs, increasing liquidity, incentivizing intermediation and promoting additional participation, increasing market confidence, enhancing risk management, and higher market resilience during times of stress.⁴⁸ Some respondents indicated that having access to transaction-level information could lead to improved price discovery and trade execution for both investors and dealers. Others indicated that additional transparency would assist quantitative trading firms as electronic trading becomes more prevalent.⁴⁹

⁴⁴ See supra note 12.

⁴⁵ See Additional Transparency for Secondary Market Transactions of Treasury Securities (October 2022), <https://www.sifma.org/wp-content/uploads/2022/10/FINAL-SIA-SIFMA-REPORT-Additional-Transparency-for-Secondary-Market-Transactions-of-Treasury-Securities.pdf>.

⁴⁶ See TBAC Findings, supra note 11.

⁴⁷ See, e.g., comment letters from CME Group Inc. and JPMorgan Chase & Co., available at <https://www.regulations.gov/docket/TREAS-DO-2022-0012/comments>.

⁴⁸ See, e.g., comment letters from Spatt, Hollifield & Neklyudov; Jane Street Capital, LLC; MarketAxess Holdings Inc.; and Citadel Securities, available at <https://www.regulations.gov/docket/TREAS-DO-2022-0012/comments>.

⁴⁹ See Sia Partners/SIFMA survey, supra note 45, at 9-10.

The academic literature also provides insights on the effects of post-trade transparency in other fixed income markets and investigates the effect of transparency on price discovery, market liquidity, and the welfare of different classes of market participants. Several studies found that the transparency following the initiation of TRACE resulted in substantially lower trading costs and bid-ask spreads in the corporate bond market, not only for bonds whose trades were disseminated, but for other bonds as well.⁵⁰ Studies on the impacts of post-trade transparency in the municipal bond market and securitized products market also reported reduced transaction costs as a result of additional transparency.⁵¹ These results are consistent with investors' ability to negotiate better prices in the presence of post-trade transparency.

⁵⁰ The studies interpret the effect on other bonds as a “liquidity spillover” where the traded prices of disseminated bonds provided useful information for valuing bonds whose trades were not disseminated. See Hendrik Bessembinder, William Maxwell & Kumar Venkataraman, Market Transparency, Liquidity Externalities, and Institutional Trading Costs in Corporate Bonds, 82(2) *Journal of Financial Economics* 251-288 (2006); Amy K. Edwards, Lawrence E. Harris & Michael S. Piwowar, Corporate Bond Market Transaction Costs and Transparency, 62(3) *The Journal of Finance* 1421-1451 (2007); Michael A. Goldstein, Edith S. Hotchkiss & Erik R. Sirri, Transparency and Liquidity: A Controlled Experiment on Corporate Bonds, 20(2) *The Review of Financial Studies* 235-273 (2007); Hendrik Bessembinder & William Maxwell, Markets: Transparency and the Corporate Bond Market, 22(2) *The Journal of Economic Perspectives* 217-234 (2008).

⁵¹ See Erik R. Sirri, Report on Secondary Market Trading in the Municipal Securities Market (2014), <https://www.msrb.org/sites/default/files/2022-09/MSRB-Report-on-Secondary-Market-Trading-in-the-Municipal-Securities-Market.pdf>; John Chalmers, Yu Liu & Z. Jay Wang, The Difference a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market, 139(1) *Journal of Financial Economics* 313-335 (2021); Paul Schultz & Zhaogang Song, Transparency and Dealer Networks: Evidence from the Initiation of Post-Trade Reporting in the Mortgage Backed Security Market, 133(1) *Journal of Financial Economics* 113-133 (2019).

FINRA believes that end-of-day public dissemination of transaction information on On-the-Run Nominal Coupons, as described above, would similarly benefit market participants by providing access to a single-source, comprehensive data set, subject to the proposed fees. The availability of this information, together with the historic TRACE data product for U.S. Treasury Securities, may also prompt further research and facilitate a better understanding of the U.S. Treasury Securities market, ultimately benefiting investors and other market participants and providing insight into how to better support the resiliency of the U.S. Treasury Securities market in times of stress.

Anticipated Costs

Market participants (and dealers in particular) expressed a concern in response to the Treasury Department's RFI and Sia Partners/SIFMA survey that releasing transaction details could potentially expose trading strategies or positions to competitors and impede dealers' ability to appropriately manage risk and confidentially hedge their positions. If true, this could decrease intermediaries' risk-taking capacity and their willingness to participate, leading to a decline in liquidity supply and market resilience during stressed conditions. These concerns were mostly directed to the less-liquid market segments, larger trade sizes, and real-time dissemination.⁵² Most commenters and respondents believed that there was limited risk to the delayed dissemination of the transaction-level information for On-the-Run Nominal Coupons with appropriate transaction size dissemination caps. Some RFI commentors indicated that additional transparency could

⁵² See, e.g., comment letters from Citigroup Global Markets Inc.; Vanguard Group, Inc.; and the joint comment letter from SIFMA, SIFMA AMG, ABASA, and IIB, available at <https://www.regulations.gov/docket/TREAS-DO-2022-0012/comments>.

impact market participants' trading behavior by incentivizing market participants to engage in smaller size trades or other behaviors to avoid dissemination, such as attempting to move flows outside the U.S. market.⁵³ Generally, the RFI and survey respondents shared the view that introducing additional post-trade transparency in the U.S. Treasury Securities market requires careful and prudent implementation to avoid disrupting market functioning.

The academic papers and industry reports that studied the impacts of post-trade transparency in other markets have found evidence of dealers' reluctance to carry inventory in the disseminated securities and moving flow to alternative markets.⁵⁴ Others found evidence of difficulty in executing larger trades, reduced trading volume and transaction size—particularly in riskier and less liquid assets.⁵⁵

Accordingly, the proposed rule change incorporates multiple mitigants, developed in consultation with the Treasury Department, to address these concerns. First, the scope of the proposed rule change is limited to only transactions in On-the-Run Nominal Coupons, which are highly liquid. Second, delayed, end-of-day dissemination would

⁵³ See TBAC Findings, supra note 11, at 7.

⁵⁴ See Hendrik Bessembinder & William Maxwell, Markets: Transparency and the Corporate Bond Market, 22(2) The Journal of Economic Perspectives 217-234 (2008).

⁵⁵ See Paul Asquith, Thomas Covert & Parag A. Pathak, The Effects of Mandatory Transparency in Financial Market Design: Evidence from the Corporate Bond Market (2019), available at <https://ssrn.com/abstract=2320623>; Bruce Mizrach, Analysis of Corporate Bond Liquidity (2015), https://www.finra.org/sites/default/files/OCE_researchnote_liquidity_2015_12.pdf; Greenwich Associates, In Search of New Corporate Bond Liquidity (2016) available at <https://www.greenwich.com/fixed-income-fx-cmds/search-new-corporate-bond-liquidity>; Schultz & Song, supra note 51.

further protect market participants against information leakage. Third, FINRA has conducted careful analysis and consulted with Treasury to specify appropriate transaction size dissemination caps calibrated to the maturity, liquidity and trading concentration in the underlying security to preserve the anonymity of market participants trading large transactions. In setting the proposed transaction size dissemination caps, FINRA considered both the percentage of traded market volume that would be disseminated (versus reported) across each maturity along with the daily number of unique intermediaries trading each security at or above the cap size for each maturity. This approach balances providing similar levels of transparency across maturities with sensitivity to information leakage concerns regarding reverse engineering of other market participants' identities, positions, or trading strategies. In this regard, FINRA analyzed the concentration of dealer activity and market liquidity in trades above various cap sizes in each specific Treasury maturity.

The proposed dissemination caps would—across all maturities—result in 0.09 percent of transactions being capped. Specifically, for the two-year, three-year, and five-year notes (which would be subject to a \$250 million dollar cap), 0.08 percent, 0.08 percent, and 0.03 percent of transactions, respectively, would be capped upon dissemination (i.e., because the size of the trade was greater than \$250 million); for the seven-year and 10-year notes (which would be subject to a \$150 million dollar cap), 0.13 percent and 0.05 percent of transactions, respectively, would be capped upon dissemination (i.e., because the size of the trade was greater than \$150 million); and for the 20-year and 30-year bonds (which would be subject to a \$50 million dollar cap), 0.39

percent and 0.29 percent of transactions, respectively, would be capped upon dissemination (i.e., because the size of the trade was greater than \$50 million).

There is no anticipated operational impact on member firms as a result of FINRA's proposed end-of-day and historical dissemination of On-the-Run Nominal Coupon data, as reporting requirements will remain unchanged. As noted above, the disseminated data would be available to market participants for a fee. The proposed fees for the Treasury data set are the same as those that exist for other types of TRACE-Eligible Securities. FINRA does not anticipate any negative competitive effects as a result of the proposed fees. The proposed end-of-day and historical dissemination of transactions in On-the-Run Nominal Coupon U.S. Treasury Securities, subject to their related fees, will provide an option for all market participants, including smaller firms, to access post-trade transparency in the U.S. Treasury Securities market at a reasonable cost. Some market participants may choose to access the data indirectly through their data vendors as the vendors may externally display the data.⁵⁶ Those market participants who choose to access the data directly through FINRA may incur an additional cost to set up the technological infrastructure necessary to access the data if they are not already subscribed to other TRACE data products. On balance, market participants would only incur costs if they determine that the benefits of receiving the data outweigh the costs.

Alternatives Considered

FINRA, in consultation with the Treasury Department, considered several alternatives with respect to the scope of the Treasury Securities that would be subject to

⁵⁶ The bulk re-distribution of the data is permitted subject to a different fee structure or additional restrictions, as discussed above.

dissemination under the proposed rule change, dissemination timeframes, and transaction size dissemination caps.

Scope of the Treasury Securities Subject to Dissemination

Regarding the scope of the U.S. Treasury Securities proposed to be subject to dissemination, FINRA considered including off-the-run and other types of U.S. Treasury Securities. However, since On-the-Run Nominal Coupons are both highly liquid and represent a significant portion of the Treasury Securities volume, FINRA believes that disseminating transaction-level data for On-the-Run Nominal Coupons would improve Treasury Securities market transparency with limited risk for market participants. The RFI and survey respondents' concerns regarding the potential impact of disseminating transaction data on their ability to manage their inventory risk were more pronounced for the less-liquid segments of the market, such as off-the-run U.S. Treasury Securities.

Dissemination Timeframe

FINRA also considered real-time and less delayed dissemination of transaction level data as potential dissemination timeframe alternatives. However, weighing the potential benefits of providing the market with more timely data against concerns about protecting the confidentiality of market participants' positions and trading strategies, FINRA believes that, on balance, end-of-day dissemination will prudently balance the timeliness of transparency and concerns regarding potential negative impacts. End-of-day dissemination will provide FINRA and others the ability to research the proposed rule change's impact.⁵⁷

⁵⁷ FINRA also notes that covered depository institutions that report to TRACE pursuant to Federal Reserve Board requirements generally report transactions in U.S. Treasury Securities to TRACE by the end of the day. Thus, not all

Transaction Size Caps

FINRA considered setting a single transaction size dissemination cap applicable to all transactions in On-the-Run Nominal Coupons. However, since liquidity and trading volume varies across U.S. Treasury Securities with different maturities, FINRA, in consultation with the Treasury Department, determined that it is appropriate to propose dissemination caps that are calibrated to the maturity, liquidity, interest rate sensitivity, and trading concentration of the underlying U.S. Treasury Security.

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

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁵⁸

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

transactions in U.S. Treasuries reported to TRACE are subject to a one-hour timeframe, which is another factor that FINRA considered in connection with the proposed rule change.

⁵⁸ 15 U.S.C. 78s(b)(2).

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2023-015)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to Dissemination of Information on Individual Transactions in U.S. Treasury Securities and Related Fees

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 (1) amend FINRA Rules 6710 and 6750 to provide that FINRA will disseminate information on individual transactions in U.S. Treasury Securities that are On-the-Run Nominal Coupons reported to FINRA’s Trade Reporting and Compliance Engine (“TRACE”) on an end-of-day basis with specified dissemination caps for large trades, and (2) amend FINRA Rule 7730 to include U.S. Treasury Securities within the existing fee structure for end-of-day and historic TRACE data.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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.

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 July 10, 2017,³ FINRA members began reporting information on transactions in U.S. Treasury Securities⁴ to TRACE.⁵ In addition, pursuant to requirements adopted by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"),

³ See Regulatory Notice 16-39 (October 2016); see also Securities Exchange Act Release No. 79116 (October 18, 2016), 81 FR 73167 (October 24, 2016) (Order Granting Accelerated Approval of File No. SR-FINRA-2016-027).

⁴ Under Rule 6710(p), a "U.S. Treasury Security" means a security, other than a savings bond, issued by the U.S. Department of the Treasury (the "Treasury Department") 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 Treasury Department.

⁵ 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.

on September 1, 2022, certain banks that are not FINRA members (“covered depository institutions”) began reporting information on transactions in specified fixed income securities, including U.S. Treasury Securities, to TRACE.⁶ Information reported to TRACE regarding individual transactions in U.S. Treasury Securities is currently used for regulatory and other official sector purposes only and is not disseminated publicly. FINRA makes the data regarding individual transactions in U.S. Treasury Securities available to the official sector to assist them in the monitoring and analysis of the U.S. Treasury Security markets.⁷

Since the commencement of TRACE reporting for U.S. Treasury Securities, FINRA has actively studied the reported data and, in consultation with the Treasury Department, considered ways that it can enhance transparency in the U.S. Treasury Security market. On March 10, 2020, FINRA began posting on its website weekly, aggregate data on the trading volume of U.S. Treasury Securities reported to TRACE.⁸

⁶ See Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB, 86 FR 59716 (October 28, 2021) (Federal Reserve approval to implement the Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements (FR 2956; OMB No. 7100-NEW)).

⁷ The Treasury Department, the Federal Reserve Board, the Federal Reserve Bank of New York, the SEC and the U.S. Commodity Futures Trading Commission (CFTC) comprise the Inter-Agency Working Group for Treasury Market Surveillance (IAWG or “official sector”).

⁸ See FINRA Press Release, FINRA Launches New Data on Treasury Securities Trading Volume, <https://www.finra.org/media-center/newsreleases/2020/finra-launches-new-data-treasury-securities-trading-volume>; see also Securities Exchange Act Release No. 87837 (December 20, 2019), 84 FR 71986 (December 30, 2019) (Order Approving File No. SR-FINRA-2019-028). FINRA also made historical weekly aggregate data for transactions in U.S. Treasury Securities reported since January 2019 available for download on its website.

In February 2023, FINRA increased the cadence of the aggregated volume data it publishes for U.S. Treasury Securities to daily, and enhanced the content of the aggregate data by adding trade counts and, for On-the-Run Nominal Coupons,⁹ volume-weighted average price information.¹⁰

In remarks at the 2022 U.S. Treasury Market Conference,¹¹ Under Secretary for Domestic Finance Liang proposed a policy of publicly releasing secondary market transaction data for On-the-Run Nominal Coupons, with end-of-day dissemination and with appropriate cap sizes. The Treasury Department's views on their policy proposal were informed by a range of inputs, including responses to a survey of the primary dealers, analysis and recommendations from the Treasury Borrowing Advisory Committee ("TBAC"),¹² and public comments submitted in response to its Request for Information ("RFI") on Additional Transparency for Secondary Market Transactions of

⁹ See infra note 20 and accompanying text for the proposed definition of "On-the-Run Nominal Coupon."

¹⁰ See Technical Notice, Enhancements to Aggregated Reports and Statistics for U.S. Treasury Securities, <https://www.finra.org/filing-reporting/trace/enhancements-weekly-aggregated-reports-statistics-122822>; see also Securities Exchange Act Release No. 95438 (August 5, 2022), 87 FR 49626 (August 11, 2022) (Order Approving File No. SR-FINRA-2022-017).

¹¹ Remarks by Under Secretary for Domestic Finance Nellie Liang at the 2022 Treasury Market Conference (November 16, 2022), <https://home.treasury.gov/news/press-releases/jy11110> ("Treasury Conference Remarks").

¹² See Treasury Department, Additional Public Transparency in Treasury Markets, (November 2022), <https://home.treasury.gov/system/files/221/TBACCharge1Q42022.pdf> ("TBAC Findings").

Treasury Securities.¹³ The Treasury Department concluded that transaction-level transparency can provide important benefits for the U.S. Treasury Securities market, but should proceed in a gradual and calibrated manner to mitigate risks for large trades or for trades in less liquid segments of the U.S. Treasury Securities market. Accordingly, the Treasury Department recommended that the next step should be to release transaction data for On-the-Run Nominal Coupons, with end-of-day dissemination and appropriate cap sizes.¹⁴

Consistent with the Treasury Department's proposed policy, and in furtherance of FINRA's mission as a national securities association to protect investors and promote market integrity, FINRA believes that providing transaction-level information for trades in On-the-Run Nominal Coupons, with end-of-day dissemination and appropriate cap sizes, is an appropriate next step to increase transparency in transactions in U.S. Treasury Securities. Accordingly, as described in more detail below and in consultation with the Treasury Department, FINRA is proposing to commence dissemination of individual transaction information at this time for On-the-Run Nominal Coupons,¹⁵ on an end-of-

¹³ 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).

¹⁴ See TBAC Findings, supra note 12, at 28-29; Treasury Conference Remarks, supra note 11.

¹⁵ The proposed rule change would not affect FINRA's existing publication of aggregate U.S. Treasury Security data. FINRA would continue to publish daily and monthly aggregate U.S. Treasury Security data on the same terms as it does today, which include aggregate data on other types of U.S. Treasury Securities in addition to On-the-Run Nominal Coupons. See supra notes 8 and 10 and accompanying text.

day basis with appropriate dissemination caps for large trades. The proposed rule change would not require any reporting changes by members or covered depository institutions.

Scope and Timing of Dissemination

Under Rule 6750(a), FINRA disseminates information on all transactions in TRACE-Eligible Securities,¹⁶ including transactions effected pursuant to Securities Act Rule 144A, immediately upon receipt of the transaction report, except as provided in paragraphs (b) and (c) of Rule 6750 (Dissemination of Transaction Information). In relevant part, current Rule 6750(c)(5) provides that FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is a U.S. Treasury Security.

Under the proposed rule change, FINRA would begin disseminating individual transaction information for On-the-Run Nominal Coupon U.S. Treasury Securities on an end-of-day basis. As for all individual TRACE transaction information that FINRA disseminates, the disseminated transaction information for U.S. Treasury Securities

¹⁶ 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). Beginning on November 6, 2023, the definition of “TRACE-Eligible Security” will be amended to also include a Foreign Sovereign Debt Security as defined in new paragraph (kk) of Rule 6710. See FINRA Adopts Amendments to Require Reporting of Transactions in U.S. Dollar-Denominated Foreign Sovereign Debt Securities to TRACE, Regulatory Notice 22-28 (December 2022); see also Securities Exchange Act Release No. 95465 (August 10, 2022); 87 FR 50354 (August 16, 2022) (Order Approving File No. SR-FINRA-2022-011) (“Foreign Sovereign Filing”).

would be anonymized, i.e., it would not include the market participant identifier (MPID) or other identifying information regarding the parties to the trade. However, consistent with other TRACE products, the disseminated transaction information would include counterparty type (i.e., dealer, customer, affiliate, or alternative trading system (“ATS”)), a flag to indicate whether the trade was executed on an ATS, and other trade modifiers and indicators. To implement such dissemination, FINRA is proposing to amend Rule 6750(c)(5) (to be redesignated as Rule 6750(d)(5)) to provide that FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is a U.S. Treasury Security “other than an On-the-Run Nominal Coupon,” and to add a new paragraph (c) to Rule 6750 providing that FINRA will disseminate information on individual transactions in On-the-Run Nominal Coupons on an end-of-day basis.¹⁷ Consistent with the Treasury Department’s proposed policy, these proposed amendments to Rule 6750 would provide for FINRA to disseminate information on individual transactions in U.S. Treasury Securities on an end-of-day basis only, rather than immediately upon receipt of the transaction report, and would specifically limit such dissemination to On-the-Run Nominal Coupons.¹⁸ FINRA believes that disseminating

¹⁷ To accommodate the addition of new paragraph 6750(c), the proposed rule change would redesignate current Rule 6750(c) as Rule 6750(d), and make conforming changes to the paragraph cross-references in Rule 6750(a) and Supplementary Material .01 to Rule 6750. The proposed rule text also reflects the inclusion of Rule 6750(c)(6) (to be redesignated as Rule 6750(d)(6)), which will be added by the Foreign Sovereign Filing effective November 6, 2023. See Foreign Sovereign Filing, supra note 166.

¹⁸ The proposed dissemination would include all transactions in On-the-Run Nominal Coupons reported to TRACE, including both transactions reported by FINRA members and transactions reported by covered depository institutions pursuant to rulemaking by the Federal Reserve. See supra note 6 and accompanying text.

information on individual transactions in On-the-Run Nominal Coupons on an end-of-day basis at this time would strike an appropriate balance between enhancing transparency by providing timely information to the public about U.S. Treasury Security market activity and mitigating potential information leakage concerns that could arise with a more accelerated dissemination timeframe, such as a real-time data feed.¹⁹ FINRA may in the future consider whether it would be appropriate to disseminate information for transactions in U.S. Treasury Securities on a more accelerated basis.

To provide clarity regarding the scope of transactions in U.S. Treasury Securities that would be subject to individual dissemination under amended Rule 6750, FINRA is proposing to add a definition of “On-the-Run Nominal Coupon” as new paragraph (ll) of Rule 6710 (Definitions).²⁰ Specifically, “On-the-Run Nominal Coupon” would be defined to mean the most recently auctioned U.S. Treasury Security that is a Treasury note or bond paying fixed rate nominal coupons starting after the close of the TRACE system on the day of its Auction through the close of the TRACE system on the day of

¹⁹ FINRA members are generally required to report transactions in U.S. Treasury Securities to TRACE within 60 minutes of the Time of Execution. See Rule 6730(a)(4).

²⁰ The proposed paragraph designation for the new definition of “On-the-Run Nominal Coupon” in Rule 6710 reflects the inclusion of paragraphs (jj) and (kk) in Rule 6710, which were added, respectively, by the Corporate Bond New Issue Reference Data Service Filing (see Securities Exchange Act Release No. 90939 (January 15, 2021); 86 FR 6922 (January 25, 2021) (Order Approving File No. SR-FINRA-2019-008)) and Foreign Sovereign Filing. While the Corporate Bond New Issue Reference Data Service Filing has not been implemented, the Foreign Sovereign Filing will become effective November 6, 2023. See Foreign Sovereign Filing, supra note 16.

the Auction of a new issue for the next U.S. Treasury Security of the same maturity.²¹ For further clarity, the proposed definition would specify that On-the-Run Nominal Coupons do not include Treasury bills, STRIPS, Treasury Inflation-Protected Securities (TIPS), floating rate notes (FRNs), or any U.S. Treasury Security that is a Treasury note or bond paying a fixed rate nominal coupon that is not the most recently issued U.S. Treasury Security of a given maturity (i.e., off-the-run nominal coupons).²² FINRA believes this proposed definition is consistent with Treasury Department usage and industry practice in categorizing different types of U.S. Treasury Securities, and is also consistent with how FINRA currently categorizes different U.S. Treasury Securities for purposes of groupings in its existing U.S. Treasury Security aggregate data.²³ Consistent with the Treasury Department's proposed policy, FINRA believes it is appropriate at this time to limit dissemination of individual transaction information to On-the-Run Nominal Coupons. FINRA may in the future consider whether it would be appropriate to disseminate information for transactions in other types of U.S. Treasury Securities, such as off-the-run nominal coupons.

²¹ Under Rule 6710(gg), "Auction" means the bidding process by which the Treasury Department sells marketable securities to the public pursuant to Part 356 of Title 31 of the Code of Federal Regulations.

²² FINRA will identify the most recently auctioned U.S. Treasury Security that is a Treasury note or bond paying fixed rate nominal coupons as an "On-the-Run Nominal Coupon" in TRACE reference data beginning on the business day after its auction.

²³ Information about the U.S. Treasury Security aggregate statistics, including security subtypes and groupings, is available at <https://www.finra.org/finra-data/browse-catalog/about-treasury>.

Dissemination Protocols

As described above, under the proposed rule change all individual transactions in On-the-Run Nominal Coupons reported to TRACE on a given trading day would generally be included in the end-of-day dissemination file for such date. However, to further mitigate concerns around information leakage for large trades and in consideration of the different risk and liquidity characteristics among different U.S. Treasury Security tenors, FINRA would implement transaction size dissemination caps to indicate that the size of a trade was above a designated threshold. This approach is consistent with the Treasury Department's proposed policy as well as FINRA's existing dissemination protocols for other types of TRACE-Eligible Securities.

Accordingly, in consultation with the Treasury Department, FINRA proposes to apply the following transaction size dissemination caps based on the maturity of the On-the-Run Nominal Coupon at issuance:²⁴

- Two Years: \$250 million;
- Three Years: \$250 million;
- Five Years: \$250 million;

²⁴ FINRA would incorporate information about these dissemination caps in the TRACE dissemination protocols published on its website, available at <https://www.finra.org/filing-reporting/trade-reporting-and-compliance-engine-trace/trace-reporting-timeframes>. Specifically, information about the dissemination caps would be added as a new bullet in the "Transparency" column of the row of the table describing the protocols for "Treasury Bonds," to read as follows: "Individual transactions in On-the-Run Nominal Coupons are disseminated on an end-of-day basis with security identifiers (e.g., CUSIP) and the following transaction size caps based on the maturity of the security at issuance: 2 Years: \$250 million; 3 Years: \$250 million; 5 Years: \$250 million; 7 Years: \$150 million; 10 Years: \$150 million; 20 Years: \$50 million; 30 Years: \$50 million."

- Seven Years: \$150 million;
- 10 Years: \$150 million;
- 20 Years: \$50 million; and
- 30 Years: \$50 million.

Thus, for example, a \$200 million transaction in a 10-year On-the-Run Nominal Coupon would be disseminated with a trade size of “150MM+” rather than the actual dollar amount of the trade.²⁵ As discussed further below, FINRA believes these transaction size caps are appropriately tailored to mitigate potential information leakage concerns related to large transactions given the different liquidity and concentration characteristics of the market for each maturity. In consultation with the Treasury Department and based on ongoing analysis of the data, FINRA may in the future make adjustments to these dissemination caps to maintain the appropriate balance between enhanced transparency and protecting against potential information leakage that could negatively impact trading behaviors. Any proposed future changes to the dissemination caps would be filed with the Commission pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934.

Dissemination Fees

FINRA is also proposing amendments to Rule 7730 (Trade Reporting and Compliance Engine) to expand the existing fee framework for the TRACE End-of-Day Transaction File and the Historic TRACE Data product to include data products

²⁵ As described further below, these dissemination caps would apply for the end-of-day dissemination file. Consistent with its approach to other TRACE data products, FINRA also plans to provide an Historic TRACE data product covering the same scope of transactions, which would provide the actual, uncapped transaction sizes on a six-month delayed basis.

providing for the dissemination of information on individual transactions in On-the-Run Nominal Coupons. Rule 7730, among other things, sets forth the TRACE data products offered by FINRA in connection with information on TRACE-Eligible Securities and associated data fees.

Among other products, Rule 7730 provides for the dissemination of an End-of-Day TRACE Transaction File and Historic TRACE Data. Rule 7730(g)(6) defines the End-of-Day TRACE Transaction File to mean a daily file that includes all transaction data disseminated as part of Real-Time TRACE transaction data on that day, which is separately available for each data set for which Real-Time TRACE transaction data is available (i.e., the Corporate Bond Data Set, Agency Data Set, SP Data Set, and Rule 144A Data Set)²⁶ and made available daily after the TRACE system closes. Rule 7730(g)(4) defines Historic TRACE Data to mean historic transaction-level data with elements to be determined from time to time by FINRA in its discretion as stated in a Regulatory Notice or other equivalent publication, which will not include market participant identifiers (MPIDs). Historic TRACE Data is separately available for each of the Historic Corporate Bond Data Set, the Historic Agency Data Set, the Historic SP Data Set, and the Historic Rule 144A Data Set, as defined in Rule 7730(g)(4)(A) through (D). Historic Corporate Bond and Historic Agency Data is delayed a minimum of six months, while Historic SP Data is delayed a minimum of 18 months and Historic Rule 144A Data carries a delay consistent with the delay period applicable to the component security type

²⁶ These data sets are defined in Rule 7730(c), which sets forth the market data fees for Real-Time TRACE transaction data. Under Rule 7730(g)(3), “Real-Time” is defined to mean that period of time starting from the time of dissemination by FINRA of transaction data on a TRACE-Eligible Security, and ending no more than four hours thereafter.

(e.g., the delay for a Rule 144A transaction in a Securitized Product (SP) is 18 months, while the delay for a Rule 144A transaction in a corporate bond is six months).

Generally, Historic TRACE Data includes the same transaction information as provided in the End-of-Day TRACE Transaction File for a given period of time, except that the End-of-Day TRACE Transaction File includes dissemination caps for large transactions while the Historic TRACE Data includes the actual, uncapped transaction sizes.

Rule 7730 sets forth, among other things, the fees applicable to receive the End-of-Day TRACE Transaction File and Historic TRACE Data from FINRA, which apply individually for each data set (i.e., a separate fee applies for each of the Corporate Bond Data Set, Agency Data Set, SP Data Set, and Rule 144A Data Set). The fee for the End-of-Day TRACE Transaction File is \$750/month per data set,²⁷ with a lower \$250/month per data set fee available to qualifying Tax-Exempt Organizations.²⁸ The fee for Historic TRACE Data is \$2,000/calendar year per data set, with a lower \$500/calendar year per data set fee available to qualifying Tax-Exempt Organizations.²⁹ A single fee of \$2,000

²⁷ There is no charge for receipt of the End-of-Day TRACE Transaction file for a given data set for a subscriber to the Vendor Real-Time Data feed for that data set.

²⁸ For purposes of Rule 7730, a Tax-Exempt Organization means an organization that is described in Section 501(c) of the Internal Revenue Code (26 U.S.C. §501(c)) and has received recognition of the exemption from federal income taxes from the Internal Revenue Service. See Rule 7730(g)(2).

²⁹ The \$2,000 fee for non-qualifying Tax Exempt Organizations is applicable where the subscriber receives the data for internal use and internal and/or external display application, but bulk re-distribution of data is not permitted at this rate. A non-qualifying Tax Exempt Organization seeking bulk re-distribution of the Historic TRACE Data is instead subject to a fee of \$1/CUSIP per calendar year (or part thereof) within a single data set of Historic TRACE Data per each recipient of re-distributed data, with a maximum fee per data set of \$1,000/calendar year (or part thereof) per each recipient of re-distributed data. A qualifying Tax-Exempt Organization is subject to the \$500/calendar year per data

for development and set-up to receive Historic TRACE Data also applies, with a lower \$1,000 development and set-up fee available to qualifying Tax-Exempt Organizations.³⁰

FINRA is proposing that the End-of-Day TRACE Transaction File and Historic Data include a new set of data for U.S. Treasury Securities, as outlined above, with the same fees for the Treasury data set that exist for other sets of TRACE-Eligible Securities. To effectuate these changes, under the proposed rule change, FINRA would amend the existing definition of “End-of-Day TRACE Transaction File” in Rule 7730(g)(6) to include the End-of-Day Transaction File for U.S. Treasury Securities as a separately available daily file that includes transaction data for On-the-Run Nominal Coupons reported to TRACE on that day.³¹ FINRA would similarly amend the definition of “Historic TRACE Data” in Rule 7730(g)(4) to add a new definition of “Historic Treasury Data Set” to include all historic transactions in On-the-Run Nominal Coupons reported to TRACE. Historic Treasury Data would also be subject to a minimum six-month delay, as is the case currently for the existing Historic Corporate Bond and Historic Agency Data

set fee for internal use and internal and/or external display application, with bulk re-distribution of data permitted with certain restrictions.

³⁰ The development and set-up fee is a one-time fee when a subscriber initially begins receiving Historic TRACE Data for any data set. The fee does not apply if a subscriber switches data sets, or adds additional data sets, of Historic TRACE Data.

³¹ A clarifying edit would also be made to the first sentence of Rule 7730(g)(6), which defines End-of-Day TRACE Transaction File for the existing data sets, to clarify that it applies for Data Sets other than U.S. Treasury Securities. This change is necessary because the definition for other Data Sets is based on data disseminated as part of Real-Time TRACE transaction data on that day for a given data set, which will not be applicable for U.S. Treasury Securities.

sets.³² The addition of U.S. Treasury Securities to the current framework in Rule 7730 for the TRACE End-of-Day Transaction File and Historic TRACE Data products would apply the existing data fees for each current TRACE data set to the new U.S. Treasury data sets.³³ FINRA believes these fees are reasonable, and notes that, as for any of the TRACE data sets, subscribing to each product is optional for members and others.

FINRA has an expansive and robust regulatory program regarding U.S. Treasury Securities, involving TRACE reporting requirements; dissemination of aggregate data and, if this filing is approved, dissemination of individual transaction data; surveillance and examination for complete and accurate reporting; and surveillance, examinations, and enforcement for manipulation and other unfair and prohibited trading practices, both in the U.S. Treasury Security market and across markets and products. FINRA to date has not implemented any additional fees to recover its implementation or ongoing operation costs with respect to its regulatory programs concerning activity in U.S. Treasury Securities.³⁴ FINRA continues to review its revenue and cost structure and consider ways to fund its operations in this area. FINRA believes the fees proposed in the instant filing are reasonable given the incremental costs to be incurred by FINRA in developing,

³² A conforming change would also be made in the description of Historic TRACE Data in Rule 7730(d) to add the Historic Treasury Data Set to the list of data sets comprising Historic TRACE Data.

³³ As for other types of TRACE-Eligible Securities, FINRA also anticipates making transaction information for On-the-Run Nominal Coupons available free of charge for personal, non-commercial purposes only through FINRA's Fixed Income Data website, available at <https://www.finra.org/finra-data/fixed-income>.

³⁴ FINRA notes that, unlike for other types of TRACE-Eligible Securities, FINRA does not currently charge reporting fees for transactions in U.S. Treasury Securities.

producing, and distributing the new U.S. Treasury Security data sets and providing ongoing administrative, functional, and technical support to subscribers. However, FINRA notes that such fees will not, and are not designed to, recover FINRA's full costs with respect to FINRA's regulatory programs regarding TRACE for U.S. Treasury Securities; FINRA intends to further consider the most appropriate fee structure(s) to recover these costs.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a 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,³⁵ 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, and Section 15A(b)(9) of the Act,³⁶ which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate. FINRA believes that the proposal represents an important step in enhancing transparency in the U.S. Treasury Securities market, consistent with the Treasury Department's proposed policy, by beginning dissemination of individual transaction information in a calibrated and careful manner, on an end-of-day basis, limited to On-the-Run Nominal Coupons, and with appropriate dissemination caps for large trades. FINRA believes that providing this data to the public would improve price transparency for U.S. Treasury Securities, benefiting

³⁵ 15 U.S.C. 78o-3(b)(6).

³⁶ 15 U.S.C. 78o-3(b)(9).

liquidity and resilience in this critical market, while also mitigating potential information leakage concerns that could negatively impact market behavior.

FINRA also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,³⁷ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls. Pursuant to the proposed rule change, FINRA will establish fees for (i) the new End-of-Day TRACE Transaction file for U.S. Treasury Securities and (ii) the new Historic TRACE Data product for U.S. Treasury Securities. In each case, the fees will be the same as those FINRA already charges to receive each of the other data sets for other types of TRACE-Eligible Securities. FINRA believes these fees are reasonable and are identical to existing fees already in place for end-of-day and historic data products for other types of TRACE-Eligible Securities. FINRA further notes that the fees will be applied equally to all similarly situated interested parties that choose to subscribe to either data product, and that subscribing to these data products is optional for members and others.

Thus, FINRA believes that the proposed rule change is in the public interest and consistent with the Act.

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.

³⁷ 15 U.S.C. 78q-3(b)(5).

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to further analyze the regulatory need for the proposed amendments to the TRACE rules, their potential economic impacts, and the alternatives considered in assessing how to best meet FINRA's regulatory objectives.

Regulatory Need

Under existing rules, transaction-level data in U.S. Treasury Securities reported to TRACE is used for regulatory and other official sector purposes and is not publicly disseminated.³⁸ Currently, market participants may access some post-trade information for U.S. Treasury Securities directly through multiple private platforms. However, the data provided by such private platforms is not comprehensive, its content and format might vary across venues, and the data is available only to those trading on a specific platform or subscribing to its data services.

FINRA believes that the proposed amendments relating to dissemination of individual transaction information for U.S. Treasury Securities are consistent with FINRA's ongoing TRACE transparency initiatives. The proposal may create a more level playing field, increase understanding of market activity, enhance market liquidity, reduce transaction costs, and assist in price efficiency and valuation.

Economic Baseline

FINRA analyzed secondary market activity in U.S. Treasury Securities from

³⁸ As noted, FINRA shares this data with the IAWG, which includes the Treasury Department, The Federal Reserve Board, The Federal Reserve Bank of New York, the SEC, and the CFTC. See supra note 7.

September 1, 2022, to February 28, 2023 using transactions reported to TRACE.³⁹

During the six-month sample period, there were 941 unique trade reporters (904 broker-dealers, 17 ATs, 15 depository institutions, and five depository institution customers).⁴⁰

Table 1 shows that, during the sample period, there were on average 302,120 trades per day in all U.S. Treasury Securities with an average daily volume of approximately \$732.01 billion. Daily trades in Treasury notes and bonds⁴¹ on average accounted for 77.6 percent of all daily trades and 74.6 percent of the total daily dollar volume in all U.S. Treasury Securities, which also includes bills, TIPS and STRIPS in addition to notes and bonds.

Table 1: Trading Activity in Treasury Securities

| Type | Number of Trades | | Dollar Volume | |
|---------------|---------------------------|------------|---------------------|-------------|
| | Average Daily (Thousands) | Total (MM) | Average Daily (\$B) | Total (\$T) |
| Total | 302.12 | 36.56 | 732.01 | 88.57 |
| Security Type | | | | |
| Bills | 63.17 | 7.64 | 165.89 | 20.07 |
| Notes & Bonds | 234.56 | 28.38 | 546.27 | 66.10 |
| TIPS | 2.82 | 0.34 | 16.30 | 1.97 |
| STRIPS | 1.57 | 0.19 | 3.55 | 0.43 |

³⁹ The reported statistics include transactions reported to TRACE by covered depository institutions pursuant to Federal Reserve Board requirements. Beginning September 1, 2022, certain depository institutions (Covered Depository Institutions) were required to report transactions in U.S. Treasury Securities, agency debt securities and agency mortgage-backed securities (Covered Securities) to FINRA's Trade Reporting and Compliance Engine (TRACE). For more information, see <https://www.finra.org/filing-reporting/trace/federal-reserve-depository-institution-reporting>.

⁴⁰ Reporting parties were identified using market participant identifiers (MPIDs). Depository institution customers are depository institutions with buy-side activity only.

⁴¹ Treasury notes and bonds include nominal coupon securities and 2-year FRNs.

| Counterparty Type ⁴² | | | | |
|---------------------------------|--------|-------|--------|-------|
| Customer | 83.45 | 10.10 | 270.64 | 32.75 |
| Dealer | 148.87 | 18.01 | 301.00 | 36.42 |
| Affiliate | 11.36 | 1.38 | 78.65 | 9.52 |
| PTF | 58.44 | 7.07 | 81.72 | 9.89 |
| Venue | | | | |
| ATS | 157.14 | 19.01 | 251.15 | 30.39 |
| Non-ATS | 144.98 | 17.54 | 480.86 | 58.18 |

Further analysis of the data shows that the average daily number of trades and average daily dollar volume of On-the-Run Nominal Coupons were approximately 166,240 and \$392.80 billion respectively which were substantially higher than the number and volume of trades in off-the-run nominal coupons (approximately 68,079 and \$150.18 billion respectively).

Table 2 provides more detail regarding the trades in the On-the-Run Nominal Coupons that are subject to the proposed amendments. On-the-Run Nominal Coupons on average accounted for approximately 55 percent of the total daily number of trades and 53.7 percent of the total daily volume of trades in U.S. Treasury Securities during the sample period.⁴³ Separating out the activity by maturity shows that 5-year notes are the

⁴² The “customer” counterparty type includes trades between broker-dealers and customers or between covered depository institutions and customers. The “dealer” counterparty type includes interdealer trades, trades between broker-dealers and covered depository institutions, as well as trades among covered depository institutions. The “affiliate” counterparty type includes trades between broker-dealers and non-member affiliates or trades between covered depository institutions and non-member affiliates. The “PTF” counterparty type includes trades conducted by principal trading firms (PTFs) and other non-FINRA members on a “covered ATS,” as defined in FINRA Rule 6730.07.

⁴³ The average transaction size in these securities was \$2.37 million. The median and the 99th percentile are approximately \$1 million and \$26.76 million, respectively.

most actively traded both in terms of the number and volume of trades. The analysis also shows active interdealer trading and electronic trading, as proxied by ATS volume, in this market segment and a substantial volume of trades by non-FINRA members, such as PTFs, on the ATS platforms that are subject to Rule 6730.07.⁴⁴

Table 2: Trading Activity in On-the-Run Nominal Coupon Treasury Securities

| Type | Number of Trades | | Dollar Volume | |
|-------------------|---------------------------|------------|--------------------|-------------|
| | Average Daily (Thousands) | Total (MM) | Average Daily(\$B) | Total (\$T) |
| Total | 166.24 | 20.11 | 392.80 | 47.53 |
| Maturity | | | | |
| 2Y | 21.99 | 2.66 | 60.19 | 7.28 |
| 3Y | 20.19 | 2.44 | 53.27 | 6.45 |
| 5Y | 46.72 | 5.65 | 115.38 | 13.96 |
| 7Y | 13.76 | 1.66 | 31.85 | 3.85 |
| 10Y | 43.95 | 5.32 | 94.24 | 11.40 |
| 20Y | 5.14 | 0.62 | 10.66 | 1.29 |
| 30Y | 14.50 | 1.75 | 27.21 | 3.29 |
| Counterparty Type | | | | |
| Customer | 10.34 | 1.25 | 100.87 | 12.20 |
| Dealer | 90.93 | 11.00 | 184.99 | 22.38 |
| Affiliate | 7.02 | 0.85 | 33.47 | 4.05 |
| PTF | 57.95 | 7.01 | 73.48 | 8.89 |
| Venue | | | | |
| ATS | 130.17 | 15.75 | 184.87 | 22.37 |
| Non-ATS | 36.07 | 4.36 | 207.93 | 25.16 |

Economic Impacts

Given the unique and fundamental role of the U.S. Treasury Securities market in the global economy, promoting the market's liquidity, efficient functioning, and

⁴⁴ The proportion of customer and non-ATS trades are substantially lower in On-the-Run Nominal Coupons compared to the broader Treasury Securities market. Trade sizes for transactions in U.S. Treasury Securities that occur on an ATS are, on average, smaller than non-ATS trades.

resilience in times of stress is crucial both to Treasury market participants and the broader financial system.

The following sections outline the potential benefits and costs of the proposed dissemination of end-of-day and historical transaction-level information for On-the-Run Nominal Coupons, with appropriate dissemination caps for large trades. The discussion is informed by the public comments submitted in response to the Treasury Department's RFI,⁴⁵ the Sia Partners/SIFMA survey results,⁴⁶ TBAC Findings,⁴⁷ and the academic literature.

Anticipated Benefits

While the RFI and survey respondents expressed mixed opinions on the impact of increased transparency on market liquidity and resilience, they broadly supported a gradual and calibrated approach to providing additional transparency in the Treasury Security market.⁴⁸ The anticipated benefits included reducing trading costs, increasing liquidity, incentivizing intermediation and promoting additional participation, increasing market confidence, enhancing risk management, and higher market resilience during

⁴⁵ See supra note 13.

⁴⁶ See Additional Transparency for Secondary Market Transactions of Treasury Securities (October 2022), <https://www.sifma.org/wp-content/uploads/2022/10/FINAL-SIA-SIFMA-REPORT-Additional-Transparency-for-Secondary-Market-Transactions-of-Treasury-Securities.pdf>.

⁴⁷ See TBAC Findings, supra note 12.

⁴⁸ See, e.g., comment letters from CME Group Inc. and JPMorgan Chase & Co., available at <https://www.regulations.gov/docket/TREAS-DO-2022-0012/comments>.

times of stress.⁴⁹ Some respondents indicated that having access to transaction-level information could lead to improved price discovery and trade execution for both investors and dealers. Others indicated that additional transparency would assist quantitative trading firms as electronic trading becomes more prevalent.⁵⁰

The academic literature also provides insights on the effects of post-trade transparency in other fixed income markets and investigates the effect of transparency on price discovery, market liquidity, and the welfare of different classes of market participants. Several studies found that the transparency following the initiation of TRACE resulted in substantially lower trading costs and bid-ask spreads in the corporate bond market, not only for bonds whose trades were disseminated, but for other bonds as well.⁵¹ Studies on the impacts of post-trade transparency in the municipal bond market and securitized products market also reported reduced transaction costs as a result of

⁴⁹ See, e.g., comment letters from Spatt, Hollifield & Neklyudov; Jane Street Capital, LLC; MarketAxess Holdings Inc.; and Citadel Securities, available at <https://www.regulations.gov/docket/TREAS-DO-2022-0012/comments>.

⁵⁰ See Sia Partners/SIFMA survey, *supra* note 46, at 9-10.

⁵¹ The studies interpret the effect on other bonds as a “liquidity spillover” where the traded prices of disseminated bonds provided useful information for valuing bonds whose trades were not disseminated. See Hendrik Bessembinder, William Maxwell & Kumar Venkataraman, Market Transparency, Liquidity Externalities, and Institutional Trading Costs in Corporate Bonds, 82(2) *Journal of Financial Economics* 251-288 (2006); Amy K. Edwards, Lawrence E. Harris & Michael S. Piwowar, Corporate Bond Market Transaction Costs and Transparency, 62(3) *The Journal of Finance* 1421-1451 (2007); Michael A. Goldstein, Edith S. Hotchkiss & Erik R. Sirri, Transparency and Liquidity: A Controlled Experiment on Corporate Bonds, 20(2) *The Review of Financial Studies* 235-273 (2007); Hendrik Bessembinder & William Maxwell, Markets: Transparency and the Corporate Bond Market, 22(2) *The Journal of Economic Perspectives* 217-234 (2008).

additional transparency.⁵² These results are consistent with investors' ability to negotiate better prices in the presence of post-trade transparency.

FINRA believes that end-of-day public dissemination of transaction information on On-the-Run Nominal Coupons, as described above, would similarly benefit market participants by providing access to a single-source, comprehensive data set, subject to the proposed fees. The availability of this information, together with the historic TRACE data product for U.S. Treasury Securities, may also prompt further research and facilitate a better understanding of the U.S. Treasury Securities market, ultimately benefiting investors and other market participants and providing insight into how to better support the resiliency of the U.S. Treasury Securities market in times of stress.

Anticipated Costs

Market participants (and dealers in particular) expressed a concern in response to the Treasury Department's RFI and Sia Partners/SIFMA survey that releasing transaction details could potentially expose trading strategies or positions to competitors and impede dealers' ability to appropriately manage risk and confidentially hedge their positions. If true, this could decrease intermediaries' risk-taking capacity and their willingness to participate, leading to a decline in liquidity supply and market resilience during stressed conditions. These concerns were mostly directed to the less-liquid market segments,

⁵² See Erik R. Sirri, Report on Secondary Market Trading in the Municipal Securities Market (2014), <https://www.msrb.org/sites/default/files/2022-09/MSRB-Report-on-Secondary-Market-Trading-in-the-Municipal-Securities-Market.pdf>; John Chalmers, Yu Liu & Z. Jay Wang, The Difference a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market, 139(1) *Journal of Financial Economics* 313-335 (2021); Paul Schultz & Zhaogang Song, Transparency and Dealer Networks: Evidence from the Initiation of Post-Trade Reporting in the Mortgage Backed Security Market, 133(1) *Journal of Financial Economics* 113-133 (2019).

larger trade sizes, and real-time dissemination.⁵³ Most commenters and respondents believed that there was limited risk to the delayed dissemination of the transaction-level information for On-the-Run Nominal Coupons with appropriate transaction size dissemination caps. Some RFI commentors indicated that additional transparency could impact market participants' trading behavior by incentivizing market participants to engage in smaller size trades or other behaviors to avoid dissemination, such as attempting to move flows outside the U.S. market.⁵⁴ Generally, the RFI and survey respondents shared the view that introducing additional post-trade transparency in the U.S. Treasury Securities market requires careful and prudent implementation to avoid disrupting market functioning.

The academic papers and industry reports that studied the impacts of post-trade transparency in other markets have found evidence of dealers' reluctance to carry inventory in the disseminated securities and moving flow to alternative markets.⁵⁵ Others found evidence of difficulty in executing larger trades, reduced trading volume and transaction size—particularly in riskier and less liquid assets.⁵⁶

⁵³ See, e.g., comment letters from Citigroup Global Markets Inc.; Vanguard Group, Inc.; and the joint comment letter from SIFMA, SIFMA AMG, ABASA, and IIB, available at <https://www.regulations.gov/docket/TREAS-DO-2022-0012/comments>.

⁵⁴ See TBAC Findings, supra note 12, at 7.

⁵⁵ See Hendrik Bessembinder & William Maxwell, Markets: Transparency and the Corporate Bond Market, 22(2) *The Journal of Economic Perspectives* 217-234 (2008).

⁵⁶ See Paul Asquith, Thomas Covert & Parag A. Pathak, *The Effects of Mandatory Transparency in Financial Market Design: Evidence from the Corporate Bond Market* (2019), available at <https://ssrn.com/abstract=2320623>; Bruce Mizrach, *Analysis of Corporate Bond Liquidity* (2015), https://www.finra.org/sites/default/files/OCE_researchnote_liquidity_2015_12.pdf

Accordingly, the proposed rule change incorporates multiple mitigants, developed in consultation with the Treasury Department, to address these concerns. First, the scope of the proposed rule change is limited to only transactions in On-the-Run Nominal Coupons, which are highly liquid. Second, delayed, end-of-day dissemination would further protect market participants against information leakage. Third, FINRA has conducted careful analysis and consulted with Treasury to specify appropriate transaction size dissemination caps calibrated to the maturity, liquidity and trading concentration in the underlying security to preserve the anonymity of market participants trading large transactions. In setting the proposed transaction size dissemination caps, FINRA considered both the percentage of traded market volume that would be disseminated (versus reported) across each maturity along with the daily number of unique intermediaries trading each security at or above the cap size for each maturity. This approach balances providing similar levels of transparency across maturities with sensitivity to information leakage concerns regarding reverse engineering of other market participants' identities, positions, or trading strategies. In this regard, FINRA analyzed the concentration of dealer activity and market liquidity in trades above various cap sizes in each specific Treasury maturity.

The proposed dissemination caps would—across all maturities—result in 0.09 percent of transactions being capped. Specifically, for the two-year, three-year, and five-year notes (which would be subject to a \$250 million dollar cap), 0.08 percent, 0.08 percent, and 0.03 percent of transactions, respectively, would be capped upon

f; Greenwich Associates, *In Search of New Corporate Bond Liquidity* (2016) available at <https://www.greenwich.com/fixed-income-fx-cmds/search-new-corporate-bond-liquidity>; Schultz & Song, *supra* note 52.

dissemination (i.e., because the size of the trade was greater than \$250 million); for the seven-year and 10-year notes (which would be subject to a \$150 million dollar cap), 0.13 percent and 0.05 percent of transactions, respectively, would be capped upon dissemination (i.e., because the size of the trade was greater than \$150 million); and for the 20-year and 30-year bonds (which would be subject to a \$50 million dollar cap), 0.39 percent and 0.29 percent of transactions, respectively, would be capped upon dissemination (i.e., because the size of the trade was greater than \$50 million).

There is no anticipated operational impact on member firms as a result of FINRA's proposed end-of-day and historical dissemination of On-the-Run Nominal Coupon data, as reporting requirements will remain unchanged. As noted above, the disseminated data would be available to market participants for a fee. The proposed fees for the Treasury data set are the same as those that exist for other types of TRACE-Eligible Securities. FINRA does not anticipate any negative competitive effects as a result of the proposed fees. The proposed end-of-day and historical dissemination of transactions in On-the-Run Nominal Coupon U.S. Treasury Securities, subject to their related fees, will provide an option for all market participants, including smaller firms, to access post-trade transparency in the U.S. Treasury Securities market at a reasonable cost. Some market participants may choose to access the data indirectly through their data vendors as the vendors may externally display the data.⁵⁷ Those market participants who choose to access the data directly through FINRA may incur an additional cost to set up the technological infrastructure necessary to access the data if they are not already

⁵⁷ The bulk re-distribution of the data is permitted subject to a different fee structure or additional restrictions, as discussed above.

subscribed to other TRACE data products. On balance, market participants would only incur costs if they determine that the benefits of receiving the data outweigh the costs.

Alternatives Considered

FINRA, in consultation with the Treasury Department, considered several alternatives with respect to the scope of the Treasury Securities that would be subject to dissemination under the proposed rule change, dissemination timeframes, and transaction size dissemination caps.

Scope of the Treasury Securities Subject to Dissemination

Regarding the scope of the U.S. Treasury Securities proposed to be subject to dissemination, FINRA considered including off-the-run and other types of U.S. Treasury Securities. However, since On-the-Run Nominal Coupons are both highly liquid and represent a significant portion of the Treasury Securities volume, FINRA believes that disseminating transaction-level data for On-the-Run Nominal Coupons would improve Treasury Securities market transparency with limited risk for market participants. The RFI and survey respondents' concerns regarding the potential impact of disseminating transaction data on their ability to manage their inventory risk were more pronounced for the less-liquid segments of the market, such as off-the-run U.S. Treasury Securities.

Dissemination Timeframe

FINRA also considered real-time and less delayed dissemination of transaction level data as potential dissemination timeframe alternatives. However, weighing the potential benefits of providing the market with more timely data against concerns about protecting the confidentiality of market participants' positions and trading strategies, FINRA believes that, on balance, end-of-day dissemination will prudently balance the

timeliness of transparency and concerns regarding potential negative impacts. End-of-day dissemination will provide FINRA and others the ability to research the proposed rule change's impact.⁵⁸

Transaction Size Caps

FINRA considered setting a single transaction size dissemination cap applicable to all transactions in On-the-Run Nominal Coupons. However, since liquidity and trading volume varies across U.S. Treasury Securities with different maturities, FINRA, in consultation with the Treasury Department, determined that it is appropriate to propose dissemination caps that are calibrated to the maturity, liquidity, interest rate sensitivity, and trading concentration of the underlying U.S. Treasury Security.

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

Written comments were neither solicited nor received.

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

⁵⁸ FINRA also notes that covered depository institutions that report to TRACE pursuant to Federal Reserve Board requirements generally report transactions in U.S. Treasury Securities to TRACE by the end of the day. Thus, not all transactions in U.S. Treasuries reported to TRACE are subject to a one-hour timeframe, which is another factor that FINRA considered in connection with the proposed rule change.

(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-2023-015 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-2023-015. 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. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2023-015 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.⁵⁹

Jill M. Peterson
Assistant Secretary

⁵⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

* * * * *

6000. QUOTATION, ORDER, AND TRANSACTION REPORTING FACILITIES

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

6710. Definitions

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) through (kk) No Change.

(ll) “On-the-Run Nominal Coupon” means the most recently auctioned U.S. Treasury Security that is a Treasury note or bond paying fixed rate nominal coupons starting after the close of the TRACE system on the day of its Auction through the close of the TRACE system on the day of the Auction of a new issue for the next U.S. Treasury Security of the same maturity. On-the-Run Nominal Coupons do not include Treasury bills, STRIPs, Treasury Inflation-Protected Securities (TIPS), floating rate notes (FRNs), or any U.S. Treasury Security that is a Treasury note or bond paying fixed rate nominal coupons that is not the most recently issued U.S. Treasury Security of a given maturity.

••• Supplementary Material: -----

.01 No Change.

* * * * *

6750. Dissemination of Transaction Information

(a) Dissemination Upon Receipt

FINRA will disseminate information on all transactions in TRACE-Eligible Securities, including transactions effected pursuant to Securities Act Rule 144A, immediately upon receipt of the transaction report, except as provided in paragraphs (b) [and] through ([c]d) of this [r]Rule.

(b) No Change.

(c) End-of-Day Dissemination for U.S. Treasury Securities

FINRA will disseminate information on individual transactions in On-the-Run Nominal Coupons on an end-of-day basis.

([c]d) Transaction Information Not Disseminated

FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is:

(1) through (4) No Change.

(5) a U.S. Treasury Security other than an On-the Run Nominal Coupon;

or

(6) No Change.

••• Supplementary Material: -----

.01 Notwithstanding the provisions of paragraph ([c]d) of this Rule, FINRA may, in its discretion, publish or distribute at no charge (unless FINRA submits a rule filing imposing a fee for such data):

(a) through (b) No Change.

* * * * *

**7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS,
AND FACILITY CHARGES**

* * * * *

**7700. CHARGES FOR OTC REPORTING FACILITY AND TRADE
REPORTING AND COMPLIANCE ENGINE SERVICES**

* * * * *

7730. Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine (“TRACE”):

| System Fees | Transaction Reporting Fees | Data Fees |
|-------------|----------------------------|-----------|
| * * * * * | * * * * * | * * * * * |

(a) through (c) No Change.

(d) Historic TRACE Data

Historic TRACE Data comprises the following Data Set(s): corporate bonds (“Historic Corporate Bond Data Set”), Agency Debt Securities (“Historic Agency Data Set”), Securitized Products (“Historic SP Data Set”), [and] Rule 144A transactions (“Historic Rule 144A Data Set”), and On-the-Run Nominal Coupons (“Historic Treasury Data Set”). Historic TRACE Data fees, except the Set-Up Fee, are charged for each Data Set. Professionals and Non-Professionals may receive Historic TRACE Data provided by FINRA in one or more of the following ways for the charges specified, as applicable. Recipients of Historic TRACE Data shall be required to execute appropriate agreements with FINRA.

(1) through (2) No Change.

(e) through (f) No Change.

(g) Definitions

(1) through (3) No Change.

(4) “Historic TRACE Data” as used in Rule 7730 means historic transaction-level data with elements to be determined from time to time by FINRA in its discretion and as stated in a Regulatory Notice or other equivalent publication. Historic TRACE Data will not include MPIDs. Historic Corporate Bond, [and] Historic Agency, and Historic Treasury Data will be delayed a minimum of six months. Historic SP Data will be delayed a minimum of 18 months. Historic Rule 144A Data will carry a delay consistent with the delay period applicable to the component security type (i.e., Rule 144A transactions in corporate bonds will be delayed a minimum of six months and Rule 144A transactions in Securitized Products will be delayed a minimum of 18 months). Historic TRACE Data includes the following Data Sets:

(A) through (B) No Change.

(C) Historic SP Data Set — includes all historic transactions in Securitized Products as defined in Rule 6710(m) reported to TRACE, if transactions in that type of Securitized Product are subject to dissemination under Rule 6750, but excludes historic Rule 144A transactions in Securitized Products; [and]

(D) Historic Rule 144A Data Set — includes all historic Rule 144A transactions reported to TRACE, except transactions involving a

type of TRACE-Eligible Security that is not subject to dissemination under Rule 6750[.]; and

(E) Historic Treasury Data Set – includes all historic transactions in On-the-Run Nominal Coupons (as defined in Rule 6710(II)) reported to TRACE.

(5) No Change.

(6) “End-of-Day TRACE Transaction File” as used in Rule 7730 means, for Data Sets other than U.S. Treasury Securities, a daily file that includes all transaction data disseminated as part of Real-Time TRACE transaction data on that day and is separately available for each data set for which Real-Time TRACE transaction data is available (i.e., the Corporate Bond Data Set, Agency Data Set, SP Data Set, and Rule 144A Data Set). The End-of-Day TRACE Transaction File for U.S. Treasury Securities means a separately available daily file that includes transaction data for On-the-Run Nominal Coupons reported to TRACE on that day. The End-of-Day TRACE Transaction File is made available daily after the TRACE system closes.

(7) No Change.

(h) No Change.

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