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Page 1 of * 287		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2024 - * 004 Amendment No. (req. for Amendments *)	
Filing by Financial Industry Regulatory Authority Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934					
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"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		Rule			
		<input type="checkbox"/> 19b-4(f)(1)		<input type="checkbox"/> 19b-4(f)(4)	
		<input type="checkbox"/> 19b-4(f)(2)		<input type="checkbox"/> 19b-4(f)(5)	
		<input type="checkbox"/> 19b-4(f)(3)		<input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute</div>					
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 01/11/2024 (Title *) By Robert McNamee Vice President and Associate General Counsel (Name *) <div>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.</div> <div>Robert McNamee Digitally signed by Robert McNamee Date: 2024.01.11 17:19:11 -05'00'</div>					

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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FINRA-2024-004 Exhibit 2b.docx		
FINRA-2024-004 Exhibit 2c.pdf		

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.

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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.

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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-2024-004 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 amend FINRA Rule 6730 to reduce the 15-minute TRACE reporting timeframe to one minute, with exceptions for member firms with de minimis reporting activity and for manual trades.

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.

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

(a) Purpose

(i) Background

¹ 15 U.S.C. 78s(b)(1).

FINRA has collected and disseminated transaction information in fixed income securities through TRACE since 2002.² Since the implementation of TRACE, the fixed income markets have changed dramatically, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. With these changes, FINRA has been considering ways to modernize the reporting rules and provide for more timely, granular and informative data to enhance the value of disseminated transaction data.

FINRA rules specify the applicable outer-limit reporting timeframe for different types of TRACE-Eligible Securities,³ and these timeframes have been adjusted over time in line with changes in the markets. A 15-minute outer-limit reporting timeframe currently applies to most transactions⁴ in corporate bonds, agency debt securities,⁵ asset-

² See Securities Exchange Act Release No. 43873 (January 23, 2001), 66 FR 8131 (January 29, 2001) (Order Approving File No. SR-NASD-99-65).

³ “TRACE-Eligible Security” means 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 paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); (3) a U.S. Treasury Security as defined in paragraph (p); or (4) a Foreign Sovereign Debt Security as defined in paragraph (kk). “TRACE-Eligible Security” does not include a debt security that is a Money Market Instrument as defined in paragraph (o). See Rule 6710(a).

⁴ A “List or Fixed Offering Price Transaction,” as defined in Rule 6710(q), and a “Takedown Transaction,” as defined in Rule 6710(r) are required to be reported to TRACE by the next business day (T+1). See Rule 6730(a)(2).

⁵ “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n); or (iii) issued by a trust or other entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other

backed securities (ABS)⁶ and agency pass-through mortgage-backed securities (MBS) traded to-be-announced (TBA) for good delivery (GD).⁷ The 15-minute reporting timeframe has been in place for corporate bonds since 2005, and later was implemented for agency debt, ABS, and MBS TBA GD.⁸

entity. The term excludes a U.S. Treasury Security as defined in paragraph (p) and a Securitized Product as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the Securitizer as defined in paragraph (s) (or similar person), or the guarantor of the Securitized Product. See Rule 6710(l).

⁶ “Asset-Backed Security” means a type of Securitized Product where the Asset-Backed Security is collateralized by any type of financial asset, such as a consumer or student loan, a lease, or a secured or unsecured receivable, and excludes: (i) a Securitized Product that is backed by residential or commercial mortgage loans, mortgage-backed securities, or other financial assets derivative of mortgage-backed securities; (ii) an SBA-Backed ABS as defined in paragraph (bb) traded To Be Announced as defined in paragraph (u) or in a Specified Pool Transaction as defined in paragraph (x); and (iii) a collateralized debt obligation. See Rule 6710(cc).

⁷ “Agency Pass-Through Mortgage-Backed Security” means a type of Securitized Product issued in conformity with a program of an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise (GSE) as defined in paragraph (n), for which the timely payment of principal and interest is guaranteed by the Agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to “pass through” the principal and interest payments to the holders of the security on a pro rata basis. See Rule 6710(v). “To Be Announced” (TBA) means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) or an SBA-Backed ABS as defined in paragraph (bb) where the parties agree that the seller will deliver to the buyer a pool or pool(s) of a specified face amount and meeting certain other criteria but the specific pool or pool(s) to be delivered at settlement is not specified at the Time of Execution, and includes TBA transactions “for good delivery” (GD) and TBA transactions “not for good delivery” (NGD). See Rule 6710(u).

⁸ In 2004, FINRA (then NASD) reduced the timeframe for reporting corporate bonds to within 15 minutes of the time of execution. See Securities Exchange Act Release No. 49845 (June 14, 2004), 69 FR 35088 (June 23, 2004) (Order Approving File No. SR-NASD-2004-057); see also Notice to Members 04-51 (July 2004). Agency debt has been subject to the 15-minute reporting timeframe since it became TRACE-Eligible in 2010. See Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (Order

Thus, today, transactions in these securities are generally required to be reported as soon as practicable⁹ but no later than 15 minutes from the time of execution, and FINRA publicly disseminates information on the transaction immediately upon receipt.¹⁰ As discussed in more detail below, FINRA has found that 82.9 percent of trades in the TRACE-Eligible Securities that are currently subject to the 15-minute outer-limit reporting timeframe were reported within one minute of execution. In light of the technological advances in the intervening 18 years since FINRA first adopted the 15-

Approving File No. SR-FINRA-2009-010); see also Regulatory Notice 09-57 (September 2009). MBS TBA GD became subject to the 15-minute reporting timeframe in 2013, and the reporting timeframe for ABS was reduced to 15 minutes in 2015. See Securities Exchange Act Release No. 66829 (April 18, 2012), 77 FR 24748 (April 25, 2012) (Order Approving File No. SR-FINRA-2012-020); Securities Exchange Act Release No. 71607 (February 24, 2014), 79 FR 11481 (February 28, 2014) (Order Approving File No. SR-FINRA-2013-046); see also Regulatory Notices 12-26 (May 2012) and 14-34 (August 2014).

⁹ In 2015, the SEC approved amendments to FINRA rules to require firms to report transactions in TRACE-Eligible Securities as soon as practicable. See Securities Exchange Act Release No. 75782 (August 28, 2015), 80 FR 53375 (September 3, 2015) (Order Approving File No. SR-FINRA 2015-025).

¹⁰ FINRA Rule 6730(a)(1) sets forth the requirements for when trades executed during different time periods throughout the day must be reported to TRACE. Currently, corporate, agency, ABS, and MBS TBA GD transactions executed on a business day at or after 12:00:00 a.m. Eastern Time (ET) through 7:59:59 a.m. ET must be reported the same day, no later than 15 minutes after the TRACE system opens. Transactions executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported as soon as practicable, but no later than 15 minutes of the Time of Execution, except for transactions executed on a business day less than 15 minutes before 6:30 p.m. ET, which must be reported no later than 15 minutes after the TRACE system opens the next day (and, if reported on T+1, designated “as/of” with the date of execution). Finally, transactions executed on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, must be reported on the next business day, no later than 15 minutes after the TRACE system opens (and must be designated “as/of” and include the date of execution).

minute reporting requirement, including the increase in electronic trading, and consistent with FINRA's longstanding goals of increasing transparency and improving access to timely transaction data, FINRA is proposing updates to modernize the reporting timeframes and provide timelier transparency. FINRA will continue to assess its TRACE reporting requirements and member reporting and consider whether any adjustments to the one-minute requirement are warranted.

(ii) Proposed Rule Change to Implement One-Minute Reporting

FINRA is proposing amendments to Rule 6730 (Transaction Reporting) to reduce the trade reporting timeframe for securities currently subject to the 15-minute reporting outer limit to one minute, with exceptions for member firms with de minimis reporting activity and for manual trades, discussed further below. As is the case today, FINRA would make information on the transactions publicly available immediately upon receipt of the trade reports.

Under existing Rule 6730(a)(1), transactions in corporate bonds, agency debt, ABS, and MBS TBA GD generally must be reported as soon as practicable, but no later than within 15 minutes of execution. Specifically, transactions executed on a business day at or after 12:00:00 a.m. ET through 7:59:59 a.m. ET must be reported the same day no later than 15 minutes after the TRACE system opens. Transactions executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported no later than within 15 minutes of the Time of Execution, except for transactions executed on a business day less than 15 minutes before 6:30 p.m. ET, which must be reported no later than 15 minutes after the TRACE system opens the next day (and, if reported on T+1, designated "as/of" with the date of execution). Finally, transactions executed on a

business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, must be reported on the next business day no later than 15 minutes after the TRACE system opens (and must be designated “as/of” and include the date of execution).

To provide more timely information about transactions in corporate bonds, agency debt, ABS, and MBS TBA GD, subject to the exceptions discussed below and as provided in Rule 6730(a)(2), FINRA is proposing to amend Rule 6730(a)(1) to reduce the trade reporting timeframe as follows. Amended Rule 6730(a)(1) would provide that transactions must be reported as soon as practicable, but no later than within one minute of the Time of Execution.¹¹ Amended Rule 6730(a)(1)(B) would require that a transaction executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported as soon as practicable, but no later than one minute from the Time of Execution, except that, a transaction executed on a business day less than one minute before 6:30:00 p.m. ET, must be reported no later than 15 minutes after the TRACE system opens the next business day (T+1) (and, if reported on T+1, designated “as/of” with the date of execution). Any trades executed on a business day prior to the open of the TRACE system, on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or on a Saturday, a Sunday, a federal or religious holiday or other day on which the

¹¹ Under Rule 6710(d), the “Time of Execution” generally means the time when the parties to a transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade. For transactions involving TRACE-Eligible Securities that are trading “when issued” on a yield basis, the “Time of Execution” is when the yield for the transaction has been agreed to by the parties to the transaction.

TRACE system is not open at any time during that day would continue to be reportable as soon as practicable on the next business day (T+1), but no later than within 15 minutes after the TRACE system opens (and must be designated “as/of,” as appropriate, and include the date of execution).

(iii) Exceptions from One-Minute Reporting

FINRA is proposing two exceptions from the one-minute reporting timeframe for: (1) member firms with “limited trading activity” in the TRACE-Eligible Securities that are subject to one-minute reporting; and (2) manual trades.¹²

Exception for Members With “Limited Trading Activity”

New Supplementary Material .08 would provide an exception to the one-minute reporting timeframe for members with “limited trading activity.” A member with “limited trading activity” would be defined as a member that, during one of the prior two calendar years, reported to TRACE fewer than 4,000 transactions in the TRACE-Eligible Securities that are subject to paragraphs (a)(1)(A) through (a)(1)(D) of Rule 6730 (i.e., corporate bonds, agency debt, ABS and MBS TBA GD), including any manual trades. Supplementary Material .08(b) would require members relying on the exception to confirm annually their qualification for the exception.¹³ As outlined in Supplementary

¹² FINRA is also proposing a conforming amendment to Supplementary Material .03 to refer to the Rule generally rather than “paragraph (a)” to reflect that members reporting pursuant to one of the exceptions in new Supplementary Material .08 and .09 are still required to report their trades “as soon as practicable.”

¹³ Evidence of this confirmation should be retained as part of the member’s books and records; however, members eligible for the exception will not need to take affirmative steps to have their trade reports processed pursuant to the exception’s 15-minute reporting timeframe (e.g., members eligible for the exception will not

Material .08(c), members qualifying for the exception would be required to report these trades as soon as practicable, but no later than within 15 minutes of the Time of Execution (or in the case of a trade executed outside of TRACE system hours, less than 15 minutes before 6:30 p.m. ET, or on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, as soon as practicable, but no later than within 15 minutes after the TRACE system opens the next business day (T+1)).

Members that exceeded the 4,000-trade threshold two calendar years in a row would be required to comply with the one-minute reporting requirements of paragraphs (a)(1)(A) through (a)(1)(D) of the Rule beginning 90 days after the firm no longer meets the criteria for the exception (i.e., beginning 90 days after January 1 of the next calendar year). If a member's reporting activity subsequently dropped below the 4,000-trade threshold, the member would once again be eligible for the exception. For example, a member that reported 3,000 trades in the relevant TRACE-Eligible Securities to TRACE in 2022 and then 4,150 trades in 2023 would continue to be eligible for the exception in 2024; however, if the member then reported 4,100 trades in 2024, the member would be required to comply with the one-minute reporting requirements starting 90 days after January 1, 2025 (with January 1 being day one of 90). If the member proceeded to report 3,500 trades in 2025, the member would once again be eligible for the exception from one-minute reporting for 2026 under the two-year lookback. FINRA believes that the two-year lookback period for eligibility for the exception will accommodate fluctuations

need to submit a certification of eligibility to FINRA or add a modifier or indicator to their trade reports).

in trading activity that may be due to unusual market-wide events or unique client demands.

Manual Trades Exception

New Supplementary Material .09 would provide an exception for manual trades that would afford firms additional time to report transactions that are not electronic from end to end, as described further below. Where a trade qualifies for the manual trades exception, a 15-minute outer limit would apply for the first year following implementation; a 10-minute outer limit would apply for the second year; and a five-minute outer limit would apply thereafter.

The manual trades exception would apply narrowly only to “transactions that are manually executed” or where a “member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQS website or into a system that facilitates trade reporting to TRACE.” Thus, a trade that requires manual intervention at any point to complete the trade execution or reporting process would qualify for the manual trades exception. In that regard, while an exhaustive list cannot be provided here, FINRA contemplates that the exception would be available for a variety of situations that meet the specified criteria, including, for example:

- where a member executes a trade¹⁴ by manual or hybrid means, such as by telephone, email, or through a chat/messaging function,¹⁵ and subsequently must

¹⁴ As noted above, for purposes of Rule 6730, the reporting timeframe is measured from the Time of Execution as defined by Rule 6710(d), which generally refers to the time that the parties have agreed to all of the terms of the transaction sufficient to calculate the dollar price of the trade (or yield, in the case of when-issued securities priced to a spread).

¹⁵ FINRA reminds members of their obligation to retain these electronic communications as part of their books and records, consistent with FINRA and

manually enter into a system that facilitates trade reporting all or some of the information required to book the trade and report it to TRACE;

- where allocations to individual accounts must be manually input in connection with a trade by a dually-registered broker-dealer/investment adviser;
- where an electronic trade is subject to manual review for risk management or regulatory compliance purposes and, as part of or following the review, the trade must be manually approved, amended, or released before the trade is reported to TRACE (e.g., a firm's risk management procedures require a secondary approver for trades over a certain threshold; a firm's best execution procedures require manually checking another market to confirm that a better price is not available to the customer);
- where a member trades a bond for the first time and additional manual steps are necessary to set the bond up in the firm's systems to book and report the trade (e.g., entering the CUSIP number and associated bond data into the firm's system); and
- where a member agrees to trade a basket of securities at a single price and manual action is required to calculate the price of component securities in the basket or to book and report the trade in component securities to TRACE.

The above examples are illustrative of the types of circumstances in which, due to the manual nature of components of the trade execution or reporting process, reporting a transaction within one minute of the Time of Execution may be unfeasible, even where a

SEC recordkeeping requirements. See, e.g., Notice to Members 03-33 (July 2003).

member makes reasonable efforts to report the trade as soon as practicable (as required). FINRA also will assess members' trade reporting in connection with manual trades to determine whether the five-minute trade reporting timeframe (to become applicable after two years) is appropriate, and will be prepared to make adjustments, as necessary.

FINRA has extensive experience and data regarding members' historic behaviors reporting transactions to TRACE under a myriad of scenarios. FINRA will be reviewing the use of the manual trades exception—members may not, in any case, purposely delay the execution or reporting of a transaction by handling any aspect of a trade manually or introducing manual steps following the Time of Execution. Additionally, in light of the overarching obligation to report trades as soon as practicable, members should consider the types of transactions in which they regularly engage and whether they can reasonably reduce the time between a trade's Time of Execution and its reporting, and more generally must make a good faith effort to report their trades as soon as practicable.

In addition, FINRA proposes to amend Rule 6730(d)(4) to require that any member that executes or reports a trade manually append a manual trade indicator to the trade report so that FINRA can identify manual trades. The new manual trade indicator would be required regardless of whether the member reported the manual trade outside of the one-minute timeframe in reliance on the manual trades exception, which would provide FINRA with important insights into manual trading and the use of the exception. The manual trade indicator would be used for regulatory purposes and would not be included in the TRACE data publicly disseminated.

Finally, FINRA is proposing to amend Rule 6730(f) to provide that a pattern or practice of late reporting may be considered conduct inconsistent with high standards of

commercial honor and just and equitable principles of trade, in violation of Rule 2010, absent “reasonable justification” (in addition to the rule’s existing reference to “exceptional circumstances”).¹⁶ FINRA believes that the addition of “reasonable justification” as a relevant factor in FINRA’s evaluation of a firm experiencing a pattern or practice of late reporting is appropriate given the proposed reduction in the trade reporting timeframe;¹⁷ for example, to enable FINRA to determine that reasonable justification exists due to circumstances that could not reasonably be anticipated or prevented and that could not be resolved by the firm within the one minute reporting timeframe.¹⁸ However, members must have sufficiently robust systems with adequate capability and capacity to enable them to report in accordance with FINRA rules; thus, recurring systems issues in a member firm’s or a vendor’s systems would not be

¹⁶ See, e.g., Rule 6623 describing “exceptional circumstances” as instances of system failure by a member or service bureau, or unusual market conditions, such as extreme volatility in a security, or in the market as a whole.

¹⁷ This proposed rule change would also make Rule 6730(f) consistent with other FINRA trade reporting rules that impose shorter reporting timeframes. See, e.g., Rule 6622(a)(4).

¹⁸ As is the case today, late trade statistics regarding trades reported outside of the applicable timeframe would be reflected in the Report Cards available to members. FINRA would update its Report Cards to take into consideration the proposed exception for firms with de minimis reporting activity and for manual trades. In addition, FINRA plans to enhance its TRACE Report Cards to include metrics that will facilitate members’ ability to track their eligibility for the de minimis exception. While these trade statistics will continue to be available to members on their TRACE Report Cards, these statistics are not publicly available.

considered reasonable justification or exceptional circumstances under Rule 6730(f) to excuse a pattern or practice of late trade reporting.¹⁹

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.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,²⁰ 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, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest.

FINRA believes that reducing the reporting timeframe to as soon as practicable, but no later than within one minute from the time of execution for corporate, agency, ABS and MBS TBA GD transactions helps achieve the purposes of the Act. As discussed above, the 15-minute reporting timeframe has been in place for corporate bonds and agency debt securities since 2005. Since that time, the fixed income markets have changed dramatically, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. With these changes, FINRA has been considering ways to modernize the

¹⁹ See, e.g., FINRA Trade Reporting Frequently Asked Questions, Q206.21 available at <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq>.

²⁰ 15 U.S.C. 78o-3(b)(6).

rule and provide for more timely, granular and informative data to enhance the value of disseminated transaction data. FINRA believes that the proposed rule change helps achieve the purposes of the Act in that it will improve the timeliness of information reported to TRACE, thereby benefiting transparency and allowing investors and other market participants to obtain and evaluate more timely pricing information for these securities. FINRA also believes that the proposed exceptions from the one-minute reporting requirement for members with de minimis reporting activity and manual trades are appropriate in that they are tailored to balance the burdens on members with the benefits to transparency.

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 rule change, its potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives considered in assessing how best to meet its regulatory objective.

As described below in more detail, approximately 83 percent of transactions in TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe are reported within one minute of execution. However, there is significant variation in reporting timeframes within and across member firms of different sizes and across

different products. The proposed de minimis and manual trades exceptions balance the benefits of timelier reporting with the potential costs of disrupting markets and disproportionately impacting less active and smaller participants. FINRA estimates that, as a result of this proposed rule change, after adjusting for the proposed de minimis exception, up to 16.4 percent of current annual trading volume, or 6.1 million trades and 20 trillion dollars in par value, might potentially be reported faster (this represents an upper end estimate – impacted by the extent to which firms do or do not rely on the proposed manual trades exception with respect to such trades (manual trades are not currently identifiable as such in TRACE data)).²¹

Regulatory Need

As discussed previously, over the last 18 years there have been significant advancements in the fixed income markets, and in recognition of those advancements, FINRA is proposing to reduce the TRACE trade reporting timeframe for transactions in all TRACE-Eligible Securities that currently are subject to a 15-minute reporting timeframe. Timelier reporting provides more timely transaction information to the market, supporting more effective price formation and potentially decreasing trading costs and increasing liquidity.

Economic Baseline

The economic baseline stems from current Rule 6730, establishing a reporting requirement of as soon as practicable but no later than within 15 minutes of the Time of Execution. Factors that may affect the speed with which firms can report executions

²¹ See Discussion: Economic Impacts, Anticipated Benefits.

include, but are not limited to, security characteristics, recency of trading in a particular security, trading platform, execution method, reporting process and level of automation.

Overall, in 2022 838 member firms reported trades in TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe, with 803, 443, 79, 216 and 173 member firms reporting trades in corporate bonds, agency debt, MBS TBA GD, equity-linked notes (ELNs) and ABS respectively.²² FINRA found that 83 percent of trades across TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe were reported within one minute of execution. Examining reporting times for these securities by individual reporters, FINRA found that within one minute: 43 percent of reporters submitted 75 percent of their trades; 34 percent of reporters submitted 85 percent of their trades; and 18 percent of reporters submitted 95 percent of their trades.

Specifically, FINRA analyzed trade reporting times by dealers and alternative trading systems (ATSs) under the current 15-minute reporting timeframe using TRACE data from January 2022 through December 2022.²³ The analysis measured the time between the trade Time of Execution and report time (and in cases where reports were later corrected or canceled, to the time of the initial report). The analysis focused on transactions executed at or after 8:00 a.m. ET and before 6:15 p.m. ET on business days, the time window during which trades must be reported on that day as soon as practicable, but no later than within 15 minutes of the Time of Execution.²⁴ The sample excluded

²² FINRA aggregated reports across MPIDs (market participant identifier) belonging to the same CRD (central registration depository) number and excluded covered depository institutions.

²³ All analysis used this sample period unless otherwise specified.

²⁴ See supra note 10.

covered depository institutions' trade reports in MBS TBA GD and agency-issued fixed income securities, as they are subject to the Federal Reserve's rule rather than FINRA's rule.²⁵

Reporting Times Across Products

FINRA examined the distribution of trade reports from one to 15 minutes from the Time of Execution for corporate bonds, agency debt, MBS TBA GD, ELNs and ABS.²⁶ Table 1 shows that corporate bonds and MBS TBA GD were, on average, reported the fastest among the products, with around 83 and 84 percent of the trades reported within one minute, respectively. Agency debt followed closely behind at 81 percent. ELNs were at 67 percent and ABS were at 52 percent of trades reported within one minute. Commenters, discussion with FINRA advisory committees, and outreach to members indicated that ELNs and ABS trading and reporting frequently involve manual handling of some aspect of the trade execution or reporting process.

²⁵ Covered depository institutions started to report to TRACE on September 1, 2022. In the first three quarters of 2023, reports by covered depository institutions represented 6.6 percent, 0.8 percent and 0.7 percent of the total MBS TBA GD, agency debt and ABS trade reports, respectively.

²⁶ Corporate bond trades represented 88.9 percent of the 37,252,591 total reports in the sample while MBS TBA GD, agency debt, ELN and ABS accounted for 7.4 percent, 2.8 percent, 0.5 percent, and 0.3 percent, respectively.

Table 1: Reporting Times Across Product Types

Minutes from Execution	All Products	Corporate	Agency	MBS TBA GD	ELN	ABS
1	82.9%	83.1%	80.7%	84.1%	66.5%	51.5%
2	91.7%	91.7%	92.4%	93.8%	70.9%	66.9%
3	96.1%	96.3%	94.9%	95.8%	74.8%	75.2%
4	97.0%	97.3%	96.0%	96.7%	76.3%	80.5%
5	97.6%	97.8%	96.6%	97.3%	77.3%	85.1%
10	99.0%	99.2%	98.8%	98.6%	80.7%	93.2%
15	99.4%	99.5%	99.2%	99.5%	81.8%	97.6%
Share of Reports	100.0%	88.9%	2.8%	7.4%	0.5%	0.3%

Reporting Time by Trade Size

FINRA examined whether reporting timeframes differ across trade sizes. For certain products, large trades are more likely to be more complex or a voice trade, or otherwise require manual handling. FINRA examined the distribution of trade reports from one to 15 minutes from the Time of Execution for trades with a par value of less than \$1 million, greater than or equal to \$1 million but less than \$5 million, greater than or equal to \$5 million but less than \$10 million, greater than or equal to \$10 million but less than \$25 million, and greater than or equal to \$25 million. Panel A of Table 2 shows that approximately 93 percent of reported trades were for less than \$5 million, with 74 to 84 percent reported within one minute and 95 to 98 percent reported within five minutes. Similarly, for trades greater than or equal to \$5 million, 77 to 81 percent were reported within one minute and 95 to 96 percent were reported within five minutes.

Panel B of Table 2 shows that, for corporate bonds and agency debt, smaller trades were reported faster while larger trades took longer to report. FINRA found that 84 percent of corporate bond trades smaller than \$1 million were reported within one minute whereas 62 percent of trades greater than or equal to \$25 million were reported within one minute. For agency debt, 84 percent of trades smaller than \$1 million were

reported within one minute whereas 44 percent of trades greater than or equal to \$25 million were reported within one minute. Trade size did not appear to be strongly associated with reporting time for other products.²⁷

Table 2: Reporting Time Across Trade Size

Panel A: Reporting Time by Trade Size (Par Value Traded)

Minutes from Execution	<\$1M	\$1 - <\$5M	\$5 - <\$10M	\$10 - <\$25M	>=\$25M
1	84.1%	74.3%	81.0%	77.3%	81.0%
2	92.7%	83.8%	89.0%	87.3%	91.9%
3	96.8%	91.0%	93.7%	92.6%	94.6%
4	97.6%	93.3%	95.2%	94.3%	95.7%
5	98.0%	94.8%	96.2%	95.4%	96.4%
10	99.2%	97.9%	98.4%	97.9%	98.3%
15	99.4%	98.9%	99.2%	99.1%	99.2%
Share of reports	84.1%	9.3%	3.2%	1.5%	1.9%

Panel B: Percentages of Trades Reported Within One Minute by Trade Size (Par Value Traded)

Product	<\$1M	\$1 - <\$5M	\$5 - <\$10M	\$10 - <\$25M	>=\$25M
Corporate	84.3%	73.1%	65.8%	64.8%	61.7%
Agency	83.6%	62.6%	56.0%	50.8%	44.2%
MBS TBA GD	80.4%	80.9%	90.1%	84.1%	82.0%
ELN	66.6%	62.8%	61.0%	57.9%	61.5%
ABS	53.5%	48.2%	47.8%	48.7%	49.6%

Reporting Time by Reporter Activity Level

FINRA compared trade reporting times across firms with different levels of activity to assess how the potential burdens stemming from the proposed rule change would be distributed across firms. The analysis measured reporters' activity by number of trades in 2022 and assigned them to three activity groups: where a reporter's trades accounted for less than 0.01 percent, 0.01 through 0.1 percent, or greater than 0.1 percent

²⁷ MBS TBA GD trades represented 96 percent of the trades larger than \$25M and 82 percent of them were reported within one minute.

of total reported trades.²⁸ Table 3 shows that the distribution of par value traded was concentrated in more active reporters. Eighty-four different reporters were in the most active group (accounting for over 0.1 percent of reported trades each), and together their activity represented 95.5 percent of the total par value traded. There were 149 different reporters with 0.01 to 0.1 percent of reported trades each and their reports accounted for 4.2 percent of the total par value traded. The last activity group had 605 different reporters with less than 0.01 percent of reported trades each and together their activity represented 0.3 percent of the par value traded.

Table 3: Reporting Times by Reporter Activity Level

Reporter Activity Level	Number of Reporters	Market Share (Trade Counts)	Market Share (Par Value)	Trades Reported Within One Minute	Reporters Reporting at Least 95% of Trades Within One Minute	Trades Reported within Five Minutes	Reporters Reporting at Least 95% of Trades Within Five Minutes
Activity Group 1 - Reporters with > 0.1% of Trade Counts	84	94.1%	95.5%	84.0%	34.5%	98.0%	86.9%
Activity Group 2 - Reporters with 0.01% to 0.1% of Trade Counts	149	4.9%	4.2%	67.7%	14.8%	91.7%	55.7%
Activity Group 3 – Reporters with < 0.01% of	605	0.9%	0.3%	50.8%	17.0%	86.2%	48.6%

²⁸ FINRA looked at finer distinctions of reporter activity level, but it did not yield additional insight.

Trade Counts							
All Reporters	838	100.0%	100.0%	82.9%	18.4%	97.6%	53.7%

On average, the most active trade reporters reported their trades to TRACE more quickly. Specifically, 84 percent of trades executed by the most active reporters (with more than 0.1 percent of reported trades) were reported within one minute, and 98 percent of their trades were reported within five minutes. In comparison, approximately 51 percent of trades executed by reporters with less than 0.01 percent of reported trades were reported within one minute, and 86 percent were reported within five minutes. FINRA notes that even less-active reporters reported at least some material portion of their trades within one minute.

In addition, FINRA examined the reporting times by individual reporters by measuring the percentage of firms that reported at least 95 percent of their trades within one minute. Overall, approximately 18 percent of reporters submitted 95 percent of their trades within one minute. When examined by reporter activity level, 35 percent of reporters with greater than 0.1 percent of trade reports submitted 95 percent of their trades within one minute, compared to 17 percent of reporters with less than 0.01 percent of trade reports. FINRA notes that most firms reported some material portion of their trades after one minute, regardless of their level of trading activity.

Reporting Time for After Hours Trades

FINRA examined trades that were executed during TRACE system hours and compared the findings to trades that were executed outside of these hours, which are subject to different reporting timeframe requirements. Table 4 shows that trades

executed and reported after hours represented only 1.18 percent of total par value. In all cases, these trades took longer to report. For instance, less than 21 percent of trades executed between 6:15 and 6:29 p.m. ET were reported within one minute,²⁹ while just over 49 percent of trades executed between 6:29 p.m. and 8:00 a.m. ET the next day or on non-business days were reported within one minute after the TRACE system opened.³⁰

Table 4: Reporting Times by Time of Day

Minutes from Execution	Time Group 1: 8:00 a.m. to 6:15 p.m. ET	Time Group 2: 6:15 p.m. to 6:29 p.m. ET	Time Group 3: Before 8:00 a.m. or After 6:29 p.m. ET or Non-business Day*
1	82.9%	20.9%	49.2%
2	91.7%	26.3%	81.4%
3	96.1%	36.7%	90.4%
4	97.0%	57.1%	92.9%
5	97.6%	71.9%	93.9%
10	99.0%	96.2%	96.6%
15	99.4%	96.2%	96.8%
Share of Reports	98.8%	0.0%	1.2%

* For time group three, for trades before 8:00 a.m. ET, FINRA measured the reporting time from TRACE opening on the same business day; for trades after 6:29 p.m. ET or on non-business day, FINRA measured the reporting time from TRACE opening on the next business day.

²⁹ Under the current rule, these trades can be reported either on the same day before TRACE closes or the next business day no later than 15 minutes after the TRACE system opens. Under the proposed rule change, such trades must be reported as soon as practicable on the same day, but no later than within one minute of the time of execution.

³⁰ Under the current and proposed rules, these trades must be reported as soon as practicable, but no later than 15 minutes after the TRACE system opens.

Execution and Trade Reporting Scenarios

FINRA examined several trading scenarios, described further below, where trading or reporting could involve manual processes.

When a bond starts to trade, the security may not be on the member firm's security master (or on FINRA's security master), which requires firms to engage in a set-up process to facilitate execution or trade reporting. FINRA examined the reporting time for bonds when they first start to trade in the secondary market. Table 5 shows that in the three-day period after secondary market trading commenced in a newly issued bond, 63 percent of trades were reported within one minute, as compared to 83 percent for trades executed more than three days after the first trade. Longer reporting times were associated with the commencement of secondary market trading in newly issued bonds, but not in cases where a firm first started to trade a bond that was not new to market (but where the firm had not previously traded the security).

Table 5: Reporting of Trades in Newly Issued Bonds

Minutes from Execution	First Three days of S1 Trading	All Other Days
1	63.1%	83.3%
2	77.3%	91.9%
3	83.5%	96.3%
4	86.3%	97.2%
5	88.0%	97.8%
10	92.0%	99.1%
15	93.5%	99.5%
Share of Reports	1.7%	98.3%

FINRA examined transaction reporting times for self-cleared trades as well as those cleared through third-party clearing firms and found that trades that are cleared through third-party clearing firms overall took longer to report. For trades cleared through a third party, 71 percent were reported within one minute, as compared to 85 percent for self-cleared trades. FINRA found that trades through some third-party

clearing firms were reported as fast as self-cleared trades. There were also significant variations in trade reporting time by correspondent firms through the same third-party clearing firm.

Table 6: Third-party Clearing

Minutes from Execution	Third Party Clearing	Self-Clearing
1	71.4%	85.2%
2	91.9%	91.6%
3	96.0%	96.1%
4	97.1%	97.0%
5	97.7%	97.6%
10	99.1%	99.0%
15	99.4%	99.4%
Share of Reports	16.5%	83.5%

FINRA examined transaction reporting times for trades that were subsequently suballocated across multiple accounts and found that, for allocated trades,³¹ 68 percent were reported within one minute, as compared to 84 percent for other trades. FINRA found significant variation in reporting time for allocated trades by different reporters.³²

Table 7: Allocated Trades

Minutes from Execution	Allocation	Non-Allocation
1	68.2%	83.7%
2	86.6%	92.0%
3	90.6%	96.4%
4	92.2%	97.3%
5	93.0%	97.8%
10	97.7%	99.1%
15	99.0%	99.4%
Share of Reports	5.2%	94.8%

³¹ An allocation flag does not exist in TRACE, so FINRA used heuristics to identify those trades.

³² Five out of 29 reporters that reported allocation trades were able to report 90 percent of their allocation trades within one minute. Seven more were able to report 90 percent of their allocation trades within five minutes.

FINRA examined transaction reporting times for basket or portfolio trades and found that overall, these trades take longer to report. For portfolio trades,³³ 65 percent were reported within one minute, as compared to 85 percent for other trades. Within five minutes, 97.5 percent of portfolio trades were reported, as compared to 97.7 percent for other trades. FINRA also examined the reporting time by portfolio size. While larger baskets do tend to be reported more slowly, FINRA observed a range of reporting times for portfolio trades within the same basket size band – for example, 57.0 percent of portfolio trades in the 300 – 1,000 securities band are reported within one minute and 20.1 percent of portfolio trades in the 1,000+ securities band are reported within one minute.³⁴ There were also significant variations in the reporting time of portfolio trades by different reporters. This suggests that other factors (e.g., the technology employed) besides the size of the portfolio trade may be driving the reporting timeframe.

³³ FINRA used heuristics to identify portfolio trades since a portfolio trade identifier did not exist before May 15, 2023.

³⁴ Over 99 percent of portfolio trades include a basket of less than 1,000 securities and the vast majority – nearly 85 percent – are baskets of less than 300 securities. Of the nearly 85 percent of portfolio trades for baskets of less than 300 securities, over 97.9 percent of these are reported within five minutes; 96.9 percent of portfolio trades for baskets of between 300 and 1,000 securities are reported within five minutes; and 40.0 percent of the 0.69 percent of portfolio trades larger than 1,000 securities are reported within five minutes.

Table 8: Portfolio Trades

Minutes from Execution	Portfolio Trade	Non-Portfolio Trade
1	65.3%	85.0%
2	83.1%	92.8%
3	94.2%	96.4%
4	96.5%	97.2%
5	97.5%	97.7%
10	99.1%	99.1%
15	99.5%	99.4%
Share of Reports	9.5%	90.5%

FINRA analyzed the number of transactions executed on or through an ATS, which approximates a subset of electronically executed and reported transactions. ATS trades represented 28.1 percent of total trade reports during the sample period. Of those, 81.0 percent were reported within one minute and 93.9 percent were reported within two minutes. For non-ATS trades, which represented 71.9 percent of total reports (some of which may qualify for the phased-in five-minute reporting timeframe available for manual trades), 83.7 percent were reported within one minute and 96.9 percent were reported within five minutes.

Table 9: ATS Trades

Minutes from Execution	ATS Trade	Non-ATS Trade
1	81.0%	83.7%
2	93.9%	90.8%
3	98.7%	95.1%
4	99.1%	96.2%
5	99.3%	96.9%
10	99.7%	98.7%
15	99.8%	99.2%
Share of Reports	28.1%	71.9%

Economic Impacts

Anticipated Benefits

The proposed reporting timeframe reduction would require members to adopt enhancements to their current trade reporting processes to facilitate timelier reporting for transactions that currently are not reported within one minute (in 2022, 82.9 percent of the trades executed after 8:00 a.m. and before 6:15 p.m. E.T. were reported within one minute of execution). The proposed rule change therefore likely would result in quicker reporting and thus dissemination of transaction information for at least a portion of the approximately 17 percent of transactions that are not currently reported within one minute of execution. FINRA estimates that, after adjusting for the proposed de minimis exception, up to 16.4 percent, or 6.1 million trades and 20 trillion dollars in par value annually, might potentially be reported faster than today (these estimates would be adjusted further to account for manual trades—to the extent firms rely on the proposed exception with respect to such trades—which FINRA is currently unable to identify in the TRACE data).

FINRA analyzed the number of transactions executed on or through an ATS, which approximates a subset of electronically executed and reported transactions for which the manual trades exception will not be applicable. ATS trades represented 28.1 percent of total reports during the sample period. Of those, 81.0 percent were reported within one minute and 93.9 percent were reported within two minutes. This indicates that the proposed rule change will likely result in at least an additional 5.3 percent (28.1 percent x (1 - .81)) of total trades being reported within one minute (not accounting for the impact of the proposed de minimis exception). For the 71.9 percent non-ATS trades

(some of which may qualify for the manual trades exception), 96.9 percent were reported within five minutes. This indicates that the proposed rule change will likely result in at least another 2.2 percent ($71.9 \text{ percent} \times (1 - .969)$) of total trades being reported within five minutes in three years (not accounting for the impact of the proposed de minimis exception).³⁵

A reduction in the time between trade execution and price dissemination would enhance transparency in the fixed income market and is consistent with the purposes of TRACE. Timelier reporting would allow FINRA to provide more timely pricing and other transaction information to the market, which supports more efficient price formation. Timely reporting has also been shown to increase dealer market-making activities in the municipal markets.³⁶ While members may benefit directly from the

³⁵ FINRA also examined the reporting time for trades that were manually entered into the TRACE system through the TRAQS web interface rather than through the automated messaging protocol. The median time for web entry is four to five minutes.

³⁶ In the municipal bond market, research has shown that customer trade costs measured as effective spread decreased after the 2005 change in the trade reporting time requirement, which was from the end of a trading day to 15 minutes after execution. To the extent that more timely reporting may have a similar impact on other fixed income markets, FINRA expects that shortening the reporting timeframe would reduce customer trading costs. Timely reporting has also been shown to increase dealer market-making activities in the municipal markets, indicated by an increase in the overnight and over-the-week dealer capital committed to inventory, an increase in the number of dealers involved in completing a round-trip transaction, and more round-trip transactions that involve inventory taking. No similar studies were done in the corporate bond market, possibly due to the fact that the previous reporting timeframe reduction for corporate bonds coincided with other TRACE rule changes, so the effect was difficult to isolate. See Erik R. Sirri, Report on Secondary Market Trading in the Municipal Securities Market, July 2014 (Research Paper, Municipal Securities Rulemaking Board), <https://www.msrb.org/sites/default/files/2022-09/MSRB-Report-on-Secondary-Market-Trading-in-the-Municipal-Securities-Market.pdf>; John Chalmers, Yu (Steve) Liu & Z. Jay Wang, The Differences a Day Makes:

expedited price discovery, investors are also likely to benefit from better execution prices from members. In particular, the proposed rule change would aid investors and other market participants in obtaining and evaluating pricing and other market information more quickly. For example, FINRA identified trades that fell into the one to 15-minute window after a prior trade of the same bond but executed before the prior trade was reported. These trades could have potentially benefited from the knowledge of the material terms of the prior (as yet unreported) trade had the prior trade been reported within one minute instead of 15 minutes.³⁷ For corporate bonds, these trades represented 1.6 percent of the sample reports or 3.4 percent of par value (not accounting for the impact of the proposed de minimis or manual trades exceptions).

Large trades took longer on average to report than smaller trades. Large trades may also have a greater impact on the direction of the market. To the extent the proposed rule change results in faster dissemination of pricing information for large trades, the market could benefit from earlier access to information that could be more indicative of market movement.³⁸

Timely Disclosure and Trading Efficiency in the Muni Market, 139(1) Journal of Financial Economics 313-335 (2021).

³⁷ The analysis excluded trades by a reporter that was also a party to the prior trade.

³⁸ Faster reporting of large trades may also level the information playing field in the market between dealers and other investors. Research shows that investors obtained economically large cost reductions on offsetting trades of a block position by dealers that occurred after, relative to before, the report of the block trade. See Stacey E. Jacobsen & Kumar Venkataraman, Asymmetric Information and Receiving Investor Outcomes in the Block Market for Corporate Bonds (March 23, 2023), available at SSRN: <https://ssrn.com/abstract=4398494> or <http://dx.doi.org/10.2139/ssrn.4398494>.

Anticipated Costs

FINRA believes that the proposed rule change would likely result in direct and indirect costs for members to implement changes to their processes and systems for reporting transactions to TRACE within the new timeframes. While members currently using a third-party reporting service may incur less costs, as these costs will likely be borne largely by the third-party reporting service which may spread the costs across all of the reporting firms using its services, those firms that do not currently use a third-party reporting service may opt to do so if the costs would be lower than building or augmenting their own system. However, as discussed above, FINRA proposes to provide relief for members with respect to manual trades and for members with de minimis reporting activity, which should mitigate these costs. All members that execute or report a trade manually would incur costs to append the manual trade indicator.

Most firms reported some material portion of their trades after one minute. This is true even for very active firms that may have a more sophisticated trade reporting infrastructure in place. For these trades, members may incur costs to modify their reporting systems and procedures to report more quickly and to monitor that the trades are reported in the required timeframe. The costs may be mitigated by the proposed relief for members with respect to manual trades and for members with de minimis reporting activity.

Given current differences in access to trading and reporting technologies across firms, some firms may be impacted by the proposed rule change more than others. FINRA understands that larger and more active firms already employ reporting services and technologies to automate trade reporting and would be better positioned to absorb the

costs of the proposal. Any impact on competition is likely to be limited, given the proposed exceptions described above. In particular, the de minimis exception would provide relief for those members for which the technological changes required may be more significant relative to their level of activity in this space. Based on 2022 data, the proposed de minimis threshold would provide relief to 640 (out of 838 currently active) members that, in the aggregate, accounted for 1.41 percent of trades or 0.43 percent of the total par value traded.

Additionally, given trading in the fixed income products covered by the proposed rule change in many instances continues to involve manual intervention at some point to complete the trade execution or reporting process (e.g., trades executed by telephone, email, or chat or trades subject to manual review), requiring these trades to be reported in one minute could negatively impact market efficiency and competition. For example, customers might participate less in fixed income markets without the availability of voice brokerage services, or if these trades were pushed to electronic platforms, trading may become concentrated among fewer member firms, potentially reducing trading opportunities and liquidity. FINRA believes that the five-minute exception for manual trades, coupled with the phase-in period, will allow firms relying upon some manual components in their trading or reporting process to continue to trade in these markets while complying with the new requirements, and therefore limit the potential for a negative impact on these markets.

Some firms close to exceeding the de minimis threshold may choose to reduce the number of trades to qualify for the exception. However, this may only happen infrequently given the two-calendar year lookback period. Coupled with the fact that

members can again qualify for the exception and that members under the de minimis threshold accounted for only a very small portion of the market volume, FINRA expects that the impact on overall trading will be minimal. FINRA notes that as markets evolve or firms adjust to the new requirements, the number of dealers meeting the de minimis exception and the par value of their trades may change over time, even if the threshold for qualifying for the exception remains the same.

Members qualifying for the de minimis exception will be exempted from the one-minute requirement for all of their trade reports, and therefore will not incur costs to modify their reporting procedures and systems to report more quickly. On the other hand, the proposed relief for manual trades will likely apply to only some reports of a firm. Thus, members that do not qualify for the de minimis exception—depending upon the circumstances—would be required to incur costs to comply with the five-minute reporting requirement for manual trades and one-minute reporting requirement for other trades. All members that execute or report a trade manually would be required to append the manual trade indicator, and members relying on the manual trades exception would be required to document their eligibility for the relief.

Depending on the relative costs of investing in systems to report in a timelier manner, members may opt to change their practices around executing and reporting trades to comply in ways other than improving the reporting process, and such modifications might have implications for the way in which a member operates its business and manages competing tasks. Members may also be reluctant to conduct trades for which it will be difficult to comply with the shortened reporting timeframe instead of making system changes necessary to comply. However, any indirect costs incurred as a

result are bounded by the costs of improving the reporting process. FINRA expects that members will choose to improve their reporting process if it is more cost effective than other compliance approaches. The cost effectiveness of improving the reporting process through direct investment is likely positively correlated with the percentage of a firm's trades subject to the shortened reporting timeframes. Those firms that find it less cost effective – because a small number of trades will be impacted – are more likely to qualify for the de minimis exception.

Alternatives Considered

FINRA considered requiring members to report trades as soon as practicable but no later than five minutes from execution. In 2022, 82.9 percent of trades were reported within one minute after a trade execution. By comparison, in 2022 more than 97.6 percent of trades were reported in five minutes or less. Accordingly, reducing the required reporting time to as soon as practicable but no later than five minutes would enhance the timeliness of up to only 2.4 percent of the trades as compared to 17.1 percent by moving to no later than one minute. FINRA believes a five-minute reporting requirement would not meaningfully advance the immediacy of information transparency for market participants.

FINRA considered several alternatives to the threshold for the de minimis trading exception from the one-minute reporting requirement. First, FINRA considered basing the relief on the par value traded rather than the number of trade reports. A par value-based de minimis exception would require even less-active dealers to meet the one-minute reporting requirement if they engaged in significant aggregate dollar volume trading and thus this approach could result in more large trades being subject to the one-

minute reporting requirement. However, FINRA believes that the number of trade reports submitted over the period is a more appropriate measurement. The number of trade reports tracks more closely the costs that firms incur when reporting and the necessary investments in speeding up their reporting. Additionally, the proposed exception (using the proposed 4,000-trade report threshold) would only impact a de minimis percent of par value traded. FINRA also considered a combination of the par value and the number of trades as the threshold for the de minimis exception, but that would have unnecessarily increased the complexity of the exception. FINRA also considered basing the exception on different levels of trading activity, for example, up to 10,000 trades. However, FINRA determined that a threshold above 4,000 trades would result in the loss of more timely information from members that trade significant volumes (74 members reporting between 4,000 and 10,000 trades traded more than \$1 billion par value, with the highest par value traded being \$452 billion). Accordingly, FINRA believes that the scope of the proposed one-minute requirement will apply to firms that are active participants in the relevant TRACE-Eligible Securities and should be required to implement the reporting changes. Therefore, the proposed threshold for the de minimis exception (less than 4,000 trades during one of the prior two calendar years) will ensure that markets receive more timely information from more active firms.

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

FINRA solicited comment on a proposal to reduce the 15-minute reporting timeframe to one minute in Regulatory Notice 22-17 (August 2022). Forty-four comments were received in response to the Regulatory Notice. A copy of the Regulatory Notice is attached as Exhibit 2a. A list of the comment letters received in response to the

Regulatory Notice is attached as Exhibit 2b.³⁹ Copies of the comment letters received in response to the Regulatory Notice are attached as Exhibit 2c. Three commenters expressed overall support for the proposal,⁴⁰ while other commenters expressed concerns about the proposal. The comments are summarized below.

Small Firm Impact

Commenters expressed concerns that implementation of the proposal would be costly for all member firms,⁴¹ but many commenters expressed particular concern that small member firms, including many minority, women, and veteran-owned broker-dealers, would be the most burdened by the implementation costs.⁴² Commenters believed that these firms would be most affected by the change (and stated that a significant portion of their trades are not already reported within or near one-minute) and would have fewer resources to make changes needed to meet the new timeframe.⁴³ Some of these commenters expressed concern that many small broker-dealers would exit the

³⁹ All references to commenters are to the comment letters as listed in Exhibit 2b. See Exhibit 2b for a list of abbreviations assigned to commenters. Commenters Anonymous, Barrientos, Coker, Dapena, Kienbaum, Moise, Purpura, Rogan, Seinfeld, Sosa, Steichen, and Tovar are collectively referred to as “Individual Commenters.” Commenter Crescent expressed its support of ASA’s letter, which is referenced specifically below.

⁴⁰ See Dimensional; FIA PTG; HMA.

⁴¹ See ASA; BDA; Beech; Colliers; Falcon Square; HJS; ICE Bonds; InspereX; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; Wiley.

⁴² See Arkadios; ASA; BDA; Beech; Colliers; Falcon Square; IBI 1 and 2; Individual Commenters; InspereX; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; VFM; Wiley.

⁴³ See Arkadios; BDA; Beech; Colliers; Falcon Square; IBI 1 and 2; InspereX; Individual Commenters; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; VFM; Wiley.

market for fixed income secondary market trading because of the high implementation and compliance costs, harming the smaller retail investors that depend on small member firms for access to the market.⁴⁴

To address these concerns, as described above, FINRA is proposing to provide an exception for members with de minimis reporting activity. FINRA believes that this exception, which would except firms with fewer than 4,000 transactions in the TRACE-Eligible Securities subject to paragraphs (a)(1)(A) through (a)(1)(D) of Rule 6730, is calibrated to provide relief to firms that engage in limited activity in the TRACE-Eligible Securities subject to the proposed one-minute reporting timeframe, and therefore may not have systems in place that would enable reporting within one minute. Member firms with “limited trading activity” as defined in proposed Supplementary Material .08(a) would continue to be subject to the 15-minute outer limit reporting timeframe.

Reporting Feasibility

Commenters identified several circumstances under which the nature of the execution or reporting process may make it unfeasible to report within one minute. In particular, commenters argued that manually executed or reported trades,⁴⁵ including large trades that must then be manually allocated to multiple subaccounts⁴⁶ and some

⁴⁴ See Arkadios; BDA; IBI 1 and 2; Individual Commenters; ISC; SIFMA; UPitt Clinic; VFM.

⁴⁵ See ASA; BDA; Beech; BMO CM; Cambridge; FIF; HJS; HTD; IBI 1 and 2; ICI; InspereX; ISC; Lynch; SAMCO; Seaport; SIFMA; Wells Fargo; Wiley; WMBAA.

⁴⁶ See BDA; BetaNXT; SIFMA; Wells Fargo.

complex transactions that involve multiple securities,⁴⁷ cannot feasibly be reported within one-minute. Some commenters argued that reducing the reporting timeframe to one minute in these instances would threaten the viability of these types of trades, negatively impacting liquidity⁴⁸ and harming the retail investors, who may not be accustomed to electronic trading, serviced by these firms.⁴⁹ Commenters also raised other scenarios that they believe present operational obstacles to reporting trades within one minute, such as where the security is not already in the firm's security master (or on FINRA's master list) due to the set-up process (internally or with FINRA),⁵⁰ as well as trades executed when the TRACE system is not open that must be reported within one minute after the TRACE system re-opens the next trading day.⁵¹

With respect to commenters' concern that certain types of transactions cannot feasibly be reported within one minute, FINRA believes that the exception for manual trades included in the proposed rule change will adequately address these concerns. New Supplementary Material .09 would phase in a five-minute reporting standard for trades that involve manual intervention in the execution or reporting process. This exception would address commenters' concern that reducing the reporting timeframe to one minute would threaten the viability of manual trades. Similarly, based on feedback from

⁴⁷ See SAMCO; SIFMA; Wells Fargo.

⁴⁸ See IBI 1; ICI; SIFMA.

⁴⁹ See HJS; IBI 2; ISC; SIFMA.

⁵⁰ See Anonymous; ASA; BDA; BetaNXT; FIF; SAMCO; SIFMA; Wells Fargo.

⁵¹ See FIF; SIFMA. FINRA notes that these trades would not be subject to the one-minute reporting timeframe under the proposed rule change and would continue to be subject to the current 15-minute outer limit.

commenters and outreach to members, FINRA understands that other types of trades raised by commenters, such as some allocation trades and portfolio or list trades, may involve manual intervention in either the execution or reporting process⁵² and, if so, would therefore qualify for the manual trades exception's extended reporting timeframe. In that regard, 96.9 percent of non-ATS trades are already reported within five minutes; 97.5 percent of portfolio trades are already reported within five minutes; and 93 percent of allocation trades are already reported within five minutes. The phase-in period from implementation is intended to provide members with time to implement a reasonable process to comply with the reduced reporting timeframe with respect to their manual trades. Trades that do not qualify for the manual trades exception must be reported as soon as practical but no later than within one minute of the time of execution. As discussed above, FINRA has observed a range of reporting times for portfolio trades within the same basket size band⁵³ and similar variation in reporting times for allocation trades depending on the reporter.⁵⁴ This suggests that even large portfolio and allocation trades can be reported within one minute and other factors (e.g., the technology employed to execute or report the trade) contribute to the reporting timeframe.

Commenters raised additional concerns that other operational obstacles might make reporting trades within one minute unfeasible. As mentioned above, FINRA

⁵² See SAMCO; SIFMA; Wells Fargo.

⁵³ For example, 57.0 percent of portfolio trades in the 300 – 1,000 securities band were reported within one minute and 20.1 percent of portfolio trades in the 1,000+ securities band were reported within one minute.

⁵⁴ Sixty-eight percent of allocated trades were reported within a minute, with five out of 29 members that reported allocation trades able to report 90 percent of their allocation trades within one minute.

believes many of the concerns raised should be addressed with the proposed exceptions; however, other instances described by commenters do not appear to warrant an exception. For example, with respect to comments that TRACE reporting through a third-party clearing firm presents an operational obstacle to one minute reporting, FINRA has observed that 71 percent of third-party cleared trades are reported within one minute (as compared to 85 percent for self-cleared trades), and there are significant variations in trade reporting time by correspondent firms through the same third-party clearing firm, which suggests that other factors contribute to the reporting timeframe. FINRA notes that many smaller members rely on their third-party clearing firms to report trades to TRACE. Under the proposed rule change, members with “limited trading activity” would continue to be subject to a 15-minute outer limit reporting standard.

With respect to trades in securities that are not already in the member firm’s security master (or on FINRA’s master list), FINRA believes that the proposed rule change’s exception for manual trades should help alleviate commenters’ concerns. FINRA understands that setting up a security in a firm’s security master (or with FINRA) typically involves manual intervention. Thus, initial trades in such securities – where manual steps must be taken to set up the security at the firm or with FINRA before the trade(s) can be booked or reported – would be subject to the phased-in five-minute reporting standard for manual trades rather than the one-minute standard. In addition, in response to commenters’ concern regarding trades reportable to FINRA on the next business day, FINRA is proposing to retain a reporting timeframe of as soon as practicable but no later than within 15 minutes of when the TRACE system opens.

Market Impact

While some commenters argued that the benefits associated with shortening the timeframe for trade reporting have not been sufficiently explained,⁵⁵ FINRA agrees with other commenters that the proposed rule change will increase transparency,⁵⁶ which has historically been shown to improve price discovery and reduce trading costs.⁵⁷ FINRA believes that the proposed rule change's exceptions for members with de minimis reporting activity and for manual trades will mitigate the potential for the proposed rule change to have a negative impact on liquidity or execution quality.⁵⁸ With respect to commenters' concerns that the more rapid dissemination of trades could negatively impact liquidity for block trades⁵⁹ and benefit algorithmic traders at the expense of retail and institutional investors,⁶⁰ FINRA believes the current trade dissemination caps

⁵⁵ See Arkadios; ASA; BDA; Cambridge; Falcon Square; HJS; HTD; IBI 2; InspereX; ISC; RBI; SAMCO; SIFMA; TRADEliance; Wells Fargo.

⁵⁶ See Dimensional; FIA PTG; HMA.

⁵⁷ See Discussion: Economic Impacts, Anticipated Benefits.

⁵⁸ As discussed above, the proposed rule change's exception for members with "limited trading activity" should address commenters' concern that the proposal's implementation costs may cause many small firms to exit the fixed income market, negatively impacting liquidity. See Falcon Square; IBI 1 and 2; Individual Commenters; InspereX; ISC; SIFMA; VFM; Wiley. Likewise, FINRA believes that the manual trades exception should address commenters' concerns regarding the continued viability of manual trades and the ability to hedge large trades and trades in thinly traded securities, which FINRA understands are often executed manually. See IBI 1; ICI; SIFMA. Similarly, the exception for manual trades would provide an extended reporting timeframe to accommodate manual intervention in the trade execution or reporting process to conduct best execution and fair pricing reviews. See ASA; SIFMA.

⁵⁹ See ICI; SIFMA.

⁶⁰ See BMO CM; SIFMA; VFM.

effectively mitigate these concerns, and note that members already have an obligation under the current Rule to report trades as soon as practicable and are not permitted to delay the reporting (and thus dissemination) of trades.

FINRA recognizes that covered depository institutions will not be subject to the proposed rule change.⁶¹ However, FINRA continues to believe that the proposed rule change is appropriate at this time. First, until recently, covered depository institutions did not report transactions to TRACE at all,⁶² and they are not subject to the TRACE reporting requirement for all TRACE-Eligible Securities. In addition, covered depository institutions do not report a significant number of trades in agency debt since they began reporting to TRACE.⁶³ While covered depository institutions are more active in the MBS TBA GD market, this activity has historically been concentrated in a few large institutions. FINRA believes that any potential competitive disadvantage is speculative. On balance, FINRA thinks the proposed rule change is appropriate and should improve the timing of market information.

Other Issues

While the proposed rule change may lead to an increase in reporting errors, corrections, and late reporting rates, particularly at the outset as members adapt to the

⁶¹ See InspereX; SIFMA.

⁶² Covered depository institutions started to report to TRACE on September 1, 2022. See 86 FR 59716, 59717 (October 28, 2021).

⁶³ Covered depository institutions' transactions in ABS are limited to SBA-Backed ABS.

proposed rule change's new standards,⁶⁴ FINRA expects that the impact to members' accuracy and late reporting rates will largely be temporary, as accuracy and timeliness will increase as members adapt to the proposed rule change's new standards. FINRA also intends to provide members with a sufficient implementation timeframe to make the changes necessary to comply with the reduced reporting timeframe (for example, approximately within 18 months from any SEC approval). As stated above, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

FINRA also believes that the extended reporting timeframes available for members with de minimis reporting activity and for manual trades will help mitigate these issues. FINRA likewise believes that the exception for manual trades will help mitigate commenters' concern that errors will be less likely to be corrected within the reporting timeframe as FINRA understands that trade report corrections often involve manual intervention (e.g., a customer calling or instant messaging/chatting to request a change to the trade, which change is then manually made to the trade ticket/booking entry).⁶⁵ Under such circumstances, the trade would qualify for the extended reporting timeframe applicable to manual trades.⁶⁶ Additionally, in the event a trade report correction cannot be completed within the applicable timeframe, FINRA has historically taken into account whether cancels and corrections are driving untimely reporting and the

⁶⁴ See Arkadios; BDA; Beech; BMO CM; Cambridge; HJS; HTD; IBI 2; ICI; Individual Commenters; InspereX; SAMCO; Seaport; SIFMA; VFM.

⁶⁵ See Arkadios; ASA; BDA; Beech; BMO CM; Cambridge; HJS; HTD; ICI; InspereX; SAMCO; Seaport; SIFMA; VFM.

⁶⁶ To the extent the trade was originally fully electronic, when the member amends the trade report, it should add the Manual Trade Indicator.

reason(s) for the cancels and corrections in monitoring members for compliance with the Rule and assessing whether a firm has a “pattern or practice” of late reporting.

Accordingly, FINRA believes that potential issues related to errors, corrections, and late reporting will not be significant and do not outweigh the proposed rule change’s potential benefits.

Finally, commenters also suggested a number of alternatives to the proposal that they believed would improve the TRACE reporting regime, including implementing a phased-in approach to shortening the reporting timeframe,⁶⁷ establishing a global securities master list,⁶⁸ improving TRACE’s web-based reporting interfaces, reducing TRACE system latencies and providing more transparency regarding systems issues that may impact reporting,⁶⁹ and providing additional guidance on members’ “as soon as practicable” reporting obligation and additional TRACE reporting metrics to members.⁷⁰ FINRA determined to implement a phased-in approach to reducing the reporting timeframe to five minutes for manual trades in light of commenters’ concerns. However, FINRA does not believe that the alternatives proposed by commenters will provide improvements to the TRACE reporting regime similar to those of the proposed rule

⁶⁷ See Arkadios; ICE Bonds; ICI; InspereX; TRADEliance; UPitt Clinic; SIFMA; VFM.

⁶⁸ See SIFMA. For corporate bonds, FINRA has proposed establishing a reference data service for new issues. See Securities Exchange Act Release No. 85488 (April 2, 2019), 84 FR 13977 (April 8, 2019) (Notice of Filing of File No. SR-FINRA-2019-008) (Proposed Rule Change to Establish a Corporate Bond New Issue Reference Data Service).

⁶⁹ See SIFMA.

⁷⁰ See FIF; SIFMA.

change. Accordingly, FINRA determined to move forward with the proposal while it also continues to consider other ways to provide more timely, granular and informative data to market participants and enhance the value of disseminated transaction data.

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.⁷¹

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.

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 2a. Regulatory Notice 22-17 (August 2022).

Exhibit 2b. List of commenters to Regulatory Notice 22-17 (August 2022).

⁷¹ 15 U.S.C. 78s(b)(2).

Exhibit 2c. Copy of Comment Letters received in response to Regulatory Notice
22-17 (August 2022).

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2024-004)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute

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

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

FINRA is proposing to amend FINRA Rule 6730 to reduce the 15-minute TRACE reporting timeframe to one minute, with exceptions for member firms with de minimis reporting activity and for manual trades.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

1. Purpose

(i) Background

FINRA has collected and disseminated transaction information in fixed income securities through TRACE since 2002.³ Since the implementation of TRACE, the fixed income markets have changed dramatically, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. With these changes, FINRA has been considering ways to modernize the reporting rules and provide for more timely, granular and informative data to enhance the value of disseminated transaction data.

FINRA rules specify the applicable outer-limit reporting timeframe for different types of TRACE-Eligible Securities,⁴ and these timeframes have been adjusted over time

³ See Securities Exchange Act Release No. 43873 (January 23, 2001), 66 FR 8131 (January 29, 2001) (Order Approving File No. SR-NASD-99-65).

⁴ "TRACE-Eligible Security" means 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 paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n);

in line with changes in the markets. A 15-minute outer-limit reporting timeframe currently applies to most transactions⁵ in corporate bonds, agency debt securities,⁶ asset-backed securities (ABS)⁷ and agency pass-through mortgage-backed securities (MBS) traded to-be-announced (TBA) for good delivery (GD).⁸ The 15-minute reporting

(3) a U.S. Treasury Security as defined in paragraph (p); or (4) a Foreign Sovereign Debt Security as defined in paragraph (kk). “TRACE-Eligible Security” does not include a debt security that is a Money Market Instrument as defined in paragraph (o). See Rule 6710(a).

⁵ A “List or Fixed Offering Price Transaction,” as defined in Rule 6710(q), and a “Takedown Transaction,” as defined in Rule 6710(r) are required to be reported to TRACE by the next business day (T+1). See Rule 6730(a)(2).

⁶ “Agency Debt Security” means a debt security (i) issued or guaranteed by an Agency as defined in paragraph (k); (ii) issued or guaranteed by a Government-Sponsored Enterprise as defined in paragraph (n); or (iii) issued by a trust or other entity that was established or sponsored by a Government-Sponsored Enterprise for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. The term excludes a U.S. Treasury Security as defined in paragraph (p) and a Securitized Product as defined in paragraph (m), where an Agency or a Government-Sponsored Enterprise is the Securitizer as defined in paragraph (s) (or similar person), or the guarantor of the Securitized Product. See Rule 6710(l).

⁷ “Asset-Backed Security” means a type of Securitized Product where the Asset-Backed Security is collateralized by any type of financial asset, such as a consumer or student loan, a lease, or a secured or unsecured receivable, and excludes: (i) a Securitized Product that is backed by residential or commercial mortgage loans, mortgage-backed securities, or other financial assets derivative of mortgage-backed securities; (ii) an SBA-Backed ABS as defined in paragraph (bb) traded To Be Announced as defined in paragraph (u) or in a Specified Pool Transaction as defined in paragraph (x); and (iii) a collateralized debt obligation. See Rule 6710(cc).

⁸ “Agency Pass-Through Mortgage-Backed Security” means a type of Securitized Product issued in conformity with a program of an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise (GSE) as defined in paragraph (n), for which the timely payment of principal and interest is guaranteed by the Agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to “pass through” the principal and interest payments to the holders of the security on a pro rata basis. See Rule 6710(v).

timeframe has been in place for corporate bonds since 2005, and later was implemented for agency debt, ABS, and MBS TBA GD.⁹

Thus, today, transactions in these securities are generally required to be reported as soon as practicable¹⁰ but no later than 15 minutes from the time of execution, and FINRA publicly disseminates information on the transaction immediately upon receipt.¹¹

“To Be Announced” (TBA) means a transaction in an Agency Pass-Through Mortgage-Backed Security as defined in paragraph (v) or an SBA-Backed ABS as defined in paragraph (bb) where the parties agree that the seller will deliver to the buyer a pool or pool(s) of a specified face amount and meeting certain other criteria but the specific pool or pool(s) to be delivered at settlement is not specified at the Time of Execution, and includes TBA transactions “for good delivery” (GD) and TBA transactions “not for good delivery” (NGD). See Rule 6710(u).

⁹ In 2004, FINRA (then NASD) reduced the timeframe for reporting corporate bonds to within 15 minutes of the time of execution. See Securities Exchange Act Release No. 49845 (June 14, 2004), 69 FR 35088 (June 23, 2004) (Order Approving File No. SR-NASD-2004-057); see also Notice to Members 04-51 (July 2004). Agency debt has been subject to the 15-minute reporting timeframe since it became TRACE-Eligible in 2010. See Securities Exchange Act Release No. 60726 (September 28, 2009), 74 FR 50991 (October 2, 2009) (Order Approving File No. SR-FINRA-2009-010); see also Regulatory Notice 09-57 (September 2009). MBS TBA GD became subject to the 15-minute reporting timeframe in 2013, and the reporting timeframe for ABS was reduced to 15 minutes in 2015. See Securities Exchange Act Release No. 66829 (April 18, 2012), 77 FR 24748 (April 25, 2012) (Order Approving File No. SR-FINRA-2012-020); Securities Exchange Act Release No. 71607 (February 24, 2014), 79 FR 11481 (February 28, 2014) (Order Approving File No. SR-FINRA-2013-046); see also Regulatory Notices 12-26 (May 2012) and 14-34 (August 2014).

¹⁰ In 2015, the SEC approved amendments to FINRA rules to require firms to report transactions in TRACE-Eligible Securities as soon as practicable. See Securities Exchange Act Release No. 75782 (August 28, 2015), 80 FR 53375 (September 3, 2015) (Order Approving File No. SR-FINRA 2015-025).

¹¹ FINRA Rule 6730(a)(1) sets forth the requirements for when trades executed during different time periods throughout the day must be reported to TRACE. Currently, corporate, agency, ABS, and MBS TBA GD transactions executed on a business day at or after 12:00:00 a.m. Eastern Time (ET) through 7:59:59 a.m. ET must be reported the same day, no later than 15 minutes after the TRACE system opens. Transactions executed on a business day at or after 8:00:00 a.m. ET

As discussed in more detail below, FINRA has found that 82.9 percent of trades in the TRACE-Eligible Securities that are currently subject to the 15-minute outer-limit reporting timeframe were reported within one minute of execution. In light of the technological advances in the intervening 18 years since FINRA first adopted the 15-minute reporting requirement, including the increase in electronic trading, and consistent with FINRA's longstanding goals of increasing transparency and improving access to timely transaction data, FINRA is proposing updates to modernize the reporting timeframes and provide timelier transparency. FINRA will continue to assess its TRACE reporting requirements and member reporting and consider whether any adjustments to the one-minute requirement are warranted.

(ii) Proposed Rule Change to Implement One-Minute Reporting

FINRA is proposing amendments to Rule 6730 (Transaction Reporting) to reduce the trade reporting timeframe for securities currently subject to the 15-minute reporting outer limit to one minute, with exceptions for member firms with de minimis reporting activity and for manual trades, discussed further below. As is the case today, FINRA would make information on the transactions publicly available immediately upon receipt of the trade reports.

through 6:29:59 p.m. ET must be reported as soon as practicable, but no later than 15 minutes of the Time of Execution, except for transactions executed on a business day less than 15 minutes before 6:30 p.m. ET, which must be reported no later than 15 minutes after the TRACE system opens the next day (and, if reported on T+1, designated "as/of" with the date of execution). Finally, transactions executed on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, must be reported on the next business day, no later than 15 minutes after the TRACE system opens (and must be designated "as/of" and include the date of execution).

Under existing Rule 6730(a)(1), transactions in corporate bonds, agency debt, ABS, and MBS TBA GD generally must be reported as soon as practicable, but no later than within 15 minutes of execution. Specifically, transactions executed on a business day at or after 12:00:00 a.m. ET through 7:59:59 a.m. ET must be reported the same day no later than 15 minutes after the TRACE system opens. Transactions executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported no later than within 15 minutes of the Time of Execution, except for transactions executed on a business day less than 15 minutes before 6:30 p.m. ET, which must be reported no later than 15 minutes after the TRACE system opens the next day (and, if reported on T+1, designated “as/of” with the date of execution). Finally, transactions executed on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, must be reported on the next business day no later than 15 minutes after the TRACE system opens (and must be designated “as/of” and include the date of execution).

To provide more timely information about transactions in corporate bonds, agency debt, ABS, and MBS TBA GD, subject to the exceptions discussed below and as provided in Rule 6730(a)(2), FINRA is proposing to amend Rule 6730(a)(1) to reduce the trade reporting timeframe as follows. Amended Rule 6730(a)(1) would provide that transactions must be reported as soon as practicable, but no later than within one minute of the Time of Execution.¹² Amended Rule 6730(a)(1)(B) would require that a

¹² Under Rule 6710(d), the “Time of Execution” generally means the time when the parties to a transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade. For transactions involving

transaction executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported as soon as practicable, but no later than one minute from the Time of Execution, except that, a transaction executed on a business day less than one minute before 6:30:00 p.m. ET, must be reported no later than 15 minutes after the TRACE system opens the next business day (T+1) (and, if reported on T+1, designated “as/of” with the date of execution). Any trades executed on a business day prior to the open of the TRACE system, on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day would continue to be reportable as soon as practicable on the next business day (T+1), but no later than within 15 minutes after the TRACE system opens (and must be designated “as/of,” as appropriate, and include the date of execution).

(iii) Exceptions from One-Minute Reporting

FINRA is proposing two exceptions from the one-minute reporting timeframe for: (1) member firms with “limited trading activity” in the TRACE-Eligible Securities that are subject to one-minute reporting; and (2) manual trades.¹³

TRACE-Eligible Securities that are trading “when issued” on a yield basis, the “Time of Execution” is when the yield for the transaction has been agreed to by the parties to the transaction.

¹³ FINRA is also proposing a conforming amendment to Supplementary Material .03 to refer to the Rule generally rather than “paragraph (a)” to reflect that members reporting pursuant to one of the exceptions in new Supplementary Material .08 and .09 are still required to report their trades “as soon as practicable.”

Exception for Members With “Limited Trading Activity”

New Supplementary Material .08 would provide an exception to the one-minute reporting timeframe for members with “limited trading activity.” A member with “limited trading activity” would be defined as a member that, during one of the prior two calendar years, reported to TRACE fewer than 4,000 transactions in the TRACE-Eligible Securities that are subject to paragraphs (a)(1)(A) through (a)(1)(D) of Rule 6730 (i.e., corporate bonds, agency debt, ABS and MBS TBA GD), including any manual trades. Supplementary Material .08(b) would require members relying on the exception to confirm annually their qualification for the exception.¹⁴ As outlined in Supplementary Material .08(c), members qualifying for the exception would be required to report these trades as soon as practicable, but no later than within 15 minutes of the Time of Execution (or in the case of a trade executed outside of TRACE system hours, less than 15 minutes before 6:30 p.m. ET, or on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, as soon as practicable, but no later than within 15 minutes after the TRACE system opens the next business day (T+1)).

Members that exceeded the 4,000-trade threshold two calendar years in a row would be required to comply with the one-minute reporting requirements of paragraphs (a)(1)(A) through (a)(1)(D) of the Rule beginning 90 days after the firm no longer meets

¹⁴ Evidence of this confirmation should be retained as part of the member’s books and records; however, members eligible for the exception will not need to take affirmative steps to have their trade reports processed pursuant to the exception’s 15-minute reporting timeframe (e.g., members eligible for the exception will not need to submit a certification of eligibility to FINRA or add a modifier or indicator to their trade reports).

the criteria for the exception (i.e., beginning 90 days after January 1 of the next calendar year). If a member's reporting activity subsequently dropped below the 4,000-trade threshold, the member would once again be eligible for the exception. For example, a member that reported 3,000 trades in the relevant TRACE-Eligible Securities to TRACE in 2022 and then 4,150 trades in 2023 would continue to be eligible for the exception in 2024; however, if the member then reported 4,100 trades in 2024, the member would be required to comply with the one-minute reporting requirements starting 90 days after January 1, 2025 (with January 1 being day one of 90). If the member proceeded to report 3,500 trades in 2025, the member would once again be eligible for the exception from one-minute reporting for 2026 under the two-year lookback. FINRA believes that the two-year lookback period for eligibility for the exception will accommodate fluctuations in trading activity that may be due to unusual market-wide events or unique client demands.

Manual Trades Exception

New Supplementary Material .09 would provide an exception for manual trades that would afford firms additional time to report transactions that are not electronic from end to end, as described further below. Where a trade qualifies for the manual trades exception, a 15-minute outer limit would apply for the first year following implementation; a 10-minute outer limit would apply for the second year; and a five-minute outer limit would apply thereafter.

The manual trades exception would apply narrowly only to "transactions that are manually executed" or where a "member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQS website or into a

system that facilitates trade reporting to TRACE.” Thus, a trade that requires manual intervention at any point to complete the trade execution or reporting process would qualify for the manual trades exception. In that regard, while an exhaustive list cannot be provided here, FINRA contemplates that the exception would be available for a variety of situations that meet the specified criteria, including, for example:

- where a member executes a trade¹⁵ by manual or hybrid means, such as by telephone, email, or through a chat/messaging function,¹⁶ and subsequently must manually enter into a system that facilitates trade reporting all or some of the information required to book the trade and report it to TRACE;
- where allocations to individual accounts must be manually input in connection with a trade by a dually-registered broker-dealer/investment adviser;
- where an electronic trade is subject to manual review for risk management or regulatory compliance purposes and, as part of or following the review, the trade must be manually approved, amended, or released before the trade is reported to TRACE (e.g., a firm’s risk management procedures require a secondary approver for trades over a certain threshold; a firm’s best execution procedures require

¹⁵ As noted above, for purposes of Rule 6730, the reporting timeframe is measured from the Time of Execution as defined by Rule 6710(d), which generally refers to the time that the parties have agreed to all of the terms of the transaction sufficient to calculate the dollar price of the trade (or yield, in the case of when-issued securities priced to a spread).

¹⁶ FINRA reminds members of their obligation to retain these electronic communications as part of their books and records, consistent with FINRA and SEC recordkeeping requirements. See, e.g., Notice to Members 03-33 (July 2003).

manually checking another market to confirm that a better price is not available to the customer);

- where a member trades a bond for the first time and additional manual steps are necessary to set the bond up in the firm's systems to book and report the trade (e.g., entering the CUSIP number and associated bond data into the firm's system); and
- where a member agrees to trade a basket of securities at a single price and manual action is required to calculate the price of component securities in the basket or to book and report the trade in component securities to TRACE.

The above examples are illustrative of the types of circumstances in which, due to the manual nature of components of the trade execution or reporting process, reporting a transaction within one minute of the Time of Execution may be unfeasible, even where a member makes reasonable efforts to report the trade as soon as practicable (as required). FINRA also will assess members' trade reporting in connection with manual trades to determine whether the five-minute trade reporting timeframe (to become applicable after two years) is appropriate, and will be prepared to make adjustments, as necessary.

FINRA has extensive experience and data regarding members' historic behaviors reporting transactions to TRACE under a myriad of scenarios. FINRA will be reviewing the use of the manual trades exception—members may not, in any case, purposely delay the execution or reporting of a transaction by handling any aspect of a trade manually or introducing manual steps following the Time of Execution. Additionally, in light of the overarching obligation to report trades as soon as practicable, members should consider the types of transactions in which they regularly engage and whether they can reasonably

reduce the time between a trade's Time of Execution and its reporting, and more generally must make a good faith effort to report their trades as soon as practicable.

In addition, FINRA proposes to amend Rule 6730(d)(4) to require that any member that executes or reports a trade manually append a manual trade indicator to the trade report so that FINRA can identify manual trades. The new manual trade indicator would be required regardless of whether the member reported the manual trade outside of the one-minute timeframe in reliance on the manual trades exception, which would provide FINRA with important insights into manual trading and the use of the exception. The manual trade indicator would be used for regulatory purposes and would not be included in the TRACE data publicly disseminated.

Finally, FINRA is proposing to amend Rule 6730(f) to provide that a pattern or practice of late reporting may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010, absent "reasonable justification" (in addition to the rule's existing reference to "exceptional circumstances").¹⁷ FINRA believes that the addition of "reasonable justification" as a relevant factor in FINRA's evaluation of a firm experiencing a pattern or practice of late reporting is appropriate given the proposed reduction in the trade reporting timeframe;¹⁸ for example, to enable FINRA to determine that reasonable justification exists due to circumstances that could not reasonably be anticipated or

¹⁷ See, e.g., Rule 6623 describing "exceptional circumstances" as instances of system failure by a member or service bureau, or unusual market conditions, such as extreme volatility in a security, or in the market as a whole.

¹⁸ This proposed rule change would also make Rule 6730(f) consistent with other FINRA trade reporting rules that impose shorter reporting timeframes. See, e.g., Rule 6622(a)(4).

prevented and that could not be resolved by the firm within the one minute reporting timeframe.¹⁹ However, members must have sufficiently robust systems with adequate capability and capacity to enable them to report in accordance with FINRA rules; thus, recurring systems issues in a member firm's or a vendor's systems would not be considered reasonable justification or exceptional circumstances under Rule 6730(f) to excuse a pattern or practice of late trade reporting.²⁰

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,²¹ 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, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest.

¹⁹ As is the case today, late trade statistics regarding trades reported outside of the applicable timeframe would be reflected in the Report Cards available to members. FINRA would update its Report Cards to take into consideration the proposed exception for firms with de minimis reporting activity and for manual trades. In addition, FINRA plans to enhance its TRACE Report Cards to include metrics that will facilitate members' ability to track their eligibility for the de minimis exception. While these trade statistics will continue to be available to members on their TRACE Report Cards, these statistics are not publicly available.

²⁰ See, e.g., FINRA Trade Reporting Frequently Asked Questions, Q206.21 available at <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq>.

²¹ 15 U.S.C. 78o-3(b)(6).

FINRA believes that reducing the reporting timeframe to as soon as practicable, but no later than within one minute from the time of execution for corporate, agency, ABS and MBS TBA GD transactions helps achieve the purposes of the Act. As discussed above, the 15-minute reporting timeframe has been in place for corporate bonds and agency debt securities since 2005. Since that time, the fixed income markets have changed dramatically, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. With these changes, FINRA has been considering ways to modernize the rule and provide for more timely, granular and informative data to enhance the value of disseminated transaction data. FINRA believes that the proposed rule change helps achieve the purposes of the Act in that it will improve the timeliness of information reported to TRACE, thereby benefiting transparency and allowing investors and other market participants to obtain and evaluate more timely pricing information for these securities. FINRA also believes that the proposed exceptions from the one-minute reporting requirement for members with de minimis reporting activity and manual trades are appropriate in that they are tailored to balance the burdens on members with the benefits to transparency.

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

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

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to further analyze the regulatory need for the proposed rule change, its potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline, and the alternatives considered in assessing how best to meet its regulatory objective.

As described below in more detail, approximately 83 percent of transactions in TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe are reported within one minute of execution. However, there is significant variation in reporting timeframes within and across member firms of different sizes and across different products. The proposed de minimis and manual trades exceptions balance the benefits of timelier reporting with the potential costs of disrupting markets and disproportionately impacting less active and smaller participants. FINRA estimates that, as a result of this proposed rule change, after adjusting for the proposed de minimis exception, up to 16.4 percent of current annual trading volume, or 6.1 million trades and 20 trillion dollars in par value, might potentially be reported faster (this represents an upper end estimate – impacted by the extent to which firms do or do not rely on the proposed manual trades exception with respect to such trades (manual trades are not currently identifiable as such in TRACE data)).²²

Regulatory Need

As discussed previously, over the last 18 years there have been significant advancements in the fixed income markets, and in recognition of those advancements,

²² See Discussion: Economic Impacts, Anticipated Benefits.

FINRA is proposing to reduce the TRACE trade reporting timeframe for transactions in all TRACE-Eligible Securities that currently are subject to a 15-minute reporting timeframe. Timelier reporting provides more timely transaction information to the market, supporting more effective price formation and potentially decreasing trading costs and increasing liquidity.

Economic Baseline

The economic baseline stems from current Rule 6730, establishing a reporting requirement of as soon as practicable but no later than within 15 minutes of the Time of Execution. Factors that may affect the speed with which firms can report executions include, but are not limited to, security characteristics, recency of trading in a particular security, trading platform, execution method, reporting process and level of automation.

Overall, in 2022 838 member firms reported trades in TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe, with 803, 443, 79, 216 and 173 member firms reporting trades in corporate bonds, agency debt, MBS TBA GD, equity-linked notes (ELNs) and ABS respectively.²³ FINRA found that 83 percent of trades across TRACE-Eligible Securities currently subject to the 15-minute reporting timeframe were reported within one minute of execution. Examining reporting times for these securities by individual reporters, FINRA found that within one minute: 43 percent of reporters submitted 75 percent of their trades; 34 percent of reporters submitted 85 percent of their trades; and 18 percent of reporters submitted 95 percent of their trades.

²³ FINRA aggregated reports across MPIDs (market participant identifier) belonging to the same CRD (central registration depository) number and excluded covered depository institutions.

Specifically, FINRA analyzed trade reporting times by dealers and alternative trading systems (ATSs) under the current 15-minute reporting timeframe using TRACE data from January 2022 through December 2022.²⁴ The analysis measured the time between the trade Time of Execution and report time (and in cases where reports were later corrected or canceled, to the time of the initial report). The analysis focused on transactions executed at or after 8:00 a.m. ET and before 6:15 p.m. ET on business days, the time window during which trades must be reported on that day as soon as practicable, but no later than within 15 minutes of the Time of Execution.²⁵ The sample excluded covered depository institutions' trade reports in MBS TBA GD and agency-issued fixed income securities, as they are subject to the Federal Reserve's rule rather than FINRA's rule.²⁶

Reporting Times Across Products

FINRA examined the distribution of trade reports from one to 15 minutes from the Time of Execution for corporate bonds, agency debt, MBS TBA GD, ELNs and ABS.²⁷ Table 1 shows that corporate bonds and MBS TBA GD were, on average, reported the fastest among the products, with around 83 and 84 percent of the trades

²⁴ All analysis used this sample period unless otherwise specified.

²⁵ See supra note 11.

²⁶ Covered depository institutions started to report to TRACE on September 1, 2022. In the first three quarters of 2023, reports by covered depository institutions represented 6.6 percent, 0.8 percent and 0.7 percent of the total MBS TBA GD, agency debt and ABS trade reports, respectively.

²⁷ Corporate bond trades represented 88.9 percent of the 37,252,591 total reports in the sample while MBS TBA GD, agency debt, ELN and ABS accounted for 7.4 percent, 2.8 percent, 0.5 percent, and 0.3 percent, respectively.

reported within one minute, respectively. Agency debt followed closely behind at 81 percent. ELNs were at 67 percent and ABS were at 52 percent of trades reported within one minute. Commenters, discussion with FINRA advisory committees, and outreach to members indicated that ELNs and ABS trading and reporting frequently involve manual handling of some aspect of the trade execution or reporting process.

Table 1: Reporting Times Across Product Types

Minutes from Execution	All Products	Corporate	Agency	MBS TBA GD	ELN	ABS
1	82.9%	83.1%	80.7%	84.1%	66.5%	51.5%
2	91.7%	91.7%	92.4%	93.8%	70.9%	66.9%
3	96.1%	96.3%	94.9%	95.8%	74.8%	75.2%
4	97.0%	97.3%	96.0%	96.7%	76.3%	80.5%
5	97.6%	97.8%	96.6%	97.3%	77.3%	85.1%
10	99.0%	99.2%	98.8%	98.6%	80.7%	93.2%
15	99.4%	99.5%	99.2%	99.5%	81.8%	97.6%
Share of Reports	100.0%	88.9%	2.8%	7.4%	0.5%	0.3%

Reporting Time by Trade Size

FINRA examined whether reporting timeframes differ across trade sizes. For certain products, large trades are more likely to be more complex or a voice trade, or otherwise require manual handling. FINRA examined the distribution of trade reports from one to 15 minutes from the Time of Execution for trades with a par value of less than \$1 million, greater than or equal to \$1 million but less than \$5 million, greater than or equal to \$5 million but less than \$10 million, greater than or equal to \$10 million but less than \$25 million, and greater than or equal to \$25 million. Panel A of Table 2 shows that approximately 93 percent of reported trades were for less than \$5 million, with 74 to 84 percent reported within one minute and 95 to 98 percent reported within five minutes. Similarly, for trades greater than or equal to \$5 million, 77 to 81 percent were reported within one minute and 95 to 96 percent were reported within five minutes.

Panel B of Table 2 shows that, for corporate bonds and agency debt, smaller trades were reported faster while larger trades took longer to report. FINRA found that 84 percent of corporate bond trades smaller than \$1 million were reported within one minute whereas 62 percent of trades greater than or equal to \$25 million were reported within one minute. For agency debt, 84 percent of trades smaller than \$1 million were reported within one minute whereas 44 percent of trades greater than or equal to \$25 million were reported within one minute. Trade size did not appear to be strongly associated with reporting time for other products.²⁸

Table 2: Reporting Time Across Trade Size

Panel A: Reporting Time by Trade Size (Par Value Traded)

Minutes from Execution	<\$1M	\$1 - <\$5M	\$5 - <\$10M	\$10 - <\$25M	>=\$25M
1	84.1%	74.3%	81.0%	77.3%	81.0%
2	92.7%	83.8%	89.0%	87.3%	91.9%
3	96.8%	91.0%	93.7%	92.6%	94.6%
4	97.6%	93.3%	95.2%	94.3%	95.7%
5	98.0%	94.8%	96.2%	95.4%	96.4%
10	99.2%	97.9%	98.4%	97.9%	98.3%
15	99.4%	98.9%	99.2%	99.1%	99.2%
Share of reports	84.1%	9.3%	3.2%	1.5%	1.9%

Panel B: Percentages of Trades Reported Within One Minute by Trade Size (Par Value Traded)

Product	<\$1M	\$1 - <\$5M	\$5 - <\$10M	\$10 - <\$25M	>=\$25M
Corporate	84.3%	73.1%	65.8%	64.8%	61.7%
Agency	83.6%	62.6%	56.0%	50.8%	44.2%
MBS TBA GD	80.4%	80.9%	90.1%	84.1%	82.0%
ELN	66.6%	62.8%	61.0%	57.9%	61.5%
ABS	53.5%	48.2%	47.8%	48.7%	49.6%

²⁸ MBS TBA GD trades represented 96 percent of the trades larger than \$25M and 82 percent of them were reported within one minute.

Reporting Time by Reporter Activity Level

FINRA compared trade reporting times across firms with different levels of activity to assess how the potential burdens stemming from the proposed rule change would be distributed across firms. The analysis measured reporters' activity by number of trades in 2022 and assigned them to three activity groups: where a reporter's trades accounted for less than 0.01 percent, 0.01 through 0.1 percent, or greater than 0.1 percent of total reported trades.²⁹ Table 3 shows that the distribution of par value traded was concentrated in more active reporters. Eighty-four different reporters were in the most active group (accounting for over 0.1 percent of reported trades each), and together their activity represented 95.5 percent of the total par value traded. There were 149 different reporters with 0.01 to 0.1 percent of reported trades each and their reports accounted for 4.2 percent of the total par value traded. The last activity group had 605 different reporters with less than 0.01 percent of reported trades each and together their activity represented 0.3 percent of the par value traded.

²⁹ FINRA looked at finer distinctions of reporter activity level, but it did not yield additional insight.

Table 3: Reporting Times by Reporter Activity Level

Reporter Activity Level	Number of Reporters	Market Share (Trade Counts)	Market Share (Par Value)	Trades Reported Within One Minute	Reporters Reporting at Least 95% of Trades Within One Minute	Trades Reported within Five Minutes	Reporters Reporting at Least 95% of Trades Within Five Minutes
Activity Group 1 - Reporters with > 0.1% of Trade Counts	84	94.1%	95.5%	84.0%	34.5%	98.0%	86.9%
Activity Group 2 - Reporters with 0.01% to 0.1% of Trade Counts	149	4.9%	4.2%	67.7%	14.8%	91.7%	55.7%
Activity Group 3 - Reporters with < 0.01% of Trade Counts	605	0.9%	0.3%	50.8%	17.0%	86.2%	48.6%
All Reporters	838	100.0%	100.0%	82.9%	18.4%	97.6%	53.7%

On average, the most active trade reporters reported their trades to TRACE more quickly. Specifically, 84 percent of trades executed by the most active reporters (with more than 0.1 percent of reported trades) were reported within one minute, and 98 percent of their trades were reported within five minutes. In comparison, approximately 51 percent of trades executed by reporters with less than 0.01 percent of reported trades were reported within one minute, and 86 percent were reported within five minutes. FINRA notes that even less-active reporters reported at least some material portion of their trades within one minute.

In addition, FINRA examined the reporting times by individual reporters by measuring the percentage of firms that reported at least 95 percent of their trades within one minute. Overall, approximately 18 percent of reporters submitted 95 percent of their trades within one minute. When examined by reporter activity level, 35 percent of reporters with greater than 0.1 percent of trade reports submitted 95 percent of their trades within one minute, compared to 17 percent of reporters with less than 0.01 percent of trade reports. FINRA notes that most firms reported some material portion of their trades after one minute, regardless of their level of trading activity.

Reporting Time for After Hours Trades

FINRA examined trades that were executed during TRACE system hours and compared the findings to trades that were executed outside of these hours, which are subject to different reporting timeframe requirements. Table 4 shows that trades executed and reported after hours represented only 1.18 percent of total par value. In all cases, these trades took longer to report. For instance, less than 21 percent of trades executed between 6:15 and 6:29 p.m. ET were reported within one minute,³⁰ while just over 49 percent of trades executed between 6:29 p.m. and 8:00 a.m. ET the next day or on non-business days were reported within one minute after the TRACE system opened.³¹

³⁰ Under the current rule, these trades can be reported either on the same day before TRACE closes or the next business day no later than 15 minutes after the TRACE system opens. Under the proposed rule change, such trades must be reported as soon as practicable on the same day, but no later than within one minute of the time of execution.

³¹ Under the current and proposed rules, these trades must be reported as soon as practicable, but no later than 15 minutes after the TRACE system opens.

Table 4: Reporting Times by Time of Day

Minutes from Execution	Time Group 1: 8:00 a.m. to 6:15 p.m. ET	Time Group 2: 6:15 p.m. to 6:29 p.m. ET	Time Group 3: Before 8:00 a.m. or After 6:29 p.m. ET or Non-business Day*
1	82.9%	20.9%	49.2%
2	91.7%	26.3%	81.4%
3	96.1%	36.7%	90.4%
4	97.0%	57.1%	92.9%
5	97.6%	71.9%	93.9%
10	99.0%	96.2%	96.6%
15	99.4%	96.2%	96.8%
Share of Reports	98.8%	0.0%	1.2%

* For time group three, for trades before 8:00 a.m. ET, FINRA measured the reporting time from TRACE opening on the same business day; for trades after 6:29 p.m. ET or on non-business day, FINRA measured the reporting time from TRACE opening on the next business day.

Execution and Trade Reporting Scenarios

FINRA examined several trading scenarios, described further below, where trading or reporting could involve manual processes.

When a bond starts to trade, the security may not be on the member firm's security master (or on FINRA's security master), which requires firms to engage in a set-up process to facilitate execution or trade reporting. FINRA examined the reporting time for bonds when they first start to trade in the secondary market. Table 5 shows that in the three-day period after secondary market trading commenced in a newly issued bond, 63 percent of trades were reported within one minute, as compared to 83 percent for trades executed more than three days after the first trade. Longer reporting times were associated with the commencement of secondary market trading in newly issued bonds, but not in cases where a firm first started to trade a bond that was not new to market (but where the firm had not previously traded the security).

Table 5: Reporting of Trades in Newly Issued Bonds

Minutes from Execution	First Three days of S1 Trading	All Other Days
1	63.1%	83.3%
2	77.3%	91.9%
3	83.5%	96.3%
4	86.3%	97.2%
5	88.0%	97.8%
10	92.0%	99.1%
15	93.5%	99.5%
Share of Reports	1.7%	98.3%

FINRA examined transaction reporting times for self-cleared trades as well as those cleared through third-party clearing firms and found that trades that are cleared through third-party clearing firms overall took longer to report. For trades cleared through a third party, 71 percent were reported within one minute, as compared to 85 percent for self-cleared trades. FINRA found that trades through some third-party clearing firms were reported as fast as self-cleared trades. There were also significant variations in trade reporting time by correspondent firms through the same third-party clearing firm.

Table 6: Third-party Clearing

Minutes from Execution	Third Party Clearing	Self-Clearing
1	71.4%	85.2%
2	91.9%	91.6%
3	96.0%	96.1%
4	97.1%	97.0%
5	97.7%	97.6%
10	99.1%	99.0%
15	99.4%	99.4%
Share of Reports	16.5%	83.5%

FINRA examined transaction reporting times for trades that were subsequently suballocated across multiple accounts and found that, for allocated trades,³² 68 percent were reported within one minute, as compared to 84 percent for other trades. FINRA found significant variation in reporting time for allocated trades by different reporters.³³

Table 7: Allocated Trades		
Minutes from Execution	Allocation	Non-Allocation
1	68.2%	83.7%
2	86.6%	92.0%
3	90.6%	96.4%
4	92.2%	97.3%
5	93.0%	97.8%
10	97.7%	99.1%
15	99.0%	99.4%
Share of Reports	5.2%	94.8%

FINRA examined transaction reporting times for basket or portfolio trades and found that overall, these trades take longer to report. For portfolio trades,³⁴ 65 percent were reported within one minute, as compared to 85 percent for other trades. Within five minutes, 97.5 percent of portfolio trades were reported, as compared to 97.7 percent for other trades. FINRA also examined the reporting time by portfolio size. While larger baskets do tend to be reported more slowly, FINRA observed a range of reporting times for portfolio trades within the same basket size band – for example, 57.0 percent of

³² An allocation flag does not exist in TRACE, so FINRA used heuristics to identify those trades.

³³ Five out of 29 reporters that reported allocation trades were able to report 90 percent of their allocation trades within one minute. Seven more were able to report 90 percent of their allocation trades within five minutes.

³⁴ FINRA used heuristics to identify portfolio trades since a portfolio trade identifier did not exist before May 15, 2023.

portfolio trades in the 300 – 1,000 securities band are reported within one minute and 20.1 percent of portfolio trades in the 1,000+ securities band are reported within one minute.³⁵ There were also significant variations in the reporting time of portfolio trades by different reporters. This suggests that other factors (e.g., the technology employed) besides the size of the portfolio trade may be driving the reporting timeframe.

Table 8: Portfolio Trades

Minutes from Execution	Portfolio Trade	Non-Portfolio Trade
1	65.3%	85.0%
2	83.1%	92.8%
3	94.2%	96.4%
4	96.5%	97.2%
5	97.5%	97.7%
10	99.1%	99.1%
15	99.5%	99.4%
Share of Reports	9.5%	90.5%

FINRA analyzed the number of transactions executed on or through an ATS, which approximates a subset of electronically executed and reported transactions. ATS trades represented 28.1 percent of total trade reports during the sample period. Of those, 81.0 percent were reported within one minute and 93.9 percent were reported within two minutes. For non-ATS trades, which represented 71.9 percent of total reports (some of which may qualify for the phased-in five-minute reporting timeframe available for manual trades), 83.7 percent were reported within one minute and 96.9 percent were reported within five minutes.

³⁵ Over 99 percent of portfolio trades include a basket of less than 1,000 securities and the vast majority – nearly 85 percent – are baskets of less than 300 securities. Of the nearly 85 percent of portfolio trades for baskets of less than 300 securities, over 97.9 percent of these are reported within five minutes; 96.9 percent of portfolio trades for baskets of between 300 and 1,000 securities are reported within five minutes; and 40.0 percent of the 0.69 percent of portfolio trades larger than 1,000 securities are reported within five minutes.

Table 9: ATS Trades

Minutes from Execution	ATS Trade	Non-ATS Trade
1	81.0%	83.7%
2	93.9%	90.8%
3	98.7%	95.1%
4	99.1%	96.2%
5	99.3%	96.9%
10	99.7%	98.7%
15	99.8%	99.2%
Share of Reports	28.1%	71.9%

Economic Impacts

Anticipated Benefits

The proposed reporting timeframe reduction would require members to adopt enhancements to their current trade reporting processes to facilitate timelier reporting for transactions that currently are not reported within one minute (in 2022, 82.9 percent of the trades executed after 8:00 a.m. and before 6:15 p.m. E.T. were reported within one minute of execution). The proposed rule change therefore likely would result in quicker reporting and thus dissemination of transaction information for at least a portion of the approximately 17 percent of transactions that are not currently reported within one minute of execution. FINRA estimates that, after adjusting for the proposed de minimis exception, up to 16.4 percent, or 6.1 million trades and 20 trillion dollars in par value annually, might potentially be reported faster than today (these estimates would be adjusted further to account for manual trades—to the extent firms rely on the proposed exception with respect to such trades—which FINRA is currently unable to identify in the TRACE data).

FINRA analyzed the number of transactions executed on or through an ATS, which approximates a subset of electronically executed and reported transactions for

which the manual trades exception will not be applicable. ATS trades represented 28.1 percent of total reports during the sample period. Of those, 81.0 percent were reported within one minute and 93.9 percent were reported within two minutes. This indicates that the proposed rule change will likely result in at least an additional 5.3 percent ($28.1 \text{ percent} \times (1 - .81)$) of total trades being reported within one minute (not accounting for the impact of the proposed de minimis exception). For the 71.9 percent non-ATS trades (some of which may qualify for the manual trades exception), 96.9 percent were reported within five minutes. This indicates that the proposed rule change will likely result in at least another 2.2 percent ($71.9 \text{ percent} \times (1 - .969)$) of total trades being reported within five minutes in three years (not accounting for the impact of the proposed de minimis exception).³⁶

A reduction in the time between trade execution and price dissemination would enhance transparency in the fixed income market and is consistent with the purposes of TRACE. Timelier reporting would allow FINRA to provide more timely pricing and other transaction information to the market, which supports more efficient price formation. Timely reporting has also been shown to increase dealer market-making activities in the municipal markets.³⁷ While members may benefit directly from the

³⁶ FINRA also examined the reporting time for trades that were manually entered into the TRACE system through the TRAQS web interface rather than through the automated messaging protocol. The median time for web entry is four to five minutes.

³⁷ In the municipal bond market, research has shown that customer trade costs measured as effective spread decreased after the 2005 change in the trade reporting time requirement, which was from the end of a trading day to 15 minutes after execution. To the extent that more timely reporting may have a similar impact on other fixed income markets, FINRA expects that shortening the reporting timeframe would reduce customer trading costs. Timely reporting has also been shown to increase dealer market-making activities in the municipal

expedited price discovery, investors are also likely to benefit from better execution prices from members. In particular, the proposed rule change would aid investors and other market participants in obtaining and evaluating pricing and other market information more quickly. For example, FINRA identified trades that fell into the one to 15-minute window after a prior trade of the same bond but executed before the prior trade was reported. These trades could have potentially benefited from the knowledge of the material terms of the prior (as yet unreported) trade had the prior trade been reported within one minute instead of 15 minutes.³⁸ For corporate bonds, these trades represented 1.6 percent of the sample reports or 3.4 percent of par value (not accounting for the impact of the proposed de minimis or manual trades exceptions).

Large trades took longer on average to report than smaller trades. Large trades may also have a greater impact on the direction of the market. To the extent the proposed rule change results in faster dissemination of pricing information for large trades, the

markets, indicated by an increase in the overnight and over-the-week dealer capital committed to inventory, an increase in the number of dealers involved in completing a round-trip transaction, and more round-trip transactions that involve inventory taking. No similar studies were done in the corporate bond market, possibly due to the fact that the previous reporting timeframe reduction for corporate bonds coincided with other TRACE rule changes, so the effect was difficult to isolate. See Erik R. Sirri, Report on Secondary Market Trading in the Municipal Securities Market, July 2014 (Research Paper, Municipal Securities Rulemaking Board), <https://www.msrb.org/sites/default/files/2022-09/MSRB-Report-on-Secondary-Market-Trading-in-the-Municipal-Securities-Market.pdf>; John Chalmers, Yu (Steve) Liu & Z. Jay Wang, The Differences a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market, 139(1) Journal of Financial Economics 313-335 (2021).

³⁸ The analysis excluded trades by a reporter that was also a party to the prior trade.

market could benefit from earlier access to information that could be more indicative of market movement.³⁹

Anticipated Costs

FINRA believes that the proposed rule change would likely result in direct and indirect costs for members to implement changes to their processes and systems for reporting transactions to TRACE within the new timeframes. While members currently using a third-party reporting service may incur less costs, as these costs will likely be borne largely by the third-party reporting service which may spread the costs across all of the reporting firms using its services, those firms that do not currently use a third-party reporting service may opt to do so if the costs would be lower than building or augmenting their own system. However, as discussed above, FINRA proposes to provide relief for members with respect to manual trades and for members with de minimis reporting activity, which should mitigate these costs. All members that execute or report a trade manually would incur costs to append the manual trade indicator.

Most firms reported some material portion of their trades after one minute. This is true even for very active firms that may have a more sophisticated trade reporting infrastructure in place. For these trades, members may incur costs to modify their reporting systems and procedures to report more quickly and to monitor that the trades

³⁹ Faster reporting of large trades may also level the information playing field in the market between dealers and other investors. Research shows that investors obtained economically large cost reductions on offsetting trades of a block position by dealers that occurred after, relative to before, the report of the block trade. See Stacey E. Jacobsen & Kumar Venkataraman, Asymmetric Information and Receiving Investor Outcomes in the Block Market for Corporate Bonds (March 23, 2023), available at SSRN: <https://ssrn.com/abstract=4398494> or <http://dx.doi.org/10.2139/ssrn.4398494>.

are reported in the required timeframe. The costs may be mitigated by the proposed relief for members with respect to manual trades and for members with de minimis reporting activity.

Given current differences in access to trading and reporting technologies across firms, some firms may be impacted by the proposed rule change more than others. FINRA understands that larger and more active firms already employ reporting services and technologies to automate trade reporting and would be better positioned to absorb the costs of the proposal. Any impact on competition is likely to be limited, given the proposed exceptions described above. In particular, the de minimis exception would provide relief for those members for which the technological changes required may be more significant relative to their level of activity in this space. Based on 2022 data, the proposed de minimis threshold would provide relief to 640 (out of 838 currently active) members that, in the aggregate, accounted for 1.41 percent of trades or 0.43 percent of the total par value traded.

Additionally, given trading in the fixed income products covered by the proposed rule change in many instances continues to involve manual intervention at some point to complete the trade execution or reporting process (e.g., trades executed by telephone, email, or chat or trades subject to manual review), requiring these trades to be reported in one minute could negatively impact market efficiency and competition. For example, customers might participate less in fixed income markets without the availability of voice brokerage services, or if these trades were pushed to electronic platforms, trading may become concentrated among fewer member firms, potentially reducing trading opportunities and liquidity. FINRA believes that the five-minute exception for manual

trades, coupled with the phase-in period, will allow firms relying upon some manual components in their trading or reporting process to continue to trade in these markets while complying with the new requirements, and therefore limit the potential for a negative impact on these markets.

Some firms close to exceeding the de minimis threshold may choose to reduce the number of trades to qualify for the exception. However, this may only happen infrequently given the two-calendar year lookback period. Coupled with the fact that members can again qualify for the exception and that members under the de minimis threshold accounted for only a very small portion of the market volume, FINRA expects that the impact on overall trading will be minimal. FINRA notes that as markets evolve or firms adjust to the new requirements, the number of dealers meeting the de minimis exception and the par value of their trades may change over time, even if the threshold for qualifying for the exception remains the same.

Members qualifying for the de minimis exception will be exempted from the one-minute requirement for all of their trade reports, and therefore will not incur costs to modify their reporting procedures and systems to report more quickly. On the other hand, the proposed relief for manual trades will likely apply to only some reports of a firm. Thus, members that do not qualify for the de minimis exception—depending upon the circumstances—would be required to incur costs to comply with the five-minute reporting requirement for manual trades and one-minute reporting requirement for other trades. All members that execute or report a trade manually would be required to append the manual trade indicator, and members relying on the manual trades exception would be required to document their eligibility for the relief.

Depending on the relative costs of investing in systems to report in a timelier manner, members may opt to change their practices around executing and reporting trades to comply in ways other than improving the reporting process, and such modifications might have implications for the way in which a member operates its business and manages competing tasks. Members may also be reluctant to conduct trades for which it will be difficult to comply with the shortened reporting timeframe instead of making system changes necessary to comply. However, any indirect costs incurred as a result are bounded by the costs of improving the reporting process. FINRA expects that members will choose to improve their reporting process if it is more cost effective than other compliance approaches. The cost effectiveness of improving the reporting process through direct investment is likely positively correlated with the percentage of a firm's trades subject to the shortened reporting timeframes. Those firms that find it less cost effective – because a small number of trades will be impacted – are more likely to qualify for the de minimis exception.

Alternatives Considered

FINRA considered requiring members to report trades as soon as practicable but no later than five minutes from execution. In 2022, 82.9 percent of trades were reported within one minute after a trade execution. By comparison, in 2022 more than 97.6 percent of trades were reported in five minutes or less. Accordingly, reducing the required reporting time to as soon as practicable but no later than five minutes would enhance the timeliness of up to only 2.4 percent of the trades as compared to 17.1 percent by moving to no later than one minute. FINRA believes a five-minute reporting

requirement would not meaningfully advance the immediacy of information transparency for market participants.

FINRA considered several alternatives to the threshold for the de minimis trading exception from the one-minute reporting requirement. First, FINRA considered basing the relief on the par value traded rather than the number of trade reports. A par value-based de minimis exception would require even less-active dealers to meet the one-minute reporting requirement if they engaged in significant aggregate dollar volume trading and thus this approach could result in more large trades being subject to the one-minute reporting requirement. However, FINRA believes that the number of trade reports submitted over the period is a more appropriate measurement. The number of trade reports tracks more closely the costs that firms incur when reporting and the necessary investments in speeding up their reporting. Additionally, the proposed exception (using the proposed 4,000-trade report threshold) would only impact a de minimis percent of par value traded. FINRA also considered a combination of the par value and the number of trades as the threshold for the de minimis exception, but that would have unnecessarily increased the complexity of the exception. FINRA also considered basing the exception on different levels of trading activity, for example, up to 10,000 trades. However, FINRA determined that a threshold above 4,000 trades would result in the loss of more timely information from members that trade significant volumes (74 members reporting between 4,000 and 10,000 trades traded more than \$1 billion par value, with the highest par value traded being \$452 billion). Accordingly, FINRA believes that the scope of the proposed one-minute requirement will apply to firms that are active participants in the relevant TRACE-Eligible Securities and should be required

to implement the reporting changes. Therefore, the proposed threshold for the de minimis exception (less than 4,000 trades during one of the prior two calendar years) will ensure that markets receive more timely information from more active firms.

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

FINRA solicited comment on a proposal to reduce the 15-minute reporting timeframe to one minute in Regulatory Notice 22-17 (August 2022). Forty-four comments were received in response to the Regulatory Notice. A copy of the Regulatory Notice is available on FINRA's website at <http://www.finra.org>. A list of the comment letters received in response to the Regulatory Notice is available on FINRA's website.⁴⁰ Copies of the comment letters received in response to the Regulatory Notice are also available on FINRA's website. Three commenters expressed overall support for the proposal,⁴¹ while other commenters expressed concerns about the proposal. The comments are summarized below.

Small Firm Impact

Commenters expressed concerns that implementation of the proposal would be costly for all member firms,⁴² but many commenters expressed particular concern that

⁴⁰ See SR-FINRA-2024-004 (Form 19b-4, Exhibit 2b) for a list of abbreviations assigned to commenters (available on FINRA's website at <http://www.finra.org>). Commenters Anonymous, Barrientos, Coker, Dapena, Kienbaum, Moise, Purpura, Rogan, Seinfeld, Sosa, Steichen, and Tovar are collectively referred to as "Individual Commenters." Commenter Crescent expressed its support of ASA's letter, which is referenced specifically below.

⁴¹ See Dimensional; FIA PTG; HMA.

⁴² See ASA; BDA; Beech; Colliers; Falcon Square; HJS; ICE Bonds; InspereX; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; Wiley.

small member firms, including many minority, women, and veteran-owned broker-dealers, would be the most burdened by the implementation costs.⁴³ Commenters believed that these firms would be most affected by the change (and stated that a significant portion of their trades are not already reported within or near one-minute) and would have fewer resources to make changes needed to meet the new timeframe.⁴⁴ Some of these commenters expressed concern that many small broker-dealers would exit the market for fixed income secondary market trading because of the high implementation and compliance costs, harming the smaller retail investors that depend on small member firms for access to the market.⁴⁵

To address these concerns, as described above, FINRA is proposing to provide an exception for members with de minimis reporting activity. FINRA believes that this exception, which would except firms with fewer than 4,000 transactions in the TRACE-Eligible Securities subject to paragraphs (a)(1)(A) through (a)(1)(D) of Rule 6730, is calibrated to provide relief to firms that engage in limited activity in the TRACE-Eligible Securities subject to the proposed one-minute reporting timeframe, and therefore may not have systems in place that would enable reporting within one minute. Member firms

⁴³ See Arkadios; ASA; BDA; Beech; Colliers; Falcon Square; IBI 1 and 2; Individual Commenters; InspereX; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; VFM; Wiley.

⁴⁴ See Arkadios; BDA; Beech; Colliers; Falcon Square; IBI 1 and 2; InspereX; Individual Commenters; ISC; NatAlliance; RBI; SIFMA; UPitt Clinic; VFM; Wiley.

⁴⁵ See Arkadios; BDA; IBI 1 and 2; Individual Commenters; ISC; SIFMA; UPitt Clinic; VFM.

with “limited trading activity” as defined in proposed Supplementary Material .08(a) would continue to be subject to the 15-minute outer limit reporting timeframe.

Reporting Feasibility

Commenters identified several circumstances under which the nature of the execution or reporting process may make it unfeasible to report within one minute. In particular, commenters argued that manually executed or reported trades,⁴⁶ including large trades that must then be manually allocated to multiple subaccounts⁴⁷ and some complex transactions that involve multiple securities,⁴⁸ cannot feasibly be reported within one-minute. Some commenters argued that reducing the reporting timeframe to one minute in these instances would threaten the viability of these types of trades, negatively impacting liquidity⁴⁹ and harming the retail investors, who may not be accustomed to electronic trading, serviced by these firms.⁵⁰ Commenters also raised other scenarios that they believe present operational obstacles to reporting trades within one minute, such as where the security is not already in the firm’s security master (or on FINRA’s master list) due to the set-up process (internally or with FINRA),⁵¹ as well as trades executed when

⁴⁶ See ASA; BDA; Beech; BMO CM; Cambridge; FIF; HJS; HTD; IBI 1 and 2; ICI; InspereX; ISC; Lynch; SAMCO; Seaport; SIFMA; Wells Fargo; Wiley; WMBAA.

⁴⁷ See BDA; BetaNXT; SIFMA; Wells Fargo.

⁴⁸ See SAMCO; SIFMA; Wells Fargo.

⁴⁹ See IBI 1; ICI; SIFMA.

⁵⁰ See HJS; IBI 2; ISC; SIFMA.

⁵¹ See Anonymous; ASA; BDA; BetaNXT; FIF; SAMCO; SIFMA; Wells Fargo.

the TRACE system is not open that must be reported within one minute after the TRACE system re-opens the next trading day.⁵²

With respect to commenters' concern that certain types of transactions cannot feasibly be reported within one minute, FINRA believes that the exception for manual trades included in the proposed rule change will adequately address these concerns. New Supplementary Material .09 would phase in a five-minute reporting standard for trades that involve manual intervention in the execution or reporting process. This exception would address commenters' concern that reducing the reporting timeframe to one minute would threaten the viability of manual trades. Similarly, based on feedback from commenters and outreach to members, FINRA understands that other types of trades raised by commenters, such as some allocation trades and portfolio or list trades, may involve manual intervention in either the execution or reporting process⁵³ and, if so, would therefore qualify for the manual trades exception's extended reporting timeframe. In that regard, 96.9 percent of non-ATS trades are already reported within five minutes; 97.5 percent of portfolio trades are already reported within five minutes; and 93 percent of allocation trades are already reported within five minutes. The phase-in period from implementation is intended to provide members with time to implement a reasonable process to comply with the reduced reporting timeframe with respect to their manual trades. Trades that do not qualify for the manual trades exception must be reported as soon as practical but no later than within one minute of the time of execution. As

⁵² See FIF; SIFMA. FINRA notes that these trades would not be subject to the one-minute reporting timeframe under the proposed rule change and would continue to be subject to the current 15-minute outer limit.

⁵³ See SAMCO; SIFMA; Wells Fargo.

discussed above, FINRA has observed a range of reporting times for portfolio trades within the same basket size band⁵⁴ and similar variation in reporting times for allocation trades depending on the reporter.⁵⁵ This suggests that even large portfolio and allocation trades can be reported within one minute and other factors (e.g., the technology employed to execute or report the trade) contribute to the reporting timeframe.

Commenters raised additional concerns that other operational obstacles might make reporting trades within one minute unfeasible. As mentioned above, FINRA believes many of the concerns raised should be addressed with the proposed exceptions; however, other instances described by commenters do not appear to warrant an exception. For example, with respect to comments that TRACE reporting through a third-party clearing firm presents an operational obstacle to one minute reporting, FINRA has observed that 71 percent of third-party cleared trades are reported within one minute (as compared to 85 percent for self-cleared trades), and there are significant variations in trade reporting time by correspondent firms through the same third-party clearing firm, which suggests that other factors contribute to the reporting timeframe. FINRA notes that many smaller members rely on their third-party clearing firms to report trades to TRACE. Under the proposed rule change, members with “limited trading activity” would continue to be subject to a 15-minute outer limit reporting standard.

⁵⁴ For example, 57.0 percent of portfolio trades in the 300 – 1,000 securities band were reported within one minute and 20.1 percent of portfolio trades in the 1,000+ securities band were reported within one minute.

⁵⁵ Sixty-eight percent of allocated trades were reported within a minute, with five out of 29 members that reported allocation trades able to report 90 percent of their allocation trades within one minute.

With respect to trades in securities that are not already in the member firm's security master (or on FINRA's master list), FINRA believes that the proposed rule change's exception for manual trades should help alleviate commenters' concerns. FINRA understands that setting up a security in a firm's security master (or with FINRA) typically involves manual intervention. Thus, initial trades in such securities – where manual steps must be taken to set up the security at the firm or with FINRA before the trade(s) can be booked or reported – would be subject to the phased-in five-minute reporting standard for manual trades rather than the one-minute standard. In addition, in response to commenters' concern regarding trades reportable to FINRA on the next business day, FINRA is proposing to retain a reporting timeframe of as soon as practicable but no later than within 15 minutes of when the TRACE system opens.

Market Impact

While some commenters argued that the benefits associated with shortening the timeframe for trade reporting have not been sufficiently explained,⁵⁶ FINRA agrees with other commenters that the proposed rule change will increase transparency,⁵⁷ which has historically been shown to improve price discovery and reduce trading costs.⁵⁸ FINRA believes that the proposed rule change's exceptions for members with de minimis reporting activity and for manual trades will mitigate the potential for the proposed rule

⁵⁶ See Arkadios; ASA; BDA; Cambridge; Falcon Square; HJS; HTD; IBI 2; InspereX; ISC; RBI; SAMCO; SIFMA; TRADEliance; Wells Fargo.

⁵⁷ See Dimensional; FIA PTG; HMA.

⁵⁸ See Discussion: Economic Impacts, Anticipated Benefits.

change to have a negative impact on liquidity or execution quality.⁵⁹ With respect to commenters' concerns that the more rapid dissemination of trades could negatively impact liquidity for block trades⁶⁰ and benefit algorithmic traders at the expense of retail and institutional investors,⁶¹ FINRA believes the current trade dissemination caps effectively mitigate these concerns, and note that members already have an obligation under the current Rule to report trades as soon as practicable and are not permitted to delay the reporting (and thus dissemination) of trades.

FINRA recognizes that covered depository institutions will not be subject to the proposed rule change.⁶² However, FINRA continues to believe that the proposed rule change is appropriate at this time. First, until recently, covered depository institutions did not report transactions to TRACE at all,⁶³ and they are not subject to the TRACE reporting requirement for all TRACE-Eligible Securities. In addition, covered depository

⁵⁹ As discussed above, the proposed rule change's exception for members with "limited trading activity" should address commenters' concern that the proposal's implementation costs may cause many small firms to exit the fixed income market, negatively impacting liquidity. See Falcon Square; IBI 1 and 2; Individual Commenters; InspereX; ISC; SIFMA; VFM; Wiley. Likewise, FINRA believes that the manual trades exception should address commenters' concerns regarding the continued viability of manual trades and the ability to hedge large trades and trades in thinly traded securities, which FINRA understands are often executed manually. See IBI 1; ICI; SIFMA. Similarly, the exception for manual trades would provide an extended reporting timeframe to accommodate manual intervention in the trade execution or reporting process to conduct best execution and fair pricing reviews. See ASA; SIFMA.

⁶⁰ See ICI; SIFMA.

⁶¹ See BMO CM; SIFMA; VFM.

⁶² See InspereX; SIFMA.

⁶³ Covered depository institutions started to report to TRACE on September 1, 2022. See 86 FR 59716, 59717 (October 28, 2021).

institutions do not report a significant number of trades in agency debt since they began reporting to TRACE.⁶⁴ While covered depository institutions are more active in the MBS TBA GD market, this activity has historically been concentrated in a few large institutions. FINRA believes that any potential competitive disadvantage is speculative. On balance, FINRA thinks the proposed rule change is appropriate and should improve the timing of market information.

Other Issues

While the proposed rule change may lead to an increase in reporting errors, corrections, and late reporting rates, particularly at the outset as members adapt to the proposed rule change's new standards,⁶⁵ FINRA expects that the impact to members' accuracy and late reporting rates will largely be temporary, as accuracy and timeliness will increase as members adapt to the proposed rule change's new standards. FINRA also intends to provide members with a sufficient implementation timeframe to make the changes necessary to comply with the reduced reporting timeframe (for example, approximately within 18 months from any SEC approval). As stated above, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

FINRA also believes that the extended reporting timeframes available for members with de minimis reporting activity and for manual trades will help mitigate these issues. FINRA likewise believes that the exception for manual trades will help mitigate commenters' concern that errors will be less likely to be corrected within the

⁶⁴ Covered depository institutions' transactions in ABS are limited to SBA-Backed ABS.

⁶⁵ See Arkadios; BDA; Beech; BMO CM; Cambridge; HJS; HTD; IBI 2; ICI; Individual Commenters; InspereX; SAMCO; Seaport; SIFMA; VFM.

reporting timeframe as FINRA understands that trade report corrections often involve manual intervention (e.g., a customer calling or instant messaging/chatting to request a change to the trade, which change is then manually made to the trade ticket/booking entry).⁶⁶ Under such circumstances, the trade would qualify for the extended reporting timeframe applicable to manual trades.⁶⁷ Additionally, in the event a trade report correction cannot be completed within the applicable timeframe, FINRA has historically taken into account whether cancels and corrections are driving untimely reporting and the reason(s) for the cancels and corrections in monitoring members for compliance with the Rule and assessing whether a firm has a “pattern or practice” of late reporting. Accordingly, FINRA believes that potential issues related to errors, corrections, and late reporting will not be significant and do not outweigh the proposed rule change’s potential benefits.

Finally, commenters also suggested a number of alternatives to the proposal that they believed would improve the TRACE reporting regime, including implementing a phased-in approach to shortening the reporting timeframe,⁶⁸ establishing a global securities master list,⁶⁹ improving TRACE’s web-based reporting interfaces, reducing

⁶⁶ See Arkadios; ASA; BDA; Beech; BMO CM; Cambridge; HJS; HTD; ICI; InspereX; SAMCO; Seaport; SIFMA; VFM.

⁶⁷ To the extent the trade was originally fully electronic, when the member amends the trade report, it should add the Manual Trade Indicator.

⁶⁸ See Arkadios; ICE Bonds; ICI; InspereX; TRADEliance; UPitt Clinic; SIFMA; VFM.

⁶⁹ See SIFMA. For corporate bonds, FINRA has proposed establishing a reference data service for new issues. See Securities Exchange Act Release No. 85488 (April 2, 2019), 84 FR 13977 (April 8, 2019) (Notice of Filing of File No. SR-

TRACE system latencies and providing more transparency regarding systems issues that may impact reporting,⁷⁰ and providing additional guidance on members' "as soon as practicable" reporting obligation and additional TRACE reporting metrics to members.⁷¹ FINRA determined to implement a phased-in approach to reducing the reporting timeframe to five minutes for manual trades in light of commenters' concerns. However, FINRA does not believe that the alternatives proposed by commenters will provide improvements to the TRACE reporting regime similar to those of the proposed rule change. Accordingly, FINRA determined to move forward with the proposal while it also continues to consider other ways to provide more timely, granular and informative data to market participants and enhance the value of disseminated transaction data.

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

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

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

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

FINRA-2019-008) (Proposed Rule Change to Establish a Corporate Bond New Issue Reference Data Service).

⁷⁰ See SIFMA.

⁷¹ See FIF; SIFMA.

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-2024-004 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-2024-004. 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-2024-004 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.⁷²

Jill M. Peterson
Assistant Secretary

⁷²

17 CFR 200.30-3(a)(12).

Regulatory Notice

22-17

TRACE Reporting Timeframe

FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Comment Period Expires: October 3, 2022

Summary

FINRA is soliciting comment on a proposal to amend Rule 6730 to reduce the Trade Reporting and Compliance Engine (TRACE) trade reporting timeframe for transactions in all TRACE-Eligible Securities that currently are subject to a 15-minute reporting timeframe. Specifically, members would be required to submit a report to TRACE as soon as practicable (as is currently the case), but no later than one minute from the time of execution, for transactions in corporate bonds, agency debt securities, asset-backed securities and agency pass-through mortgage-backed securities traded to-be-announced for good delivery. As is the case today, FINRA would make information on the reported transactions publicly available immediately upon receipt of the trade report.

Questions regarding this *Notice* should be directed to:

- ▶ Chris Stone, Vice President, Transparency Services, at (202) 728-8457 or chris.stone@finra.org;
- ▶ Joseph Schwetz, Senior Director, Market Regulation, at (240) 386-6170 or joseph.schwetz@finra.org; or
- ▶ Adam Kezsbom, Associate General Counsel, Office of General Counsel, at (202) 728-8364 or adam.kezsbom@finra.org.

Questions regarding the Economic Impact Assessment in this *Notice* should be directed to Yue Tang, Senior Economist, Office of the Chief Economist, at (202)728-8237 or yue.tang@finra.org.

August 2, 2022

Notice Type

- ▶ Request for Comment

Suggested Routing

- ▶ Compliance
- ▶ Institutional
- ▶ Legal
- ▶ Operations
- ▶ Systems
- ▶ Technology
- ▶ Trading
- ▶ Training

Key Topics

- ▶ Agency Debt Securities
- ▶ Asset-Backed Securities
- ▶ Corporate Bonds
- ▶ Mortgage-Backed Securities
- ▶ TRACE
- ▶ Transaction Reporting

Referenced Rules & Notices

- ▶ FINRA Rule 6710
- ▶ FINRA Rule 6730
- ▶ Notice to Members 04-51
- ▶ Regulatory Notice 16-39

Action Requested

FINRA encourages all interested parties to comment on this proposal. Comments must be received by October 3, 2022.

Comments must be submitted through one of the following methods:

- ▶ Online using FINRA's comment form for this *Notice*;
- ▶ Emailing comments to pubcom@finra.org; or
- ▶ Mailing comments in hard copy to:

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

To help FINRA process and review comments more efficiently, persons should use only one method to comment on the proposal.

Important Notes: Comments received in response to *Regulatory Notices* will be made available to the public on the FINRA website. In general, comments will be posted as they are received.¹

Before becoming effective, the proposed rule change must be filed with the SEC pursuant to Section 19(b) of the Securities Exchange Act of 1934 (SEA or Exchange Act).²

Background and Discussion

FINRA has collected and disseminated transaction information in fixed income securities through TRACE since 2002.³ Since the implementation of TRACE, the fixed income markets have changed dramatically, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. With these changes, FINRA has been considering ways to provide more timely, granular and informative data to, among other things, enhance the value of disseminated transaction data. For example, earlier this year, the SEC approved a FINRA proposal to append a modifier to a corporate bond trade that is part of a larger portfolio trade when reporting to TRACE.⁴ FINRA is actively considering a number of enhancements to the TRACE reporting and dissemination framework and whether the evolution of trading platforms, market conventions, or other considerations and developments warrant changes to the data FINRA collects and disseminates through TRACE.⁵

FINRA rules specify the applicable outer limit reporting timeframe for different types of TRACE-Eligible Securities,⁶ and these timeframes have been augmented over time in line with changes in the markets. The 15-minute reporting timeframe that is

applicable to corporate and agency debt securities⁷ has been in place since 2005.⁸ A 15-minute outer limit reporting timeframe currently applies to most transactions⁹ in corporate bonds, agency debt securities, asset-backed securities (ABS)¹⁰ and agency pass-through mortgage-backed securities (MBS) traded to-be-announced (TBA) for good delivery (GD).¹¹

Thus, today, transactions in these securities are generally required to be reported as soon as practicable but no later than 15 minutes from the time of execution and FINRA publicly disseminates information on the transaction immediately upon receipt.¹² As discussed in more detail below, FINRA has found that 81.9 percent of trades in the TRACE-Eligible Securities that are currently subject to the 15-minute outer limit reporting timeframe were reported within one minute of execution. In light of the technological advances in the intervening 18 years since FINRA first adopted the 15-minute reporting requirement, including the increase in electronic trading, and the potential transparency benefits of more timely trade reporting, FINRA is seeking comment on whether it is appropriate at this time to reduce the trade reporting timeframe for these securities to one minute. As is the case today, FINRA would make information on the transaction publicly available immediately upon receipt of the trade report.

Proposed Amendments

Rule 6730(a)(1) sets forth the requirements for when trades executed during different time periods throughout the day must be reported to TRACE. Currently, corporate, agency, ABS, and MBS TBA GD transactions executed on a business day at or after 12:00:00 a.m. Eastern Time (ET) through 7:59:59 a.m. ET must be reported the same day, no later than 15 minutes after the TRACE system opens. Transactions executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET must be reported as soon as practicable, but no later than 15 minutes of the time of execution, except for transactions executed on a business day less than 15 minutes before 6:30 p.m. ET, which must be reported no later than 15 minutes after the TRACE system opens the next day (and, if reported on T+1, designated “as/of” with the date of execution). Finally, transactions executed on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or for trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, must be reported on the next business day, no later than 15 minutes after the TRACE system opens (and must be designated “as/of” and include the date of execution).

Consistent with longstanding FINRA and SEC goals of increased transparency and improving access to timely transaction data, FINRA is proposing to amend Rule 6730 to reduce the reporting timeframe for corporate, agency, ABS and MBS TBA GD transactions from an outer limit of 15 minutes to one minute. Specifically, FINRA is proposing to amend Rule 6730(a)(1) to provide that:

- ▶ for transactions executed on a business day at or after 12:00:00 a.m. ET through 7:59:59 a.m. ET, firms would be required to report the trade the same day, no later than one minute after the TRACE system opens;
- ▶ for transactions executed on a business day at or after 8:00:00 a.m. ET through 6:29:59 p.m. ET, firms would be required to report the trade as soon as practicable, but no later than one minute of the time of execution, except that, for transactions executed on a business day less than one minute before 6:30 p.m. ET, firms would be required to report the trade no later than one minute after the TRACE system opens on T+1 (and, if reported on T+1, designated “as/of” with the date of execution); and
- ▶ for transactions executed on a business day at or after 6:30:00 p.m. ET through 11:59:59 p.m. ET, or for trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, firms would be required to report the trade on T+1 no later than one minute after the TRACE system opens (and must designate the trade “as/of” and include the date of execution).

FINRA believes that reducing the reporting timeframe for corporate, agency, ABS and MBS TBA GD transactions may improve transparency and allow investors and other market participants to obtain and evaluate pricing information more quickly—creating a qualitative increase in market transparency for these securities. Facilitating more timely information is one way to improve the value of disseminated transaction data. FINRA is actively considering further enhancements to the TRACE reporting framework and whether the evolution of market conventions or other considerations or developments warrant changes to the data that is collected and disseminated through TRACE.

Economic Impact Assessment

Preliminary Economic Impact Analysis

FINRA has undertaken an economic impact assessment, as set forth below, to further analyze the potential economic impacts, including anticipated costs, benefits, and distributional and competitive effects, relative to the current baseline.

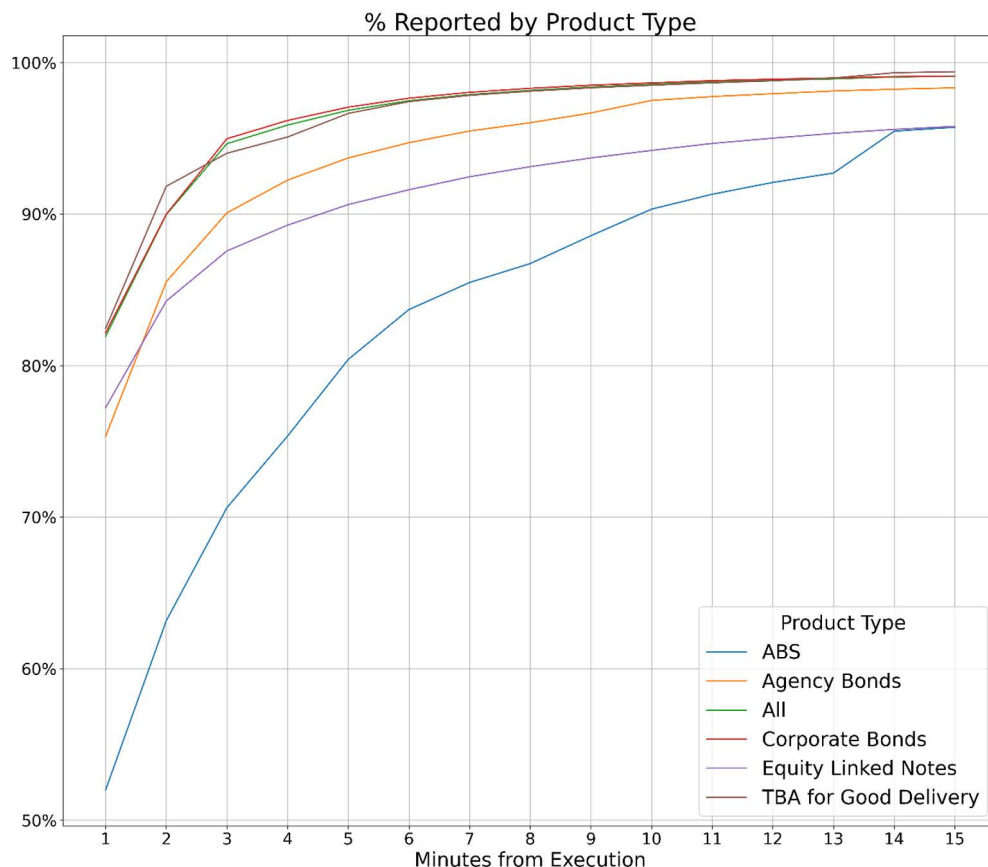
Economic Baseline

FINRA analyzed how long it took dealers and alternative trading systems (ATSs) to report trades under the current 15-minute reporting timeframe using TRACE data from January 2021 to December 2021.¹³ The analysis measured the time between trade execution time and report time (and in cases where reports were later corrected, to the time of final correction). Most of the analysis focused on transactions executed at or after 8:00 a.m. ET and before 6:15 p.m. ET (when trades must be reported as soon as practicable on that day, but no later than within 15 minutes of the time of execution).

Overall, FINRA found that 81.9 percent of trades across TRACE-Eligible Securities that are currently subject to the 15-minute outer limit reporting timeframe were reported within one minute of execution. When FINRA examined reporting times for these securities by individual reporters, 16.4 percent of reporters submitted 95 percent of their trades within one minute.¹⁴ For transactions in corporate bonds, which represented 87 percent of all trade reports in the sample, FINRA found that 82.2 percent of trades were reported within one minute and 18.8 percent of reporters submitted 95 percent of their trades within one minute.

Figure 1 presents the distribution of trade reports from one to up to 15 minutes (in one-minute increments) from the time of execution for ABS, agencies, corporate bonds, equity-linked notes (ELNs) and TBA GD. Figure 1 shows that corporate bonds and TBA GD were reported the fastest among the products, with 82 percent of the trades reported within one minute. ELNs followed close behind at 77 percent and agency bonds at 75 percent. ABS were reported the slowest, with 52 percent reported within one minute.

Figure 1: Reporting Times Across Product Types¹⁵



FINRA also specifically examined the reporting timeframe for corporate bond transactions in more depth across bond and reporter characteristics. As mentioned previously, corporate bond trades represented 87 percent of all trade reports in the sample. Table 1 shows that 84 percent of inter-dealer trades were reported within one minute and 80 percent of customer trades were reported within one minute. Dealers reported 84 percent of ATS trades within a minute (dealers reported at a faster pace compared to ATSs, which reported 56 percent within the first minute and 93 percent within the second minute). Eighty-four percent of trades in an agency capacity were reported within one minute, compared to 82 percent of trades in a principal capacity.

Table 1: Reporting Times by Counterparty Types, Platforms, and Reporting Capacity (Corporates)

Minutes from Execution	Counterparty			ATS vs non-ATS		Reporting Capacity	
	Affiliate	Customer	Dealer	Dealer reported Non-ATS trades	Dealer reported ATS trades ¹⁶	Agency	Principal
1	81%	80%	84%	83%	84%	84%	82%
2	90%	87%	92%	89%	92%	92%	90%
3	95%	93%	96%	94%	97%	94%	95%
4	96%	95%	97%	96%	98%	96%	96%
5	97%	96%	98%	97%	99%	97%	97%
10	98%	98%	99%	98%	99%	99%	99%
15	99%	99%	99%	99%	100%	99%	99%

For corporate bonds, FINRA also examined security and trade characteristics that are associated with bond liquidity and how easily bonds can be traded. Figure 2 shows that reporting times differ based on trade size for corporate bond trades. Small trades (trades of less than \$100k par value) were, on average reported faster, while larger trades took longer to report. FINRA found that 86 percent of trades smaller than \$100k par value and 61 percent of trades larger than \$25M par value were reported within one minute. Ninety-eight percent of trades smaller than \$100k par value and 88 percent of trades larger than \$25M par value were reported within five minutes.

Figure 2: Reporting Times by Trade Size (Corporates)

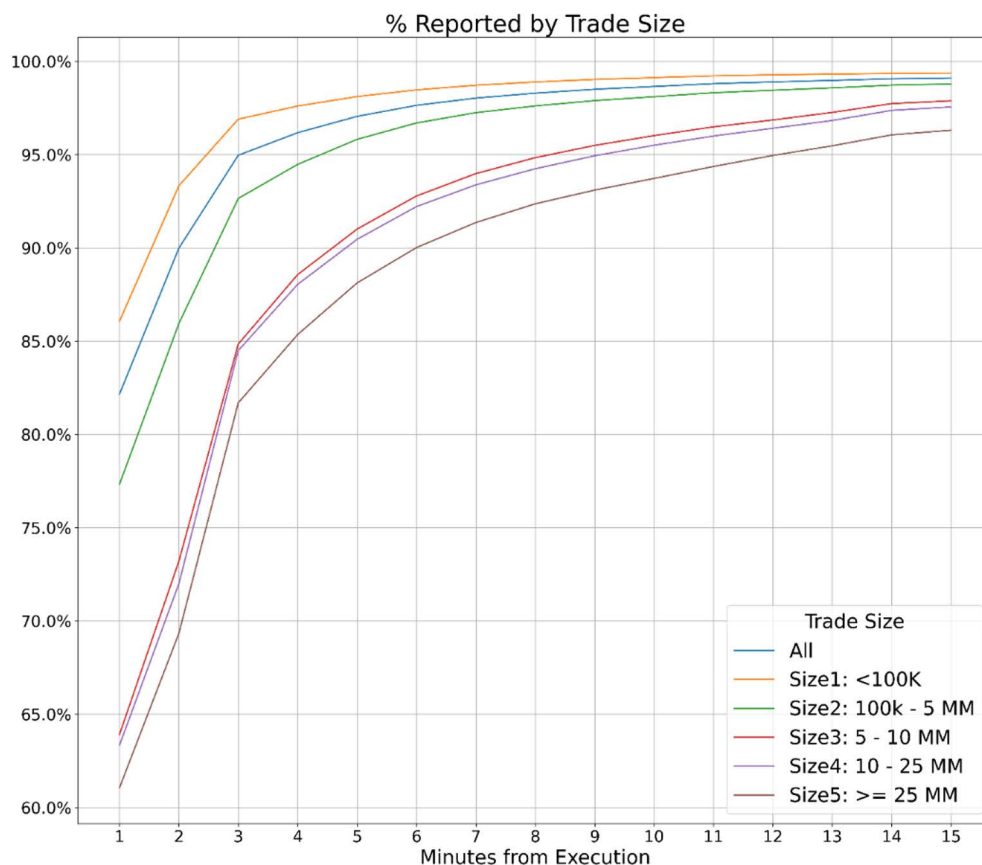


Table 2 shows that trades in investment grade corporate bonds are, on average, reported faster than trades in non-investment grade corporate bonds,¹⁷ with 84 percent of trades in investment grade corporate bonds reported within one minute of execution compared to 78 percent of trades in non-investment grade corporate bonds. Younger corporate bonds are usually traded more frequently and are associated with higher liquidity. Table 2 shows that 77 percent of trades in corporate bonds issued less than one year ago were reported within one minute, compared to 84 percent of trades in corporate bonds that were issued one or more years ago. No material differences in trade reporting times existed for corporate bonds of different issue sizes (large issue sizes tend to be more liquid). Seventy-two percent of trades in 144A bonds were reported within one minute, compared to 83 percent of trades in non-144A bonds.¹⁸

Table 2: Reporting Times by Bond Grade, Issue Size, and Bond Age (Corporates)

Minutes from Execution	Security Rating		Issue Size			Bond Age		144A vs non-144A	
	Non-Investment Grade	Investment Grade	Issue size1: < 500 MM	Issue size2: 500 MM – 1 B	Issue size3: >= 1 B	Age1: < 1 Year	Age2: >= 1 Year	Non-144A	144A
1	78%	84%	82%	82%	83%	77%	84%	83%	72%
2	87%	91%	91%	90%	90%	86%	91%	91%	82%
3	93%	96%	95%	95%	95%	93%	96%	96%	91%
4	94%	97%	96%	96%	96%	94%	97%	97%	93%
5	96%	98%	97%	97%	97%	96%	97%	97%	95%
10	98%	99%	98%	99%	99%	98%	99%	99%	98%
15	99%	99%	99%	99%	99%	99%	99%	99%	99%

FINRA compared trade reporting times across firms with different levels of activity in corporate bonds in assessing how the potential burdens stemming from the proposal would be distributed across firms. Table 3 shows that, on average, reporters that were more active in trading corporate bonds reported trades more quickly. Specifically, 82 percent of trades executed by more active reporters (with more than 1,000 trades in 2021) were reported within one minute, compared to 45 percent of trades executed by less-active reporters (less than 100 trades in 2021), and 43 percent by moderately active reporters (100 to 1,000 trades in 2021).

FINRA examined the reporting times by individual reporters for corporate bonds in addition to studying the relationship between reporter activity level and report timeframes. Specifically, the analysis measured the cumulative percentage of firms that reported at least a minimum percentage (100, 99 and 95 percentage) of trades at each minute after execution. Table 3 shows that 19 percent of reporters submitted 95 percent of their trades within one minute, 47 percent of reporters submitted 95 percent of their trades within five minutes and 76 percent of reporters submitted 95 percent of their trades within 15 minutes. When examined by reporter activity level, 19 percent of more active reporters submitted 95 percent of their trades within one minute, compared to 10 percent of moderately active reporters, and 25 percent of less-active reporters.

Table 3: Reporting Times by Reporter Activity Level (Corporates)

Minutes from Execution	Reporter (by MPID) Activity Level			% of Trades Reported			Reporter (by MPID) Activity Level (95% of Trades Reported)		
	Very Active Reporter	Moderately Active Reporter	Less Active Reporter	Report 100%	Report 99%	Report 95%	Very Active Reporter	Moderately Active Reporter	Less Active Reporter
1	82%	43%	45%	8%	10%	19%	19%	10%	25%
2	90%	64%	64%	12%	14%	31%	36%	20%	33%
3	95%	72%	72%	13%	17%	38%	46%	25%	39%
4	96%	78%	77%	15%	20%	43%	54%	30%	42%
5	97%	82%	81%	16%	22%	47%	58%	34%	46%
10	99%	93%	88%	22%	33%	66%	81%	53%	60%
15	99%	95%	91%	24%	41%	76%	95%	68%	64%

Very active reporters: more than 1000 trades in 2021; less-active reporters: less than 100 trades in 2021; moderately active reporters: 100 to 1,000 trades in 2021.

The timeliness of trade reporting is associated with the manner in which the parties enter trade reports to TRACE. Table 4 shows that only 14 percent of the web-entered reports (0.49 percent of all reported trades) were reported within one minute of execution, compared to 83 percent of trades reported via FIX. The analysis did not find that web entry was associated with particular types of trades or the activity level of the reporter. Four percent of more active reporters (357 reporters with more than 1,000 reported trades in 2021) used only the web entry method, 6 percent of moderately active reporters (266 reporters with 100 to 1,000 reported trades in 2021) used only the web entry method, and 10 percent of less-active reporters (345 reporters with less than 100 reported trades in 2021) used only the web entry method.

Table 4: Reporting Times by Entry Method

Minutes from Execution	Trade Entry Method ¹⁹		
	FIX	Web Multi-entry	Web
1	83%	9%	14%
2	90%	22%	29%
3	95%	31%	38%
4	96%	41%	46%
5	97%	52%	51%
10	99%	76%	68%
15	99%	83%	74%

FINRA examined trades in corporate bonds that were executed during TRACE system hours at or after 8:00 a.m. and before 6:15 p.m. ET and compared the findings to trades that were executed outside of these hours. Trades that were executed before 8:00 a.m., after 6:30 p.m., or on a non-TRACE business day represented 1.52 percent of the total trades in corporate bonds reported during the sample period. Of these trades, 57 percent were reported within one minute of the TRACE system open. Trades executed from 6:15 p.m. through 6:30 p.m. on a business day represented 0.02 percent of total trades. Of these trades, 95 percent were reported no later than one minute after the TRACE system opened on the next business day. FINRA did not find a volume or trade size increase immediately after 6:15 p.m.

Table 5: Reporting Times by Time of Day (Corporates)

Minutes from Execution	Group 1	Group 2 ²⁰	Group 3 ²¹
1	82%	95%	57%
2	90%	97%	89%
3	95%	97%	92%
4	96%	97%	93%
5	97%	97%	94%
10	99%	97%	96%
15	99%	97%	96%

Group 1: Trades executed between 8:00 a.m. – 6:15 p.m. on a business day; Group 2: 6:15 p.m. – 6:30 p.m. on a business day; Group 3: before 8:00 a.m. or after 6:30 p.m. on a business day, or at any time on a non-business day.

FINRA also examined the reporting timeframes for trade reports in corporate debt securities that were later amended by either a cancellation or a correction because a potential concern with a shorter reporting timeframe is whether it may be associated with a greater error rate or potentially lower quality information. Table 6 presents the reporting times between (i) the time of execution of a transaction and its initial report to TRACE, and (ii) the time of execution and the final report—*i.e.*, the final correction or cancellation. Trade report amendments do not occur often; only 1.2 percent of TRACE trade reports in 2021 were subject to corrections or cancellations after submission. Of these, 66 percent of the initial reports were reported within one minute as compared to 82 percent of the reports that were not subject to a subsequent cancellation or correction, which suggests that faster reporting may not be associated with more errors.²² Trade reports that were later canceled or corrected were initially reported more slowly than reports that were not later cancelled or corrected, possibly reflecting a difficulty in reporting these trades.

Table 6: Reporting Times Adjusted for Cancellations and Corrections (Corporates)

Minutes from Execution	Initial Report	Final Report
1	66%	4%
2	75%	9%
3	82%	12%
4	85%	16%
5	86%	19%
10	90%	29%
15	92%	36%

FINRA also assessed trade reporting times for the different types of TRACE-Eligible Securities that are subject to the proposal. Reporting times for agency bonds and corporates were similar, with small trades reported faster and larger trades taking longer to report. When trades in agency debt securities were sorted by trade size, 92 percent of trades in the bottom 20th percentile (by trade size) were reported within one minute, compared to 55 percent of large trades in the top 20th percentile (by trade size). For ABS, most trades (across different sizes) were reported at the same speed; specifically, 44 percent to 48 percent were reported within one minute, except for small trades in the bottom 20th percentile, 77 percent of which were reported within one minute. There was not a significant difference in trade reporting times for TBA trades of different sizes, with 77 percent to 86 percent reported within one minute. In direct contrast to corporate bonds, small-sized ELN trades were reported the slowest.

FINRA found that more active reporters submitted trades more quickly across the different types of TRACE-Eligible Securities subject to the proposal. When reporters were divided into three groups by their total number of trades, very active reporters submitted trade reports the fastest. For example, 30 percent, 41 percent and 52 percent of trades by less-active, moderately active and very active reporters in ABS were reported within one minute, respectively. For agency bonds, the percentages were 45 percent, 45 percent and 76 percent. TBA GD did not show a consistent relationship between the activity level of the reporter and the reporting timeframe, with 64 percent, 54 percent and 84 percent of the less-active, moderately active and very active reporters' trades reported within one minute, respectively.

When examining reporting timeframes by individual reporters, there was no clear pattern between reporter activity level and reporting times. Most firms, regardless their level of activity in the securities subject to this proposal, reported some trades longer than one minute from the time of execution. For agency bonds, 14.5 percent of very active reporters submitted 95 percent of their trades within one minute, compared to 13.8 percent of moderately active reporters and 35.5 percent of less-active reporters. For ABS, the percentages were 12.5 percent, 7.8 percent and 24.6 percent. For TBA, 23 percent of very active reporters took less than one minute to report 95 percent of their trades, compared to 4 percent of moderately active reporters and 11 percent of less-active reporters.

Economic impacts

Anticipated Benefits

As discussed above, FINRA is proposing to reduce the TRACE trade reporting timeframe for transactions in all TRACE-Eligible Securities that currently are subject to a 15-minute reporting timeframe. Given that 81.9 percent of the trades executed after 8:00 a.m. and before 6:15 p.m. ET were reported within one minute of execution in 2021, the proposal will result in quicker reporting and dissemination of transaction information for the remaining 4.9 million reports (or 23 trillion dollars in par value). Reducing the reporting timeframe will solidify the benefits of the technological advancements that have occurred since 2005 by requiring timelier reporting in the rule. For transactions that currently are not reported within one minute, the reporting timeframe reduction would require members to improve their current trade reporting processes to facilitate timelier reporting and allow FINRA to provide more timely pricing and other transaction information to the market, which supports price formation. Therefore, the proposal also would aid investors and other market participants in obtaining and evaluating price and other market information more quickly and act accordingly. Research has shown that TRACE dissemination improved price discovery and reduced trading costs for corporate bond investors.²³ While dealers may benefit directly from the expedited price discovery, investors are

also likely to benefit from fairer pricing and better executions from their dealers. The reduction in the time between trade execution and price dissemination would enhance transparency in the fixed income market and is consistent with the purpose of TRACE. Reducing the timeframe from 15 minutes to one minute will also better align the execution and dissemination framework, as there will be less variation with respect to publication versus execution time. This should make the disseminated pricing information more time relevant and therefore of greater value for market participants.

Anticipated Costs

FINRA believes that the proposal would likely result in direct and indirect costs for firms to implement changes to their processes and systems for reporting transactions to TRACE in the new timeframe. Firms that do not have automated reporting systems in place may incur costs from establishing such systems and infrastructure. Table 3 shows that, even for very active firms that most likely have a trade reporting infrastructure in place, some trades are still reported later than one minute from the time of execution. For these trades, firms may incur costs to modify their reporting procedures to report more quickly and monitor that the trades are reported in the required timeframe.

A higher percentage of less-active reporters submitted 95 percent of their trades within one minute than moderately active reporters, possibly suggesting that use of a third-party reporting system by less-active reporters may be associated with faster reporting. While members currently using a third-party reporting service may incur less costs, those that do not currently use a third-party reporting service may opt to do so if the costs would be lower than building their own system.

Request for Comment

FINRA requests comment on all aspects of the proposal. FINRA requests that commenters provide empirical data or other factual support for their comments wherever possible. In addition to general comments, FINRA specifically requests comments on the following questions:

1. FINRA is proposing to reduce the trade reporting and concomitant public dissemination timeframe for corporate, agency, ABS and MBS TBA GD transactions from an outer limit of 15 minutes to one minute. FINRA acknowledges that reducing the reporting timeframe would necessitate a greater change in behavior for members in connection with some types of securities and transactions than others—e.g., ABS (see Figure 1). Do commenters agree that timelier dissemination would be beneficial for all types of TRACE-Eligible Securities that are currently subject to the 15-minute reporting timeframe?

2. Would the benefits be different for different types of TRACE-Eligible Securities subject to the proposal—specifically, for corporate, agency, ABS or MBS TBA GD? In the case of corporate debt securities, would the benefits be different for investment grade than for high-yield debt?
3. Would the benefits of the proposal be different for different types of market participants—*e.g.*, retail investors, institutional investors, dealers or others? Please be specific.
 - ▶ In addition to the beneficial economic impacts identified in this proposal:
 - ▶ Are there other significant sources of benefits of the proposal to firms, investors or others?
 - ▶ Would impacts differ for different types of investors or other market participants?
 - ▶ Would impacts differ across firm size or business model?
 - ▶ What would be the magnitude of these benefits?
4. Do members anticipate any operational challenges in connection with complying with the proposed reporting timeframe?
5. For example, do firms anticipate that reporting within one minute of execution may result in the need for additional cancellations or corrections?
 - ▶ Are there specific types of products that cannot reasonably be reported within one minute of the time of execution? Please specify.
 - ▶ Are there any other considerations that may complicate reporting within one minute of execution? If so, are those considerations similar for both voice and electronic executions? Please explain.
6. Table 1 shows that trades with customers were reported slower than inter-dealer trades. Does the reporting process for customer trades differ from that of other types of trades in a manner that causes customer trades to be reported slower? If so, what is driving the difference in reporting? Would reducing the reporting timeframe particularly benefit transparency for customer trades? Would the proposal result in greater challenges for firms in reporting customer trades?
7. Table 4 shows that only 14 percent of reports entered using the web interface were reported within one minute of trade execution. FINRA notes that reporting using the web interface is not concentrated in smaller and less active firms. Why do firms report using the web interface for certain trades? Are trades reported using the web interface different from other trades? If so, how are these trades different? How will firms currently reporting trades through the web interface change their reporting process to comply with a shortened reporting timeframe?

8. Table 5 shows that 57 percent of trades executed before 8:00 a.m. or after 6:30 p.m. ET or on a non-business day were reported within one minute of the start of TRACE system hours on the next business day. Would reducing the reporting timeframe benefit the market with respect to after-hours trades? Would the proposal result in challenges for reporting after-hours trades?
9. Figure 2 shows that reporting timeframes differ based on trade size, where larger trades took longer to report. Why do large trades take longer to report? Would the reduction in the reporting timeframe provide a comparatively greater benefit to the market with respect to large trades? Might the reduced timeframe result in increased costs for large trades and, if so, might these costs be passed on?
10. How might the proposal affect the overall market for large trades and liquidity? For example, could faster reporting and dissemination alter incentives for dealers? Please be specific.
11. How might the reduced reporting timeframe affect competition among reporters of different activity levels in TRACE-Eligible Securities? Table 3 shows that very active reporters submitted trade reports faster than other reporters. Might members' compliance costs (e.g., costs in connection with upgrading systems) differ depending on firms' activity levels?
12. What technology, compliance or other costs would be associated with the proposed reporting timeframe reduction? Please be specific.
13. How might the proposed timeframe reduction impact liquidity for corporates, agencies, ABS, and MBS TBA GD securities? Please describe.
14. Are the burdens associated with requiring faster reporting for corporates, agencies, ABS and MBS TBA GD securities appropriate in light of the anticipated transparency benefits to investors and the markets.
15. Should FINRA consider a longer or shorter reporting timeframe than one minute? If so, what timeframe would be appropriate, for which products, and why?
16. Should FINRA consider providing any exceptions, whether on a temporary or permanent basis, for particular types of firms, for example, those with limited trading volume in corporates, agencies, ABS and MBS TBA GD securities? If so, what threshold should FINRA consider for an exception and should it differ for the different types of securities that are subject to the proposal? Are there any additional exceptions that FINRA should consider? What impacts would permitting exceptions have on the overall benefits of the proposal?
17. What implementation period would be appropriate to provide members with sufficient time to comply with the proposed changes to the reporting timeframe?

18. Could the proposal affect how dealers trade or otherwise change market participant behavior?
19. In addition to the economic impacts identified in this proposal:
 - ▶ Are there other significant sources of impacts, including direct or indirect costs of the proposed amendments to firms and investors?
 - ▶ What are these economic impacts and what factors contribute to them?
 - ▶ What would be the magnitude of these costs?
 - ▶ Would economic impacts differ for different types of investors or other market participants?
 - ▶ Would economic impacts differ across firm size or business model?
 - ▶ Please provide data or other supporting evidence.
20. As discussed above, the proposal is limited to reducing the outer limit timeframe for reporting transactions in specific types of TRACE-Eligible Securities. FINRA continues to consider the TRACE reporting framework more broadly, including whether any additional changes may be appropriate. FINRA welcomes commenter views on further enhancements to the TRACE reporting and dissemination regime that would improve post-trade transparency for TRACE-Eligible Securities.

Endnotes

1. Parties should submit in their comments only personally identifiable information, such as phone numbers and addresses, that they wish to make available publicly. FINRA, however, reserves the right to redact, remove or decline to post comments that are inappropriate for publication, such as vulgar, abusive or potentially fraudulent comment letters. FINRA also reserves the right to redact or edit personally identifiable information from comment submissions.
2. See SEA Section 19 and rules thereunder. After a proposed rule change is filed with the SEC, the proposed rule change generally is published for public comment in the *Federal Register*. Some proposed rule changes take effect immediately upon filing with the SEC. See SEA Section 19(b)(3) and SEA Rule 19b-4.
3. See Securities Exchange Act Release No. 43873 (January 23, 2001), 66 FR 8131 (January 29, 2001), (Order Approving File No. SR-NASD-99-65).
4. See Securities Exchange Act Release No. 94365 (March 4, 2022), 87 FR 13781 (March 10, 2022) (Order Approving File No. SR FINRA 2021-030).
5. See Gary Gensler, [The Name's Bond: Remarks at City Week](#) (April 26, 2022).
6. See FINRA Rule 6710. "TRACE-Eligible Security" means 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 paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); or (3) a U.S. Treasury Security as defined in paragraph (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 paragraph (o).
7. "Agency Debt Security" means a debt security that is (i) issued or guaranteed by an "agency," as defined in Rule 6710(k); (ii) issued or guaranteed by a "government-sponsored enterprise" (GSE), as defined in Rule 6710(n); or (iii) issued by a trust or other entity that was established or sponsored by a GSE for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. The term excludes a "U.S. Treasury security," as defined in Rule 6710(p) and a "securitized product," as defined in Rule 6710(m), where an agency or a GSE is the "securitizer," as defined in Rule 6710(s) (or similar person), or the guarantor of the securitized product. See FINRA Rule 6710(l).
8. In 2004, FINRA (then NASD) reduced the timeframe for reporting certain TRACE-Eligible Securities, including corporate and agency debt, to within 15 minutes of the time of execution. See Securities Exchange Act Release No. 49845 (June 14, 2004), 69 FR 35088 (June 23, 2004), (Order Approving File No. SR-NASD-2004-057). See also *Notice to Members 04-51* (July 2004).
9. A "List or Fixed Offering Price Transaction," as defined in Rule 6710(q), and a "Takedown Transaction," as defined in Rule 6710(r) are required to be reported to TRACE by the next business day (T+1). See FINRA Rule 6730(a)(2).
10. "Asset-Backed Security" means a type of securitized product where the ABS is collateralized by any type of financial asset, such as a consumer or student loan, a lease, or a secured or unsecured receivable, and excludes: (i) a securitized product that is backed by residential or commercial mortgage loans, mortgage-backed securities, or other financial assets derivative of mortgage-backed securities; (ii) an "SBA-Backed ABS," as defined in Rule

- 6710(bb) traded TBA as defined in Rule 6710(u) or in a "Specified Pool Transaction," as defined in Rule 6710(x); and (iii) a collateralized debt obligation. See Rule 6710(cc).
11. "Agency Pass-Through Mortgage-Backed Security" means a type of securitized product issued in conformity with a program of an "agency," as defined in Rule 6710(k) or a GSE as defined in Rule 6710(n), for which the timely payment of principal and interest is guaranteed by the agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to "pass through" the principal and interest payments to the holders of the security on a pro rata basis. See FINRA Rule 6710(v). "To Be Announced" means a transaction in an Agency Pass-Through MBS as defined in Rule 6710(v) or an SBA-Backed ABS as defined in Rule 6710(bb) where the parties agree that the seller will deliver to the buyer a pool or pool(s) of a specified face amount and meeting certain other criteria but the specific pool or pool(s) to be delivered at settlement is not specified at the time of execution, and includes TBA transactions GD and TBA transactions "not for good delivery." See FINRA Rule 6710(u).
 12. In 2015, the SEC approved amendments to FINRA rules to require firms to report transactions in TRACE-Eligible Securities as soon as practicable. Securities Exchange Act Release No. 75782 (August 28, 2015), 80 FR 53375 (September 3, 2015) (Order Approving File No. SR FINRA 2015-025).
 13. The analysis of TRACE data contained in this *Regulatory Notice* is limited to transactions in TRACE-Eligible Securities that are corporates, agencies, ABS and TBA GD during the 2021 calendar year, any subsets thereof as further specified throughout.
 14. Table 3 shows that less active dealers reported at least some material portion of their trades within one minute, and most firms reported some material portion of their trades after one minute.
 15. FINRA oversees and enforces member compliance with the TRACE trade reporting rules, including regarding the timeliness of member reporting. Compliance rates with the 15-minute reporting obligation are consistently high—for example, 99.35 percent of trade reports for corporate bond transactions are received within 15 minutes.
 16. This group includes both reports submitted by a member that identifies an ATS as its counterparty as well as reports where a member identifies the trade as having occurred on an ATS pursuant to Rule 6732. Under Rule 6732, FINRA may grant an ATS an exemption from TRACE reporting obligations. An exempted trade occurring on the ATS must be reported by a member (other than the ATS) identifying a counterparty other than the ATS and must include the ATS's unique MPID.
 17. The "non-investment grade" category above includes unrated bonds.
 18. Rule 144A issuances offer an opportunity for firms to quickly raise funds without the need to register securities at issuance and meet U.S. disclosure standards. 144A bonds are primarily traded by institutional investors.
 19. FINRA provides several alternative interfaces for TRACE reporting. TRACE supports interactive messaging via FIX protocol and a web interface (the TRACE Reporting and Quotation Service or TRAQS). TRAQS provides participants the ability to enter trades using a web browser; either one at a time or up to 50 at a time with the multi-entry functionality. See [Trade Reporting and Compliance Engine \(TRACE\) Documentation](#).

20. For Group 2, FINRA measured whether the trade report was submitted to TRACE within a specified number of minutes after the TRACE System opened the next business day.
21. For Group 3, FINRA measured whether the trade report was submitted to TRACE within a specified number of minutes after the TRACE System opened the next business day.
22. Out of 23,570,935 initial reports, 275,567 were later canceled or corrected and 23,295,368 were not. Out of the reports that were later canceled or corrected, 66 percent were reported in the first minute. Out of the reports that were not later canceled or corrected, 82 percent were reported in the first minute. The error rate for reports submitted in the first minute was $275,567 * 66 \text{ percent} / (275,567 * 66 \text{ percent} + 23,295,368 * 82 \text{ percent}) = 0.94 \text{ percent}$. The error rate for reports submitted after one minute was $275,567 * 34 \text{ percent} / (275,567 * 34 \text{ percent} + 23,295,368 * 18 \text{ percent}) = 2.3 \text{ percent}$.
23. 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); and Michael A. Goldstein, Edith S. Hotchkiss, and Erik R. Sirri "Transparency and liquidity: A controlled experiment on corporate bonds" *The Review of Financial Studies* 20, no. 2 (2007): 235-273. In the municipal bond market, research has shown that customer trade costs measured as effective spread decreased after the 2005 change in the trade reporting time requirement from the end of a trading day to 15 minutes after execution. No similar studies were done in the corporate bond market, possibly due to the fact that the previous reporting timeframe reduction for corporate bonds coincided with other TRACE rule changes, so the effect was difficult to isolate. See Erick Sirri, Report on Secondary Market Trading in the Municipal Securities Market, July 14 (Research Paper, Municipal Securities Rulemaking Board); John Chalmers, Yu (Steve) Liu, & Z. Jay Wang, The Differences a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market, 139(1) *Journal of Financial Economics* 313-335 (2021).

EXHIBIT 2b

**Alphabetical List of Written Comments
Regulatory Notice 22-17**

1. Anonymous (September 19, 2022)
2. Arkadios Capital (“Arkadios”) (August 2, 2022)
3. H. Dean Armstrong & Joseph A. Hemphill, III, Regional Brokers, Inc. (“RBI”) (August 2, 2022)
4. Carlos Barrientos (“Barrientos”) (August 2, 2022)
5. Kenneth E. Bentsen, Jr., Securities Industry and Financial Markets Association, (“SIFMA”) (October 3, 2022)
6. Sarah A. Bessin, Investment Company Institute (“ICI”) (October 3, 2022)
7. Robert D. Bullington, InspereX (“InspereX”) (October 3, 2022)
8. James David Coker (“Coker”) (August 2, 2022)
9. Riggin Dapena (“Dapena”) (September 22, 2022)
10. Michael Decker, Bond Dealers of America (“BDA”) (October 3, 2022)
11. Michelle Ellis & Mark Salter, NatAlliance Securities (“NatAlliance”) (September 29, 2022)
12. Josh Embry, Wiley Brothers-Aintree Capital LLC (“Wiley”) (September 20, 2022)
13. Christopher J. Gawley, Valley Financial Management (“VFM”) (September 30, 2022)
14. Tyler Gellasch, Healthy Markets Association (“HMA”) (August 29, 2022)
15. Scott Hayes & Chris Neidlinger, Institutional Securities Corp. (“ISC”) (October 3, 2022)
16. Melissa P. Hoots, Falcon Square Capital (“Falcon Square”) (October 3, 2022)
17. John Isaak, Isaak Bond Investments (“IBI 1”) (August 17, 2022)

18. Paul Kienbaum (“Kienbaum”) (August 26, 2022)
19. Robert Laorno, ICE Bonds Securities Corporation (“ICE Bonds”) (September 21, 2022)
20. Nyron Latif & Todd Primavera, Wells Fargo and Company (“Wells Fargo”) (October 3, 2022)
21. Will Leahey, BetaNXT (“BetaNXT”) (October 3, 2022)
22. Jesy LeBlanc & Kat Miller, TRADEliance LLC (“TRADEliance”) (September 28, 2022)
23. Donald J. Lemek, Isaak Bond Investments (“IBI 2”) (August 2, 2022)
24. Matt Lynch (“Lynch”) (August 2, 2022)
25. Joanna Mallers, FIA Principal Traders Group (“FIA PTG”) (October 3, 2022)
26. Lee Maverick, SAMCO Capital Markets Inc. (“SAMCO”) (September 30, 2022)
27. Kelli McMorro, American Securities Association (“ASA”) (September 30, 2022)
28. Melissa Messina, R. Jeffrey Sands & William Sims, Herbert J. Sims & Co., Inc. (“HJS”) (October 3, 2022)
29. Howard Meyerson, Financial Information Forum (“FIF”) (October 3, 2022)
30. Seth A. Miller, Cambridge Investment Research, Inc. (“Cambridge”) (October 3, 2022)
31. Michael Moise (“Moise”) (August 18, 2022)
32. Gerard O’Reilly & David A. Plecha, Dimensional Fund Advisors, LP (“Dimensional”) (September 26, 2022)
33. Gary Purpura (“Purpura”) (September 1, 2022)
34. Sean Rogan (“Rogan”) (October 3, 2022)
35. Leslie Seinfeld (“Seinfeld”) (September 7, 2022)

36. William Shields, Wholesale Markets Brokers' Association, Americas ("WMBAA") (October 3, 2022)
37. Edward J. Smith, Hartfield, Titus & Donnelly, LLC ("HTD") (September 14, 2022)
38. Juan I. Sosa ("Sosa") (September 15, 2022)
39. Thomas Steichen ("Steichen") (October 3, 2022)
40. Alice L. Stewart, Rachael T. Shaw, Jacqueline M. Stalnaker, Alexander L. Dickinson & Izumi D. Presberry, University of Pittsburgh Securities Arbitration Clinic, ("UPitt Clinic") (October 3, 2022)
41. Stephen Thom, Eric Jacks & Michael Forlenza, BMO Capital Markets ("BMO CM") (October 3, 2022)
42. Eduardo Tovar ("Tovar") (September 14, 2022)
43. Russell Travis, Crescent Securities Group, Inc. ("Crescent") (October 3, 2022)
44. Markus Witthaut, Seaport Global Securities, LLC ("Seaport") (October 3, 2022)

Exhibit 2c

Anonymous Comment On Regulatory Notice 22-17

My firm is a 2 principal firm where I do institutional fixed income and my husband does retail. no assistants. I currently report to Trace myself vs. the clearing firm as my public agency clients purchase GSEs that are underwritten throughout the day vs. 1 time like munis and corporates. Only FHLMC and FNMA have P1 reporting on the 1st day, both FHLB and FFCB are S1 reporting. The clearing firm may not have the cusip set up, so if I enter through their system, I may get the "security not found" I it will be late in reporting since it will take them at least 20 minutes to get the cusip set up in the system. Many times, a municipality will come in and list 2-3 maturities to purchase. If they are treasuries or S1 reporting, I will not make the 1 minute deadline as I'll need time to manually enter 3 separate securities into TRACE within 1 minute. As a small firm, I can not afford the \$200m+/year to have Bloomberg tickets filter through to the clearing firm; it is manual for me. Maybe 1 trade will make it, the other 2 will be late reporting. The client has given the order price, I execute dealer/dealer on their price and the order price is confirmed back to the client upon execution, so there is no room to wait and see about getting a better price, so I don't see the benefit to the client of 1 minute reporting. Who does that benefit? The client knows the execution price. This 1 minute reporting will only ensure that the small firm will be habitually late. This change assumes you are entering only 1 trade at a time, but clients can come back with multiple orders and 1 minute to report just won't cut it; 15 minutes is a fair time, although small firms that report to Trace manually are still scrambling. I've been in this business for almost 40 years and you'd think technology would benefit the small dealer, but it just gets more difficult and costly every year to make a living.

ARKADIOS — CAPITAL —

309 East Paces Ferry Road | Suite 1000 | Atlanta, GA 30305

Office | 404.445.0035

Response to FINRA/MSRB request for comment on potentially moving to 1-minute trade reporting

Dear FINRA/MSRB,

Our firm has a small to mid-size municipal bond sales and trading operation. We work primarily with smaller institutional accounts. It is an important part of our business and is growing. Members of the team have been working in these markets for over 20 years. We fondly recall the days when the Blue List was slid under your front door each morning before 7am. The markets have indeed evolved, and we have generally been very supportive of most regulatory enhancements which have made the municipal market fairer and more transparent. We pride ourselves on operating in a transparent and ethical way. Rogue actors negatively impact everyone – from customers to dealers trying to run an honest business. We applaud all efforts to continue to identify and deal with unscrupulous business practices.

From our perspective, the potential benefits of a move to 1-minute trade reporting are not worth the problems it may likely cause for many dealers to fully comply with this requirement. Most of our activity in the municipal market is in the secondary-market odd-lot space... piece sizes of 500M or less. It is not at all unusual for many of the cusips we trade to only print trades a couple/few times per week. Seeing a trade print in 1 minute vs. 3, 5, or even 15 minutes does little if anything to improve trading transparency. Frankly, a few minutes here or there just simply isn't meaningful to price discovery. We have thought about this a lot and in practice, we just don't see how it is overly helpful. Even with cusips that trade more frequently – the muni market is not the Treasury market. It is not that volatile. Munis are not moving tick for tick by the second with Treasury bonds.

The problem we have with 1-minute reporting is that it simply leaves zero room for error. We often trade bonds with a dealer over the phone, and then we each have to input our tickets. There are multiple fields on the screen we have to key information into. What happens if there is a keystroke error, and you have to go back? What happens if your computer is running a little slow? What if another trader yells into your ear when you are half-way through booking a trade and it distracts you? What if our clearing firm reporting is delayed by a few seconds for this reason or that. We could go on and on, but I think we make our point. There is simply zero room for error. A cascading of just a few very common occurrences will likely cause late trades. We would now have to spend an inordinate amount of time cataloging and logging reasons for these late trades, etc. It would be very burdensome, for what in our view is very little in the way of benefit.

We have heard that firms like Bloomberg and other larger trading entities welcome the change. Call us cynical, but it is not hard to see why. Bloomberg offers a trading system that for a mere \$500,000 per year will straight-through process your trades. Larger electronic trading firms are always happy to see a



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dealer drop out of the market. It appears that is something regulatory authorities are not concerned with either judging by some of the comments made in this report. We know some of these firms and they are honest and hardworking folks trying to do the right thing by their clients, and we found the dismissive nature of these comments rather bothersome.

To summarize, we believe the costs and problems associated with 1-minute reporting are greater than the potential benefits. We believe time is better spent identifying and dealing with firms engaging in unfair or unlawful business practices vs. forcing more onerous conditions upon everyone else. We are perfectly happy with the 15 minute rule and would even be fine with that being reduced further. We understand moving to 5 minutes has little impact as most trades are already reporting in that timeframe. The trades that occur between 1 and 5 minutes are often with good reason, as we mentioned earlier. Even 2 or 3 minutes is much more doable vs. 1 minute. We hope you will consider our comments and position in this matter.

Thank you,

Regional Brokers, Inc
2 Executive Campus
Suite 105
Cherry Hill, NJ 08002

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street NW
Washington, DC 20006

Re: Request for Comment on Transaction Reporting Obligations
under MSRB Rule G-14; Request for Comment on Proposal to
Shorten the Trade Reporting Timeframe for Transactions in Certain
TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Mr. Smith and Ms. Mitchell:

Regional Brokers, Inc. (RBI) welcomes the opportunity to respond to Notice 2022-07 and Regulatory Notice 22-17 regarding proposed changes to the reporting times of fixed income products.

RBI is a small firm that acts in the capacity of a Voice Broker's Broker. RBI supports market transparency and the protection of retail investors; when operating its bond auctions, RBI strives to obtain the best prices available in the market at the time.

RBI is a member of the Securities Industry and Financial Markets Association (SIFMA) and has participated actively in the preparation of that response letter. RBI is also an associate member of the American Securities Association (ASA) and has endorsed their response as well. RBI will not attempt to repeat here the many valid points contained in the letters from SIFMA and the ASA.

We will, however, point out the ways in which these proposals could severely impact the business model of RBI and dealers with which we do business. While there have been regulatory changes that have affected RBI over the years, the proposal to shorten the reporting time on trades could severely affect RBI's ability to continue as a firm.

RBI is a small volume, small size firm, founded in 1992. RBI attempts at all times to fulfill the requirements of the various regulatory rules, including those regarding trade reporting.

Since the inception of the fifteen minute rule, RBI has processed trades as quickly as reasonably possible. Because of this effort, RBI already processes trades as fast as it can. It will be functionally impossible for RBI to adhere to a reduction in the reporting time without the addition either of costly technical systems, or additional personnel.

RBI could therefore be forced out of business either by the expenses incurred by these costly additions, or by the regulatory fines that would be imposed on the firm for not meeting this new timeline.

A change to a one-minute reporting time would not solely impose economic costs on RBI- it could also force RBI to detrimentally change the way it does business, hampering the ability of RBI and its counterparties to trade bonds in an efficient manner.

Although the rule change is designed to hasten trade reporting, the new time requirement could slow down the process of trading by which RBI does business with its counterparties. For example, as a broker's broker, RBI is given lists of bonds to put out for auction. At the end of those auctions, when prices have been confirmed and the seller agrees with RBI to process the tickets, both sides of the trade hang up the phone and begin to process the trades. Having a fifteen minute window to process those trades allows RBI and the counterparty to process the trades in an efficient manner, knowing that the trades will report within the fifteen minute requirement. A one-minute trade reporting window would require the traders at RBI and the counterparty to remain on the line, processing tickets one at a time to ensure that the window was not exceeded. This extra time spent in processing trades could lead to opportunity costs in other trade opportunities that were missed while tickets were matched.

RBI agrees with FINRA and the MSRB that transparency is good for the market. However, the new time requirement could also lead to the inability of dealers to execute certain trade strategies. RBI's counterparty dealers often use RBI to execute the sale of large positions into the market; RBI helps in this strategy by selling smaller pieces of a large position to other dealers. Under a new one-minute reporting requirements, the trades of those smaller pieces would have to be reported before the selling dealer was able to fully execute its strategy. Dealers using computer models to gather information from RTRS would be able to buy or sell matching or similar positions in front of the dealer's execution plan, thereby stealing the strategy from the original trader and turning the benefit of transparency into what might be called "theft of intellectual property".

While FINRA and the MSRB focus on an added protection for retail in proposing this change, RBI does not believe that FINRA or the MSRB have shown any actual benefit that would be realized by those retail investors. As SIFMA points out in its comment letter, there is little to be gained in mandating the shortened time period when many of the CUSIPS traded in the market occur infrequently enough to make information on one bond inconsequential compared to the next. RBI would also note that the MSRB, when asked for information about how many times retail investors use the EMMA system to verify the price of a bond, was unable to cite how many of the “hits” on the EMMA site came from retail investors.

Retail investors are better protected by the rules of Best Execution, which require dealers to ensure that retail investors are receiving fair and reasonable prices for their bonds. Dealers have invested substantial amounts of money, time, and personnel to ensure that retail trades are reviewed on a T+1 basis for fair and reasonable pricing; shortening the time period of reporting will not substantially improve retail’s ability to receive fair and reasonable prices.

Lastly, at a time when FINRA and the MSRB are watching small dealer firms close their doors due to the costs imposed by regulation or their inability to compete with larger firms that can afford (or are forced to afford) expensive trading systems, it is stunning to us at RBI that FINRA and the MSRB would impose a rule that threatens the business models of so many small firms like ours. This is especially frustrating given that the benefits gained by the reduction in time reporting will accrete to the larger firms in the market, with no proven additional benefit to the retail investors that are intended to be protected.

Sincerely,

H. Deane Armstrong

Joseph A. Hemphill III

CCO

CEO

Regional Brokers, Inc.

Regional Brokers, Inc.

Carlos Barrientos Comment On Regulatory Notice 22-17

Carlos Barrientos

N/A

I think that the proposed reduction to one minute reporting other than help investor protection will create a lot of problems for member firms, specially small firms. I think (and I am sure will happen more with small firms) that the number of errors in ticket generation will increase tremendously. This will then create delays in matching and settling trades (in addition to TRACE violations for not matching or reporting on time). This will also have a monetary impact (again, more in small firms) because of the need to "automate" as much as possible their systems. I have been speaking to FINRA staff regarding TRACE for many years now mainly about reporting New Issues of corporate bonds. I understand FINRA views and approach, but market convention is totally different. In summary, I think that this proposal to reduce TRACE reporting to one minute, will create more problems (regarding TRACE) than the ones there are currently. It will worsen the reporting situation for firms, resulting in higher TRACE violations (and maybe sanctions) to firms than the ones you currently see. Thank you for your attention.

SUBMITTED ELECTRONICALLY

October 3, 2022

Ronald .W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street, NW, Suite 1000
Washington, DC 20005

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006

**Re: MSRB Notice 2022-07 and FINRA Regulatory Notice 22-17 – Requests for
Comment on Proposals to Shorten Fixed Income Trade Reporting Timeframes**

Dear Mr. Smith and Ms. Mitchell:

The Securities Industry and Financial Markets Association,¹ jointly with its Asset Management Group² (collectively, “SIFMA”), appreciates this opportunity to respond to Notice 2022-07³ (the “MSRB Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) and Regulatory Notice 22-17⁴ (the “FINRA Notice” and, together with the MSRB Notice, the “Notices”) issued by the Financial Industry Regulatory Authority (“FINRA” and, together with the MSRB, the “SROs”). The Notices request comment on shortening the trade reporting

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

² SIFMA’s Asset Management Group (SIFMA AMG) brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG’s members represent U.S. and global asset management firms whose combined assets under management exceed \$45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit <http://www.sifma.org/amg>.

³ MSRB Notice 2022-07 (August 2, 2022).

⁴ FINRA Regulatory Notice 22-17 (August 2, 2022).

timeframe for transactions in covered fixed income securities required to be reported to each of the SRO's respective trade reporting system (together, the "Proposals"). The MSRB's Real-Time Transaction Reporting System ("RTRS") is the system operated by the MSRB for the reporting of trades in most municipal securities,⁵ and the Trade Reporting and Compliance Engine ("TRACE" and, together with RTRS, the "Reporting Systems") is the system operated by FINRA for the reporting of trades in most dollar-denominated debt securities of corporate issuers, federal agencies, government-sponsored enterprises and the US Treasury (collectively, TRACE-Eligible Securities").⁶ Except where otherwise specifically provided, our comments in this letter apply to both Proposals and with respect to both Reporting Systems.

I. Executive Summary

SIFMA and its various members have considered the Notices on the SROs' Proposals with respect to fixed income trade reporting timing. For the convenience of the SROs, we have summarized below the key points discussed in more detail in the remainder of this letter:

- SIFMA and its members continue to support decreasing fixed income securities reporting times as much as is practicable, but only following a comprehensive study by the SROs, in consultation with market participants, of the impacts and costs arising from any such changes.
- SIFMA and its members do not believe that the Notices put forth an adequate rationale or cost benefit analysis to support an instantaneous conversion to a universal one-minute standard.
- The efficacy of a conversion to a one-minute standard remains unclear and the costs certainly remain understated.
- SIFMA members strongly believe that an abrupt forced conversion to a one-minute reporting standard would materially impact the traditional negotiated trade markets (phone and e-communication) and materially and negatively impact the broader fixed income markets for both retail and institutional investors.
- Instead, SIFMA suggests certain useful improvements that the SROs should consider within the existing 15-minute paradigm.
- Only after undertaking such enhancements should the SROs consider a stepwise approach which gradually reduces reporting time requirements in an effort to develop technological advances which have heretofore been unavailable.
- SIFMA members are willing and able to work with the SROs and each other towards exploring whether faster reporting is achievable in some market segments without causing significant market disruption.

⁵ Reporting of trades in municipal securities to RTRS is governed by MSRB Rule G-14, on Reports of Sales or Purchases.

⁶ TRACE-Eligible Securities are defined in, and the reporting of trades in TRACE-Eligible Securities to TRACE is governed by, the FINRA Rule 6700 Series, on Trade Reporting and Compliance Engine (TRACE).

II. Introduction

SIFMA and its members support improvements to transparency in fixed-income markets and have consistently been supportive of actions by both SROs to enhance transparency to market participants, when such transparency is appropriately balanced with the impacts on liquidity and the reasonableness of compliance burdens that any particular proposal creates.⁷ While we recognize the desire to provide trade information to the market at an earlier time, enhancements must be undertaken with a detailed, realistic and data-informed balancing of the costs to be borne and benefits to be realized by individual market participants, distinct market segments and separate fixed income markets as a whole. Furthermore, because changes that may benefit some market participants may simultaneously harm other participants, both the direct and indirect impacts of such changes need to be studied carefully to avoid market-distorting unintended consequences. Finally, the SROs must recognize that systems and/or process changes to implement expedited trade reporting would need to be undertaken not just by broker-dealers reporting trades to the Reporting Systems, but also by their trading counterparties, by the SROs themselves whose Reporting Systems would need to be optimized to allow more rapid reporting and by industry data and operational utilities that provide the necessary data and conduits for the reporting of trades.

In short, moving directly to a significantly shortened trade reporting timeframe in a single undifferentiated stroke is destined to be rife with problems and sub-optimal workarounds, and we strongly oppose the Proposals outlined by the SROs for this reason. The move to shorter reporting requirements, if undertaken, should entail a systematic, clear-eyed and step-by-step cooperative effort between the SROs and market participants with the goal of prioritizing changes to what is practicable under existing standards. We hope that these Notices represent a first step to begin this type of cooperative discussion and that the SROs do not instead see them as a precursor to a pre-ordained rapid transition that would inevitably be followed by many years of costly redesign, back-filling, disruption of liquidity and access to markets, confusion and unavoidable fines.

In that vein, we provide our comments below, representing our initial set of inputs at the outset of the more deliberative approach we advocate and hope that the SROs undertake. SIFMA first discusses the critical factors that the SROs, together with the Securities and Exchange Commission (the “SEC”), would need to fully analyze and address in a meaningful collaboration with all relevant groups of market participants in each of the affected market segments. This collaborative analysis must occur before any concrete steps are taken to potentially shorten trade reporting timeframes. The following section then outlines certain improvements to the SROs’ existing trade reporting paradigms that we believe would be beneficial and, with an opportunity

⁷ In fact, starting on January 31, 2005, the former InvestingInBonds.com website, operated by SIFMA’s predecessor The Bond Market Association, served as the first free public venue for dissemination of RTRS real-time trade data, together with TRACE real-time trade data, prior to the MSRB’s launch of its Electronic Municipal Market Access (EMMA) website on March 31, 2008.

to review and comment on the specific details of how the SROs would implement them, SIFMA would expect to support.

III. SIFMA Members Have Significant Concerns with the Proposals to Shorten Trade Reporting Timeframes and Believe the SROs Should Engage in a Comprehensive Review of Fixed-Income Market Structure and the Associated Costs and Benefits of the Proposals

SIFMA fully supports the suggestion in the MSRB Notice that MSRB trade reporting rules be amended to include a requirement that trades must be reported “as soon as practicable,” and SIFMA makes additional recommendations to improve the current Reporting Systems as described in section IV below. However, SIFMA has a number of significant concerns about the feasibility and benefits of the Proposals relative to the fair and efficient operation of the fixed income markets and the costs and burdens they will impose upon not just broker-dealers reporting to the Reporting Systems but also to investors in and issuers of fixed income securities more generally.

The limited data provided by the SROs in the Notices on current trade reporting performance appear to suggest that it would be a relatively small matter for broker-dealers to simply redouble their efforts to further speed up their already quite rapid reporting to meet tightened mandatory deadlines. Simply reducing the reporting window from 15 minutes to one minute would ignore the significant market structure, systems and process changes that would need to occur to achieve the timing reductions sought by the Proposals. Even after such necessary changes were put in place, there would be a significant risk of heightened levels of errors and corrections and lingering incidences of late reporting, only now subject to fines and remedial actions.

SIFMA strongly believes that, before any further action is taken, the SROs must fully consider what would be entailed in making those current trades that generally take longer to report compliant with a radically shorter reporting mandate, and must prepare and publish for public scrutiny detailed implementation plans addressing these concerns that do not create unjustified costs, burdens and marketplace distortions. Thus, until the SROs have undertaken these essential steps, the SROs should refrain from filing their Proposals with the SEC, from mandating significant market participant systems development and process changes, and from undertaking any of the SROs’ own systems development activities that would expend SRO funds or commit SRO or marketplace technology systems to a particular course of action. Our concerns and recommendations are described below.

A. Review of market structure and development of stepwise process required

As we discuss below, the Notices are deficient in their analysis of the current fixed income market structure, the reasons for this market structure and the most effective and efficient manner to address any underlying market structure issues that may be creating undesirable delays in trade reporting.

While there are multiple factors that have an impact on the timing of trade reporting, one of the most significant contributors is the fact that many fixed income trades currently are executed entirely or partially through means other than automated execution with straight-through processing of trade data to the Reporting Systems. An approach that seeks to impose significantly shortened trade reporting timeframes – but otherwise leaves market participants to meet impracticable deadlines without addressing underlying market structure issues – is likely to disrupt liquidity, threaten the viability of personalized negotiation through voice or electronic communications, disproportionately harm smaller market participants, and result in new and costly systems architecture that will have an important impact on how the industry trades for years to come.

SIFMA notes that many of the most successful market-wide systems or practice changes driven by regulatory mandates have sought to ensure a fulsome conversation with the market participants who would be tasked with carrying out such mandates, often launched through the publication of a concept proposal setting the table for more informed detailed rulemaking and systems development to implement well-understood goals. However, the SROs avoid describing the Notices as concept proposals, raising the significant concern that the SROs may move directly to filing proposals with the SEC rather than engaging in meaningful analysis along with the marketplace on addressing the initial reactions of market participants to the Proposals. SIFMA believes moving directly to the formal rulemaking process with the SEC would be a serious mistake and would likely lead to defective and mis-informed proposals with a significantly heightened risk of unintended consequences.

If the SROs continue to seek a radically shortened trade reporting timeframe or other significant modification in the trade reporting process after undertaking the improvements to the current trade reporting regimes we suggest in section IV below, SIFMA recommends that the SROs create a working group to study and develop potential pathways for a stepwise move to faster reporting timeframes, or for alternative approaches to achieving the results that the SROs believe can be achieved through this initiative. In this process, the SROs would need to review the current market structures (including the significant differences in how different types of cash fixed income products are executed), identify impediments to greater use of electronic trading venues, address these impediments, and only then carefully weigh the benefits of the tightened reporting timeframes against the development and ongoing costs to the industry. The SEC's Fixed Income Market Structure Advisory Committee, which no longer functions, took steps in this direction.

It is critical that the SROs approach this initiative understanding that there are segments of the fixed income market that may not be able to achieve the same speed of reporting as other segments, or that achieving comparable speeds would come at unacceptable and disruptive costs. The nuances of each market matter, and the SROs cannot hope to craft a non-disruptive reporting paradigm for the fixed income markets through simply a notice and comment process. Rather, the SROs need to undertake active discussions with representatives of each segment to arrive at workable solutions. SIFMA and its members would gladly participate in such an effort to improve trade reporting in an efficient manner that follows the principles of straight through

processing and increasing transparency of decision-useful data for investors and other market participants while recognizing the rich diversity of the nation's fixed income markets.

Historically, both Reporting Systems owe their origins to stepwise processes undertaken by the respective SROs to successfully introduce and enhance trade reporting in fixed income securities. For example, trade reports were originally submitted by end-of-day and later evolved to the current 15-minute paradigm. Public dissemination of trade data originated as a next-day process, moving to real-time dissemination by steps beginning with more frequently traded securities to eventually include virtually all trades, with each step allowing market participants to adapt their practices and systems and regulators to assess any potential impacts to the market. Similarly, after instituting certain reforms to existing trade reporting standards as recommended by SIFMA in section IV of this letter, it might then be possible to adjust trade reporting deadlines in measured steps, or for specific types of trades, or for specific segments of the fixed income market, in each case with the opportunity to expand the reach of tightened deadlines as appropriate. Each step would allow for orderly implementation of new requirements, appropriate assessment of market impacts, and the leveraging of lessons learned and technology or process innovations for use at the next step.

B. Material benefits have not been demonstrated

The Notices enunciate only the barest of descriptions of the perceived benefits of shortening the timeframe for trade reporting and seem to rely mostly on the argument that because so many trades are already reported within one minute, the requirement can be tightened with little effort or impact.

In addition, the Notices state that past improvements in trade price transparency have been shown through academic research to improve price discovery and reduce trading costs, without evidence to demonstrate that this particular radical modification is likely to result in measurable improvements to the market. A more accurate benefit analysis would focus on the positive impact, if any, of faster reporting of the approximately 20 percent of trades that are not currently reported in one minute, specifically laying out why and how the more rapid reporting of this subset of trades would result in actionable and more decision-useful information for market participants. Identifying the existence of a cohort of trades that are reported more slowly than others does not serve to demonstrate that shortening the timing of reports for that cohort will achieve a benefit. Unfortunately, meaningful analyses to support the notion of concrete benefits by shortening reporting timeframes were not included in the Notices and, of course, such benefits must be weighed against the burdens, including those described herein.

The MSRB Notice includes a discussion of 251,635 municipal securities trades during 2021 that were preceded by other trades in the same security for which trade reports did not occur until after the subsequent trade, seeking to demonstrate that shortening the reporting timeframe to one minute would have made such prior trade data available in time for the subsequent trade in approximately a quarter of such trades (27.9% or 70,255 trades). While this data may support the notion that a subset of trades would have additional information publicly available relevant to the

particular security, SIFMA believes that adding a requirement to Rule G-14 that reports be made as soon as practicable, and the SROs providing guidance to broker-dealers on how they might best make improvements to their reporting practices in a practicable manner, would materially improve the timing of such trade reports without having to impose a radical one-minute mandate.

Further, SIFMA observes that the 70,255 trades in 2021 that the MSRB theorizes might have benefitted from a one-minute timeframe constituted a mere 0.92% of the 7,630,216 trades reported to RTRS last year.⁸ This estimate overstates the universe of potentially benefitted trades since it likely captures many situations where the two reported trades simply represent two sides of a single financial transaction where the parties already understand the terms of each trade. That is, accelerated trade reporting would simply result in the party to the later transaction gaining access to information from the earlier transaction that it already knows. In addition, promptly following a trade with another market participant, some broker-dealers engage in reportable transactions that effectively involve movements of securities to affiliated broker-dealers or to separate proprietary or other accounts, which would by their nature likely result in so-called “matched trades” as described in the MSRB Notice. However, the trade report for this second follow-on trade would merely reflect this type of movement of the bonds and normally would reflect information that is effectively duplicative of the data reported for the first trade, providing no real additional benefit at a high cost of compliance.

While the FINRA Notice includes several snapshots of existing trade reporting performance in various categories of Trace-Eligible Securities as well as by trade size, reporting mechanism and level of market participation of reporting broker-dealers, the FINRA Notice does not provide data intended to demonstrate that the market will benefit from faster reporting of the later reported trades.⁹

Thus, the more rapid reporting of trades resulting from the improvements to the current trade reporting paradigm recommended by SIFMA in section IV of this letter, together with the very limited scope of potential benefits from a significant tightening of mandatory timeframes for reporting, make clear that no such reduction in the trade reporting timeframe requirements is currently adequately justified.

⁸ See MSRB, *Municipal Securities Market: Trade Activity 2007-2021* (May 2022) at 3.

⁹ SIFMA suggests that the SROs look more closely at the data they included in the Notices with an eye to certain ambiguities regarding the precision with which the data should be considered. Tolerances in the data that are not problematic within a 15-minute timeframe could very well undermine reliability of any analysis when the timeframe is narrowed to one minute. For example, current fixed income trade matching processes are not keyed off of time of execution, which would naturally have an impact on the degree of precision of the time of trade execution data when looking at finer time gradations, such as within a single minute.

C. *Significant burdens have not been identified or assessed, and impacts on market structure and liquidity have not been adequately assessed or considered*

As with the lack of adequate consideration of benefits noted above, neither Notice provides more than the barest sketch of consideration of the costs and other burdens of the Proposals. SIFMA expects that the SROs would, prior to filing any proposals with the SEC, undertake further notice and comment processes including a rigorous economic analysis that identifies the perceived need for action, evaluates the available reasonable alternative approaches, and assesses the costs, benefits and distributional impacts, as required by their respective economic analysis governance documents.¹⁰ Such analysis must fully support the statutory mandates that their rulemaking not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).¹¹ The SEC, in turn, would itself be subject to required economic analysis consistent with SEC policy,¹² its statutory mandate under the Exchange Act¹³ and recent judicial decisions addressing such analyses.

SIFMA members have identified a number of specific concerns with the Proposals:

1. **The SROs do not appear to account for the significant role of personalized negotiation in fixed income markets and how that relates to trade reporting** – We note with concern that each Notice only refers to voice trades once, in a question at the end of each. This is noteworthy given that personalized negotiation – sometimes characterized as “voice” trading but including more broadly the process by which many retail and institutional customers engage in a back-and-forth interaction with their broker-dealer to arrive at an agreed-upon trade, whether by voice negotiation or through electronic communications – remains a very important characteristic of significant portions of the fixed income markets. As described below, non-automated trading involves numerous necessary components that by their nature require more time to complete than for automated trading, and therefore most non-automated trading requires a longer reporting window than for automated trading. To abruptly implement a one-minute reporting deadline could adversely impact or potentially halt much of the trading driven by personalized negotiation, which SIFMA does not believe is the SROs’ intent.

¹⁰ See FINRA, Framework Regarding FINRA’s Approach to Economic Impact Assessment for Proposed Rulemaking (September 2013), available at www.finra.org/sites/default/files/Economic%20Impact%20Assessment_0_0.pdf, and MSRB, Policy on the Use of Economic Analysis in MSRB Rulemaking (undated), available at www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking.

¹¹ See Exchange Act Sections 15A(b)(9) and 15B(b)(2)(C).

¹² See SEC, Current Guidance on Economic Analysis in SEC Rulemakings (March 16, 2012), available at www.sec.gov/divisions/riskfin/rsfi_guidance_econ_analy_secrulemaking.pdf.

¹³ See Exchange Act Section 3(f).

Reduction in the reporting timeframes would come with a high risk of forcing broker-dealers to significantly curtail or largely abandon personalized negotiation in order to remain in compliance with their trade reporting obligations. To avoid this, the SROs would need to enunciate how broker-dealers could remain in compliance with the tightened deadlines while continuing to engage in personalized negotiation or how they could adequately meet the needs and preferences of clients who have previously relied on personalized negotiation but would be forced to change the manner in which they interact and invest with their broker-dealers.

Large segments of the market, including investors from both ends of the range of sophistication, depend on personalized negotiation. A substantial portion of the retail market continues to rely on personalized brokerage services, and institutional investors (notably those with large blocks and/or engaged in complex trading arrangements) also require services that routinely may only be provided through personalized interactions and negotiation.

a. Personalized Negotiation for Retail Customers Would Be Severely Harmed With No Demonstrated Benefits to Retail Customers.

As the SROs and the SEC have repeatedly emphasized in connection with their focus on the needs of elder investors, many of these and other retail investors may not be accustomed to using, may not have access to, or may simply prefer not to use the electronic means of trading that the Proposals seem poised to make effectively obligatory. Other than self-directed investors, retail investors typically need to have a conversation with their broker-dealer to arrive at an investment decision that ultimately results in an agreement to make a trade that starts the clock for trade reporting purposes. In fact, that conversation is at the center of broker-dealers' compliance with any number of disclosure, best interest and other customer-focused regulatory obligations. In addition, the conversation is often an iterative process with potential refinements, adjustments or clarification of terms that would create challenges in ensuring that the terms are finalized and the trade is reported within the confines of one minute. Further, some firms require best execution or fair pricing reviews to occur on retail trades before the trades are placed into the execution stream. These would need to occur nearly instantaneously or may need to be eliminated, left exclusively to post-trade retrospective review, or moved to a much earlier part of the process that might not be as effective at ensuring executions are as advantageous to the customer as the then-current and potentially moving market will allow. While the personalized negotiation effectively occurs prior to the formal time of execution that marks the beginning of the trade reporting process, the two stages are inextricably linked. Mandating one-minute trade reporting across the board would require a de-linking of these two processes, which could introduce artificiality into the broker-client relationship and hinder execution until adequate technological advances are developed.

It may be helpful for the SROs to visualize a typical office visit or phone call by a retail investor – which still occurs, even if less frequently than before online brokerage became available – and how that conversation would flow under a one-minute trade reporting

scenario. Do broker-dealers have to structure those conversations in a way so that they can immediately act on their customers' directions to meet regulatory timeframes, with potentially multiple pauses during the course of the conversation to do so? Getting a fuller picture of how customer transactions with retail investors are negotiated and executed, and a clearer understanding of how regulators may expect such process to change, would be critical for a successful tightening of reporting timeframes.

It is also important that the SROs understand that the small "retail size" trades they observe through electronic venues do not all represent trades with a retail customer. A significant proportion of trades with a retail customer have one or more interdealer trades associated with it, representing the movement of the security from the selling retail customer of one broker-dealer to the ultimate purchasing retail customer of another broker-dealer. While these interdealer trades may be executed electronically or may not otherwise entail the additional complications of personalized negotiation, the execution of trades directly between the retail customers and their broker-dealers would typically arise through personalized negotiation. The manner in which these two different types of trades of the same retail-sized block of securities are executed would have a critical impact on the ability to timely report the trades under a one-minute reporting mandate. This distinction is important to properly assess the burdens on retail customers and the professionals servicing them and must not be obscured by focusing on aggregate data for small trades.

b. Many Institutional Investors Would Be Harmed If Personalized Negotiation Becomes Difficult or Unavailable.

Institutional investors also frequently seek execution through personalized negotiation, which may involve direct engagement with their broker-dealer or through their broker-dealer working with intermediaries such as interdealer brokers or brokers' brokers. They may seek to trade a large block position that needs to be worked to obtain the best prices possible, or they may be trading in a security that is not well-known or is infrequently traded and so may not attract sufficient interest through passive listing on an electronic venue, or they may otherwise engage in a trading strategy that would benefit from individualized interactions with potential counterparties. With respect to trades of large blocks, Figure 2 of the FINRA Notice illustrates the sharp difference in trade reporting timing for corporate fixed income securities between trades above and below \$5 million; a similar break is shown for municipal securities, but at a lower block size of \$1 million, in Table 1 of the MSRB Notice.¹⁴ Further, certain product types, such as asset-backed securities, are highly reliant on personalized negotiation, which is reflected in the longer reporting timeframes seen for that market as compared to other product types in Figure 1 of the FINRA Notice.

¹⁴ The precise breakpoint between larger and smaller blocks for corporate and municipal fixed income securities is not clear from the data provided in the Notices, which are broken down differently between the two Notices. If the SROs proceed with further steps in shortening the trade reporting timeframe, it would be important for the SROs to coordinate with one another to produce and disseminate to the market data that allows for consistent analysis across all segments of the fixed income markets that would be subject to the shortened timeframe.

Institutional clients also frequently engage in multiple simultaneous trades, with the number of such simultaneous trades potentially increasing dramatically for clients engaged in portfolio trading. To the extent that these trades occur through personalized negotiation, or where steps in the process include manual processing even where much of the rest of the process is electronic, timely reporting under a shortened timeframe would become increasingly problematic, or broker-dealers and their clients would need to rework how they undertake these transactions for the sole purpose of speeding the trade reporting timing.

Further, institutional clients and/or broker-dealers trading blocks often need to simultaneously take action to hedge their risk on such trades, particularly during periods of volatility. The need for broker-dealers to attend to trade reporting on their fixed income trades (towards meeting a 60-second deadline) in lieu of immediately focusing on hedging or assisting institutional clients with their own hedging would certainly have an adverse impact on such efforts, which could dampen liquidity and effective transaction execution.

c. Story Bonds and Other Difficult-to-Trade Fixed Income Securities Require Personalized Negotiation. Personalized negotiation is often necessary when trading in securities that may have features that make them less fungible than most other securities. For example, high yield, distressed bonds or securities with unusual or complicated features (sometimes called “story bonds”) are often not well suited for trading in electronic venues due to the need to engage in discussion of the nature of the investment in order to arrive at a fairly priced trade. This is especially true when investors are seeking to execute a series of transactions in these securities simultaneously. In addition, securities sold in an odd lot can often be difficult to trade in many electronic venues. Story bonds, odd lots and other securities that face barriers to full fungibility often require active marketing by broker-dealers to find appropriate counterparties and to optimize trade terms on behalf of the customer.

In summary, any significant curtailment of personalized negotiation could result in retail investors, in particular, losing access to the market altogether or could relegate them to engaging in the market in ways with which they are unfamiliar, uncomfortable or may otherwise not prefer. Institutional investors may need to seek less efficient or effective ways to meet their investment objectives, some of which may involve more opaque means of trading. Investors in story bonds or other less liquid fixed income securities may experience negative liquidity impacts. Broker-dealers that engage predominantly in voice trading may face steep and disproportionate costs in meeting new trade reporting requirements or switching over to electronic brokerage, and many may instead choose to exit the market. Much of the 20% of trades noted in the Proposals as being reported after the first minute consist of these types of trades, which are reported more slowly for many of the reasons described above. The SROs should undertake a rigorous analysis of the

impact that an abrupt and significant reduction in reporting timeframes would have on these trades.

2. **Instituting one-minute reporting would have a significant disparate impact on smaller, MWVBD or specialized firms and also would create a serious burden on competition** – The impacts noted above would, understandably, fall hardest on smaller or specialized firms, including many minority-, women-, and veteran-owned broker-dealers (“MWVBDs”) active in the fixed income markets, that may have a higher relative share of the types of trades that would be most affected by the change in the trade reporting timeframe and likely have fewer resources to make the needed technology and other changes to meet the new timeframe. This could raise pressure on these firms to leave the market.

Many of these firms are likely among the 345 “Less Active Reporters” or 266 “Modestly Active Reporters” (together constituting 611 of the total 968 reporting FINRA member firms, or 63.1% of all TRACE reporters), as shown in Table 3 of the FINRA Notice, or among the 407 “Group 4” broker-dealers or 148 “Group 3” broker-dealers (together constituting 555 of the total 653 reporting MSRB-registered broker-dealers, or 85.0% of all RTRS reporters), as shown in Table 2 of the MSRB Notice.¹⁵ Both SROs found that such firms generally experienced the lowest rate of one-minute reporting under the current trade reporting requirements.

SIFMA reminds the SROs of the critical role that smaller, specialized or MWVBD firms play in the fixed income markets, particularly in connection with serving retail investors and communities that have been historically underserved by the financial markets, and also are important for maintaining competitive markets serving such communities. The size of firms’ market share should not dictate whether the burdens such firms bear are acceptable or not, and failure to engage in a fulsome cost-benefit analysis that incorporates the needs and barriers such firms face would be inconsistent with recent initiatives undertaken by regulators in support of MWVBDs and small enterprises.

The Proposals could impose a significant burden on competition in the fixed income markets. It is incumbent on the SROs and the SEC to demonstrate that this burden is necessary and appropriate in furtherance of the Exchange Act. The SROs must undertake and publish for public scrutiny in advance of any rulemaking detailed analyses of data available only to the regulators that can assess which segments of the broker-dealer community engage in various types of fixed income trading that would be subject to the shortened trade reporting window. In particular, the publicly available trade data feeds, for good reasons, mask the identity of the parties to the trade. However, this masking

¹⁵ See also MSRB, Supplemental Data with respect to MSRB Notice 2022-07 Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14 (September 12, 2022), available at www.msrb.org/sites/default/files/2022-09/2022-07-MSRB.pdf.

means that only the regulators can assess with any level of precision which firms trade predominantly in types of securities where personalized negotiation is a critical feature, or where other features exist that might make rapid reporting either easy or difficult. Given that the regulators are the sole parties in possession of a vital data element (the dealer identifiers for trades across the fixed income market) needed to fully understand the impacts of the Proposals, including any disparate impact to smaller, specialized or other subsets of broker-dealers trading particular products (and, likely, to distinct segments of the investing public serviced by such broker-dealers), the SROs and the SEC must be transparent as to those potential impacts and provide a more exacting analysis of their balancing of the costs and benefits supported by their quantitative and qualitative findings. The analyses provided in the Notices fall far short of what is needed.

3. **A one-minute reporting timeframe would significantly heighten the frequency and severity of liquidity queueing** – Because many fixed income trades are not executed instantaneously but instead take some degree of processing to execute, the need to report trades on an accelerated basis could result in broker-dealers having to stack up their trades to execute them sequentially on a one-by-one or small batch basis so that they can meet their reporting obligation for executed trades before moving on to execute the next trade or batch of trades, as described elsewhere in this letter. This queueing can have a negative impact on liquidity during heavier periods of trading. Avoiding this liquidity queueing may require significant and potentially costly changes in systems or processes at many broker-dealers.
4. **Instituting one-minute reporting likely would disproportionately benefit algorithmic trading entities over retail and traditional institutional investors** – It is unclear whether the few minutes of improved timing in the subset of fixed income trades that currently experience reporting more than one minute after the time of execution would translate into material benefits to investors, given the lack of evidence supporting the benefits of the Proposals as we observe above (*i.e.*, would the added increment of information translate into beneficial changes in pricing or liquidity characteristics associated with the trades theoretically benefiting from such information?). Some SIFMA members are concerned, instead, that the shortening of the reporting timeframe might most benefit algorithmic trading firms or other market participants positioned to take advantage of information arbitrage, to the potential detriment of retail investors and more traditional institutional investors. Thus, although a narrow segment of the investment community may be able to point to benefits they themselves could derive through their quantitatively-focused business models, it would be at the likely substantial cost to the rest of the investor base, particularly retail investors reliant on traditional retail sales and trading professionals who do not have comparable resources or customized analytic tools to compete with algorithmic/quantitative traders. The retail market therefore is unlikely to observe a positive liquidity effect from automated trading methodologies that could leverage the immediacy of trade data under the Proposals.

5. **Counterparties to broker-dealers would realize potentially severe impacts from the disruptions created by one-minute reporting** – The cooperation of and information provided by counterparties is crucial to effective trade reporting. The need by broker-dealers to accelerate their trade reporting under the Proposals would create unintended burdens on their counterparties. In the case of personalized negotiation, the changes in behavior needed to meet an accelerated reporting paradigm would create pressure on the counterparty in its decision-making as the broker-dealer seeks to get a clear agreement that it can act on immediately to report to the Reporting Systems. Some counterparties might experience an appreciable deterioration in the process of reaching final agreement to all terms of their trades and in the overall broker-customer relationship. By way of example, many counterparties require additional time to confirm or adjust the ultimate identity of each corporate entity that is a party to a trade (such as where allocating among related parties or advised accounts). These types of adjusting changes, including adjustments in trade sizes as among them, occur frequently in the minutes immediately following finalization of key trade terms. If the accelerated reporting times suggested in the Proposals were adopted, because the broker-dealer would need to immediately turn to reporting the trade, they would lose flexibility in their interactions with the customer regarding any clarifications or adjustments once the initial trade terms are identified. In addition, a one-minute deadline would create an environment in which the discussion of investment decisions with the counterparty may need to be repeatedly interrupted to allow the broker-dealer to immediately report each trade. In essence, counterparties would be forced into a trading environment where immediacy is prioritized, regardless of the counterparties' preferences. This, in turn may cause many counterparties to reconsider their practices when investing in fixed income securities.

6. **One-minute reporting of trades would be impracticable or impossible when multiple securities are traded at the same time** – It would be extremely difficult, and in many cases may be impossible, for a broker-dealer to make multiple trade reports in the event that they enter into (either simultaneously or sequentially) a series of transactions involving multiple CUSIPs such as a portfolio trade or other package of securities. Portfolio trades have become an increasingly important element supporting separately managed accounts and other advisory relationships, many of these servicing retail investors. Many customers engaging in portfolio trades seek to do so through personalized negotiation rather than through electronic venues, due in part to the complexity of counterparties assessing potentially thousands of different securities without the targeted interactions that occur in personalized negotiation. In addition, the use of electronic venues may expose a considerable amount of pre-execution information unrelated to the pricing of the portfolio assets, including in particular information regarding the nature of the investor's positions and trading strategies. The leakage of this pre-execution information can be problematic as other market participants may be able to take advantage of this leakage to enter into trades that could impair the most effective execution of the portfolio trade, with consequent impacts to the ultimate investors in the case of separately managed and other advisory accounts.

Also, many broker-dealers that engage in mortgage-backed securities transactions (including most small and many medium sized firms) must execute numerous trades at the same time tied to mortgage originations, generally by voice through personalized negotiation. The need to execute and report such trades on an individual or small batch basis would not only represent another example of liquidity queueing in such securities, as described above, but would create the risk of a concomitant increased friction in the efficiency of the underlying affordable housing mortgage origination process and the GNMA sector as a whole. Further, broker's brokers and other interdealer brokers often are tasked by their broker-dealer clients to facilitate trades in numerous different credits as part of the clients' trading needs on behalf of their own customers, requiring reports of a large number of trades executed at the same time. Additionally, it may be the case that a transaction involves the simultaneous purchase of a security and a hedge or other corresponding security. To the extent that all of these securities have a one-minute reporting requirement (such as buying the FN 5% TBA and selling the GN 5% TBA in a single transaction where the time of trade would be expected to be the same or just seconds apart), both trades would need to be reported within the same minute, which may be functionally impossible.

7. **Instituting one-minute reporting would present significant challenges for dually-registered broker-dealers/investment advisers and impact their retail and other advisory customers** – When a dually-registered broker-dealer/investment adviser purchases a large block from the street it must report the block trade to the Reporting Systems. It must also report each allocation to the sub-accounts held in its investment adviser capacity, including managed retail customer accounts. The reporting issues presented by such allocations are similar to those for the reporting of portfolio trades, particularly the need under a one-minute reporting paradigm to immediately report potentially thousands of allocations. These allocations are at the same price as the block trade and therefore do not provide the market with information that is relevant to a trading decision. Yet, these sub-account reports to the Reporting Systems, which sometimes number in the thousands, would all have to be made within the same one-minute reporting window, which would be effectively impossible for trades involving more than just a small number of allocations. The overwhelming task of reporting these largely duplicative trade reports could cause dual registrants to curtail the use of large block trades to source advisory customer investments, which would reduce the opportunity for their retail customers to achieve the pricing benefits that can often be derived when trading in larger blocks.
8. **The SROs should develop a better understanding of the important reasons for differences in trade reporting timing for small vs. large trades** – The Notices seek comment on the factors that may have resulted in the more rapid trade reporting of small trades as compared to large trades. There are similar characteristics to many small trades. Many small trades are executed on electronic platforms, and require minimal, if any, manual intervention. This fact allows many smaller trades to be executed and reported almost instantly. Larger trades, by contrast, typically require traders to negotiate and

confirm with a client and manually enter trade details into risk and reporting systems. Further, large trades generally require increased trader focus on risk management – notably the need to promptly source and accurately hedge the transaction in question. Any perceived inability for firms to manage their risk (while resources are diverted to one-minute trade reporting) will hamper firms' willingness to incur risk, which will in turn naturally dampen liquidity. This, in turn, may ultimately increase systemic risk if broker-dealers become less capable of hedging on a timely basis and could reduce execution quality for the institutional investor.

Bottlenecks can happen given the higher level of review required for large trades, landing trades in error queues or other queues for such manual review as margin or credit issues. It would be extraordinarily difficult to engage in these types of reviews in an effectively instantaneous manner as would be required under a one-minute reporting regime. As mentioned above, the Proposals, if adopted, could have the effect of significantly curtailing the ability to engage in manual handling of trades and would have negative impacts on risk management and liquidity, with at best little to no actual benefit to the overall quality of market data. Ensuring that large trades are executed accurately is critically important not only because of the higher financial stakes inherent in large trades but also because the larger trades are often viewed by the market as the most informative as to current price levels, have the greatest influence on market indices and generally set market tone. The SROs fail to show any appreciable benefit derived from faster reporting of such large trades that could outweigh the heightened risk of erroneous reporting that can drive market prices in the wrong direction.

9. **One-minute reporting would substantially increase reporting errors, corrections and late reporting rates** – SIFMA has been supportive of initiatives to increase efficiencies in the marketplace, including in particular promoting straight-through processing and removing barriers to electronic trading whenever reasonably feasible and beneficial to the operations of the market and the protection of investors. Many such improvements have the additional benefit of ultimately decreasing settlement fails and the costs associated with them. However, the significant reduction in the reporting timeframe envisioned in the Proposals would create the greatest pressure for those trades that currently face the greatest barriers to rapid reporting such as those executed through personal negotiation, thus likely increasing significantly the frequency of trade reporting amendments and errors as broker-dealers seek to achieve compliant reporting.

For example, a salesperson executing even a small number of trades at approximately the same time could easily make errors as he or she attempts to ensure that all of the trades are reported in one minute. Portfolio trades with potentially thousands of unique securities might well overwhelm the error and correction process, or result in a surge of late trade reports, if placed under a one-minute reporting standard. Depending on the nature of an adjustment or other small change in terms in the context of a portfolio trade, that single adjustment might result in the need for trade reporting correction for all the reported trades for the basket of securities within the portfolio.

The increased frequency of errors would cause the dissemination of a greater volume of erroneous information to the market than currently occurs. Broker-dealers would, as now, be required to correct such erroneous information, but the higher volume of uncorrected information would remain public pending such correction precisely during the period of time (immediately after the trade) that the SROs view as generating the greatest benefit of a tightened timeframe.

The higher volume of corrections, and the likely increase in enforcement inquiries and related activities by FINRA and the SEC resulting in responsive action by broker-dealers, would entail levels of costs that the SROs, and ultimately the SEC, would need to include in their cost-benefit analyses of the Proposals. Existing report cards and other metrics created and used by the regulators in connection with their examination and enforcement activities or designed to assist broker-dealers in their self-monitoring and compliance improvement efforts would become seriously off-balanced due to the many circumstances under which compliance with a one-minute reporting standard would become significantly more challenging or impossible. The regulators would need to reset the expectations that such report cards and metrics would establish for broker-dealer performance.

The likely step-up in information gathering by the regulators to monitor trade reporting performance during and after implementation of the changed deadline would create additional substantial drains on broker-dealer and regulator resources. These increased costs may be particularly onerous for smaller firms to bear. The market would be better served if the MSRB were to adopt the “as soon as practicable” reporting requirement to harmonize with the FINRA trade reporting requirement. In addition, the SROs and the SEC could most beneficially allocate their resources to providing meaningful guidance on what additional trade reporting processes they view are practicable under the current paradigm and in working with broker-dealers during FINRA and SEC compliance examinations in exploring any cases where the examiners believe that the examined firm may not be reporting as soon as practicable and arriving at steps the firm can take to fully meet the existing standard.

10. **SROs should maintain current end-of-day and other non-immediate reporting standards and potentially broaden such exemptions if they institute one-minute trade reporting** – The MSRB Notice asks whether existing end-of-day trade reporting exceptions are still necessary or appropriate. SIFMA observes that the end-of-day trade reporting exceptions all have something in common. These types of transactions, namely list offering price transactions, takedown transactions, trades in short-term instruments, and “away from market” trades (including customer repurchase agreement transactions, unit investment trust related transactions, and tender option bond related transactions), do not add relevant price information to the marketplace since the prices for these transactions are either known to the market or are off-market. These trades are required to be reported to ensure completeness for regulatory audit trail purposes, but the prices

reported are of limited to no value to market participants, particularly where the prices do not reflect the current market as of the time of reporting. Moving such trade reports to a mandatory real-time, and potentially one-minute, reporting paradigm would only serve to increase the likelihood that investors – particularly retail investors who may not understand why these trades do not reflect the current market – could be ill served with more rapid reporting and potentially more rapid dissemination of these trades.

If the end-of-day-reporting exceptions are eliminated, then large transactions with up to 100 syndicate members and thousands of trades would need to be pushed through a firm's systems much faster than in today's environment. Swing trades and accounting for sales credit can further complicate the process. It should also be noted that list offering price trades and takedown trades are specific to new issues, and these new issue trades may be making as many as 4 "hops" before the information can be sent to the Reporting Systems. For instance, information may be created in an underwriter's "book running" system, then get sent to a clearing firm, then to the correspondent firm's middle office system, then to its back office system, and finally to the clearing agency. Speeding up the reporting deadline for these transactions likely would include redesigning systems to report from their front end, which would be a very costly task for little to no perceived benefit.

In addition, SIFMA recommends that the MSRB harmonize its RTRS end-of-day reporting requirements for municipal securities with the requirements for similar transactions in TRACE-Eligible Securities reported to TRACE. Thus, the MSRB should, consistent with FINRA, not require the reporting of customer repurchase agreement transactions, for which price information has little to no value to market participants. Also, pursuant to FINRA Rule 6730, list offering price transactions and takedown transactions for TRACE-Eligible Securities only need to be reported on the next business day (T+1), instead of the end of day on trade day, as is required under the MSRB rules. We encourage the MSRB to adopt these same standards to promote consistency and harmonization with TRACE in trade reporting paradigms.

SIFMA also notes that the FINRA Notice proposes requiring trades executed when the TRACE system is not open to be reported within one minute, rather than the current 15 minutes, after the TRACE system re-opens the next trading day. Given the lapse of time between execution and reopening inherent in this situation, SIFMA believes there is absolutely no value in changing this deadline. Even for NMS stocks and OTC equity securities, which have been subject to a 10-second trade reporting timeframe for many years, trades occurring after normal trading hours are required to be reported within the first 15 minutes after the applicable FINRA equity trade reporting facility re-opens the next trading day.

More generally, the telescoping of activities tied to the reporting of trades within one minute would generate extraordinary pressure to find ways to alleviate the level of activities that broker-dealers would have to undertake within the constraints of that

minute. For example, in addition to the types of trades that have existing end-of-day reporting timeframes, the SROs may need to omit from the one-minute mandate any trades that will not be used for dissemination purposes (for example, only the sell-side, not the buy-side, trade report in an interdealer transaction is generally used in the Reporting Systems for dissemination purposes), although the effectiveness of any such exclusions would need to take into account the potential impacts on other aspects of the trade, particularly in view of straight-through processes currently in use.

- 11. More rapid dissemination of trade data for block trades would raise the risk of significant negative liquidity impacts** – Current real-time dissemination of trade data for larger blocks already creates regulator-recognized concerns over negative impacts to liquidity, and the acceleration of trade reporting to a one-minute timeframe with the resultant acceleration of trade data dissemination would only exacerbate such concerns and would require further action by the SROs to prevent the increased liquidity problems.

The Reporting Systems currently disseminate to the public on a real-time basis the exact par value on all reported transactions with a par value below certain defined dissemination caps. For trades in investment grade corporate bonds with a par value greater than \$5 million, and trades in municipal bonds and non-investment grade corporate bonds with a par value greater than \$1million, the Reporting Systems disseminate a generic trade size indicator (5MM+ or 1MM+, as appropriate) when initially disseminating the trade data for such block trades, then disseminate the exact par value five business days later. Dissemination caps also exist for block trades of other types of TRACE-Eligible Securities with different caps and mechanisms. These dissemination caps were instituted to address significant concerns that liquidity would be adversely affected by the immediate availability of trade sizes for larger positions through the Reporting Systems, which other market participants could use as a position discovery rather than a price discovery tool. Because of concerns that the existing dissemination caps and trade size masking for corporate debt had not succeeded in limiting adverse liquidity effects, and based in part on recommendations made by the SEC's Fixed Income Market Structure Advisory Committee, FINRA sought comment in 2019 on potentially piloting an increase in the size of the dissemination caps and delaying dissemination of all trade information for trades above the caps for 48 hours.

As noted, immediate dissemination of trade data reported to the Reporting Systems on a one-minute basis would significantly exacerbate these already existing liquidity concerns. The SROs would need to take action to address the heightened ability that one-minute dissemination would provide opportunistic market participants to use such data on larger trades to further advantage themselves and reduce the ability of such blocks to achieve levels of liquidity that are healthy for the marketplace. It may well be that the current dissemination caps would need to be lowered, or the delay of the full trade report dissemination similar to the delay contemplated in the FINRA pilot proposal would need to be instituted for all fixed income trades above the dissemination caps, or other

compensating changes to how trade reports for block trades are disseminated would need to be developed and instituted.

12. **FINRA would need to consider how to harmonize the Federal Reserve’s depository institution TRACE reporting requirements with the FINRA Proposal’s accelerated reporting timeframe** – The FINRA Notice does not address the potential to extend the FINRA Proposal to trades in certain TRACE-Eligible Securities by covered depository institutions under the Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements (FR 2956; OMB No. 7100-NEW) of the Board of Governors of the Federal Reserve System, under which reports to TRACE began September 1, 2022. Such trade reports currently occur under a 15-minute timeframe. SIFMA believes that any move to change the baseline reporting requirements should be viewed within the full context of all market participants that are tasked with reporting or that may be affected by the need for broker-dealers and other firms to generate such reports under any new timeframe.
13. **Re-architecting post-trade workflows to implement an accelerated trade reporting timeframe would be extremely costly** – Narrowing the window for trade reporting below 15 minutes would impose substantial costs and burdens on broker-dealers that ultimately may have a meaningful impact on investors and issuers. In order for broker-dealers to move to a materially shorter reporting deadline than currently exists, much less a one-minute timeframe, they would need to examine their systems and consider reporting out of their “front-end” systems (the earliest data location where all required trade data is present) instead of back office systems in order to meet such tighter deadlines for the types of trades that currently take longer to report. This would be a dramatic, time-consuming and costly reformulation of workflows.

For TRACE-Eligible Securities already subject to the “as soon as practicable” standard of FINRA Rule 6730(a), any tightening of mandatory reporting timeframes that cause broker-dealers to report their trades more rapidly than they currently do would effectively require that broker-dealers undertake processes or systems changes that are not, in fact, currently practicable and therefore would almost certainly be quite costly and time-consuming. Any abrupt material reduction in time for trade reporting will cost broker-dealers significant amounts of money to make changes to their systems, likely requiring that they redesign systems to report from their front end and potentially hire additional staff (for example, to shadow traders and manually input data as trades are executed during personalized negotiated), both of which would be very costly and neither of which is addressed by the SROs in their limited cost-benefit analyses.

Maintaining personalized negotiation under a dramatically reduced reporting timeframe may require universal use by all broker-dealers of systems specifically designed to facilitate rapid trade reporting, and also may depend on technological innovations that have not yet emerged to allow for automating what can effectively be unstructured and sometimes oral data into properly tagged data for consumption by systems involved in

trade reporting. While it is not possible to foresee all potential changes that would be required to meet a one-minute deadline without the type of thorough analysis by the SROs in coordination with market participants that we describe above, other changes may very well include potentially broader re-architecting and expanding internal or cloud-based infrastructure; expanded reliance on third-party data and technology providers with associated costly licensing arrangements; materially modifying processes to maximize automation to the greatest extent feasible; expansion, to a degree far greater than the SROs likely anticipate, of the workforce dedicated to trade execution and reporting, and undertaking the associated training and supervision, to adequately address remaining manual processes subject to dramatically tightened deadlines; and expansion of internal systems capacity and externally-provided telecommunication, computing and other services, among other material changes.

The high costs entailed in the need to re-imagine and re-engineer the trade reporting process across the fixed income asset classes are additive to the numerous other costs arising from the many other burdens we describe above. It is incumbent on the SROs to undertake and publish for public scrutiny in advance of any rulemaking detailed analyses of these costs in light of our comments and the input received from other commenters on the Notices, as further informed by data available only to the regulators. While these costs will fall directly on all reporting broker-dealers, the costs of the Proposals will spread to investors and other market participants, as we have described above. The SROs and the SEC must be held to a high standard for making transparent their calculations of costs and their exacting analysis of the balance of the costs and benefits supported by quantitative and qualitative findings.

IV. Suggestions for Improvements to Current Trade Reporting Requirements

SIFMA members believe that there are several improvements to the current FINRA and MSRB reporting requirements that can be made in the near term. These improvements would make trade reporting more harmonized, more efficient and would likely materially improve the speed of trade reporting without creating a shorter reporting mandate.

A. SIFMA recommends the harmonization of the SROs' baseline reporting requirements

The MSRB Notice seeks comment on whether the current transaction reporting timeframe for the reporting of trades in municipal securities to RTRS should be amended to include a requirement that, absent an exception, such trades must be reported "as soon as practicable." Section (a)(ii) of the Rule G-14 RTRS Procedures set forth the baseline 15-minute trade reporting timeframe for most municipal securities trades, which do not currently include a requirement for reporting such trades as soon as practicable. Adding this requirement would harmonize this provision with FINRA Rule 6730(a), which currently requires that, with certain exceptions, trades in TRACE-Eligible Securities be reported as soon as practicable. SIFMA supports amending MSRB Rule G-14 RTRS Procedures to include this conforming language to the trade reporting requirement, as

well as to provide supervisory guidance that parallels the provisions of Supplementary Material .03 of FINRA Rule 6730.

To be clear, SIFMA believes that all reporting firms must consistently and faithfully comply with the applicable “as soon as practicable” requirements under the trade reporting rules. SIFMA further believes that FINRA and SEC examination staff should take the opportunity, when they are at their closest interaction with broker-dealer personnel during the examination process, to provide appropriate feedback to firms they believe are not reporting trades as soon as practicable to assist in achieving more fully compliant trade reporting. SIFMA is not aware of any publicly announced enforcement actions finding that a broker-dealer, while meeting existing 15-minute reporting requirements, has failed to report its trades under the current FINRA Rule 6730(a) requirement that such trades be reported as soon as practicable. This demonstrates that broker-dealers are in fact systematically reporting their trades as soon as practicable, seriously posing the question as to whether mandating shortened trade reporting timeframes would result in an impracticable requirement that would be facially unreasonable and unacceptably burdensome. We believe that the high number of trades that are currently reported within one minute is ample evidence that, with the actions described above, the SROs could substantially achieve the goals of the Proposals.

B. SIFMA recommends that the SROs jointly establish a Reporting System-hosted securities master

A complete, accurate and immediately accessible securities master is a core necessity in order to effectively report trades to the Reporting Systems. Because of the large number of unique securities in certain segments of the fixed income market and the nature of the information and the manner of providing and updating such information through private sector data products, most broker-dealers face significant technological burdens and costs in maintaining securities masters that are able to provide the information necessary for trade reporting on a timely basis for certain trades. For example, a trade in a security that has not previously traded for a significant period of time (*e.g.*, during the past year) may require that the broker-dealer update its active securities master to ensure that the necessary indicative data is available for all required processing. Broker-dealers have reported that it takes almost all of the allotted 15 minutes to query an information service provider to upload the missing CUSIP and indicative data to refresh their securities master, then submit the trade report. At one minute, any form of human processing may in many cases become effectively impossible.

SIFMA suggests that the SROs establish a joint purpose-built global securities master housed within the Reporting Systems for use by the SROs and broker-dealers exclusively in connection with the timely reporting of trades. Providing for a centralized, fully updated securities master that includes all fixed income securities subject to trade reporting requirements would, SIFMA believes, significantly speed the reporting of many of the trades that today require the most time to report under existing trade reporting standards without the necessity of changing such timeframes. Furthermore, if the SROs were to shorten the reporting timeframes, SIFMA believes

that it would be even more critical to implement this or some other solution to existing limitations and barriers faced by broker-dealers in connection with their securities masters.

FINRA currently maintains an issue master for many categories of TRACE-Eligible Securities which could serve as a foundation for establishing this global securities master, with enhancements to include all remaining TRACE-Eligible Securities not currently covered and to ensure that all reporting broker-dealers have effective means to use the data for TRACE trade reporting in the most efficient manner possible. The MSRB should work with FINRA to extend its existing securities master to also include municipal securities, and the MSRB should institute any necessary RTRS and trade reporting portal enhancements necessary to allow broker-dealers to use the data for RTRS trade reporting in the most efficient manner possible.¹⁶ Of course, the development and implementation of a global securities master for this purpose would need to be undertaken under the existing notice and comment process incorporating a rigorous economic analysis of the costs and benefits.

C. SIFMA recommends that the SROs improve the efficiency of their existing web-based reporting interfaces

Both Notices observe that trades currently are reported to the Reporting Systems by means of automated interactive messaging protocols more rapidly than trades reported manually using web interfaces, such as RTRS Web and TRAQS. The FINRA Notice includes statistics in Table 4 that clearly demonstrate that the current manual trade reporting processes would face overwhelming obstacles in meeting a significantly shortened trade reporting timeframe. The MSRB Notice merely acknowledges that manual reporting appears to be slower than automated reporting without offering any data and leaves it to market participants to generate their own information on the timing of manual web reporting. This failure to provide data on such timing comparable to the data provided by FINRA is rather alarming given that the data is uniquely within the MSRB's possession and that the private sector is unable to generate this type of data from publicly available sources, including the RTRS data feeds.

At least until alternative methods of reporting trades are developed to allow broker-dealers to efficiently and effectively report the types of trades that they current report manually, SIFMA believes that retaining but considerably improving the existing web interfaces is necessary. Manual trade reporting, in most cases, occurs because the trade is executed outside of a straight-through processing environment, as may be the case with trades resulting from personalized negotiation, or if issues arise with respect to a particular trade in such an electronic process.

¹⁶ It would be incumbent upon the SROs to leverage existing data available to them and to negotiate appropriate use agreements with private vendors required to implement the global securities master. Such agreements should, at a minimum, guarantee use by broker-dealers of securities identifiers relevant to all of the fixed income segments subject to trade reporting and other data from the global securities master solely to meet regulatory requirements with respect to their reporting of trade information to the Reporting Systems, while retaining the vendors' commercial interests in other usages of their products associated with or derivative of their data used by the securities master.

Examples of situations or types of trades for which SIFMA members currently may sometimes use manual trade reporting include large trades, trades in some high yield or distressed bonds, trades with securities having unusual features, trades in securities of issuers that rarely trade (including securities for which the securities master must be updated to include applicable indicative data for the security), and other situations where a broker-dealer may effect a trade by personalized negotiation through voice brokerage, electronic chat function or other electronic communications platform, among others.¹⁷ More generally, manual trade reporting remains a key capability in connection with voice brokerage, as well as in other scenarios where the communications between broker-dealers and their clients to reach agreement on a trade – whether by voice, through an order management system or other electronic communication system – occur outside of a straight-through processing environment that automates the translation of such communication directly into the execution and trade reporting stream. Any regulatory changes that make manual reporting ineffectual or that penalizes broker-dealers for using such process would materially impair the ability of personalized negotiation to continue to exist, to the detriment of the many investors that choose to trade in such manner.

SIFMA members report a number of different inefficiencies they experience using the currently available web interfaces for manual trade reporting. Some of these issues reside in the SROs' own systems, which the SROs should address – unrelated to any shortening of the trade reporting timeframe – through system enhancements and/or redesign,¹⁸ greater adherence to heightened service level agreements, and incorporation of the global securities master described above. In addition, particularly if the SROs were to shorten trade reporting timeframes, the SROs would need to provide to the marketplace, on a more consistent basis, considerably more granular transparency on SRO systems outages that include specific instances of system accessibility and performance degradations that fall short of what are currently viewed by the SROs as systems outages, and records of these outages/degradations should be automatically appended to any SRO trade reporting statistics and report cards generated for individual broker-dealers to ensure that such broker-dealers are not penalized for SRO system issues. Other issues may be external to the SROs' own systems, including internet and other types of broad-based or localized outages/degradations outside of the control of broker-dealers that may sometimes interfere with their ability to make timely reports through the SRO web interfaces, with such situations becoming increasingly problematic with any potential shortening of the trade reporting window.

* * *

¹⁷ Broker-dealers that are not SIFMA members, particularly those that are smaller, more specialized, or only trade in fixed income securities infrequently may experience additional scenarios where manual reporting is important.

¹⁸ For example, the SROs should ensure that their web interfaces are optimized so that they are made instantly available on an always on/always signed in basis for input without users experiencing system time-outs or latency issues, having to repeatedly sign in, or being required to undertake more keystrokes, navigate more pages, and await system processing when selecting or otherwise inputting data than is minimally necessary for the single purpose of reporting a trade to the Reporting Systems.

In summary, SIFMA and its members are supportive of achieving faster trade reporting but want to ensure that additional costs and burdens are not imposed on the industry without commensurate benefits. The Notices garnered significant interest by SIFMA members who strongly believe that the “as soon as practicable” standard should be uniformly applied across all fixed income securities, and that promoting the ability of broker-dealers to meet this standard should be the guiding principal for improving reporting times. We have the specific concerns listed above regarding the Proposals and believe the recommendations we have made regarding potential enhancements to existing trade reporting processes would provide much of the benefits sought by the Proposals at significantly lower costs.

SIFMA and its members would welcome the opportunity to join working groups, provide demonstrations of current processes and otherwise assist in considering means of enhancing reporting times in a more deliberative and corroborative fashion. Abruptly moving to a one-minute deadline would harm the markets and our members. It would also create significant new technology and operational burdens for broker-dealers that are preparing to transition to a T+1 settlement cycle and expecting a variety of significant SEC rules to be adopted over the next year. We believe that the SROs should first make our recommended improvements to existing trade reporting, and only then should the SROs potentially consider whether shortening reporting timeframes would provide any additional benefits that clearly outweigh the attendant burdens. Careful study of the issues we raise would be necessary before the SROs seek to implement a tighter mandatory reporting timeframe, and any such tightening of the trade reporting mandate must be done in a stepwise manner in partnership with the marketplace.

We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned at 202-962-7300, or with respect to municipal securities, Leslie Norwood at 212-313-1130, or with respect to TRACE-Eligible Securities, Chris Killian at 212-313-1126, or with respect to the SIFMA AMG, William Thum at 202-962-7381.

Respectfully submitted

A handwritten signature in blue ink, appearing to read "Ken Bentsen", with a stylized flourish at the end.

Kenneth E. Bentsen, Jr.
President and CEO

cc: ***Securities and Exchange Commission***

Haixiang Zhu, Director, Division of Trading and Markets

David Sanchez, Director, Office of Municipal Securities

Financial Industry Regulatory Authority

Chris Stone, Vice President, Transparency Services

Joseph Schwetz, Senior Director, Market Regulation

Adam Kezsbom, Associate General Counsel, Office of General Counsel
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Municipal Securities Rulemaking Board

Gail Marshall, Chief Regulatory Officer
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October 3, 2022

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Mr. Ronald W. Smith
Corporate Secretary
MSRB
1300 I Street, NW
Washington, DC 20005

Re: Notices Seeking Public Comment on Shortening the TRACE Reporting Timeframe
(FINRA Regulatory Notice 22-17) and Shortening the RTRS Reporting Timeframe
(MSRB Notice 2022-07)

Dear Madam and Sir:

The Investment Company Institute¹ is writing to respond to the Financial Industry Regulatory Authority's (FINRA) and the Municipal Securities Rulemaking Board's (MSRB) proposals to reduce the trade reporting timeframe for certain transactions reported to the Trade Reporting and Compliance Engine (TRACE) and the Real-Time Transaction Reporting System (RTRS), respectively.² ICI members are significant participants in the fixed income securities markets for corporate bonds, agency debt securities, asset-backed securities (ABS) and agency pass-through mortgage-backed securities traded to-be-announced for good delivery (TBAs), transactions in which are reported to and publicly disseminated via TRACE. ICI members are also significant participants in the municipal securities market, transactions in which are reported to RTRS and

¹ The [Investment Company Institute](https://www.ici.org) (ICI) is the leading association representing regulated investment funds. ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. Its members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in Europe, Asia and other jurisdictions. Its members manage total assets of \$28.8 trillion in the United States, serving more than 100 million investors, and an additional \$8.1 trillion in assets outside the United States. ICI has offices in Washington, DC, Brussels, London, and Hong Kong and carries out its international work through [ICI Global](https://www.ici.org/global).

² See FINRA, *TRACE Reporting Timeframe*, FINRA Regulatory Notice 22-17 (Aug. 2, 2022), available at <https://www.finra.org/rules-guidance/notices/22-17#notice> ("FINRA Proposal"); MSRB, *Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14*, MSRB Notice 2022-07 (Aug. 7, 2022), available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx??n=1> ("MSRB Proposal," and collectively with the FINRA Proposal, the "Proposals").

Ms. Jennifer P. Mitchell

Mr. Ronald W. Smith

October 3, 2022

Page 2 of 14

publicly disseminated via the Electronic Municipal Market Access website (EMMA). Further, while ICI members may not bear the primary burden of trade reporting obligations, ICI members utilize TRACE and RTRS/EMMA data and some may use such data to inform trading or to conduct post-trade cost analysis. For all these reasons, ICI members have a strong interest in ensuring the integrity, quality, and well-functioning of the fixed income securities markets.

The FINRA Proposal seeks comment on reducing the trade reporting timeframe for transactions in TRACE-eligible securities subject to a 15-minute reporting timeframe to as soon as practicable but no later than one minute from the time of execution. The MSRB Proposal seeks comment on a similar proposal to reduce the trade reporting timeframe for transactions in municipal securities subject to a 15-minute reporting timeframe to as soon as practicable but no later than one minute from the time of trade. Both FINRA and MSRB would continue to disseminate the reported trading data immediately, subject to the volume caps currently in place.³ For securities not currently subject to a 15-minute reporting timeframe, such as commercial mortgage-backed securities and collateralized debt obligations,⁴ the Proposals would not affect those securities' reporting and dissemination requirements. Both FINRA and MSRB believe that reducing trade reporting timeframes may lead to improved transparency in the fixed income markets and allow investors and other market participants to obtain and evaluate pricing information more quickly. FINRA and MSRB believe this would result in improved price discovery and formation, as well as enhanced negotiation power over dealers.

While ICI members are generally in favor of increased transparency in the fixed income markets and more robust reporting that will increase the reliability of publicly available information, many ICI members have concerns regarding the potential effects that broadly reducing the trade reporting timeframe to one minute may have. ICI therefore recommends that FINRA and MSRB adopt a measured and phased approach in implementing any changes to trade reporting and dissemination, similar to what each has done over the past two decades.⁵ Any shortened trade reporting timeframe should be implemented through an incremental, data-driven approach, with

³ Currently, FINRA places notional volume caps on TRACE-eligible securities trade data subject to dissemination. Trades over \$5 million in investment grade debt are disseminated as \$5 million+; trades over \$1 million in non-investment grade debt are disseminated as \$1 million+; trades over \$25 million in TBAs are disseminated as \$25 million+; and trades over \$10 million in ABSs are disseminated as \$10 million+. *See Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, Relating to TRACE Reporting and Dissemination of Transactions in Asset-Backed Securities*, Exchange Act Release No. 71607 (Feb. 24, 2014), available at <https://www.sec.gov/rules/sro/finra/2014/34-71607.pdf>. MSRB places similar notional volume caps on municipal securities trade data subject to dissemination. Trades over \$5 million are disseminated as \$5 million+. *See MSRB, SEC Approves Enhancement to Large Trade Price Transparency*, MSRB Notice 2012-53 (Oct. 25, 2012), available at <https://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2012/2012-53.aspx?n=1>.

⁴ *See* FINRA Rule 6730(a)(3)(A).

⁵ *See infra* Section I (providing an overview of the gradual implementation of trade reporting and data dissemination that both FINRA and MSRB historically have taken).

Ms. Jennifer P. Mitchell
 Mr. Ronald W. Smith
 October 3, 2022
 Page 3 of 14

a focus on the impacts, by asset class and transaction size, that reduced reporting times may have on liquidity, market structure, and execution quality.⁶

We recommend that FINRA and MSRB assess the notional trade data, in addition to the total trade count analysis currently provided in the Proposals, to better assess the market impact that the Proposals will have. Further, we recommend that FINRA and MSRB examine the attributes of large trades and trades in less liquid securities that are currently reported later than one minute before requiring a shorter reporting time for these transactions. Based on the data provided by FINRA and MSRB in the Proposals, large trades and trades in thinly traded securities are often reported later than a minute⁷ and, according to feedback from our members, are often traded via voice or other non-electronic methods.⁸ While we agree that a one-minute trade reporting timeframe may be reasonable for certain corporate bonds or smaller notional trade sizes executed

⁶ As FINRA recently noted in its comment letter to the US Treasury:

FINRA's experience also has involved tailoring transparency approaches based on different TRACE products and their unique trading characteristics and liquidity profiles. A careful and measured approach to data collection, study, and dissemination has allowed FINRA to successfully adjust increases in transparency with particular product types in mind. Thus, FINRA has carefully implemented a range of dissemination approaches over time that have been customized to the characteristics of the particular security (*e.g.*, implementing dissemination caps, periodic dissemination, aggregate dissemination, and approaches that combine aspects of various measures).

FINRA Comment Letter to US Treasury in Response to Department of Treasury Notice Seeking Public Comment on Additional Transparency for Secondary Market Transactions of Treasury Securities (Aug. 23, 2022), *available at* <https://www.regulations.gov/comment/TREAS-DO-2022-0012-0007>. We ask that FINRA and MSRB take a similar approach with respect to potentially shortening trade reporting timeframes for TRACE-eligible securities and municipal securities, respectively.

⁷ For example, when analyzing reporting times by asset type, FINRA noted that ABSs, which are generally less liquid than corporate bonds, only had 52% of total trades reported within a minute as compared to corporate bonds which had 82% of total trades reported within a minute. When analyzing large trades, FINRA noted that only 61% of total trades greater than \$25 million for corporate bonds were reported within one minute and MSRB noted that only 25.3% of total trades greater than \$5 million for municipal securities were reported within one minute, as compared with 86% of trades less than \$100,000 for corporate bonds and 80.3% of trades \$100,000 or less for municipal securities, respectively.

⁸ For example, one member noted that where a trade requires back-and-forth negotiations, such as negotiating price and size on a large trade or inventory trades for less liquid municipal securities, voice execution generally is the preferred method as electronic platforms have more rigid protocols. Another member noted that they execute trades in ABSs, which are generally less liquid than corporate bonds, by non-electronic methods.

While FINRA does provide data regarding the percentage of total trades executed on an ATS as compared to trades not executed on an ATS, we note that non-ATS trades include trades executed electronically, such as through RFQ protocols, and therefore this data does not distinguish clearly between electronic and non-electronic means of execution. According to our members, non-electronic trades are often large trades and/or for less liquid securities, require more time for negotiation, and represent a significant percentage of notional trading volume. Data metrics for such trades are not reflected in the Proposals' analysis. We acknowledge, however, the potential difficulty in quantifying trades made electronically or non-electronically, as there are protocols available to process non-electronic trades electronically.

Ms. Jennifer P. Mitchell

Mr. Ronald W. Smith

October 3, 2022

Page 4 of 14

via electronic platforms, some members feel that transactions in less liquid securities or of larger notional volume, which are often executed through voice protocols, may not be appropriate for reporting and dissemination within a minute.⁹ Further, some members believe that reporting and disseminating data regarding large trades and trades in less liquid securities within one minute may result in reduced liquidity and increased price volatility in the fixed income markets. We urge FINRA and MSRB to consider these characteristics of the fixed income markets in determining whether market participants should have more than one minute to report certain transactions. Given the greater fragmentation of liquidity in the fixed income markets, preserving the flexibility to choose among different trading protocols, including traditional voice methods offering competitive spreads, is critical to enabling market participants, such as funds, to efficiently trade less liquid securities or larger transaction sizes with minimal execution costs.

Section I of our letter summarizes the historically gradual implementation of trade reporting timeframes and data dissemination by FINRA and MSRB. Section II addresses the current fixed income market structure and the potential market structure impact these Proposals could have, if adopted. Section III analyzes how requiring a one-minute reporting timeframe and associated data dissemination, regardless of asset class or transaction size, could negatively affect liquidity and execution quality. Section IV cautions that broadly imposing a one-minute reporting timeframe, as FINRA and MSRB propose, without adequate consideration of the implications for less liquid securities or larger size transactions may result in reduced execution flexibility for some market participants and an artificial flow of order volume to electronic platforms. Section V emphasizes the importance of having accurate trade data reported and the impact that shortened reporting timeframes may have on the accuracy of reported data.

I. FINRA and MSRB Historically Have Taken an Incremental Approach to Trade Reporting and Public Dissemination

To promote transparency without negatively impacting liquidity, FINRA and MSRB historically have adopted a measured and phased approach to fixed income trade reporting and public dissemination.¹⁰ FINRA, for example, began collecting and disseminating trade information in fixed income securities in 2002 through TRACE.¹¹ Reporting initially was required for trades in

⁹ One minute reporting may raise practical challenges for certain asset classes. For example, the municipal securities market is characterized by a large number of individual CUSIPs, many of which are infrequently traded. Currently in this market, dealers often have to re-upload CUSIPs into their trading systems if the CUSIP has not been traded recently. Because this process typically takes more than a minute, a one-minute trade reporting timeframe may not be appropriate for certain less liquid or infrequently traded municipal securities.

¹⁰ E.g., FINRA, *FINRA Requests Comment on a Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination*, FINRA Regulatory Notice 19-12 (April 12, 2019), available at <https://www.finra.org/rules-guidance/notices/19-12> (“To promote transparency without negatively impacting liquidity, FINRA adopted a measured, phased approach to corporate bond trade dissemination that began in 2002 with the most actively traded and liquid bonds.”).

¹¹ FINRA, *SEC Approves Rules to Require Fixed Income Transaction Reporting and Dissemination*, FINRA Regulatory Notice 01-18 (March 11, 2001), available at <https://www.finra.org/rules-guidance/notices/01-18>. While

Ms. Jennifer P. Mitchell

Mr. Ronald W. Smith

October 3, 2022

Page 5 of 14

most corporate debt securities, but public dissemination was limited to trades in the most actively traded and liquid bonds.¹² Trades were required to be reported within 75 minutes and were publicly disseminated immediately upon receipt.¹³ FINRA gradually reduced the trade reporting timeframe, establishing the current reporting timeframe of not later than 15 minutes in 2005.¹⁴ Over time, FINRA added reporting and dissemination of trades in other fixed income securities, including non-investment grade corporate bonds,¹⁵ agency debt,¹⁶ ABSs,¹⁷ TBAs,¹⁸ and Rule 144A bonds.¹⁹ Similar to corporate bonds, the initial trade reporting timeframe was gradually

the initial reporting time was proposed to be one hour, that was later extended to 75 minutes. *Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 2 and 3 to the Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to the Rule 6200 Series or the TRACE Rules*, Exchange Act Release No. 46144 (June 28, 2002).

¹² See FINRA Regulatory Notice 01-18, *supra* note 11 (stating that while all trades in TRACE-eligible corporate bonds must be reported, NASD (the predecessor to FINRA) would disseminate trade information only for the most liquid investment grade corporate bonds, *i.e.*, those with an initial issuance of \$1 billion or greater).

¹³ *Id.*

¹⁴ FINRA, *SEC Approves Amendments to TRACE Rule 6230 to Reduce the Reporting Period to 45 Minutes*, FINRA Regulatory Notice 03-36 (June 30, 2003), available at <https://www.finra.org/rules-guidance/notices/03-36> (reducing the trade reporting timeframe to 45 minutes); FINRA, *SEC Approves Amendments to TRACE Rule 6230 to Reduce the Reporting Period to 30 Minutes on October 1, 2004, and to 15 Minutes on July 1, 2005*, FINRA Regulatory Notice 04-51 (July 14, 2004), available at <https://www.finra.org/rules-guidance/notices/04-51> (establishing a temporary reporting timeframe of 30 minutes to later be replaced with a reporting timeframe of 15 minutes).

¹⁵ FINRA, *SEC Approves Amendments to TRACE Rules to Disseminate Transaction Information on All TRACE-Eligible Securities, Modify and Supplement Defined Terms, and Enhance Notification Requirements*, FINRA Regulatory Notice 04-65 (Sept. 8, 2004), available at <https://www.finra.org/rules-guidance/notices/04-65>.

¹⁶ FINRA, *SEC Approves Amendments Expanding TRACE to Include Agency Debt Securities and Primary Market Transactions*, FINRA Regulatory Notice 09-57 (Sept. 29, 2009), available at <https://www.finra.org/rules-guidance/notices/09-57>.

¹⁷ FINRA, *SEC Approves Reporting Asset-Backed Securities Transactions to TRACE and Related Fees*, FINRA Regulatory Notice 10-23 (April 23, 2010), available at <https://www.finra.org/rules-guidance/notices/10-23>.

¹⁸ FINRA, *SEC Approves Amendments to TRACE Reporting Requirements and Dissemination of Agency Pass-Through Mortgage-Backed Securities Traded to Be Announced and Related Fees*, FINRA Regulatory Notice 12-26 (May 21, 2012), available at <https://www.finra.org/rules-guidance/notices/12-26>.

¹⁹ FINRA, *SEC Approves Amendments to TRACE Rules and Dissemination Protocols to Disseminate Rule 144A Transactions in TRACE-Eligible Securities and Related Fees*, FINRA Regulatory Notice 13-35 (Oct. 30, 2013), available at <https://www.finra.org/rules-guidance/notices/13-35>. FINRA continues to assess whether trade information for other securitized assets should be publicly disseminated, given such securities' liquidity profile. See FINRA, *SEC Approves Amendments to Disseminate Collateralized Mortgage Obligation (CMO) Transactions and to Reduce the Reporting Time for CMO Transactions*, FINRA Regulatory Notice 16-38 (Oct. 17, 2016), available at <https://www.finra.org/rules-guidance/notices/16-38> ("Over the past several years, FINRA has taken a phased approach to disseminating transaction information for securitized products, which were the last group of TRACE-eligible securities to be reported to FINRA but not disseminated. FINRA began with the most liquid types of securitized products . . . Today, there are three types of securitized products not yet subject to dissemination[.]"). Accordingly, certain securities, such as collateralized debt obligations and commercial mortgage-backed securities, are not subject to a 15-minute reporting timeframe and are not affected by the FINRA Proposal. See, *e.g.*, FINRA Rule 6730(a)(3)(A).

Ms. Jennifer P. Mitchell

Mr. Ronald W. Smith

October 3, 2022

Page 6 of 14

reduced over time until the current 15-minute reporting timeframe was established. The MSRB adopted a similarly measured and phased approach for trade reporting and publicly disseminating data on transactions in municipal securities and has, over time, requested comment on whether the trade reporting timeframe should be shortened.²⁰

FINRA and MSRB have acknowledged, however, that public transparency may potentially have negative effects on market liquidity, particularly for large transactions.²¹ As noted by FINRA in 2019:

[O]bservational evidence [has been presented] that finding block-size liquidity in the current market (i.e., the baseline) may be difficult because of the relatively quick publication of post-trade prices. . . . When larger trades are publicly disseminated, dealers with recently acquired blocks may be more vulnerable to adverse price movements from traders who are aware of these recent executions. This may cause larger trades to incur greater costs for dealers, which could reduce the incentive for them to provide liquidity in blocks or require them to receive greater compensation for providing block liquidity.²²

FINRA addressed this concern in the context of an unadopted 2019 proposed pilot program that would have considered changes to corporate bond block trade dissemination rules based on recommendations of the SEC's FIMSAC.²³ Although such concerns were raised only three years ago, FINRA does not address in the current Proposal the concerns that were raised by some in the context of the proposed pilot. Similarly, in its Proposal, MSRB does not address any information gathered from its 2013 request for comment regarding potentially changing trade reporting timeframes and data dissemination with respect to large transactions.

²⁰ See MSRB, *Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform*, MSRB Notice 2013-02 (Jan. 17, 2013), available at https://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-02.aspx#_ftn2 (requesting comment on whether trade reporting for municipal securities transactions should be shortened). While MSRB has, since 2005, required reporting no later than 15 minutes after a municipal security trade, it has, over time, changed the manner in which such trade information is disseminated. Initially, trade information was disseminated over a real-time transaction pricing service requiring a subscription but, beginning in 2008, was disseminated via EMMA at no charge. *See id.*

²¹ Most recently, the US Securities and Exchange Commission (SEC) asked FINRA to address concerns regarding potential negative effects that transparency has had on large trade liquidity, based on a 2018 recommendation by the SEC's Fixed Income Market Structure Advisory Committee (FIMSAC). FINRA Regulatory Notice 19-12, *supra* note 10; *see also* Statement of Mr. Prager, Transcript of the SEC's FIMSAC Meeting (Jan. 11, 2018), available at www.sec.gov/spotlight/fixed-income-advisory-committee/fimsa-011118-transcript.txt ("I think the market still has some challenges with blocks, and we should -- the Commission consider some sort of pilot to look at the right calibration and the right delay.").

²² FINRA Regulatory Notice 19-12, *supra* note 10.

²³ *Id.*

Ms. Jennifer P. Mitchell
 Mr. Ronald W. Smith
 October 3, 2022
 Page 7 of 14

II. FINRA and MSRB Should Further Analyze Market Data Before Shortening Reporting Timeframes

FINRA and MSRB should adopt a measured and phased approach with regard to reducing trade reporting times, similar to what each has done over the prior two decades, with a focus on market structure impact and execution quality for market participants. The fixed income markets still rely heavily on “high touch” trading methods, such as voice protocols, to execute a substantial portion of the notional trading volume.²⁴ Because trades executed via electronic platforms and protocols are generally smaller in size and more numerous compared to those that are executed through “high touch” methods, electronic executions can constitute a significant portion of the total number of fixed income trades even though they account for a smaller portion of the overall notional market volume.²⁵ While FINRA and MSRB note that 81.9% of total trades in TRACE-eligible securities and 76.9% of total trades in municipal securities subject to a 15-minute reporting timeframe are reported within one minute of execution, neither FINRA nor MSRB provide data regarding the percentage of the notional volume those trades constitute or the execution method (*i.e.* electronic or non-electronic).²⁶ Certain ICI members are concerned that the trades that are reported later than one minute—18.1% and 23.1%, respectively—while a relatively small percentage by trade count, likely represent larger trades and, in the aggregate, a significant notional amount of trading activity executed via voice and other non-electronic methods.

To illustrate this issue, ICI examined corporate bond trades reported during 2021.²⁷ ICI calculated, in one-minute increments, the proportion of trades and their notional values that were reported within one minute through 15 minutes. This analysis shows that while 82% of the total number of corporate bond trades were reported within one minute, only 67% of the notional

²⁴ See, e.g., Bessembinder, Spatt, and Venkataraman, *A Survey of the Microstructure of Fixed Income Markets*, 55 *Journal of Financial and Quantitative Analysis* at 1-14 (Feb. 2020) (noting that except for US Treasuries and TBAs, relatively little fixed income trading occurs on electronic platforms). See also Kozora, Mizrach, Pepppe, Shachar, and Sokobin, *Alternative Trading Systems in the Corporate Bond Markets*, Federal Reserve Bank of New York Staff Report No. 938 (Aug. 2020), available at https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr938.pdf (estimating that corporate bond trades on ATS platforms accounted for only 2.1% of the trading volume and 16.1% of the trades in their sample).

²⁵ MSRB Proposal at 10 (“Smaller-sized trades are more likely executed electronically[.]”). See also Kozora Mizrach, Pepppe, Shachar, and Sokobin, *supra* note 24 (finding that ATS platforms in the corporate bond markets primarily facilitate smaller trades and stating that “[t]he median trade size reported on ATS platforms is \$15,000, compared to \$35,000 across all reported trades”).

²⁶ While FINRA does provide data regarding the percentage of the total number of trades executed on an ATS and reported within one minute as compared to trades not executed on an ATS, those “non-ATS trades” include trades executed electronically, such as through RFQ protocols. See *supra* note 8. Therefore, the comparison of electronic executions to non-electronic executions is not provided for analysis in either Proposal.

²⁷ To be consistent with FINRA’s data analysis, ICI examined trades that were executed between 8:00 am ET and 6:15 pm ET. ICI calculations also filtered out trades that were reported in error by following the steps outlined in Dick-Nielsen, *How to Clean Enhanced TRACE Data* (Dec. 3, 2014), available at <https://ssrn.com/abstract=2337908> (working paper).

Ms. Jennifer P. Mitchell

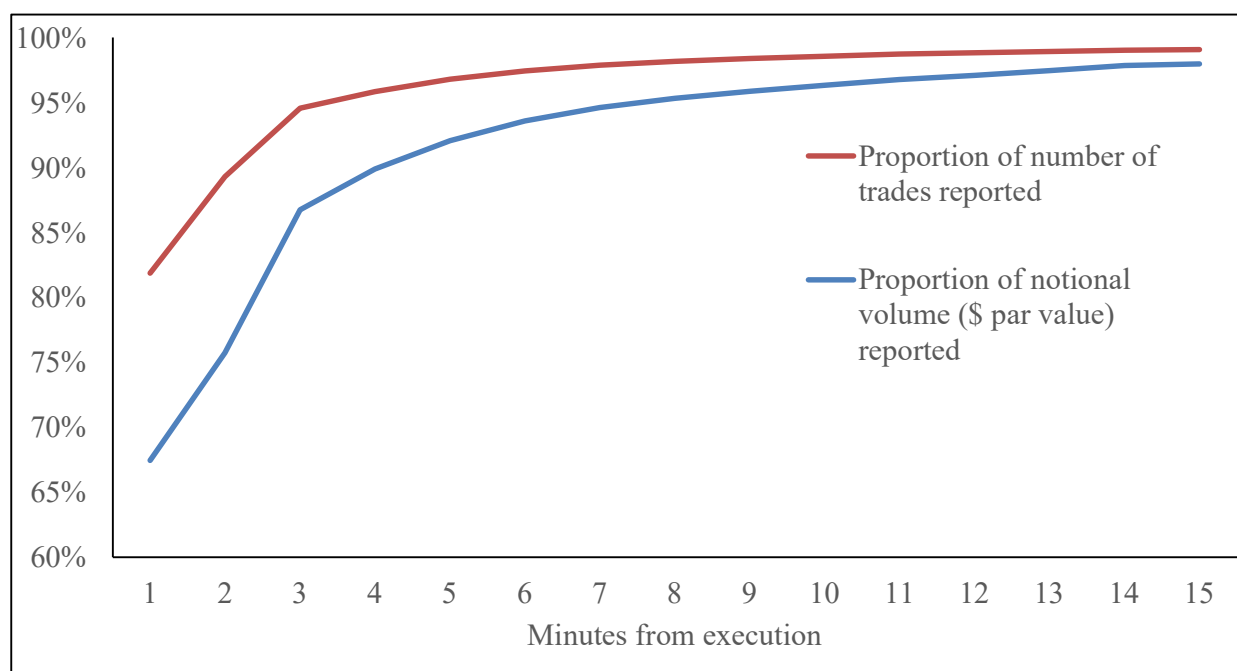
Mr. Ronald W. Smith

October 3, 2022

Page 8 of 14

value of all corporate bond trades were reported within one minute (Figure 1). This data shows that for the corporate bond markets nearly one-third of the corporate bond trade volume will be impacted by the FINRA Proposal. Such an impact is nearly twice as large as the overall market impact suggested by the FINRA Proposal. Further, beyond one-minute reporting, notional volume reporting lagged behind total trade reporting percentages across all reporting times, as shown in Figure 1.²⁸

Figure 1: Reporting Times for Corporate Bond Trades



Source: ICI calculations of TRACE data

ICI also examined trade reporting times for transactions in ABSs during 2020.²⁹ This analysis shows that only 49% of the total number of ABS trades, which accounted for only 38% of the notional ABS volume, were reported within one minute (Figure 2). Thus, nearly two-thirds of the ABS market trade volume currently is reported later than one minute. Accordingly, the FINRA Proposal will affect nearly two-thirds of the ABS market, which is greater than the market

²⁸ These lower proportions for notional values are consistent with data in the FINRA and MSRB Proposals demonstrating that large trades are generally reported later than one minute. For example, when analyzing large trades, FINRA noted that only 61% of total trades greater than \$25 million for corporate bonds were reported within one minute, and MSRB noted that only 25.3% of total trades greater than \$5 million for municipal securities were reported within one minute, as compared with 86% of trades less than \$100,000 for corporate bonds and 80.3% of trades \$100,000 or less for municipal securities, respectively. *See supra* note 7.

²⁹ 2020 is the most recent year available for this analysis as TRACE data on structured products, including ABSs, is available publicly with an 18-month delay. We note that FINRA's analysis is based on 2021 data, and as a result reporting times based on the total number of trades in Figure 2 differ slightly from FINRA estimates.

Ms. Jennifer P. Mitchell

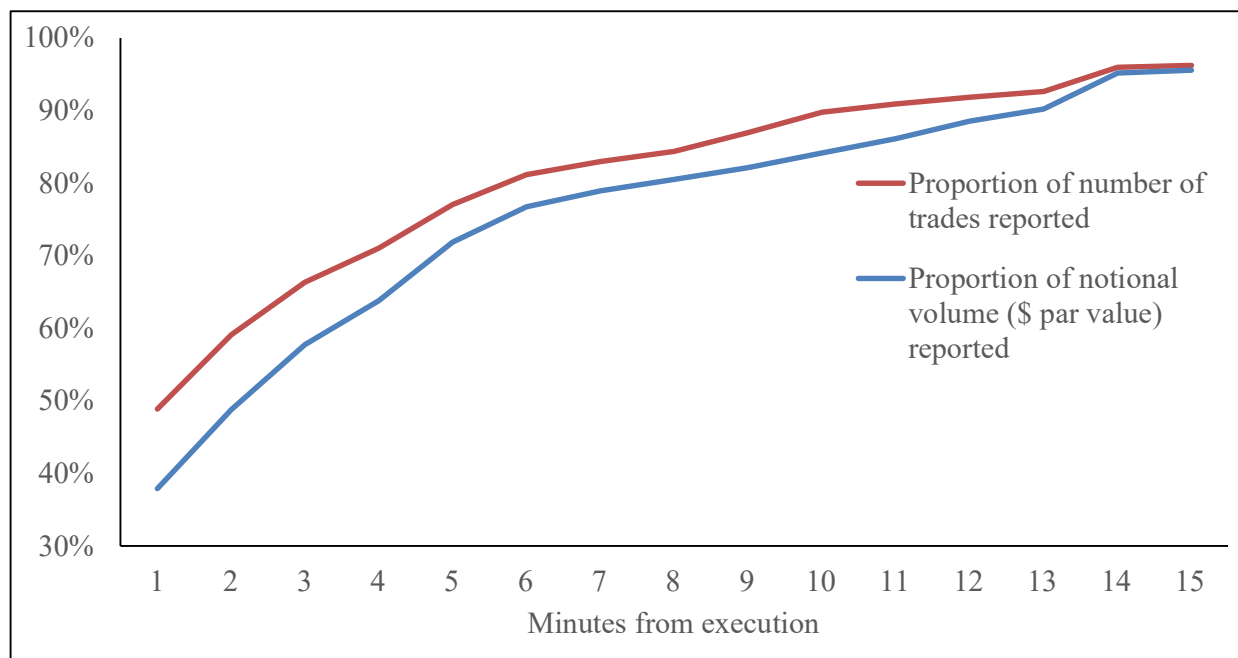
Mr. Ronald W. Smith

October 3, 2022

Page 9 of 14

impact FINRA suggests in its proposal. Additionally, the percentage of notional volume reporting lagged behind the total trade reporting percentages across all reporting times.

Figure 2: Reporting Times of ABS Trades



Source: ICI calculations of TRACE data

The Proposals therefore will affect a much larger portion of the fixed income markets, in particular less liquid markets such as the ABS market, than FINRA and MSRB suggest. Before making any changes to reporting timeframes, FINRA and MSRB should assess the data on notional trade volumes to determine the overall market impact shortened reporting timeframes may have. Additionally, FINRA and MSRB should analyze characteristics of trades, particularly large trades and trades in less liquid securities, that are reported later than a minute to better understand the potential impacts that shortened reporting timeframes may have on the fixed income markets. Based on anecdotal comments from some of our members, large trades and trades in less liquid securities are often done via “high touch” methods, such as voice protocols.³⁰ As discussed in Section III, many members believe that shortened reporting timeframes will

³⁰ For example, one member noted that large trades often involve negotiation as to price and size of the trade, and thus lend themselves to voice trades or other “high touch” methods. That member estimated, on a market-wide basis, potentially up to 60% of the investment grade corporate bond market was traded via “high touch” methods and up to 70% of the high yield corporate bond market was traded via “high touch” methods. Another member noted that up to 90% of their fixed income volume in certain asset classes is sometimes traded via “high touch” methods. Regarding less liquid securities, one member noted that they trade ABSs via “high touch” methods. Further, several members noted that the municipal securities market is primarily traded via “high touch” methods. *See also* Kozora, Mizrach, Pepppe, Shachar, and Sokobin, *supra* note 24 (showing that only a small portion of corporate bond trades are executed on ATSS, thus suggesting that the vast majority are done via “high touch” methods).

Ms. Jennifer P. Mitchell
 Mr. Ronald W. Smith
 October 3, 2022
 Page 10 of 14

result is less liquidity or increased price volatility for large trades and trades in less liquid securities traditionally executed via “high touch” methods.

After assessing the data, FINRA and MSRB should determine which securities and/or trade characteristics, such as certain corporate bonds or small notional trade sizes executed through electronic platforms, would be appropriate for shortened reporting timeframes, consistent with the gradual approach each regulator historically has taken. As recently as August of this year, FINRA reiterated its “careful and measured approach to data collection, study, and dissemination [which] has allowed FINRA to successfully adjust increases in transparency with particular product types in mind.”³¹ Before FINRA and MSRB require a shorter reporting time, they should further analyze the data based on asset class, liquidity, and trade size.³²

III. Requiring One-Minute Reporting and Dissemination Regardless of Asset Class or Transaction Size Could Negatively Affect Liquidity and Execution Quality

Many ICI members are concerned that reducing the trade reporting and dissemination timeframes for transactions in TRACE-eligible and municipal securities covered by the Proposals would detrimentally affect market participants’ ability to transact in large sizes or thinly traded securities.³³ Specifically, some members are concerned that reducing the trade reporting timeframe to one minute would likely result in dealers having insufficient time to hedge their positions or allocate risk with respect to large-sized trades or transactions in thinly traded securities.³⁴ Some of our members believe that increasing the challenges to dealers’ ability to hedge and allocate risk will likely lead to less willingness by dealers to provide liquidity for large-sized trades or transactions in thinly traded securities at competitive spreads, thus reducing important flexibility in how fixed income securities are traded.³⁵ If the reduction in trade

³¹ FINRA Comment Letter to US Treasury, *supra* note 6.

³² We note that under MiFID, although the framework is complex, European markets utilize the guiding principles that securities categorized by regulators as liquid and non-block (based on security and asset class specific size thresholds) are subject to real-time dissemination of completed transactions. *See* Bessembinder, Spatt, and Venkataraman, *supra* note 24, at 30. Other transactions are not subject to such real-time dissemination. FINRA and MSRB should adopt shorter reporting and public dissemination timeframes using a similar phased approach, in line with their historical practices.

³³ Both the FIMSAC and FINRA have acknowledged that there have been challenges with large trade liquidity as trade data dissemination times have shortened, although neither went so far as to say such correlation necessarily meant causation. *Supra* notes 21 and 22 and accompanying text. On a related theme, some ICI members have noted the potential difficulty in reporting trades in certain less liquid municipal securities within one minute given the current CUSIP management infrastructure. *Supra* note 9.

³⁴ For example, due to concerns related to potential frontrunning, dealers taking on large trades may be more concerned about losing money when trying to sell the position as a result of other traders re-pricing their spreads to capture price advantages from the downward market pressure caused by the immediate reporting of the trade.

³⁵ One member estimated that, since the 2008 global financial crisis, broker-dealer holdings of municipal bonds have come down from approximately \$50 to \$60 billion to approximately \$10 to \$15 billion, while mutual fund and ETF holdings have grown from approximately \$400 billion to \$1.1 trillion. The member expressed concern that shortened

Ms. Jennifer P. Mitchell

Mr. Ronald W. Smith

October 3, 2022

Page 11 of 14

reporting times results in dealers exiting the fixed income markets for these transactions, market participants will lose access to a crucial source of liquidity, particularly in times of significant market stress.³⁶ Additionally, if dealers continue to make markets but at less competitive spreads, these increased spreads would likely result in increased price volatility for funds and increased execution costs, harming funds and their investors.

Further, if dealers are unwilling to provide liquidity at favorable prices for large trades, funds may be forced to break up large trades into a number of smaller trades and execute the trades across multiple electronic execution venues, protocol systems, or counterparties. In addition to the broader market structure impact discussed in Section IV, the potential reduction in liquidity for large trades would have a direct impact on execution costs and execution flexibility for funds. Instead of executing a large trade with a dealer via voice protocols, a fund would likely need to break up the trade into a series of smaller trades executed over an extended period of time. This could result in potential information leakage for funds and would also introduce market fluctuation and price uncertainty as the order is worked throughout the day as opposed to executed as a single transaction. Ultimately, the associated variable execution costs could increase expenses, lower performance, and harm funds and their investors. As noted above, for less liquid securities, dealers may offer spreads that are significantly larger to reflect increased hedging risk and risk of information leakage, thus negatively affecting execution costs for funds and their investors.

IV. Broadly Imposing a One-Minute Reporting Timeframe Would Likely Result in More Trading Moving to Electronic Venues and Potentially Reduce Execution Flexibility for Some Market Participants

If dealers are less willing to transact large and less liquid trades via traditional voice methods at competitive spreads, some members believe execution flexibility will be negatively affected and that a significant notional volume of the fixed income markets may potentially migrate to

reporting timeframes will only further decrease dealer liquidity and reduce execution flexibility as dealers avoid taking on additional risk due to the implications of having less time to hedge and allocate their risk before reporting the trade.

³⁶ For example, as part of a review of trading during the COVID-19 market crisis, ICI noted that liquidity in the credit markets had dried up by mid-March 2020. ICI, Report of the COVID-19 Market Impact Working Group – The Impact of COVID-19 on Economies and Financial Markets at 1 (Oct. 2020), *available at* https://www.ici.org/system/files/private/2021-04/20_rpt_covid1.pdf. Many ICI members anecdotally noted that they had to resort to voice trades because dealers had limited auto-streaming of quotes over electronic protocols. *See also* ICMA, The European Investment Grade Corporate Bond Secondary Market & the COVID-19 Crisis – An ICMA Secondary Market Practices Committee (SMPC) Market Report at 18 (May 2020), *available at* <https://www.icmagroup.org/assets/documents/Regulatory/Secondary-markets/The-European-investment-grade-corporate-bond-secondary-market-and-the-COVID-19-crisis-280520v2.pdf> (“[F]or the most part, electronic trading in the European corporate bond markets broke down as participants resorted to voice trading”).

Ms. Jennifer P. Mitchell

Mr. Ronald W. Smith

October 3, 2022

Page 12 of 14

electronic execution venues.³⁷ While ICI supports a regulatory framework that encourages growth and greater access to electronic trading platforms and functionalities in the fixed income markets, the regulatory framework must account for the liquidity profiles and trading dynamics of the existing fixed income markets. Electronic trading protocols have helped provide an additional means for asset managers to develop a broader view of liquidity across different trading platforms and asset types, which has become more important as the fixed income market landscape has changed.³⁸ While electronic trading execution volume continues to grow, it is critical that such growth continue to be organic in response to the development of the market and the needs of market participants, rather than the result of shortened trade reporting timeframes. Electronic platforms may be less desirable for trading less liquid instruments or for obtaining liquidity in large-sized trades, due in part, for example, the greater risk of information leakage on these platforms.³⁹ Additionally, without further analysis, it is unclear whether a significant portion of non-electronic execution volume could adequately be handled by the existing electronic platforms and protocols.⁴⁰

V. Implications of Shortened Reporting Timeframes for Late Reporting, Revisions, and Data Accuracy

Data accuracy is important, both to the usefulness of the data that is reported and the data that is disseminated publicly. If a sizable percentage of trades must be revised or are reported late due

³⁷ Certain ICI members believe that, in the municipal securities market, which is characterized by numerous CUSIPs and inventory trades that generally require negotiation, order flow for certain municipal securities is likely not amenable to being traded over electronic platforms at this time. Nonetheless, as discussed above in Section III, some members believe that reducing trade reporting timeframes may still result in negative market impacts to the municipal securities market, such as price volatility as dealers increase their spreads to reflect the additional risk of data leakage and potential reduced liquidity.

³⁸ Economic and regulatory changes have led dealers to hold fewer corporate bonds in inventory and make markets more frequently in an agency capacity. Letter from Dan Waters, Managing Director, ICI Global, to Alp Eroglu, International Organization of Securities Commissions, on Examination of Liquidity of the Secondary Corporate Bond Markets at 2 (Sept. 30, 2016), available at <https://www.iosco.org/library/pubdocs/537/pdf/ICI%20Global.pdf>.

³⁹ Kozora, Mizrach, Pepppe, Shachar, and Sokobin, *supra* note 24. The authors note that while ATS platforms reduce search costs by providing access to more counterparties, traders on these platforms also face higher risk of information leakage, which is an important issue for large trades. Consistent with this trade-off, the authors find that the size of trades on ATSs are smaller and only 2% of trades with a notional value of more than \$1 million are traded on these platforms.

⁴⁰ One concern with large order flow migrating to electronic execution venues suddenly as opposed to over time is that the fixed income markets may not be prepared to respond to potential instantaneous drops in liquidity, such as “flash crashes,” that have occurred in other primarily electronic markets. See Report of the Staffs of the CFTC and the SEC to the Joint Advisory Committee on Emerging Regulatory Issues, Findings Regarding the Market Events of May 6, 2010 at 1 (Sept. 30, 2010), available at <https://www.sec.gov/files/marketevents-report.pdf> (discussing the 2010 flash crash in US equity markets); Joint Staff Report: The U.S. Treasury Market on October 15, 2014 at 1 (July 13, 2015), available at <https://home.treasury.gov/system/files/276/joint-staff-report-the-us-treasury-market-on-10-15-2014.pdf> (analyzing the 2014 flash crash in US Treasuries). Not knowing how the fixed income markets would respond to a flash crash is another reason why we recommend that FINRA and MSRB continue to utilize their historically incremental approach to trade reporting timeframes and data dissemination.

Ms. Jennifer P. Mitchell

Mr. Ronald W. Smith

October 3, 2022

Page 13 of 14

to practical limitations regarding dealer operational workflow, that may result in inaccurate data being reported to FINRA and MSRB and disseminated publicly, thus undercutting a key purpose of adopting the shortened reporting timeframes. To the extent that FINRA and MSRB shorten the trade reporting timeframes for any transactions, we encourage FINRA and MSRB to analyze operational workflow issues raised by dealers with respect to such shortened reporting timeframes.⁴¹ We support measures that seek to ensure that reported data is accurate and that provide adequate flexibility for manual “high touch” execution trade reporting.

* * *

⁴¹ For example, in 2013, MSRB requested comment on changing trade reporting and dissemination. *See* MSRB Notice 2013-02, *supra* note 20. MSRB provided data showing that, between 2011 and 2012, 73.4% of all trades were reported within one minute but only 40.9% of trades larger than \$1 million were reported within one minute. In the current MSRB Proposal, released nearly 10 years later, only 40.1% of trades larger than \$1 million dollars but less than \$5 million were reported within one minute. While technology has evolved dramatically over the last 10 years, large municipal trades have not been reported more quickly. In considering whether to shorten reporting timeframes, we encourage FINRA and MSRB to analyze the reasons for delayed reporting for large trades, including any operational challenges dealers may face.

Further, we note that some of our members engage in portfolio trades, which requires members to give certain information to the dealers. Many members also send large trades to dealers that are worked throughout the day. These trading practices, among others, may have implications for dealers’ ability to report transactions within one minute or an otherwise shortened timeframe. We encourage FINRA and MSRB to explore these potential operational issues fully.

Ms. Jennifer P. Mitchell

Mr. Ronald W. Smith

October 3, 2022

Page 14 of 14

We appreciate the opportunity to provide input on the FINRA and MSRB Proposals to shorten the reporting timeframes in TRACE and RTRS, respectively. Please let us know if we and our members may be of assistance. We would be glad to discuss our comments with you or answer any questions you may have. You may contact me at (202) 326-5835, Nhan Nguyen at (202) 326-5810, or Kevin Ercoline at (202) 326-5410.

Sincerely,

/s/ Sarah A. Bessin

Sarah A. Bessin
Associate General Counsel

cc: Chris Stone, Vice President, Transparency Services, FINRA
Joseph Schwetz, Senior Director, Market Regulation, FINRA
Adam Kezsbom, Associate General Counsel, Office of General Counsel, FINRA

Gail Marshall, Chief Regulatory Officer, MSRB
John Bagley, Chief Market Structure Officer, MSRB
David Hodapp, Director, Market Regulation, MSRB

Haoxiang Zhu, Director, Division of Trading and Markets, SEC



October 3, 2022

Via Email: pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 22-17 Request for Comment

Dear Ms. Mitchell,

I am providing these comments in response to FINRA Regulatory Notice 22-17 on behalf of InspereX LLC ("InspereX" or "the Firm"), a registered broker-dealer headquartered in Chicago, Illinois (CRD#: 101420). InspereX is responding only to those questions referenced below that are directly applicable to the Firm's business model.

InspereX appreciates the opportunity to provide comments to Regulatory Notice 22-17 and share the Firm's perspective on reducing the reporting timeframe for transactions in all Trade Reporting and Compliance Engine (TRACE)-Eligible securities to no later than one minute from execution.

Executive Summary

By way of background, the Firm primarily engages in the underwriting, distribution and wholesaling of financial products. While many of the products distributed by The Firm are geared for retail investors, the Firm's trading counterparties consist of registered broker-dealers and other financial institutions. The Firm does not solicit transactions from traditional retail customers.

InspereX generally supports FINRA's efforts to increase market transparency. However, for the reasons stated in this letter, the current data does not support, and we do not support, drastically reducing the timeframe for TRACE-Eligible securities to no later than one minute from execution.

According to FINRA's 2021 economic impact assessment, 81.9 percent of trades across TRACE-Eligible Securities that are currently subject to the 15-minute outer limit reporting timeframe were reported within one minute of execution. If the one-minute rule proposal were implemented in 2021, over 18% of trade reports would have been deemed late. This substantial

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InspereX LLC | Member FINRA, SIPC

percentage of late trades does little, if anything, to meet the goal of enhancing market transparency. The rule proposal and economic impact assessment also fail to take into consideration the stark disparity in reporting times between member firms. Currently, only 16.4% of reporters are able to report 95% of their trades within one minute of execution. This data clearly demonstrates that the majority of reporters (86.4%) are not currently reporting transactions within the proposed one-minute timeframe, contrary to the timeframe outlined in the rule proposal. It is unreasonable for FINRA to impose a one-minute trade reporting requirement that a majority of its membership is not currently meeting.

Aside from Figure 1 of Regulatory Notice 22-17, the subsequent figures and tables in the economic impact assessment of the rule proposal solely analyze the impact of corporate bonds, the timeliest reported TRACE asset class in the 2021 sample. The figures and tables do not include other less timely reported asset classes such as Agency Bonds, ABS, and Equity Linked Notes. Since the rule proposal would amend the trade reporting timeframe for all TRACE-Eligible asset classes, not solely corporates, the figures and tables in the economic impact assessment are somewhat misleading given the universe of TRACE asset classes the proposed rule would impact.

FINRA Rule 6730 already requires dealers to report trades “as soon as practicable” and the current proposal does not specify that reporting firms are failing to adhere to this requirement. Moreover, the Firm is unaware of any empirical evidence that shortening the time reporting period to one minute will result in significant benefits for retail investors. Conversely, the costs in making material operational and technological changes to enable firms to comply with a one-minute trade reporting period may well result in a material increase in trading costs to retail investors.

For these reasons, InspereX strongly opposes the proposal and urges FINRA to abandon this initiative and continue to allow the industry to improve reporting times organically. Alternatively, if FINRA a) confirms that retail investors will directly and materially benefit from a reduction in the 15-minute trade reporting timeframe, and 2) FINRA deems that regulatory action is necessary and required, we would strongly recommend that any reduction in the 15-minute trade reporting period be done so incrementally, over a period of years.

InspereX Request for Comment Responses

FINRA Request:

1) FINRA is proposing to reduce the trade reporting and concomitant public dissemination timeframe for corporate, agency, ABS and MBS TBA GD transactions from an outer limit of 15 minutes to one minute. FINRA acknowledges that reducing the reporting timeframe would necessitate a greater change in behavior for members in connection with some types of securities and transactions than others—e.g., ABS (see Figure 1). Do commenters agree that timelier dissemination would be beneficial for all types of TRACE-Eligible Securities that are currently subject to the 15-minute reporting timeframe?

InspereX Response:

InspereX does not believe that the marginal benefits created by timelier dissemination of trade information will justify the challenges that such timelier dissemination for certain securities will impose on member firms. Nearly all fixed income trading currently takes place through a decentralized over-the-counter (OTC) market. This OTC market is comprised of nearly 1 million individual bonds, many of which are traded on an infrequent basis. Shortening the 15-minute reporting timeframe for infrequently traded securities, such as ABS and MBS TBA's, provides no additional benefit to investors since the information available to make an investment decision is often stale and not regularly updated given limited trade histories. Further, these infrequently traded instruments are often sold to investors as a "buy and hold" strategy. If the investor needs to liquidate these illiquid securities for any purpose, it is unlikely that the investor will be able to rely upon TRACE information when the security has no recent trade data. Therefore, from our perspective, materially shortening the reporting timeframe will provide no additional information or improve the quality of executions benefits for investors that purchase and sell certain illiquid securities.

FINRA Request:

2) Would the benefits be different for different types of TRACE-Eligible Securities subject to the proposal—specifically, for corporate, agency, ABS or MBS TBA GD? In the case of corporate debt securities, would the benefits be different for investment grade than for high-yield debt?

InspereX Response:

InspereX does not believe that there would be a marked difference in benefits for different types of TRACE-Eligible Securities subject to the proposal. InspereX strongly believes that if the industry is to reduce the reporting time for TRACE-Eligible transactions that the reduction should be consistent across all asset classes. A consistent reporting time frame eliminates the potential for reporting errors and cancellations across asset classes and subsequently promotes timely dissemination of accurate transaction data to the industry at large.

FINRA Request:

3) Would the benefits of the proposal be different for different types of market participants—e.g., retail investors, institutional investors, dealers or others? Please be specific.

InspereX Response:

FINRA's stated intent for reducing the TRACE-reporting timeframe is to "improve transparency and allow investors and other market participants to obtain and evaluate pricing information more quickly—creating a qualitative increase in market transparency for these securities."¹ InspereX believes that an industry assessment determining which market participants utilize

¹ See FINRA Regulatory Notice 22-17 (Aug. 2, 2022), <https://www.finra.org/rules-guidance/notices/22-17#notice>

TRACE data to evaluate pricing information prior to making investment decisions would be beneficial to qualify and quantify the intended benefits of this proposal.

As of September 1, 2022, pursuant to federal bank regulations, Covered Depository Institutions, generally large bank dealers with large trade volumes, are required to report transactions in U.S. Treasury securities, agency debt securities and agency mortgage-backed securities to TRACE. These large bank dealers are not subject to this proposal and therefore may still report transactions in Agency Debt Securities and Agency MBS within 15 minutes of the time of execution. In 2021, 90% of FINRA-member firms were classified as small or having less than 150 registered representatives. Requiring FINRA-member broker-dealers, regardless of size, to adhere to stricter reporting requirements than large bank dealers will create a major competitive disadvantage with implementation and continuing compliance costs. Further, differentiating trade reporting requirements for regulated reporting entities significantly hampers the stated goal of increasing market transparency across all TRACE-Eligible securities. These discrepancies are further compounded by depository institutions not covered by FR 2956 who deal in these securities and have no trade reporting requirements whatsoever.

FINRA Request:

5) Do members anticipate any operational challenges in connection with complying with the proposed reporting timeframe?

- For example, do firms anticipate that reporting within one minute of execution may result in the need for additional cancellations or corrections?
- Are there specific types of products that cannot reasonably be reported within one minute of the time of execution? Please specify.
- Are there any other considerations that may complicate reporting within one minute of execution? If so, are those considerations similar for both voice and electronic executions? Please explain.

InspereX Response:

InspereX anticipates that reporting TRACE-Eligible transactions within one minute of execution will result in a significant increase in cancellations and corrections for both voice and electronic executions. The current 15-minute reporting timeframe allows for traders to adequately review trade tickets for errors in settlement, price, amount, etc. Even with the 15-minute window, human errors in completing trade tickets often lead to trade cancellations and modifications. Reducing the trade reporting time to one minute will likely have a detrimental effect on reporting accuracy because market participants will solely be concerned with timely reporting and not reviewing for accurate trade information. For more information, please refer to question 9 below.

FINRA Request:

9) Figure 2 shows that reporting timeframes differ based on trade size, where larger trades took longer to report. Why do large trades take longer to report? Would the reduction in the reporting timeframe provide a comparatively greater benefit to the market with respect to large trades? Might the reduced timeframe result in increased costs for large trades and, if so, might these costs be passed on?

InspereX Response:

Large volume trades are more likely to be executed through voice negotiations than through automated platforms, leading to longer reporting times. When large volume trades are negotiated, traders are more likely to execute the transaction with counterparties whom they have a preexisting relationship. This existing relationship helps ensure that the parties are receiving a fair price for the transaction and confirm that the bonds will be delivered on the specified delivery date. These voice trades often require manual ticket entry and processing by both traders and operational support staff. By the time the trader opens the ticket, manually fills out the necessary ticket information, and confirms the trade with the counterparty the proposed one-minute window has likely elapsed. Another consideration is that these larger transactions are often for various trades at the same time, not just one CUSIP or bond. Therefore, multiple trade tickets need to be executed to memorialize the entirety of the transaction. Even if a trader is diligent in completing these tickets at the time the trade is confirmed, the sheer volume of reported transactions lead to delays in processing that are outside the control of the trading counterparties. Moreover, such activities only take into account the actions of the trading firm and its counterparty and does not account for any operational or other tasks to be completed by the trading firm's clearing broker-dealer (assuming such trading firm does not self-clear its own transactions). Smaller, introducing broker-dealers may struggle more so than larger firms in adhering to a shortened trade reporting period.

FINRA Request:

11) How might the reduced reporting timeframe affect competition among reporters of different activity levels in TRACE-Eligible Securities? Table 3 shows that very active reporters submitted trade reports faster than other reporters. Might members' compliance costs (e.g., costs in connection with upgrading systems) differ depending on firms' activity levels?

InspereX Response:

A significantly reduced reporting timeframe would likely reduce competition among reporters of different activity levels in TRACE-Eligible securities. As shown in Table 3 of the proposal, only 43% and 45% of trades performed by moderately-active and less-active reporters were reported within one minute of execution, respectively. In order to comply with a one-minute reporting timeframe, these firms will have to consider whether their current trading volume and revenue justifies the various compliance expenses and regulatory risk associated with adhering to the

reduced timeframe. If these firms decide that the costs to implement these systems exceed the benefits to the firm, they may very well decide to exit the fixed income market. Fewer market participants will undoubtedly lead to negative pricing and liquidity for retail investors.

FINRA Request:

12) What technology, compliance or other costs would be associated with the proposed reporting timeframe reduction? Please be specific

InspereX Response:

In order to comply with the reduced reporting timeframe, there will be a significant increase in technology, compliance, and other costs. First, nearly all fixed-income trading will have to occur on an electronic platform, instead of through a voice broker, where a trading ticket is auto-generated and pre-populated with certain customer information. In order to populate these electronic systems, InspereX will need to hire additional sales assistants and operational professionals to first implement and then maintain ever-changing customer data. Aside from the costs of these additional professionals, these electronic systems charge firms substantial fees for the use, maintenance, and retention of their systems.

Further, FINRA violations for late trade reporting are often black and white. Either the trade is reported within the specified time frame or it is not. Akin to a speeding ticket, there are no other evidentiary measures necessary in order for FINRA to bring an examination or an enforcement action against the late-reporting firm. Given the operational challenges in meeting the proposed one-minute reporting timeframe, the Firm will need to utilize additional compliance resources to monitor systems and procedures and to provide documentation to FINRA when these examinations arise. This is also likely to increase the costs of any applicable fines for the violations or examination findings. Such increased expenses will likely result in increased trading costs for retail and institutional investors.

FINRA Request:

15) Should FINRA consider a longer or shorter reporting timeframe than one minute? If so, what timeframe would be appropriate, for which products, and why?

InspereX Response:

FINRA Rule 6730 already requires dealers to report trades "as soon as practicable" and the current proposal does not specify that reporting firms are failing to adhere to this requirement. In order to limit the industry participant's financial, operational, and technological burdens while still promoting market transparency, InspereX supports maintaining the current 15-minute requirement and abandoning the proposal entirely. If FINRA does decide that a reduction in reporting timeframes is warranted after the comment period, InspereX supports a phased approach to reducing reporting timeframes to no less than 10 minutes from execution.

InspereX also believes that the reporting timeframe should be consistent across all TRACE-Eligible securities. Altering the reporting timeframe by product creates additional operational, compliance, and behavioral burdens that could potentially result in an increase in trade cancellations and corrections.

FINRA Request:

16) Should FINRA consider providing any exceptions, whether on a temporary or permanent basis, for particular types of firms, for example, those with limited trading volume in corporates, agencies, ABS and MBS TBA GD securities? If so, what threshold should FINRA consider for an exception and should it differ for the different types of securities that are subject to the proposal? Are there any additional exceptions that FINRA should consider? What impacts would permitting exceptions have on the overall benefits of the proposal? Would reducing the reporting timeframe benefit the market with respect to after-hours trades? Would the proposal result in challenges for reporting after-hours trades?

InspereX Response:

The majority of industry participants rely upon various third-party vendors, such as Bloomberg TOMS, to report TRACE-Eligible transactions. When relying upon these vendors, firms often have no ongoing assurance that the vendor will report to TRACE within a specified timeframe. If a member firm performs reasonable diligence and thus reasonably relies upon a third party to report eligible transactions to TRACE, InspereX believes that there should be a permanent enforcement exception for trades reported late due to a lag in reporting, outage, or other disruption directly caused by the third-party. Enforcement should strictly review only the member's conduct during reporting timeframe, and perhaps independently review the conduct of third-party reporting entities. This exception should apply to situations regardless of whether the third-party vendor is a FINRA member or not. Further, InspereX believes one-year grace period from the rule effective date should be granted for late trading enforcement actions to allow the industry the opportunity to process and rectify any unforeseen technological or operational issues.

FINRA Request:

17) What implementation period would be appropriate to provide members with sufficient time to comply with the proposed changes to the reporting timeframe?

InspereX Response:

In 2004, the SEC approved amendments to TRACE rules by reducing the reporting period of TRACE-eligible transactions. This reduction in the reporting period occurred in two stages. Stage One, requiring 30-minute reporting, became effective on October 1, 2004. Stage Two became effective nine months later and ultimately reduced the reporting period to the current

time of 15 minutes.² While industry technology and operational capabilities have evolved since 2004, InspereX believes that if FINRA is to move forward with this proposal a staggered implementation period allows for a qualitative increase in market transparency while simultaneously allowing members sufficient time to comply to proposed changes to the reporting timeframe. InspereX believes that a one-year period before implementation and between each potential staggered interval is sufficient for traders, salespeople, operational professionals, compliance professionals, and third-party service providers to effectively comply with these rule changes. Concurrent with such time frame, InspereX also believes further empirical studies need to be conducted to determine the marginal benefits, if any, retail investors will achieve as a result of shortened trade reporting periods.

Thank you for the opportunity to present our views and perspectives.

Sincerely,



Robert D. Bullington
InspereX LLC
Vice President, Compliance Officer

² See FINRA Notice to Members 04-51 (July 2004), <https://www.finra.org/rules-guidance/notices/04-51>

James David Coker Comment On Regulatory Notice 22-17

James David Coker
Coker & Palmer

Sir, While I appreciate the level of market transparency you are trying to achieve by implementing rules that speed up the price reporting process, I question the benefit that market participants will enjoy by shortening the reporting time frame from 15 minutes to 1 minute. I think this is especially the case with smaller trades done typically by retail investors. Our firm usually does government bond trades (i.e. Treasury Bills) as a service to our retail customers. We do not charge a markup or commission to execute these trades for those customers via our clearing firm. The executions we receive for those customers is good, usually within 1 or 2 basis points of the round lot market even for smaller trades of \$25,000 to \$250,000 in value. We monitor monthly reports provided by FINRA regarding TRACE quality of execution and reporting timeliness and if an issue arises, we investigate the causes. While issues are relatively rare, they happen. Timeliness of reporting is the most common problem and is usually the result of a technology issue either at our clearing firm or with TRACE itself. I worry that shortening the time frame from 15 minutes to 1 minute will increase the number of issues and the amount of time necessary to investigate and resolve issues. More such time increases costs for everyone thus causing our firm to question whether or not providing such execution services to retail investors who I believe are served well now. I would urge you to consider continuing the 15 minute TRACE reporting time frame for smaller trades, say less than \$1,000,000 face amount and perhaps using the 1 minute TRACE reporting time frame for trades of over \$1,000,000. Perhaps that would provide the market transparency you desire while also providing a more timely reference point for retail investors.

From: [REDACTED]
To: [Comments, Public](#)
Subject: [EXTERNAL-WEB] Rule 6730 Amendment
Date: Thursday, September 22, 2022 11:26:10 AM

Date: 09/22/2022 11:26 AM

First Name: Riggín

Last Name: Dapena

Email: [REDACTED]

FINTA determined that 81.9 percent of trades in the TRACE-Eligible Securities that are currently subject to the 15-minute outer limit reporting timeframe were reported within one minute of execution. CGIS, a small B/D, is part of the other 18.1% that would have to spend an inordinate amount of capital to comply with the proposal. We consider this onerous and discriminatory as we do not have the resources that bigger firms have. We would like to know if further analysis on your part demonstrates that this measure impacts negatively 80% of the B/Ds in your universe.

October 3, 2022

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Steet NW
Washington DC 20005

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006-1506

Dear Mr. Smith and Ms. Mitchell,

The Bond Dealers of America (“BDA”) is happy to provide comments on companion proposals from the MSRB and FINRA to shorten the time for dealers to report trades to the MSRB’s Real-time Trade Reporting System (“RTRS”) and FINRA’s Trade Reporting and Compliance Engine (“TRACE”). The MSRB proposal—Notice 2022-07, “Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14” (the “MSRB Proposal”)—and the FINRA proposal—Regulatory Notice 22-17, “FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute” (the “FINRA Proposal”, together the “Proposals”)—relate to very similar initiatives, and this letter addresses both. BDA is the only DC-based group exclusively representing the interests of securities dealers and banks focused on the US fixed income markets.

BDA and its 82 broker-dealer members support price transparency in the fixed income markets. Currently, FINRA Rule 6730 requires dealers to report most trades in covered securities to the TRACE platform as soon as practicable but no later than 15 minutes after execution. While MSRB Rule G-14 does not explicitly include this “as soon as practicable” provision, Rule G-14 does specify that dealers must report trades “promptly, accurately and completely.” In addition, MSRB staff have informed us they believe a dealer delaying a trade report longer than necessary would be in violation of MSRB Rule G-17. If true, that means municipal securities dealers are effectively required to submit trade reports as soon as practicable—and in no case later than 15 minutes, of course—as well. Since Rules G-14 and 6730 were adopted, BDA members have worked hard to ensure compliance with trade reporting requirements and to reduce trade reporting times even without new regulatory mandates. However, there are good reasons why dealers are not already reporting 100 percent of trades within one minute despite both Rules explicitly or effectively requiring trade reporting “as soon as practicable.” Reducing the mandated reporting time from 15 minutes to one minute would be overly burdensome for dealers to comply with. The potential benefits of the Proposals are speculative at best. For these reasons BDA strongly opposes the Proposals and we urge the MSRB and FINRA to abandon these initiatives and continue to allow the industry to improve reporting times organically.

Trade reporting times

Rule 6730 and, effectively, Rule G-14 already require dealers to report trades “as soon as practicable.” That means dealers are already reporting trades as fast as they can. Neither Proposal offers any suggestion that dealers are not submitting reports as soon as they are able. If it was possible for dealers

to report 100 percent of trades within one minute, they would already be adhering to that standard since the Rules explicitly or effectively require reporting as soon as practicable. If dealers are already reporting trades as fast as they can, it is unreasonable to impose a one-minute requirement they cannot always meet.

The industry has made consistent improvements in trade reporting times since the RTRS and TRACE schemes were put in place. As the MSRB Proposal demonstrates, the portion of municipal trades reported within one minute has grown from 69.5 percent in 2005 to 80.2 percent in 2019. Although the FINRA Proposal does not provide these time-series data for TRACE-eligible securities, we believe TRACE reporting times have improved by comparable margins since FINRA Rule 6730 was imposed. These improvements should be celebrated. They reflect the industry's ever-improving technologies and practices which benefit investors. There is every reason to believe dealers will continue to shorten trade reporting times, as we have for 17 years, without the imposition of one-minute reporting requirements.

Moreover, the additional compliance costs dealers would face if the Proposals are adopted would ultimately be borne by customers and clients. Although dealers cannot and do not pass through these costs directly, dealers obviously must cover all their expenses, including increased compliance costs associated with the Proposals, in order to remain profitable.

Constraints on shorter trade reporting

Dealers generally report trades as soon as they are able. Dealers do not sit on trade reports until the 15-minute deadline. Due to requirements that explicitly or effectively mandate trades to be reported as soon as practicable, purposely delaying a trade report would be a rule violation. When trades take longer than one minute to report, there are reasonable and legitimate reasons.

- If a firm has never traded a particular bond, before a trade in that CUSIP can be reported to the RTRS or TRACE, the dealer must enter or import a descriptive security record into its trade order management system, a step not necessary if a firm has traded the bond before. That virtually always means the trade cannot be reported within one minute.
- If a dealer clears transactions through a third-party clearing firm, that clearing firm generally performs the trade reporting function. That means before trades can be reported to RTRS or TRACE, they must first be transmitted to the clearing firm. This can cause a delay in the reporting process. In addition, the clearing firm must also have a security record in its system before the trade can be reported; if not, the record must be added before the trade report, consuming valuable seconds.
- Under TRACE reporting guidance, a broker-dealer who is dually registered as a Registered Investment Advisor ("RIA") must follow additional reporting steps for trades with the affiliated RIA for single trades that are allocated among numerous RIA accounts. The dealer must report both the single trade with the RIA and the allocations to the RIA's sub-accounts, which can number in the thousands. This process invariably takes longer than one minute.
- Some dealers, especially small firms, enter some or all trades into RTRS and TRACE manually. This virtually ensures trade reports take longer than one minute. This applies for some firms even for trades conducted on electronic platforms.
- Trades negotiated and executed by phone, still the predominant execution method for block-sized trades in municipals, corporates, asset-backed securities, collateralized mortgage

obligations (“CMOs”), mortgage-backed securities involving specified pools, and others, require human involvement and data entry, delaying the reporting process easily past one minute. Indeed, some TRACE-eligible products like certain structured mortgage- and asset-backed securities essentially do not trade electronically at all and likely will not in the near to medium future.

- Clocks on different systems—such as clocks on reporting firms’ systems versus clocks on clearing firms’ systems or clocks on the RTRS or TRACE systems themselves—can be set to times which are seconds apart. With a 15-minute reporting deadline, differences in seconds are relatively insignificant. If the reporting deadline becomes one minute, every second will count. Clocks off by a few seconds can mean the difference between being in or out of compliance.
- Bank dealers of all sizes who are not also FINRA members only recently as of September 1, 2022 started reporting certain trades to TRACE under Federal Reserve System rulemaking.¹ It would be unreasonable to expect these firms to reduce their reporting time as they are just becoming familiar with the requirements. Moreover, the Federal Reserve Rule applies not only to bank trading portfolios but also bank investment portfolios, which otherwise generally participate in the markets as customers, not dealers.
- Perhaps most important, reporting trades within one minute leaves no margin for error, especially for trades that are not fully automated. A 15-minute deadline gives firms time to correct erroneous or conflicting reports and still be in compliance with the Rule; one minute does not. Measuring regulatory compliance by seconds is fundamentally unwise.

Regulating dealers out of business

Many small broker-dealers manually input their trades into RTRS and TRACE because their volume of trades does not warrant the cost to employ automated solutions. As both Proposals demonstrate, manually inputting trades means the reporting process takes longer. As the FINRA Proposal cites, only 14 percent of trades entered via the TRACE Web portal and nine percent entered via Web Multi-entry are reported within one minute versus 83 percent of trades entered automatically via the FIX interface.

Shortening the reporting deadline would effectively eliminate manual entry entirely. It would force small firms, those with the thinnest compliance resources, to utilize expensive front-end trade order management systems in order to automate the reporting process. This undue pressure on small firms—effectively forcing them to contract with expensive technology vendors in order to automate trade reporting and comply with the amended Rules—would cause many to exit fixed income secondary trading altogether, inhibiting competition, concentrating risk among a smaller number of dealers, and empowering those remaining dealers with respect to prices.

Indeed, the MSRB Proposal even anticipates this outcome, stating “some smaller firms may find it difficult to meet the new reporting times due to the high costs relative to the amount of business they conduct.” The MSRB Proposal also states “if these dealers choose to relinquish their secondary market trading business, there should not be any significant reduction in the supply of services to investors.” It almost feels as if the MSRB and FINRA are *trying* to squeeze small firms out of the market with these Proposals.

¹ 86 *Federal Register* 59716.

Small dealers are a vital element of the capital markets. Small dealers provide services to issuer and investor clients who may otherwise be overlooked by larger firms. And forcing small dealers out of the secondary fixed income trading markets, as the Proposals would, would effectively block them from serving as underwriters as well. Both issuers and investors expect an underwriter to provide liquidity and support trading in securities they underwrite. It is simply not possible to run an underwriting business without a corresponding secondary trading business.

Regulating firms out of business would be an unacceptable outcome of the Proposals. Any marginal benefits associated with faster trade reporting would be undercut by negative outcomes for small firms and their customers. With some small dealers being forced out of business due to the Proposals, the MSRB and FINRA would effectively be compelling those firms' customers to change brokerage firms if they want to continue to participate in the fixed income markets. That is not an outcome consistent with investor protection.

Alternatives

We urge the MSRB and FINRA to abandon the Proposals entirely. Trade reporting times will continue to improve even without regulatory mandate as more of the fixed income markets move to electronic execution and firms continue to improve their technology and practices. One-minute trade reporting would be damaging and unnecessary.

If the MSRB and FINRA decide to move forward with one-minute reporting despite the predictable negative outcomes, we recommend significant changes to the Proposals, including maintaining 15-minute reporting for trades executed by telephone, manually inputted into RTRS or TRACE, cleared through third-party clearing firms, allocated to a dually registered RIA's sub-accounts, or trades that require a dealer to populate their security record before reporting. Without these changes, the Proposals are so burdensome that violations would spike and some firms would exit the secondary fixed-income markets altogether.

Summary

Trade reporting for RTRS- and TRACE-eligible securities has been a great success. The secondary fixed income trading markets are more transparent than ever, transaction costs have fallen, and trade reporting times have improved substantially. Rules G-14 and 6730 have performed exactly as regulators intended. Forcing one-minute reporting onto RTRS- and TRACE-reporting dealers is unnecessary. The benefits to investors would be marginal and would be eclipsed by substantial additional compliance costs to the industry and the withdrawal of small dealers from relevant fixed income markets.

The Proposals are unnecessary because dealers are already explicitly or effectively required to report trades as soon as practicable. Trades not reported within one minute are mostly those described above where the dealer must obtain a security record before reporting, enter the trade manually, execute the trade via telephone, etc. If dealers are already required to report trades as fast as they can, forcing a one-minute deadline would be unreasonable.

We strongly oppose the Proposals. We urge the MSRB and FINRA to abandon these initiatives and allow the industry to continue to improve trade reporting times on its own as we have for 17 years. If you determine to adopt the Proposals despite the expected negative fallout, we ask you to maintain 15-minute reporting for those categories of trades that require more than one minute as described above.

We are pleased to comment on the Proposals and we would welcome meetings with MSRB and FINRA staff to address questions and expand on the points made here.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Decker", written in a cursive style.

Michael Decker

Senior Vice President for Public Policy



September 29, 2022

Via Email

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington DC 20005

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006-1506

Dear Mr. Smith and Ms. Mitchell,

NatAlliance Securities, LLC ("NAS"), a FINRA/SEC/MSRB member firm would like to comment on the rule proposals from the MSRB and FINRA regarding shortening the time dealers must report trades to MSRB's Real-Time Trade Reporting System ("RTRS") and FINRA's Trade Reporting and Compliance Engine ("TRACE"). Specifically, the Firm is addressing the MSRB proposal, Notice 2022-07, "Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14," and the FINRA proposal, Regulatory Notice 22-17, "FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute," collectively referred hereto as the "Proposals".

NAS is a US based fixed income broker dealer focused in Corporates, Agencies, Municipals and Securitized Products. As a smaller firm, the Proposals will greatly impact our firm's ability to meet its reporting requirements. Trades can and sometimes do take longer than one minute to report; reasonable and legitimate reasons can cause reporting issues.

- If NAS has never traded a particular bond, before a trade can be reported to the RTRS or TRACE, a descriptive security record must be made into our trade order management system, a step not necessary if a firm has traded the bond before. This type of trade cannot be reported within one minute.
- NAS clears transactions through a third-party clearing firm that performs some of our trade reporting functions. Trades must be transmitted to the clearing firm before trades can be reported to RTRS or TRACE which delays the reporting process. Additionally, our clearing firm must also have the security record in its system before a trade can be reported; if not, the record must be added before the trade can be reported. This process takes longer than one minute.
- NAS deals in structured/securitized products which are negotiated and executed via phone. Traders can win bid lists which require manual trade entries, which in turns delays reporting times.
- If the reporting time is reduced to one minute, traders will feel like they need to move quickly to get trades entered and errors will occur more frequently. There would be no margin for error in both order entry and trade supervision.

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NAS agrees and stands with the Bond Dealers of America ("BDA") in asking the MSRB and FINRA to abandon the Proposals entirely. Approving these Proposals will have the effect of the MSRB and FINRA pushing smaller firms out of the market. This is unacceptable.

The firm believes Rule G-14 and 6730 are performing exactly as intending by regulators. Firms are reporting trades as soon as possible, except in instances of manually entered trades, and where the firm must create a security record. The marginal benefit to investors would not be offset by the costs to the industry or the loss of small firms. Should the MSRB and FINRA move forward with the proposals, we would recommend changes, including exceptions for certain types of trades like the ones mentioned above as well as other trade types cited by participating fixed income dealers and the BDA.

If you have any questions or would like to further discuss NAS' views and comments, please contact Mark Salter, CEO at msalter@natalliance.com or (512) 609-1720, or Michelle Ellis, CCO at mellis@natalliance.com or (512) 609-1740.

Kindest Regards,

A handwritten signature in black ink, appearing to read 'Michelle Ellis', with a large, stylized loop at the end.

Michelle Ellis
CCO

DocuSigned by:
A handwritten signature in black ink, appearing to read 'Mark Salter', with a large, stylized loop at the end.
468275DCB40F4B6...

Mark Salter
CEO

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INVESTMENTS SINCE 1945
MEMBER SIPC

**WILEY BROS.
AINTREE CAPITAL, LLC**

40 BURTON HILLS BOULEVARD

September 20, 2022

NASHVILLE, TENNESSEE 37215

RE: Regulatory Notice 22-17 (Amendment to Rule 6730)

In response to Regulatory Notice 22-17, the proposed change would present small firms such as ours with several operational challenges. Additionally, it would further complicate the ability of smaller firms to actively participate in the fixed income marketplace; such participation is essential for pricing and liquidity.

While we are certainly in favor of market transparency, the current 15 minute rule is more than adequate especially given the information that is available to all broker dealers via TRACE, live quotes on individual securities from various market makers, and Alternative Trading Systems. As a registered broker/dealer, we are required to make every effort to determine that the price at which we are executing is the Prevailing Market Price at any given time. Often obtaining best pricing for smaller transactions involves a manual process that does not lend itself well to automation. Reducing the reporting time will not have the anticipated impact on execution price or market liquidity; it will simply create additional challenges for small firms. Additionally, if we have a trade in a bond that the security master has not updated in our clearing system, we will have to manually enter the information, which cannot be done with a one-minute timeframe. One-minute reporting is not feasible in a manual order execution and reporting process.

According to the statistics provided in this notice, the large majority of TRACE eligible trades are already reported within one minute. Therefore, it does not appear that modifying this rule would provide the intended benefit. The shortening of the longstanding 15 minute time frame which Firms have to process a transaction would be punitive to smaller broker dealers and could force a methodology that would adversely affect best execution for smaller client transactions. Small broker dealers do not have the volume of transactions to justify the significant expense of automated trading platforms. In order to comply with one-minute reporting, small firms such as ours will need to assess whether the cost of automating or hiring additional support staff is financially feasible. Many firms will decide that the costs exceed the benefits and exit the market. If the one-minute rule is implemented and small firms are forced out of the market, this will ultimately negatively impact clients from a pricing and liquidity perspective, especially retail investors.

We appreciate the opportunity to comment on the proposed rule change.



Josh Embry
Director
Taxable Fixed Income
Wiley Bros.-Aintree Capital LLC.



September 30, 2022

Jennifer Piorko Mitchell
FINRA
1735 K Street, NW
Washington, D.C. 20006-1506

RE: REGULATORY NOTICE 22-17; COMMENT ON A PROPOSAL TO SHORTEN THE TRADE REPORTING TIMEFRAME FOR TRANSACTIONS IN CERTAIN TRACE-ELIGIBLE SECURITIES FROM 15 MINUTES TO ONE MINUTE.

Dear Ms. Mitchell:

Valley Financial Management, Inc. (“VFM”)¹ welcomes the opportunity to submit comments on FINRA’s above-captioned proposal, an amendment to Rule 6730 to reduce the Trade Reporting and Compliance Engine (“TRACE”) reporting time, for TRACE-eligible securities, from 15-minute to one-minute. We strongly disagree with the proposed rule change.

VFM is a small broker-dealer and registered investment advisor providing financial advice and investment services. VFM has offices in New York, Florida, Illinois, and California. VFM’s success is based upon the exceptional personalized service it provides to its clients.

Small broker-dealers, like VFM, account for approximately 90% of FINRA members. FINRA president Robert Cook has recognized the role played by small broker-dealers and acknowledged that regulations can place a disproportionate burden on them. Mr. Cook has noted that the small broker-dealers often “provide services to communities who otherwise might be underserved, and they sometimes provide access to capital markets, especially municipalities, that might otherwise be underserved. And small business is an engine of job growth, and we should be thinking of this issue of wanting to promote that engine of job growth.” In other words, FINRA ought to be both solicitous of the opinions of smaller broker-dealers in the rules it proposes and ensure that those rules do not operate to favor larger broker-dealers at their expense. Yet, the impact of the proposal at issue would clearly run contrary to such sentiment. Shortening the TRACE reporting time to one-minute would favor larger broker-dealers who rely on an array of expensive automation tools and third-party vendors to facilitate their trading and timely reporting and penalize the small ones.

Based upon the analysis offered in the rule proposal, the rationale is that, under the current regime, 81.9% of the trades that are currently subject to the 15-minute reporting limit were actually reported within one-minute of execution. FINRA provides extensive analysis of the timeliness of current reporting patterns of the major fixed income market sectors. There are, however, a few critical gaps in the analysis. For example, it finds that 16.4% of reporters submitted 95% of their trades within one-minute. Yet, no details were provided as to the profile of the broker-dealers who comprise the 83.6% who are not reporting within one-minute and what the obstacles might be to their achievement of the one-minute goal. FINRA divides the reporting universe into three and indicates that the group that it identified as “very-active reporters” had the highest rate of reporting within the one-minute window and those who are referred to

¹ CRD#: 105387/ SEC# 8-52993.



as “less active reporters” had the least. Presumably the “less-active reporters” are a proxy for the smaller broker-dealers. If so, FINRA’s analysis, not surprisingly, reflects that reporting in a proposed one-minute window would have the greatest negative impact on this group.

The analysis also shows that just over half of the trades that were Web-entered, as compared to 97% of the trades reported by those who use FIX, were reported within 5 minutes, and 68% of the Web-entered trades were reported within 10 minutes as contrasted to 99% of the FIX users. Given this analysis, one might conclude that it might make sense to incrementally reduce the reporting time and then analyze that impact. Indeed, FINRA provides no explanation for why it is proposing a new reporting time of one-minute rather than 5 minutes or 10 minutes. To the extent that FINRA still believes shortening the window for trade reporting is worth the burden it imposes upon participants, VFM respectfully suggests that FINRA should explore an incremental approach to shortening the trade reporting window before taking the drastic step of going from 15 minutes to one.

Finally, the analysis of the economic impact on those reporters who are not already voluntarily reporting in one-minute, to a move to require that they report in one-minute, is woefully lacking. VFM respectfully suggests that the cost for smaller broker-dealers to comply with the proposed change would be extremely burdensome. As it is likely that the sector referred to in the FINRA analysis as the “less-active reporters” encompasses mostly the small broker-dealers, the cost per trade of the added technological and vendor expenses would be prohibitive of complying with the proposed change.

Many sectors of the fixed income market in which the smaller broker-dealers play a larger, indeed indispensable, role are those that are less liquid, typically have only one-sided quotes, and where trading and trade reporting are still accomplished “manually.” This, in part, makes the one-minute reporting goal unrealistic and, even, next to impossible. These are fixed income market sectors and specific CUSIPs where there are significantly fewer regular bidders than the larger more liquid ones that were the primary focus of FINRA’s analysis.

The current 15-minute window allows time to resolve matching exceptions. The one-minute proposal will make the exception-matching process very challenging. The increased time pressure will invariably result in more post-trade corrections than there are currently which are reflected as such in EMMA but appear as late reports in TRACE. The FINRA analysis is dismissive of this argument because under the current 15-minute regime trade corrections are not that frequent as a percentage of all the trades reported. If this proposal were adopted, they would become far more frequent, and disproportionately impact the smaller firms.

The FINRA proposal will benefit the large broker-dealers, the “very-active reporters,” and might actually even level the playing field for them against the buy-side firms that act as their competitors in the market, such as BlackRock, Susquehanna, and Fidelity, to name a few. It will allow them all to see the most significant bond flows in “real time.” It will also benefit the large algorithmic trading desks as it will eliminate any gaps in their algorithms caused by the current longer than one-minute window. The smaller broker-dealers, or “less-active reporters,” will, however, have pressure to make huge investments in technology. Those corners of the market that are still traded manually will not find that technology can improve their reporting time by a meaningful amount.

FINRA is already losing a significant number of small broker-dealer members each year. This new rule will precipitate that trend. If the unintended result of adoption of this proposal means that even one less bond market participant will be operating in certain sectors because of the hidden infrastructure costs



imposed by this rule, that sector will become less liquid. This outcome is the opposite of FINRA's intended outcome.

Simply stated, before it applies a "one-size-fits-all" rule, FINRA ought to reexamine this rule proposal in light its negative impact upon smaller market participants and less liquid sectors of the bond market. FINRA's analysis ought to take these considerations seriously and not assume, without analyzing, that the transition from fifteen minutes to one minute reporting will be seamless. From our perspective, that type of necessary analysis was not done.

We would be happy to provide additional information upon request.

Very truly yours,
Valley Financial Management, Inc.

Christopher J. Gawley

Name: Christopher J. Gawley
Title: General Counsel



August 29, 2022

Via Electronic Mail (pubcom@finra.org)

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA 1735 K Street, NW
Washington, DC 20006-1506

RE: TRACE Reporting Timeframe, Reg. Notice. 22-17¹

Dear Ms. Mitchell,

The Healthy Markets Association² writes to urge FINRA to finalize its Proposal to shorten the period within which brokers must report transactions in many TRACE-Eligible Securities from fifteen minutes to one minute.

Background

In 2001, the SEC approved a NASD proposal to establish a corporate bond trade reporting and dissemination facility.³ Since 2002, NASD (now FINRA) has collected and disseminated trade-related information in fixed income securities through TRACE. In 2004, NASD shortened the timeframe for reporting some TRACE-Eligible Securities, including corporate and agency debt, to 15 minutes following execution. That 15 minute rule now applies to trades in corporate bonds, agency debt securities, asset-backed securities, and some agency pass-through mortgage-backed securities.

Because the fixed income markets generally don't include a "market open" and "market close" like the US equities markets, FINRA Rule 6730(a)(1) generally sets the parameters for when trades have to be reported, using the "opening" and "closing" of TRACE as the cutoff times.⁴ Generally speaking, trades executed:

¹ *TRACE Reporting Timeframe*, FINRA, Reg. Notice. 22-17, Aug. 2, 2022, available at <https://www.finra.org/sites/default/files/2022-08/Regulatory-Notice-22-17.pdf> ("Proposal").

² Healthy Markets Association ("HMA") engages asset owners, asset managers, brokers, exchanges, data providers, policymakers, regulators, and other stakeholders to increase capital markets transparency and reduce conflicts of interest, risks, and costs for investors. To learn about HMA or our members, please see our website at <http://healthymarkets.org>.

³ *Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 4 to the Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to the Creation of a Corporate Bond Trade Reporting and Transaction Dissemination Facility and the Elimination of Nasdaq's Fixed Income Pricing System*, SEC, Exch. Act Rel. No. 43873, 66 Fed. Reg. 8131 (Jan. 29, 2001), available at <https://www.govinfo.gov/content/pkg/FR-2001-01-29/pdf/FR-2001-01-29.pdf>.

⁴ *Rule 6730: Transaction Reporting*, FINRA, available at <https://www.finra.org/rules-guidance/rulebooks/finra-rules/6730>.

- before 8am ET have to be reported as soon as practicable, but not later than 15 minutes after TRACE opens (which occurs at 8am);
- at or after 8am and before 6:15pm ET have to be reported as soon as practicable, but not later than 15 minutes after execution; and
- at or after 6:15pm ET, on weekends, or on holidays have to be reported as soon as practicable, but not later than 15 minutes after TRACE opens the next business day.

In the nearly two decades since the 15 minute rule was implemented, the markets for fixed income securities have changed dramatically. As the SEC is separately considering in other rulemakings,⁵ there has been a proliferation of fixed income trading venues, many of which enable trading in fractions of a second. In some assets, the fixed income markets are increasingly looking like their lightning fast counterparts in the equities arena.

However, unlike in the equities markets, there is not a consolidated quotation collection and dissemination mechanism. Further, the transaction reporting and dissemination mechanism (aka TRACE) is slow, jumbled, and too narrowly scoped to be of significant use for market participants.

The lack of timely, comprehensive order and execution information may benefit some parties, including large market intermediaries and a handful of very large investors, but it generally harms most investors.⁶

When the SEC's Fixed Income Market Structure Advisory Committee considered a recommendation to further delay reporting and dissemination of some corporate bond trades, former SEC Chairwoman Elisse Walters, former SEC Chief Economist Larry Harris, and professor Kumar Venkataraman objected, explaining:

Delayed reporting of large trade prices will certainly make it easier for dealers to distribute a large block because the investors to whom the dealers will distribute the block ("receiving investors") will have less information about the value of the bond. The dealers profit from this information advantage. ... Stated more abstractly, information is power, and power produces profits.⁷

⁵ For example, the SEC is currently considering (1) revising the definition of an "exchange" and (2) whether a broker must comply with Rule 15c2-11 before providing a "quotation" for a fixed income security in a "medium."

⁶ See generally, Letter from Tyler Gellasch, HMA, to Marcia Asquith, FINRA, June 6, 2019, *available at* <https://healthymarkets.wpengine.com/wp-content/uploads/2019/06/FINRA-Block-Trade-Comment-6-11-19.pdf>.

⁷ Letter from Larry Harris, Kumar Venkataraman, and Hon. Elisse Walter, to Brent J. Fields, SEC, Aug. 21, 2018, *available at* <https://www.sec.gov/comments/265-30/26530-4268151-173129.pdf>.

Months later, when FINRA proposed implementing the FIMSAC recommendation (adopted over the objections highlighted above),⁸ HMA objected, noting that delayed reporting and dissemination of fixed income trades:

- has a discriminatory impact on market participants and creates significant risk of misuse of material, non-public information;
- impedes best execution and transaction cost analysis; and
- could increase volatility and decrease liquidity in times of stress.⁹

Fortunately, FINRA never moved forward with that proposal.

We appreciate that FINRA is now considering going in the opposite direction by improving the timeliness and scope of fixed income trade reporting and dissemination.

Efforts to Improve Timeliness and Scope of Fixed Income Market Data

Over the past several years, FINRA has expanded both who must report transactions to TRACE and the securities for which transactions must be reported. FINRA has not, however, generally improved the timeliness of reporting and dissemination of fixed income trades.

In April 2022, SEC Chair Gary Gensler delivered remarks to City Week in London in which he declared:

One area where I think there could be some improvement is the length of time by which market participants must report transactions to TRACE and the MSRB. Currently, a trade has to be reported as soon as practicable but no later than within 15 minutes of the time of execution. Why couldn't the outer bound be shortened to no later than, for example, 1 minute?¹⁰

⁸ *Trade Reporting and Compliance Engine (TRACE): FINRA Requests Comment on a Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination*, FINRA, Reg. Notice 19-12, (Apr. 2019), available at https://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-19-12.pdf.

⁹ Letter from Tyler Gellasch, HMA, to Marcia Asquith, FINRA, June 6, 2019, available at <https://healthymarkets.wpengine.com/wp-content/uploads/2019/06/FINRA-Block-Trade-Comment-6-11-19.pdf>.

¹⁰ *"The Name's Bond:" Remarks at City Week*, Hon. Gary Gensler, SEC, Apr. 26, 2022, available at <https://www.sec.gov/news/speech/gensler-names-bond-042622> ("Gensler April 2022 Remarks"). We note that in that same speech, SEC Chair Gensler also suggested expanding the scope of TRACE-Eligible Securities to include foreign sovereign debt and beginning to disseminate to the public individual Treasury

The Proposal would do exactly that. Specifically, the Proposal would amend FINRA Rule 6730(a)(1) to require trades executed:

- before 8am ET to be reported as soon as practicable, but not later than 1 minute after TRACE opens (which occurs at 8am);
- at or after 8am and before 6:29pm ET to be reported as soon as practicable, but not later than 1 minute after execution; and
- at or after 6:29pm ET, on weekends, or on holidays to be reported as soon as practicable, but not later than 1 minute after TRACE opens the next business day.

The Proposal explains that the effort would “improve transparency and allow investors and other market participants to obtain and evaluate pricing information more quickly—creating a qualitative increase in market transparency for these securities. Facilitating more timely information is one way to improve the value of disseminated transaction data.”¹¹

We agree.

As we consider this Proposal, we think it’s worth assessing four very high-level, key questions:

- 1) Does FINRA have the authority to implement the change? Yes.
- 2) Has FINRA demonstrated a rational basis for implementing the change? Yes.
- 3) Would the Proposal promote fair, orderly and efficient markets and promote investor protection? Yes.
- 4) Could brokers, most of which are already required to report other securities trades within fractions of a second, reasonably implement the change?¹² Yes.

Rather than simply offering additional support for those obvious realities, we wish to highlight one very significant complication that should give FINRA urgency in moving forward with the Proposal – the rise of fixed income securities that are traded using the equity trading market apparatus: fixed income ETFs. Fixed income ETFs trade on equities exchanges and orders and trade information are reported and disseminated using the equities markets infrastructure. This means that consolidated order and execution information in those securities is available to market participants within fractions of a second.

transaction details. Gensler April 2022 Remarks. HMA would support both efforts, and we also agree with SEC Chair Gensler that “[p]ublic dissemination of Treasury trade data could help enhance counterparty risk management and the evaluation of trade execution quality.” Gensler April 2022 Remarks.

¹¹ Proposal, at 4.

¹² See, Consolidated Audit Trail NMS Plan Quarterly Progress Report Q2 2022, July 22, 2022, available at <https://www.catnmsplan.com/sites/default/files/2022-07/CAT-Q2-2022-QPR.pdf> (reflecting implementation schedule for plan participants, large traders, and smaller firms).

In recent years, fixed income exchange traded products have dramatically expanded. Today, hundreds of billions of dollars in fixed income ETFs are traded on markets where order and execution information is disseminated in milliseconds. The two largest bond ETFs, Vanguard Total Bond Market ETF (BND) and iShares Core U.S. Aggregate Bond ETF (AGG), had nearly \$84 billion and \$83 billion in assets as of August 23, 2022, respectively.¹³ The Vanguard Total Bond Market ETF holds more than 10,000 bonds, most of which very rarely trade. Yet, the fund averages nearly 6 million shares traded a day.¹⁴ Even an ETF for generally illiquid high yield bonds averages over 30 million shares traded every day.¹⁵ Put simply, the liquidity in the ETFs may greatly outstrip the liquidity in the component assets.

For each of these products, the order information in the component fixed income securities may never be publicly disseminated, and trade information may be disseminated on an extremely delayed basis, while the order and trade information in these ETFs is disseminated nearly instantly. Not surprisingly, many market participants are actively engaged in trading strategies that assess and make trading decisions with knowledge of that information in milliseconds.

We are concerned with the yawning gap between the timeliness and quantity of information available regarding the trading of the fixed income securities themselves and the information available (and trading) of securities built on top of them. The larger the gap, the greater risks to market integrity and stability.

These concerns are now significantly magnified by the inevitable merging of equity and fixed income market structure, with perhaps the clearest example being the creation of single-bond ETFs.

On August 9th, Nasdaq listed for trading the US Treasury 10 Year ETF (UTEN), the US Treasury 2 Year ETF (UTWO); and the US Treasury 3 Month Bill ETF (TBIL).¹⁶ Each of these ETFs holds one security; the associated “on-the-run” version of the named security.¹⁷ Thus, while there is no public dissemination of individual quotations or trades in Treasury Securities, there already is nearly instantaneous dissemination of this

¹³ *Total Bond Market ETF: Portfolio Composition*, Vanguard, available at <https://investor.vanguard.com/investment-products/etfs/profile/bnd> (last viewed Aug. 24, 2022); *iShares Core U.S. Aggregate Bond ETF: Key Facts*, BlackRock, available at <https://www.ishares.com/us/products/239458/ishares-core-total-us-bond-market-etf> (last viewed Aug. 24, 2022).

¹⁴ *Total Bond Market ETF: Price (sic)*, Vanguard, available at <https://investor.vanguard.com/investment-products/etfs/profile/bnd> (last viewed Aug. 24, 2022).

¹⁵ See, *iShares iBoxx \$ High Yield Corporate Bond ETF: Key Facts*, BlackRock, available at <https://www.ishares.com/us/products/239565/ishares-iboxx-high-yield-corporate-bond-etf> (reflecting a 30 day average trading volume of 30.5 million shares)(last viewed Aug. 24, 2022).

¹⁶ Press Release, *F/m Investments Announces Launch of the US Benchmark Series*, F/m Investments, Aug. 9, 2022, available at <https://www.businesswire.com/news/home/20220808005808/en/Fm-Investments-Announces-Launch-of-the-US-Benchmark-Series>.

¹⁷ Steve Johnson, *First single-bond ETFs look set to revolutionise access to Treasuries*, Financial Times, Aug. 9, 2022, available at <https://www.ft.com/content/b69a5dce-306f-4e9c-910b-b4c97abbe6c1>.

information for three ETFs that each hold only one Treasury Security. We fully expect that we will soon see a plethora of single bond ETFs in corporate debt securities, as well. And while information on quotations in corporate debt securities may not be publicly disseminated at all, and trades are reported on a delayed basis, quotations and trading in the ETFs built on top of them will be publicly disseminated in milliseconds.

This newly-created discrepancy in access to timely quotation and trade information in extremely related assets creates material risks for extremely significant threats to market stability and integrity, including the risk that those associated with the ETFs could use their information and positions to advantage themselves in the underlying markets (and vice versa). This advantage may be particularly acute when you consider that the shares in the ETF may be shorted or lent like other exchange-traded securities. While we don't expect many of these new single-security fixed income ETFs to ultimately attract significant assets or trading volumes, the opportunities for abuses, volatility, and disruptions are significant.

Conclusion

Reducing the delay in reporting and dissemination of fixed income securities trades would promote more fair, orderly and efficient markets, while promoting investor protections. However, this step is most urgently needed in response to the rapidly evolving landscape of how fixed income securities are traded, including through related products.

Thank you for your consideration. Should you have any questions or would like to discuss these matters further, please contact Tyler Gellasch at (202) 909-6138.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tyler Gellasch', with a stylized, flowing script.

Tyler Gellasch
Executive Director

Cc: Hon. Gary Gensler

Institutional Securities Corporation Comment On Regulatory Notice 22-17

Institutional Securities Corporation

N/A

October 3, 2022 Re: Regulatory Notice 22-17, Request for Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute Dear FINRA, In response to the proposed amendment to FINRA Rule 6730, we are respectfully providing comments as to why the amendment, which would change the reporting time from 15 minutes to one minute, in certain TRACE-eligible securities, is not a good idea, not practical, and will have adverse and discriminatory impacts to smaller sized firms and their customers. There are two adverse consequences that would arise from moving the reporting time to one minute from the time of trade: (1) small to mid-sized firms would be financially harmed and could cease their fixed-income trading business; and (2) retail customers will be harmed through higher costs and less efficient markets for TRACE-eligible fixed-income securities. The parties who would benefit from the proposed amendment are the large wire house firms and the vendors who provide automated reporting services and applications. Absent in the list of beneficiaries of the proposed rule amendment, is the retail customer. To the first point, while understanding that FINRA is acting in good faith with their attempt to significantly reduce the reporting time limit (a decrease of 93%) for TRACE-eligible securities, it is also clear that FINRA may not be aware of, or appreciate, how adversely this rule change will impact small and medium-sized broker-dealers and the basic dynamics of trading in fixed-income bonds. From the perspective of a small broker-dealer, we see this as a crippling regulation for small to mid-sized broker-dealers. Smaller sized firms generally use a manual order entry system for their TRACE-eligible securities transactions. Without having to purchase and use a third-party direct, automated system, it would be virtually impossible to accurately report all trades within the prescribed 60-second time period. Manual TRACE reporting must incorporate and account for multiple variables such as a firm receiving multiple orders at the same time or within close proximity to each other, and the differentiations of order entry patterns across several employees. Assuming that smaller-sized firms who use a manual reporting process only receive one order at a time, the 1-minute time period may appear feasible in theory, but in practice, this is not realistic; smaller sized firms will not always just receive one order at a time. The only practical way that reporting the executions in TRACE-eligible securities can be reduced from 15 minutes to 1 minute is if all trades completely by-pass human/manual entry and migrate 100% to electronic trading in these securities. This would disproportionately financially injure small and medium-sized firms who would be forced to invest an inordinate amount of capital to comply with the proposed rule. Larger firms can use automated entry and reporting systems, such as Bloomberg TOMS, but it's so cost prohibitive for the smaller firms that it's not fiscally possible for most firms to utilize. It is worth noting that the estimated cost to employ the Bloomberg TOMS application, to comply with the one-minute reporting timeframe, would be approximately \$500,000. This is not a practical solution and could easily cause a lot of firms to cease their fixed-income business lines. In such an outcome, where is the best execution for clients if a great number of market-makers are forced out of the business due to this regulation? It appears as if the intentions of FINRA the MSRB, through their proposed rule amendments (6730 & G-14), is to make the fixed-income bond market look and feel more like the equity markets; however, the dynamics do not allow for this without creating/purchasing a mechanism or application that can automate all fixed-income trades, which would come at a prohibitive cost to small and medium-sized broker-dealers. Equities can trade thousands of shares in seconds, making the need for price transparency in an extremely short period of time a necessity. However, fixed income CUSIPS do not trade with the volume and frequency of equities. Therefore, unlike stocks, there is no material advantage gained by a customer by having a trade reported in 60 seconds versus 15 minutes. Some unintended consequences of this rule change may result in an elimination of this line of business at small to mid-size firms, a higher cost to the end retail investor, and a greater concentration of fixed-income bond trading at the largest firms in the industry. We do not believe this is the desired outcome of the FINRA and ultimately, not in the retail investor's best interest.

Sincerely, Scott Hayes, President and CEO Chris Neidlinger, CCO Institutional Securities Corporation

October 3, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Comment on FINRA Regulatory Notice 22-17

Dear Ms. Mitchell,

Falcon Square Capital, LLC (CRD# 165225) appreciates the opportunity to provide comments to FINRA Regulatory Notice 22-17 addressing the proposed alteration of FINRA Rule 6730 to require the reporting of requisite trade information through TRACE within one minute of execution (the “Proposal”).

Falcon Square is a fixed-income broker-dealer serving institutional investors, corporations, and municipalities. We trade the full spectrum of fixed income securities, including corporates, municipals, treasuries, agencies, RMBS, CMBS, commercial paper, certificates of deposit, and structured products on an agency and riskless principal basis. We are certified Women Owned by the Women’s Business Enterprise National Council (WBENC).

FINRA has acknowledged that “[s]mall firms represent a critical portion of FINRA’s membership and often face regulatory challenges that are unique from their large firm counterparts.”¹ As discussed below, we believe the Proposal will drive smaller broker-dealers like us from the fixed-income markets due to prohibitive costs. Further, the Proposal does not provide evidence to support how the change would result in a material improvement of the fixed-income securities markets. For these reasons, Falcon Square strongly urges that FINRA revisit its proposal, especially as it relates to smaller firms and specialized fixed-income trading activity.

The Proposal would essentially require firms to implement costly electronic systems to report within the one-minute time period. Falcon Square and similar smaller firms simply do not transact a sufficient number of trades to warrant such a costly purchase. We believe we would have to spend approximately half a million dollars annually for an upgraded order management system (“OMS”) to meet the one-minute reporting deadline as proposed. Even if we upgraded our OMS, we would still be unable to meet the one-minute reporting requirement for many trades because our “high touch” institutional agency and riskless principal trading activity is very personnel intensive: the same representatives engaged in trading are also involved in reporting the trades once agreed upon by all sides.

As a broker-dealer servicing institutional customers as an agent/riskless principal, we sometimes need more than one minute to confirm, execute and report a transaction, as we must confirm both the buy and sell sides of a transaction and, sometimes, a single trade can involve multiple buyers or sellers. For example, once a trade is agreed to by both sides, we must confirm several things, such as the CUSIP number, size, price, yield, trade and settle dates, the name, the

¹ [Small Firm Report \(PR\) | FINRA.org](#)

firm, and accrued interest, often with multiple parties. Additionally, it is important to point out that for smaller firms or for firms that do not self-clear, the simple collection and transmission of data can take longer than one minute. Our system must capture execution data obtained either electronically or manually, then send the trade data to our clearing firm. The clearing firm processes the trade into systems that match that trade information with other dealers and custodians. Simultaneously, the clearing firm transmits that trade data to the appropriate regulator for reporting. Data flows from our firm to the clearing firm, to the regulators, then back in the opposite direction with confirmation the data was received. If counterparties are not matched appropriately, any issues must be addressed and corrections made. This process is time consuming, but we have been able to meet the 15-minute reporting requirement of the current rule on a consistent basis. However, confirming both the received sellers' tickets and buyers' tickets and sending the trades to our clearing firm for processing and reporting would be incredibly difficult, if not impossible, to perform for all of our trades in under 60 seconds, even with an upgraded OMS. The one-minute requirement would not allow sufficient time for review and correction of unmatched data within the reporting window. Additionally, if any of the systems went down or were having system delays, our ability to report on time would be compromised.

We are concerned that the Proposal, as it is currently written, will reduce the number of, or eliminate, smaller brokerage firms like ours from the fixed-income securities market, as they will be unable to afford or adopt the changes suggested to meet the one-minute requirement. In a reduced competitive environment, the small and midsize institutional customers who we service will be ignored by the surviving larger dealers who have the resources to fully automate. Although larger institutional customers can trade on automated broker-dealers' fixed-income trading platforms or with the larger bond dealers, many of our smaller institutional clients are not a "fit" with these trading desks because they do not have enough volume or require the customized high-touch execution services that we provide. These clients are serviced by small to mid-sized broker-dealers like Falcon Square – which do not have the capacity to report every trade within one minute. As such, our fear is that the Proposal will both eliminate smaller fixed-income brokers like Falcon Square and harm the small and medium size institutional clients that we serve. If smaller brokerage firms like Falcon Square are forced out of the fixed income business, the overall market will also be negatively impacted from a pricing and liquidity perspective.

In addition to harming an important segment of the existing fixed income market, it is unclear, based on the data used to support the Proposal, why there needs to be a reduction in reporting time for TRACE-eligible securities to increase transparency and improve access to transaction data. The Proposal states that a one-minute rule "will result in quicker reporting and dissemination of transaction information for the remaining 4.9 million reports (or 23 trillion dollars in par value)" from the 81.9% of trades that were already reported within one minute in 2021. It is difficult to discern the significance of this value, however, as the Proposal does not provide empirical evidence or statistical examples of the benefits of capturing the remaining 18.1% of trade reports within one minute, and does not measure any purported benefit against the cost of removing smaller brokers from the market.

It is also unclear how implementing a one-minute reporting time will reduce trading costs for investors. The Proposal states that "[r]esearch has shown that TRACE dissemination

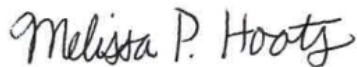
improved price discovery and reduced trading costs for corporate bond investors,” and includes references to studies analyzing the effects of market transparency on bond prices in footnote 23. These studies, however, appear to discuss the effects that the reduction in trading time pre- and post-TRACE amendments in 2005 – from reporting by the end of a trading day versus reporting within 15 minutes – had on the municipal and corporate bond markets. The Proposal appears to be extrapolating the effects that the 2005 change to a 15-minute reporting requirement had in TRACE-eligible securities to support reducing the reporting timeframe to one minute, without analysis or data to support this extrapolation.

As written, the Proposal would pose monumental costs for small and midsize fixed income broker-dealers. The Proposal does not address the costs that smaller dealers will be forced to bear to implement more sophisticated and expensive automated reporting systems, nor the anti-competitive results that would consequently follow. As discussed above, a smaller firm like ours would have to spend hundreds of thousands of dollars more each year to establish and maintain an automated electronic system in order to meet the one-minute reporting deadline as proposed.

The Proposal acknowledges that firms without automated reporting systems or third-party reporting services may find it difficult to meet the new reporting requirement. We believe the Proposal underestimates the effect of this rule change. The Proposal will force smaller broker-dealers to decide whether to close their business due to costs or risk violating the rule. Consequently, the Proposal would have the effect of reducing the number of reporting firms and thus competition. As discussed above, reducing competition among fixed income brokers would also harm small and medium-sized asset managers.

Falcon Square is in agreement with FINRA’s goal to “increase[] transparency and improv[e] access to timely transaction data.” As outlined above, however, the new rule would be cost prohibitive to smaller firms, be incredibly difficult to meet with more complex or involved fixed income trades, and thus curtail customer access to the fixed income securities market. We strongly encourage FINRA to revisit this proposal and consider the economic challenges of smaller firms before modifying the current rule.

Sincerely

A handwritten signature in cursive script that reads "Melissa P. Hoots".

Melissa P. Hoots, CEO/CCO

ISAAC BOND INVESTMENTS



August 17, 2022

To FINRA regarding the proposed change to a 1-minute reporting rule

The proposed change to one minute reporting will put most small broker dealers out of business and thus create less liquidity in the market. With the current rule approximately 90% of corporate bond trades are already reported within 2 minutes. I do not believe the shortening of the requirement adds any liquidity to the market. I do think that 15 minutes is reasonable and manual entry systems can normally match up within that time frame. The technology a small firm would have to implement to comply with a 1-minute reporting would be cost prohibitive. I believe the marginal improvement in trade reporting will eliminate small players and reduce the liquidity in the marketplace

The biggest factor here is automated ticketing. The reason that most trades are reported so fast is that on the ATS systems and electronic platforms trades are reported instantaneously. We currently must match those trades within 15 minutes not to be late. The automated system that most of the larger firm's use is Bloomberg TOMS and eTOMS. We have investigated the cost for us to get that platform and the cost is somewhere around 500k per year. An annual cost like that would be too much for us to afford. We have hired additional personnel to be able to enter our tickets on a timely manner.

The largest problem will be for voice trades. Even if one has the TOMS system and executed a voice trade and then must write the ticket which takes usually over one minute. If we do multiple trades at the same time, then it further complicates the process as each trade takes around a minute to input in our manual system. If one were to examine IB (instant messaging on Bloomberg) conversations that say done and then the clock starts, my guess is everyone including the larger dealers will have trouble as they will have to instantaneously have the bond up and price it, take off hedge if any, select the account, and send a confirmation. It appears that, when possible, via automation that the majority of trades are already reported within one minute, but by implementing a rule to have all trades within a minute will force small players out of the market and disrupt the round lot market as most large trades are still done on the phone. I believe the current rule is working well and allows time for the smaller dealers to comply. So, I urge you to refrain from changing the current 15 minute rule.

Best,

John Isaak

Sr. Vice President

Isaac Bond Investments

john@isaakbond.com

Paul Kienbaum Comment On Regulatory Notice 22-17

Paul Kienbaum
[OCS SUBMISSION]

As Principal and owner of small BD in business for over 40 years....I believe, along with my FINOP Sally Mann, that the shortened time frame for reporting from 15 min to 1 minute is NOT reasonable. This change would create havoc, expenses, and non compliance for many BD's. We strongly suggest no change to this rule.

VIA EMAIL

September 21, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506
pubcom@finra.org

Re: FINRA Regulatory Notice 22-17 - Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities

Dear Ms. Mitchell:

ICE Bonds Securities Corporation (CRD# 123635) (“**ICE Bonds**”)¹ appreciates the opportunity to respond to FINRA Notice 22-17 (the “**Proposal**”) issued by the Financial Industry Regulatory Authority (“**FINRA**”) requesting comment on a proposal to shorten the trade reporting timeframe for transactions in certain TRACE² eligible securities from fifteen minutes to one minute.

ICE Bonds supports FINRA’s efforts to provide more timely and informative data to enhance the value of disseminated transaction data and believes shortening the trade reporting timeframe is an important step in these efforts. However, we do not believe that the industry is prepared at this time to report all trades in TRACE-eligible securities within one minute of execution.

According to FINRA’s 2021 transaction reporting analysis,³ almost 20% of all TRACE-eligible transactions were not reported within one minute of execution. Moreover, FINRA’s data show that only 16.4% of reporters submitted 95% of their trades within one minute of execution, which means that the vast majority (83.6%) of reporters did not submit most of their trades within one minute. When FINRA’s analysis is broken down by counterparty type, by whether execution is on an alternative trading system vs. non-alternative trading system and by reporting capacity, the data show that between 16% and 20% of trades are not reported within one minute of execution,⁴ which further demonstrates that a significant percentage of the industry is not

¹ ICE Bonds is the operator of three (3) alternative trading systems (ICE BondPoint, ICE Credit Trade and ICE TMC) for the trading of fixed income products and a broker-dealer registered with the U.S. Securities and Exchange Commission, pursuant to Section 15 of the Securities Exchange Act of 1934, is a member of FINRA and the Municipal Securities Rulemaking Board.

² TRACE refers to FINRA’s Trade Reporting and Compliance Engine for fixed income securities.

³ See FINRA Regulatory Notice 22-17 at 5 (Aug. 2, 2022) available at <https://www.finra.org/rules-guidance/notices/22-17>.

⁴ See *id.* at Table 1 on pg. 6.

prepared to report within one minute of execution. By contrast, all but 1% to 3% of trades are reported by the five-minute mark,⁵ which demonstrates that the industry is prepared to report most trades within five minutes of execution.

While electronic trading coupled with straight-through-processing permitted the industry to make significant strides towards real-time reporting, further work is required to achieve this goal. For these reasons, we do not believe FINRA should move from fifteen minutes to one minute, but instead take a phased approach to reduce reporting times. We recommend that FINRA first reduce the trade reporting to five minutes and then implement a one-minute reporting deadline after further analysis demonstrates that the industry is ready for a shorter reporting deadline.

* * * * *

ICE Bonds hopes these comments are constructive to FINRA as it considers further changes to reduce the TRACE trade reporting timeframe for transactions in all TRACE-Eligible Securities that are subject to a fifteen-minute reporting timeframe.

To the extent FINRA should have any questions relating to this letter please feel free to contact us, as we would appreciate the opportunity to speak with FINRA about these issues.

Sincerely,



Robert Laorno
General Counsel, ICE Bonds Securities Corporation

cc: Peter Borstelmann, President, ICE Bonds Securities Corporation
Chris Stone, Vice President, Transparency Services, FINRA
Joseph Schwetz, Vice President, Transparency Services, FINRA
Adam Kezsbom, Associate General Counsel, OGC, FINRA

⁵ See *id.*



Wells Fargo & Company
420 Montgomery Street
San Francisco, California

October 3, 2022

Submitted Electronically

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: FINRA Regulatory Notice 22-17 and MSRB Notice 2022-07: Requests for Comments on Proposals to Shorten Fixed Income Trade Reporting Timeframes under FINRA Rule 6730 and MSRB Rule G-14

Dear Ms. Mitchell and Mr. Smith:

Wells Fargo & Company¹ appreciates the opportunity to provide comments in response to Financial Industry Regulatory Authority Regulatory Notice 22-17 (the “FINRA Notice”) and Municipal Securities Rulemaking Board Notice 2022-07 (the “MSRB Notice”) (together, “the Notices”). The Notices request comments on proposals to require certain fixed-income trades to be reported “as soon as practicable,” but no later than one minute from the time of trade execution. Wells Fargo supports the goal of enhancing fixed-income market transparency. However, a one-minute trade reporting requirement is a significant acceleration and many critical fixed-income market practices, and operational processes are not currently compatible with a one-minute reporting timeframe. We recommend FINRA and the MSRB take a measured approach that seeks to improve transparency without harming market efficiency or creating significant operational and technology challenges. The purpose of our comment letter is to highlight priority market practices and processes that are currently incompatible with a one-minute reporting regime. A one-minute trade reporting rule will necessitate the consideration of exceptions and alternative regulatory approaches to best support fixed income market transparency and avoid negative outcomes for meaningful segments of the market and investors.

I. Wells Fargo supports enhancing fixed-income-market transparency.

The Notices highlight that most trades (as measured by a percentage of overall trade count) are reported to FINRA’s Trade Reporting and Compliance Engine (TRACE) and MSRB’s Real-time Transaction Reporting System (RTRS) within one minute. The statistics in the Notices highlight that broker-dealers, in general, are not reporting trades at the outer limit of the current 15-minute timeframe. The Notices suggest that all trades can and should

¹ Wells Fargo (NYSE: WFC) is a leading financial services company that has approximately \$1.9 trillion in assets. It proudly serves one in three U.S. households and more than 10% of small businesses in the U.S., and is a leading middle-market banking provider in the U.S. In the communities we serve, the company focuses its social impact on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. Wells Fargo submits this letter on behalf of Wells Fargo Bank, N.A. Municipal Finance Group, Wells Fargo Clearing Services, LLC, Wells Fargo Advisors Financial Network, LLC, Wells Fargo Securities, LLC, and Wells Fargo Prime Services, LLC.

be reported within one minute. We encourage FINRA and the MSRB to examine the varied reasons why certain segments of trades are not currently reported within one minute to better understand the existing obstacles to rapid trade reporting.

II. A trade-reporting exception is necessary for block trades executed by a broker-dealer and allocated to client accounts of a registered investment adviser that is part of the same legal entity.

Wells Fargo Advisors² is dually registered with the U.S. Securities and Exchange Commission as a broker-dealer and investment adviser. We recommend that FINRA and the MSRB create an exception to any accelerated trade-reporting requirement to facilitate the timely reporting of trades executed by broker-dealers that are subsequently allocated to sub-accounts of a registered investment adviser (RIA) that is part of the same legal entity. An exception for these transactions will more closely align fixed-income trade reporting rules with FINRA's equity trade reporting rules, which do not require broker-dealers to report sub-account allocations to the tape within 10 seconds.³

As a dual registrant, Wells Fargo Advisors regularly executes and reports block trades and allocates portions of those trades to individual Wells Fargo Advisors RIA client accounts. Under current FINRA rules, broker-dealers are required to report the initial block-size purchase (or sale) no later than 15 minutes.⁴ As outlined by TRACE Frequently Asked Question 3.1.47, the broker-dealer must also report each RIA sub-account allocation within 15 minutes even if the account is at the same legal entity as the broker-dealer.⁵ These allocations frequently result in thousands of additional trade reports. Wells Fargo Advisors uses an automated process to report these allocations and reporting thousands of sub-account allocations is a significant challenge, even under the current 15-minute reporting requirement.

The sub-account allocations are at the same price as the initial block trade. The investment advisory accounts, including related to Separately Managed Account programs, are fee-based accounts. The sub-account allocation trades are reported to TRACE with a "no remuneration" indicator to identify that the broker-dealer received no commission, markup, or markdown related to the transaction. Therefore, the thousands of trade reports provide no additional information to the marketplace beyond what was included in the initial block trade report; and arguably create an inaccurate picture of transaction volume in a security.

Accelerating trade reporting timeframes to one minute would create a significant and costly challenge for timely reporting of these sub-account allocations, with no additional transparency benefit. As FINRA and the MSRB consider this significant acceleration of fixed-income trade reporting, careful consideration should be given to the downstream effects of more rapid reporting. Conforming amendments to rules and guidance to ensure an orderly transition to an accelerated reporting regime will be necessary. Wells Fargo recommends that FINRA and the MSRB create an exception for these sub-account allocations under any accelerated reporting regime.

² Investment products and services are offered through Wells Fargo Clearing Services, LLC. Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC (WFCS), Member SIPC/FINRA, a separate registered broker-dealer and non-bank affiliate of Wells Fargo & Company. WellsTrade® and Intuitive Investor® accounts are offered through WFCS.

³ See FINRA Trade Reporting Frequently Asked Questions, Section 303 "Reporting Agency Transactions," Question 303.12, <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq>. As outlined in the FAQ, these trades are not reported to the tape or for non-tape, regulatory purposes.

⁴ FINRA Rule 6730 requires a member to report a transaction "as soon as practicable, but no later than within 15 minutes of the Time of Execution." MSRB Rule G-14 requires trades to be reported "within 15 minutes."

⁵ See Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), FAQ 3.1.47 (Scenarios 1 and 3) outlines FINRA's guidance on sub-account allocations.

III. An accelerated trade-reporting regime will negatively impact market participants that continue to prefer manually negotiated trades for some portion of their fixed-income trading activity.

The fixed-income markets have evolved and the volumes of trades that are executed electronically have risen. However, many investors still prefer to trade with broker-dealers by voice or electronic message (manually negotiated trades), rather than on an electronic platform. Investors continue to trade this way to benefit from market color, including credit information and information about comparable bonds trading in the market. They may also prefer to negotiate on price directly because they are executing block-size trades or portfolio trades. As a practical matter, trades negotiated and executed manually (by voice or electronic message) take longer to input and report in comparison to trades executed electronically.

A one-minute reporting requirement would present a variety of process oriented, timing, and operational challenges, especially for a trading desk engaging with multiple clients simultaneously. Therefore, the proposed acceleration of reporting could alter the efficiency of the fixed income markets, particularly related to liquidity provision in the institutional marketplace. While a significant acceleration of trade reporting rules may not unduly burden most electronic, retail-size trades, the marketplace will face immediate challenges under a one-minute trade-reporting requirement, especially for block-size institutional trades.

Manually negotiated trades rely on communication, coordination, and multiple procedural steps by sales and trading personnel on trading desks. For example, for each manual trade with an institutional customer, the salesperson or trader confirms the trade details with the customer by voice or electronic message. The salesperson then enters the trade details, which include multiple fields on a trade ticket, double checks the information for accuracy, and submits the trade ticket to a trader. In the next step, the trader double checks the trading ticket, approves it, and submits it for processing and reporting to TRACE or RTRS.

In isolation, it may not be a significant challenge to report a single manually negotiated trade in one minute. A challenge of one-minute reporting will be when a desk is attempting to provide liquidity to multiple counterparties simultaneously, or in multiple securities with the same counterparty. Under a one-minute reporting requirement, broker-dealer sales and trading staff may only have the capacity to focus on a few executions at a time. This will especially impact larger broker-dealers to whom the markets look for liquidity and product availability. In situations where customers want to manually buy or sell multiple bonds at one point in time, broker-dealers may not be able to execute as quickly as they do today if personnel need to prioritize trade reporting at the expense of trade execution for customers. Indeed, because of the timing conflicts that can arise when sequencing trades in multiple securities, accelerating the trade reporting timeframe may have unintended consequences for customer execution quality, especially when prevailing market conditions are changing. Additionally, the tight timing might cause an increased number of late trade reports, which is counterproductive to the goal of enhancing fixed-income market transparency.

As the Notices highlight, most block-size trades are not reported within one minute. MSRB data states that 40.1% of \$1-5 million trades in municipal securities are reported within one minute and 25.3% of municipal securities trades in block sizes of greater than \$5 million are reported within one minute. Most of these block-size trades are reported within five minutes. FINRA's Notice states that 61% of block-size trades in corporate bonds of \$25 million or greater are reported within one minute today.

While block-size trades represent a small portion of the overall trade count, block trades have the most influence on indexes, evaluations, and overall market conditions. As such, any adverse change to the liquidity in the block market liquidity could have additional negative impacts to the overall market that spans beyond those who

typically engage in block trades. We encourage FINRA and the MSRB to further analyze the impact of accelerated reporting on block-size trades and manually negotiated trades.

IV. A significant acceleration of required trade reporting timeframes highlights the importance of exceptions for specific transactions and operational processes.

Wells Fargo recommends that FINRA and the MSRB preserve existing exceptions to trade reporting rules that provide market participants with additional time to report certain transactions. For example, under an accelerated reporting regime, the requirements for transactions executed at the “list or fixed offering price” should not be accelerated, given that the conditions that originally led FINRA and the MSRB to exempt such transactions from 15-minute reporting have not changed. Furthermore, FINRA and the MSRB should engage with the industry to identify challenges with other transactions and operational processes due to a one-minute reporting rule. Wells Fargo recommends FINRA and the MSRB consider the challenges related to the following issues:

1. **Security Master Issues:** There are over 1,500,000 individual fixed-income numerical identifiers issued by the Committee on Uniform Securities Identification Procedures (CUSIP). Broker-dealers may not hold every fixed-income CUSIP number in their security master. This is especially true if the dealer is trading the bonds for the first time, including related to a new issuance. Current FINRA and MSRB trade reporting rules allow for end of day or T+1 reporting of list and fixed offering prices transactions. We recommend that FINRA and the MSRB create an exception for transactions in securities that are not included in the broker-dealer’s security master at the time of trade.
2. **Reverse Inquiry Agency Security Transactions:** A reverse inquiry is a method of issuance that is common for Agency securities in which a dealer engages an issuer and requests a certain quantity and type of debt. Under current FINRA rules these transactions are required to be reported within 15 minutes. A one-minute reporting rule would create challenges for these types of transactions, which are comparable to transactions in a new issuance at a list offering price. We recommend that FINRA create an exception from trade reporting rules for these transactions due to the challenges with executing and reporting these trades within one minute.
3. **Portfolio Trades:** Broker-dealers often provide liquidity for portfolios of bonds, including portfolios with over one hundred individual bonds. Under a one-minute reporting rule, broker-dealers may not be able to execute these types of portfolio trades at one point in time. FINRA and the MSRB should consider an exception to ensure investors continue to benefit from timely executions of portfolio transactions and instances where market participants solicit actionable bids or offers on multiple securities, such as a portfolio trade or a “bid wanted” list.
4. **Impact on Correspondent Firms:** Wells Fargo provides clearing and custody services to correspondent broker-dealers. Many of these firms are small broker-dealers. While these firms do execute fixed income trades electronically on platforms, some firms also execute manually negotiated trades. These trades are executed by the correspondent firm and the trade details are transmitted to Wells Fargo for reporting to TRACE or RTRS. A one-minute reporting rule will be a significant challenge for the correspondent firms that do not execute exclusively electronically.

V. Conclusion.

Wells Fargo supports the goal of enhancing transparency in the fixed-income markets. However, the proposal represents a significant acceleration of trade reporting and will create a series of significant problems related to reporting trades on time. As FINRA and the MSRB continue to pursue enhancements to fixed income transparency, we recommend consideration be given to creating exceptions to any accelerated trade reporting

rule. In addition, we encourage regulators to scrutinize the potential impacts on manually negotiated trades and seek to avoid a negative impact to market efficiency.

We appreciate the opportunity to share our feedback on the Notices. If you would like to discuss these items further or need additional information, please contact John Vahey, Wells Fargo Public Policy, at john.vahey@wellsfargo.com.

Sincerely,

Nyron Latif
Head of Operations
Wells Fargo Wealth and Investment Management

Todd Primavera
Head of Operations
Wells Fargo Corporate and Investment Bank

October 3, 2022

Submitted via email to pubcom@finra.org and electronically to the MSRB website

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: FINRA / MSRB request for Comments on Proposals to Shorten the Trade Reporting Timeframe for Transactions in Certain Fixed Income Securities From 15 Minutes to One Minute

Dear Ms. Mitchell & Mr. Smith:

BetaNXT¹ appreciates the opportunity to respond to the related Financial Industry Regulatory Authority (FINRA) and Municipal Securities Rulemaking Board (MSRB) requests for comment regarding a proposed shortening of the required trade reporting timeframe for transactions in certain fixed income securities from no greater than 15 minutes to no greater than one minute (the “Proposals”).² BetaNXT generally supports the broader Securities Industry and Financial Markets Association and Financial Industry Forum comments regarding the Proposal. In this letter, and detailed below, BetaNXT limits its comments to the infeasibility of Trade Reporting under one minute in instances where a security detail is not available in the reporting firm’s security master due to significant process and technology limitations. As outlined below, to the extent FINRA and MSRB move forward with the Proposals, BetaNXT recommends the exclusion of instances where security master data is not automatically available to a reporting firm from the shortened transaction reporting requirements.

Background

BetaNXT acts as a service bureau on behalf of many of its broker dealer customers (BetaNXT Firms). In this role, BetaNXT performs essential clearance, settlement, and data management functions, including the reporting of fixed income transactions to the FINRA Trade Reporting and Compliance Engine (TRACE), MSRB Real-time Transaction Reporting System (RTRS), and the Deposit Trust and Clearing Corporation Real Time Trade Matching (RTTM) system, where appropriate. Following the consummation of a fixed income transaction between a BetaNXT Firm and a counterparty, the data necessary to process and report a fixed income transaction on behalf of a customer may not be present within the reporting systems (e.g., complete security master data within the system reporting the trade) that would permit the immediate and automated processing and reporting of that transaction in less than one minute.

¹ BetaNXT is a full-service technology solutions provider for the wealth management industry with a 40+ year operating history. We support our customers as they service approximately six trillion dollars of assets, including the investments of over 50 million retail accounts. BetaNXT is comprised of the securities processing and enrichment backbone BETA, the tax solutions of Maxit, and the personalized investor experience offerings of Digital Investor. For more information, visit <https://betanxt.com/>.

² FINRA Regulatory Notice 22-17 (August 2, 2022); MSRB Notice 2022-07 (August 2, 2022).

Specifically, where necessary details of a fixed income security are not present in BetaNXT's systems, and not available through automated inquiries to available data sources, the manual intervention required to obtain the necessary data makes the proposed one-minute trade reporting infeasible.

Illustrative Example

The below example outlines how, following the execution of a transaction in a municipal fixed income security in the market, BetaNXT processes and reports an ordinary municipal fixed income transaction where a BetaNXT Firm (BDA) purchases a municipal fixed income security on behalf of an underlying customer (Isaiah Investor) from a selling broker dealer (BDB) through an electronic Alternative Trading System (ATS).³ The issues discussed below apply equally to the processing and reporting of TRACE eligible securities.

Scenario | BDA buys \$5000 par value lot of Allegany County Maryland Refunding Bonds of 2020⁴ on behalf of its customer Isaiah Investor from BDB after matching on an ATS:

A. Execution of Transaction in the Market

- 1) A BDA representative (Alice Adviser) has a discussion with her customer Isaiah Investor in which Isaiah Investor directs Alice Adviser to purchase \$5000 par value of Maryland Municipal bonds with specific attributes (e.g., maturity, price, call provisions).
- 2) Alice Adviser enters the relevant criteria into an ATS, seeking counterparties offering to sell Maryland Municipal bonds with the attributes Isaiah Investor is seeking.
- 3) The ATS presents Alice Adviser with counterparties offering Maryland Municipal bonds, and sorts the offers based on the additional criteria Alice selects (e.g., from highest to lowest yield)
- 4) Alice selects an offer that best suits Isaiah Investor's needs, in this example \$5000 par value of Allegany County Maryland Refunding Bonds of 2020 from BDB.
- 5) The ATS generates an electronic message – specifically a FIX message – with BDA as a buyer and BDB as a seller of \$5000 par value of Allegany County Maryland Refunding Bonds of 2020 and sends the message to BDA and BDB for trade processing and required reporting.

B. Post-Execution Trade Processing and Reporting | BDA only

As BDA's trade processing and transaction reporting service provider, BetaNXT receives the FIX message from the ATS reflecting certain details of BDA's purchase of \$5000 par value of Allegany County Maryland Refunding Bonds of 2020 from BDB.

- 1) Trade Processing | BetaNXT must build a trade that records (i) BDA's purchase of bonds from BDB; and (ii) BDA's sale of those bonds to its customer Isaiah Investor.
 - i. BetaNXT searches its security master for fixed income securities to find the necessary data to enrich the basic information contained on the fix message from the ATS. Enrichment detail includes information on a security's maturity date and coupon rate, among other things.

³ An ATS is a trading system that meets the definition of "exchange" under federal securities laws but is not required to register as a national securities exchange if the ATS operates under the exemption provided under Exchange Act Rule 3a1-1(a). See 17 CFR § 242.300(a) (Defining an alternative trading system).

⁴ Security information available at

<https://emma.msrb.org/Security/Details/A5CA0993AC5179BE21B3487A7536CFA27>.

- ii. BetaNXT uses the detail from a complete security master record to perform necessary trade processing tasks, including calculating the yield and enriching the trade record with the metadata information necessary for MSRB and RTTM reporting, as well as customer confirm disclosure.⁵
 - iii. Once the trade is built in BetaNXT, and recorded on the relevant internal ledgers, BetaNXT directs relevant details regarding the trade to the RTRS system for transaction reporting and eventual submission to RTTM for comparison, where appropriate.
- 2) Transaction Reporting | Comparison and Regulatory Reporting
- BetaNXT transmits two transaction reports to the MSRB via the RTRS system with appropriately formatted electronic (SWIFT)⁶ messaging that contains information required for reporting (e.g., quantity, settlement date, special condition indicators) on behalf of BDA:
 - BDA's purchase from BDB
 - BDA's sale to its customer Isaiah Investor
 - The RTRS system directs the trade between BDA and BDB to RTTM for matching/comparison, in preparation for settlement.

Security Master Issues

A security master is a repository of current and accurate reference data about a security. It is maintained in a data structure that permits systematic interrogation for the purpose of processing and reporting on events in that security (e.g., trades, corporate actions). Each entity that processes an event in a security must maintain its own security master within its systems. Significant effort is required to maintain a current and accurate security master. Further, security master data is often considered proprietary and not freely available in a central location.

In the process outlined in the example above, the details necessary to build the trade within BetaNXT were already available within BetaNXT's security master. In such a circumstance, the entire process is automated, and generally proceeds from step to step within fractions of a second. However, there are frequent instances where, while the information about a security exists, it is not yet within BetaNXT's security master. In such instances, outlined in detail below, manual intervention may be required to assemble the necessary detail within BetaNXT's security master to permit the processing of a trade. As the processing of a trade must occur prior to reporting a trade, manual intervention generally prohibits the reporting of a transaction within one minute of its execution. This is not a BetaNXT specific issue.

Generally, the need to manually enrich BetaNXT's security master to process a trade in a fixed income security occurs when a BetaNXT Firm has never purchased or sold the security and the details regarding the security are not readily available in the sources BetaNXT automatically interrogates for security master data. The lack of data in these circumstances generally relates to how different the fixed income market is from the equities market, particularly as it relates to the enormous number of fixed income securities issued when compared to equities and the relative infrequency of trading in fixed income securities when compared to equities.

⁵ SEC Rule 10b-10 – Confirmation of transactions, 17 CFR § 240.10b-10.

⁶ Municipal Securities Rulemaking Board, "Specifications for Real-Time Reporting of Municipal Securities Transactions", Version 4.0 (October 2019), available at <https://www.msrb.org/sites/default/files/RTRS-Specifications.pdf> ("MSRB RTRS Specifications")(requiring SWIFT format for reporting to RTRS). See also, Society for Worldwide Interbank Financial Telecommunications, available at <https://www.swift.com/>.

Where a BetaNXT Firm executes a trade in a security that is not set up in BetaNXT's security master, BetaNXT performs an automated inquiry to available data repositories to attempt to automatically setup the security. If this process cannot automatically set up a security, it will result in a manual process to obtain the data necessary to set up the security. The manual process may require outreach to other data locations (particularly for new issues), which may include communication with the counterparty to the trade for reportable data points.

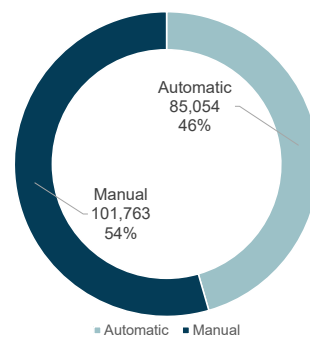
Specifically, a BetaNXT employee is alerted when BetaNXT has received a transaction in a fixed income security and that the automated process to obtain security master data from available sources has failed. The BetaNXT employee must then evaluate what information is present regarding the security within BetaNXT's security master, and what information the BetaNXT employee must seek out from non-automated sources. Seeking out and obtaining the necessary information on a security may take several minutes in the best of scenarios and may take significantly longer.

BetaNXT Reportable Fixed Income Securities

(Jan. 1, 2021 – Sept. 1, 2022)

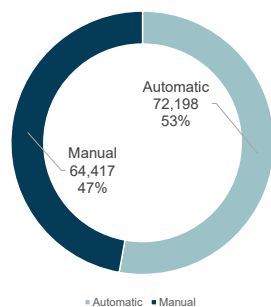
	Automatic	Manual	Total
MSRB	72,198	64,417	136,615
TRACE	12,856	37,346	50,202
Total	85,054	101,763	186,817

Reportable Fixed Income Securities
Security Master Setup Style
1/1/21 - 9/1/22 | 186,817 Securities



Based on BetaNXT's analysis, of the 186,817 reportable fixed securities BetaNXT added to its security master during the period of January 1, 2021, up to and including September 1, 2022 (the Relevant Period), approximately 46% (85,054) were added without the need for manual intervention. However, approximately 54% (101,763) of reportable fixed income securities required manual intervention prior to BetaNXT's processing of the first trade in that security. This is not a one for one map to the number of trades the manual process impacts but is a helpful and relevant indication of the scope of the impact.

MSRB Securities
Security Master Setup Style
1/1/21 - 9/1/22 | 136,615 Securities

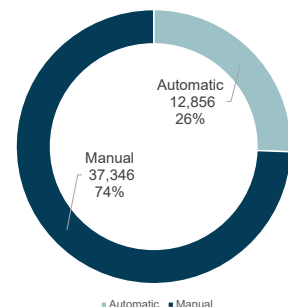


Also, BetaNXT has information regarding the breakdown of TRACE reportable and RTRS reportable securities based on securities type. For the relevant period, BetaNXT added 136,615 RTRS reportable securities to its security master. Of this number, approximately 53% (72,198) were automatically added to the BetaNXT security master, and approximately 47% (64,417) required manual intervention.

As it relates to TRACE reportable securities, during the Relevant Period BetaNXT added 50,202 TRACE reportable securities to BetaNXT's security master. Of this number, approximately 26% (12,856) were automatically added to the

BetaNXT security master, and approximately 74% (37,346) required manual intervention.

Trace Eligible Securities
Security Master Setup Style
1/1/21 - 9/1/22 | 50,202 Securities



Separately, BetaNXT has experienced instances where a newly issued security is not available on the TRACE security master, causing BetaNXT to wait for FINRA to add the relevant security to report to TRACE or. It is unreasonable to hold reporting firms to a one minute reporting standard in where the delay in reporting is due to processing delays within FINRA.

Recommendation

Foremost, BetaNXT asks FINRA and the MSRB to consider the comments of SIFMA and FIF challenging the wisdom and necessity of the Proposals, especially in weighing the herculean challenges balanced against undefined benefits. Should FINRA and the MSRB decide to move forward with the Proposals, BetaNXT respectfully requests a mechanism for reporters to indicate that necessary detail regarding a security was not available with the reporting entity when the trade executed. Such a mechanism could take the form of a flag or modifier that indicates to FINRA or MSRB that, due to processing necessity, the timeliness of a specific report should not be measured against the Proposals' "no later than one minute" reporting timeframe.⁷ BetaNXT believes that such a flag or modifier is necessary, as FINRA and the MSRB should not include such transactions in compliance or other statistics regarding the timeliness of trade reporting.

Other Processing Issues – Example: Allocation of Block Trades

BetaNXT notes that while this letter focuses on security master issues, other significant processing challenges prevent the reporting of fixed income transactions in under one minute in many scenarios. One important scenario relates to challenges in allocation processing. As an illustrative example, an BetaNXT Firm customer places order for 1,000,000 bonds and asks the BetaNXT Firm to allocate of 100 lots of 10,000 bonds to 100 subaccounts. Under the proposals, both the 1,000,000 bond purchase in the market (the block trade), and the 100 sub-account allocations of 10,000 bonds each (the allocations) must be reported in under one minute. Even in a fully automated workflow with all data necessary to process and report the block and allocation trades, transition between automated systems and processing takes time, and the reporting of allocation trades late in the processing queue will likely exceed one minute in certain scenarios.

Notwithstanding issues with the automated processes, if there is any need for manual intervention, the trade reporting of allocation trades will almost certainly be well over one minute from the block trade. Should FINRA and the MSRB move forward with the Proposals, BetaNXT recommends that the MSRB and FINRA include in any final rules and specifications exclusions from the trade reporting threshold of one minute for reasonable processing issues, including the allocation example outlined above.

Implementation Timelines Recommendation

Should FINRA and the MSRB move forward with the Proposal, incorporating the recommendations regarding a flags or modifiers for processing issues outlined above, BetaNXT recommends at least 18 months from the publication of the final rules to permit the necessary system changes and testing required to meet the new rules and associated technical specifications. To the extent FINRA and MSRB move forward with the Proposals without a BetaNXT's recommendation, it is currently impossible for BetaNXT to determine the feasibility of sourcing real-time complete security master information necessary to ensure compliance with the Proposals.

⁷ Both TRACE and RTRS specifications include modifiers and other indicators that provide information to FINRA and the MSRB respectively regarding the processing details of the trade. See e.g., FIX Specifications for the Trade Reporting and Compliance Engine system: TradeModifier1, 2, 4 (available at <https://www.finra.org/sites/default/files/CA-trace-fix-specs-v1.4.pdf> page 21), and MSRB RTRS Specifications: Special Condition Indicator page 113 Appendix B.2.

Conclusion

As outlined above, BetaNXT requests FINRA and the MSRB examine, among other processing issues, challenges related to obtaining fulsome security master data within a reporting firm necessary to perform trade processing tasks preceding transaction reporting. Specifically, to the extent FINRA and the MSRB move forward with the Proposals, BetaNXT recommends that FINRA and the MSRB adopt rules and technical functionality that permits reporting firms to indicate on transaction reports that due to a processing issue a transaction should be excluded from the Proposals' one minute reporting timeframe.

* * *

BetaNXT appreciates the opportunity to comment on the Proposals and would be happy to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned at will.leahey@betanxt.com / 201.351.6680.

Sincerely,

- /s/ -

Will Leahey
Head of Regulatory Compliance
BetaNXT

09/28/2022


To whom it may concern,

Thank you for extending the offer for stakeholders to contribute comment to FINRA 22-17. TRADEliance is a consulting firm with a mission to support firms in the capital markets. Our expertise and background is largely in the Compliance, Operations and Trading space, so we have an immense appreciation for FINRA's goals as it pertains to this proposal. After reviewing the request for comment, we feel there may be additional items for consideration that may alleviate some industry concerns.

The request for comment indicates that all transactions, absent of an exception, would be required to be reported as soon as practicable, but no later than one minute from the time of execution. Time of execution is defined as the time when the parties to a transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade. While this definition is technically clear, in practice it presents challenges, particularly for dealer transactions. The request for comment only addresses the requirement for firms to report their trades within one minute of the time of execution established by that firm. The process of confirming the time of execution varies from firm to firm, and thus, could create inconsistency in the time of execution outside of a one-minute window.

FINRA's current framework indirectly recognizes this inconsistency. In addition to monitoring lateness for dealer trades in relation to the 15 minute reporting window, dealer trades are also monitored to ensure that the time of execution reported by the dealer is no more than 15 minutes from the time of execution reported by the counterparty. The request for comment only opines on the change to the 15 minute reporting window, while being silent on the concept of the 15 minute time of trade difference. If the intention is to align the 15 minute time of trade difference to the one minute requirement, it would create considerable difficulty for firms to comply.

TRADEliance appreciates the research conducted by both FINRA and the MSRB identifying the support and perceived need to align on a one minute reporting time frame for nearly all fixed income securities. Generally speaking, a consistent framework across all fixed income securities would be preferable. However, the data provided shows a fair amount of disparity across product types and attributes as it pertains to reporting times. It will be difficult, based on this data, for



firms to comply with a one minute threshold for all scenarios given the considerable variation that exists. The provided data appears to make a case that compliance for firms would be more difficult to achieve prior to the five minute mark.

The analysis of those reported securities was thorough; however, FINRA's analysis did not appear to truly examine the transactions that were reported outside of the various thresholds. Contributing factors to transactions being reported outside of the reporting thresholds could include manual orders, lack of straight through processing, and security master cusip setups. Additionally, FINRA suggests that the data on trade cancellations and corrections may not indicate a correlation between faster reporting and a higher error rate. However, FINRA failed to analyze the reason why trade corrections and cancellations were occurring – research that may be necessary to identify challenges that firms would face if a narrower reporting time frame was required. These reasons may not be easy or cost effective to fix, especially for smaller, introducing brokerage firms. FINRA should further review these scenarios before proceeding with a rule change.

Lastly, FINRA should re-evaluate the potential benefits of this rule change. The proposal states that the goal for this change is to enhance transparency. While that is a fair goal to have, it's unlikely that individual retail customers a) have the insight to check market data for price discovery, and b) that they are individually and personally frustrated at having to wait 15 minutes to see their prints displayed. The impact to firms in terms of time, cost and resources, but also in the increased chance of enforcement is an outweighed negative for firms to a very minor positive change for retail clients.

The request for comment clearly demonstrates that a decrease from 15 minutes to five would be far easier to comply with for all security types and market participants than a decrease to one minute. If FINRA and the MSRB are determined to narrow the reporting window, it may be more palatable to consider a five minute threshold as opposed to one.

TRADEliance appreciates that both FINRA and the MSRB are looking to decrease this reporting window based on the perceived enhancements in transparency. However, FINRA should consider that the very nature of the fixed income markets works in contravention to this stated goal. The manual and decentralized nature of fixed income trading will make a one minute reporting threshold extraordinarily difficult to obtain with the same compliance rates as firms are achieving in the current structure.

We sincerely appreciate the time and consideration of our comments and would be happy to engage further.

Thank you,
Jesy LeBlanc and Kat Miller, TRADEliance, LLC.

ISAAC BOND INVESTMENTS
FINRA
1735 K Street NW
Washington, DC 20006-1506



RE: FINRA Regulatory Notice 22-17: FINRA Requests for Comment on a Proposal to Shorten the Trade Reporting Timeframe....

To Whom It May Concern,

I do not agree that timelier dissemination would be beneficial for any types of TRACE-Eligible Securities that are currently subject to the 15-minute reporting timeframe for most medium to small firms and retail investors. By subjecting the industry to a one-minute reporting requirement for TRACE-Eligible debt securities, this will benefit the bigger institutions and bond traders at the expense of the smaller broker-dealer and retail client due to consequences FINRA is not accounting for and an incentive structure that will hurt the retail investor.

In your analysis, you reference research done in 2007 as evidence that TRACE Dissemination improved price discovery and reduced trading costs for corporate bond investors after reporting was changed from the end of the day to 15 minutes after execution time. This to me is comparing apples to elephants; in other words, this is not a comparable situation in any way since one changed from no reporting until after markets closed while the current request involves reporting throughout the day in either case. I look at the statistics shown by FINRA and the impression to any reasonable person must be, why are there cancel and rebills? Do we need to give more time to report trades to ensure they can be done correctly and timely? Although it's a fact that technology is vastly improved, there is still a lot of human involvement and where there's humans, mistakes are made. I can assure you that cancel and rebills will be far more numerous if this revised requirement is implemented since at a firm our size, we still feel the pressure to get trades reported timely and accurately within 15 minutes. Why? When speaking with a retail client, it's quite easy to hit the "buy at market" button for an equity execution while continuing to speak with your client on the phone however, it's another thing when trying to execute a bond trade to ensure the position you recommend the client invest in is still available and at the best price due to the nature of bond trading since there is no central bond exchange with quotes as there are with equities. Since bonds tend to be a more complicated investment for the average investor to understand and more numerous with each debt security having unique qualities, it can be quite an effort at times to initiate a bond trade for a retail client. Put simply, there are more steps and there is more human involvement to getting bonds reported accurately and timely. Does the street side still have it available? Can I find a better price for the client? Do we still have it available at the best price in our inventory? Does the client understand what they are investing in and how it works? Did I provide all the risk disclosures before execution for the appropriate debt security? Do I know the security well enough?

There are some retail clients that are day traders and swing traders in the equity markets however, I do not see any advantage to a retail client when trying to rush a bond trade report because bonds are designed to be held as an investment longer than days or weeks, or even months. The bond market, in my opinion, should not be implemented like the equity markets and by shortening the debt trade reporting time without the advantage of an efficient exchange utilized in the equity markets, how can one implement best execution? With 15 minutes, after a trade is executed, we currently have time to check the various ATS's and other posted offer sheets to confirm best execution when there would be no time under a one-minute reporting time rule. This can harm retail investors.



Although technology is much better, it is still cost-prohibitive to implement straight-through processing in an efficient and accurate manner for smaller firms. There is little competition in the back office for bond trading software designed for reporting executed debt trades within one minute. In fact, it seems to be quite a monopoly since Bloomberg is the only system available that could possibly handle one minute or less reporting time for most debt security trades. Our firm would no doubt have many more trades to cancel and rebill or we'd need to increase our technology costs by tens of thousands of dollars which will not help with any of the aforementioned items I've already discussed. This increased workload and stress would make it more difficult to service our clients, both retail and institutional, more difficult to remain compliant despite our best efforts, and make life less pleasant for all of us at the smaller broker-dealer. And for what? More theoretical transparency on securities that are supposed to be held as medium or long-term investments for the retail client? Do yields change so dramatically within 15 minutes? In my experience they do not. I do not know if this shorter reporting timeline would cause more price volatility in the bond market or not but I do not see it helping nor see it as beneficial. Typically, bond prices are not changing minute to minute or even hour to hour for the vast majority of issues that trade with low volume since we do not see interest rates jumping up and down throughout the day so again, there would be no more transparency than is already the case.

This will monopolize the bond market to be handled by the "big guys", which would provide less competition for the retail client and could, and most likely would, increase investment costs for most of the smaller retail clients. Most bigger firms do not want to consider you if your portfolio is not at least \$500 thousand. As the smaller broker-dealer continues to be more scarce, rules like this only make that more likely. Where will the teacher go who has \$50 thousand put away, or the construction worker, the restaurant manager or employee, the service industry persons who were lucky and smart enough to save some money? Do they download an app and start day-trading? Maybe get in on the crypto-currency craze? There are hundreds of thousands of folks out there that will not get any help from the larger banks and broker-dealers. Although I will not mention names with the understanding that smaller firms can be culpable as well, we all know of firms that have incentivized their employees to open accounts that clients do not want or need, charged fees that customers may not know about because they did not read the small print and their RR can't find the time for them since they do not have enough money to be bothered with. Do you really believe this will be beneficial to the small retail client? If so, how?

In conclusion, I encourage FINRA to keep the debt trade reporting requirements as-is now and going forward. This is not a need, not a benefit for most, and will even be deleterious for the smaller firm and consequently, the less wealthy retail investor. I appreciate your consideration and hope you do the right thing.

Sincerely,

A handwritten signature in black ink, appearing to read 'Donald J. Lemek'. The signature is fluid and cursive, with a large 'D' and 'L'.

Donald J. Lemek
VP-Operations & CFO

Matt Lynch Comment On Regulatory Notice 22-17

Matt Lynch

Citigroup

This rule would be almost impossible to adhere to for those in market making roles as the time it takes to book trades can take over 1 minute. If market makers need to pause trading responsibilities to book trades within the 1 minute time limit, this would actually cause bond markets to be less efficient.



2001 K Street NW, Suite 725, Washington, DC 20006 | Tel +1 202.466.5460

October 3, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 22-17: Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Ms. Mitchell:

The FIA Principal Traders Group (“FIA PTG”)¹ appreciates the opportunity to comment in response to the FINRA Request for Comments on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute (the “Proposal”). FIA PTG continues to support efforts to shorten reporting times across bond markets—U.S. Treasury Securities; as well as corporate bonds, agency debt securities, asset-backed securities and agency pass-through mortgage-backed securities traded to-be-announced for good delivery which are included in this Proposal.

FIA PTG commends FINRA for their ongoing efforts to continually enhance the TRACE reporting and dissemination framework, including several recent proposals to reduce reporting windows. We have historically supported efforts across asset classes to enhance transparency and reduce information asymmetries and feel this measure is another step in that direction.

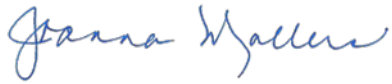
We agree with FINRA that facilitating more timely information improves the value of disseminated transaction data and accordingly, FIA PTG urges FINRA to move forward with the

¹ FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy.

proposed reduction in the reporting window. If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group

A handwritten signature in blue ink that reads "Joanna Mallers". The signature is written in a cursive, flowing style.

Joanna Mallers
Secretary

September 30, 2022

SAMCO Capital Markets, Inc. (SAMCO”) is a broker dealer registered with FINRA, the MSRB, and the SEC. Our primary business is in the Municipal market: SAMCO acts in various capacities such as municipal bond sales, trading, Municipal Advisor, and Municipal Underwriter. **SAMCO believes the impact of moving to 1-minute reporting will have disastrous effects on institutional business – the underlying backbone of the municipal market – and the instance of error trades, with no appreciable benefit to transparency. It is a solution looking for a problem.** And further, that the negative impact of the proposal will ultimately hurt the retail investor through higher costs and fewer market participants.

SAMCO has five areas of concern: Institutional/large trades, verbal/manual trades, errors, security master/CUSIP, and benefit. Below are the main points for each of these concerns. We understand that in some cases we duplicate or reflect the opinions of other market participants.

- Institutional/Large trades
 - SAMCO's trades are reported electronically by its clearing firm. SAMCO does not normally report trades via the RTRS Web interface.
 - Dealers that report a larger quantity of trades are executing smaller volume trades and dealers that are reporting fewer trades are executing larger volume trades. It is not that dealers that execute larger trades are using inefficient processes. Rather, such trades are typically executed by institutions using voice brokers.
 - There is a difference between institutional voice brokered fixed income markets and retail fixed income markets, specifically, in how trades in these markets are negotiated, executed and processed.
 - There was no meaningful discussion of the fact that most large volume trades are voice trades.
 - There was no discussion of the verbal negotiation and manual processing of large volume (e.g., institutional) voice brokered trades compared with the comparatively simple pricing and execution of smaller volume trades that are more commonly executed on electronic trading platforms, much in the way equity transactions are executed.
 - There does not appear to be any consideration of the trading venue. Most trades in the Municipal Securities market are less than 100 bonds and these trades are executed electronically via ATS platforms. This clearly skews the data and ignores the high-volume trades that are executed in the institutional fixed income markets by voice brokers.

- If the MSRB does not believe that the institutional market's liquidity is important, then it needs to explain this position in its analysis and let the market participants provide their commentary on this position.
- The current time frame is not inferior--it reflects the reality of what most firms can do using best efforts. The MSRB dismisses this reality and proposes an arbitrary one-minute requirement and fails to demonstrate any actual benefit to the marketplace.
- Finally, the MSRB dismisses or ignores the economic hardship, market distortions and likely shuttering of smaller firms that will certainly be caused by this arbitrary reporting requirement.
- Verbal/manual
 - One-minute reporting will effectively eliminate ability to do "voice trades".
 - Larger trades are generally voice brokered and require more time to negotiate, execute and process. Smaller volume trades are executed electronically on ATS platforms: ATS platforms are more similar to equity trades in that the trades are executed and processed without the manual process prevalent in large institutional trades.
 - Institutional transactions often include multiple transactions simultaneously; this can happen verbally as well as electronically.
 - Some valid reasons for the time difference seen in the trades could involve necessary human intervention, multiple parties involved in the transaction, firm-mandated trader releases, counterparty data discrepancies in descriptive data, best execution verification across platforms, and more.
 - While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute.
- Errors
 - Moving to a one-minute trade reporting requirement will result in an increase in trade reporting errors as firms executing non-ATS trades would be primarily focused on getting trades reported in less than a minute from execution. Many firms "release" batches of orders all at once. A trader can only manually enter so many trades in a given timeframe, and back-office verify. It can be difficult to enter these types of trades in a 15-minute period without errors occurring, let alone one-minute.
 - Trade errors are a fact of life and in general, the trades that take longer to report do reflect some issue with the trade; for example, an incorrect price or par amount. Reducing the trade reporting time to one minute will have a detrimental effect on trade reporting accuracy because market participants will be primarily focused on reporting within one minute.

- If municipal bonds were listed and traded across exchanges in a manner like equities, it might be possible. However, it is not a centralized exchange of market makers, or even a centralized exchange of dealers; it is not an exchange at all, it is a decentralized, dispersed, regionalized collection of market participants. If we make any errors entering the trade data, it is difficult to correct them within the 15-minute window. It will be impossible in a one-minute window.
- Security Master/CUSIP
 - There are some 70,000 different Issuers of bonds unlike the less than 5,000 equity Issuers. Most market participants, including large clearing firms, do not have the entire municipal market CUSIP's in their data base. And even if they did, new CUSIPs are created daily and old CUSIPs mature and fall off.
 - If a CUSIP is not set up in security master, it is because there has not been a past transaction at the broker dealer or clearing firm. There is a process to set up a CUSIP in the security master; the process to do so greatly exceeds one minute. This penalizes the institutional market.
 - One-minute reporting is not feasible in a manual order execution and reporting process.
- Benefit
 - There is no clear indication as to how such a shortened reporting time frame would benefit investors or increase market transparency. Due to the fact that most municipal securities are not traded on a daily basis, reducing the trade reporting period from 15 minutes to one minute would have limited impact on transparency.
 - Contributing factors to transactions being reported outside of one minute from time of trade could include manual orders, lack of straight through processing, security master CUSIP setups, and trade corrections which would not be considered a modification to the trade report. These reasons may not be easy or cost effective to fix, especially for smaller, introducing brokerage firms.
 - SAMCO believes that retail clients will not materially benefit by having trades posted within one minute as opposed to the current fifteen minutes.
 - There is a point of diminishing returns: there are limits to everything and suggesting that trade reporting can be reduced to one minute by decree fails to recognize this reality. The cost of one-minute reporting is negated by the higher costs and fewer market participants.
 - Neither FINRA nor the MSRB have demonstrated that improved transparency would result from reducing the trade reporting time to one minute. There is no evidence or data presented in the contemporaneous

trades of identical CUSIPs that show that they would have been closer in price as a direct result of a prior trade report for that CUSIP. In addition, trade size definitively impacts pricing and there is no data or evidence to the contrary.

- In the notice it is suggested that “more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades.” This is an assumption without supporting evidence. Unrelated contemporaneous trades in TRACE eligible and Municipal Securities represent a tiny percentage of trading in general, and unrelated contemporaneous trades of identical CUSIP with materially similar par amounts reflects an even smaller set of transactions. Trades that are intermediated by voice brokers will always result in contemporaneous trades in securities with identical CUSIPs. This fact was not included in the analysis. These trades will not benefit from a reduced reporting time because these trades are the components of transactions that are intermediated by voice brokers (e.g., the voice broker buying from the selling counterparty, and then the voice broker selling to the buying counterparty). The difference in price for these intermediated trades is the commission/brokerage fee paid.

For the reasons SAMCO respectfully asks that this rule change not be implemented.

Sincerely,

Lee Maverick
Chief Compliance Officer
SAMCO Capital Markets, Inc.



american securities association
America's Voice for Main Street's Investors

September 30, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street NW
Washington, DC 20006

Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Mr. Smith and Ms. Mitchell:

The American Securities Association (ASA)¹ submits these comments in response to proposals issued by the Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA) that would mandate corporate and municipal fixed income securities trades to be reported within one minute (the “Proposals”). As explained in more detail throughout this letter, the ASA is concerned that the MSRB and FINRA have failed to identify a market failure that warrants such a significant change, and that the Proposals would disproportionately impact smaller and mid-size broker-dealers and their customers.

Since 2005, MSRB Rule G-14 and FINRA Rule 6730 have required trades to be reported “as soon as practicable” but not later than 15 minutes after the time of trade. As noted in both of the Proposals, the vast majority of trades for both municipal and corporate securities are already reported sooner than 15 minutes. Since the previous amendments to Rule G-14 and Rule 6730

¹ The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA’s mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.



American Securities Association
1455 Pennsylvania Ave. NW, Suite 400
Washington, D.C. 20004



AmericanSecurities.org
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were adopted, MSRB's Electronic Municipal Market Access (EMMA) and FINRA's Trade Reporting and Compliance Engine (TRACE) systems have greatly improved the transparency in these markets and provided investors with decision-useful information. It is unclear how a shift to a uniform one-minute timeframe (for vastly different markets and products) would benefit investors when considering the costs such a mandate would create.

More concerningly, the Proposals are being put forward at a time when other changes to the regulation of the fixed income markets – for example Securities and Exchange Commission's (SEC) Rule 15c2-11 and a pending proposal to institute a T+1 settlement window – are coming online. The ASA remains concerned that these fundamental changes to rules that govern fixed income trading will disrupt otherwise well-functioning markets and are based upon incomplete or flawed assumptions.

The ASA wishes to provide the following views regarding the Proposals:

- I. The MSRB and FINRA have not properly identified or explained a market failure – or evidence of investor harm – that would justify the Proposals;**
- II. The costs of the Proposals are likely to be substantial on broker-dealers and their customers, while the benefits are unclear – a reality implicitly acknowledged in the Proposals;**
- III. The Proposals do not properly consider the different ways in which certain trades are executed (i.e. voice vs. electronic trading) and how that can impact trade reporting timelines; and**
- IV. The Proposals would create logistical challenges for firms that have not been fully analyzed by the MSRB and FINRA.**

These views are discussed in further detail below.

- I. FINRA and MSRB have not properly identified or explained a market failure – or evidence of investor harm – that would justify the Proposals.**

The Proposals are notable in that they offer scant evidence for why current reporting requirements are inadequate or how investors would benefit by a shift to a mandated one-minute time frame. FINRA posits that reducing the reporting time frame will “solidify the benefits of the technological advancements that have occurred since 2005 by requiring timelier reporting in the rule” while MSRB makes similar claims that improved technology is a justification for its proposal.




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However, simply because technology may exist that allows dealers to report some, but not all, trades within one minute is not sufficient justification for a rulemaking. Neither FINRA or MSRB offer any empirical evidence or past research that would support a one-minute requirement, and neither self-regulatory organization (SRO) identifies any specific instances of investor harm due to current requirements.

The MSRB and FINRA should consider the significant amount of resources that broker-dealers have already expended over the last fifteen years to be able to report trades within this window. The data provided by both FINRA and MSRB shows that roughly 97 percent of municipal and corporate trades are reported within five minutes. This demonstrates that with today's technological capabilities, five minutes has become the de facto "as soon as practicable" standard for the vast majority of trades. When certain factors (e.g. trade size, voice trading) are all taken into account, five minutes is typically the fastest time on average for trades to be reported.

II. The costs of the Proposals are likely to be substantial on broker-dealers and their customers, while the benefits are unclear – a reality implicitly acknowledged in the Proposals.

As noted above, the Proposals offer little explanation as to the benefits of a one-minute requirement other than "increased transparency" in the municipal and corporate bond markets. The ASA has supported many past efforts by the SROs and SEC to promote transparency in the markets, however the Proposals do not offer any evidence which shows that a one-minute timeframe would make any material difference in price than current requirements and market practice. At the same time, the Proposals acknowledge many of the costs that would be imposed on broker-dealers for implementing these changes. According to FINRA's proposal:

FINRA believes that the proposal would likely result in direct and indirect costs for firms to implement changes to their processes and systems for reporting transactions to TRACE in the new timeframe. Firms that do not have automated reporting systems in place may incur costs from establishing such systems and infrastructure. Table 3 shows that, even for very active firms that most likely have a trade reporting infrastructure in place, some trades are still reported later than one minute from the time of execution. For these trades, firms may incur costs to modify their reporting procedures to report more quickly and monitor that the trades are reported in the required timeframe.

A higher percentage of less-active reporters submitted 95 percent of their trades within one minute than moderately active reporters, possibly suggesting that use of a third-party reporting system by less-active reporters may be associated with faster reporting. While members currently using a third-party reporting service may incur less costs, those that do not currently use a third-



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party reporting service may opt to do so if the costs would be lower than building their own system.²

Similarly, MSRB's proposal states:

The MSRB acknowledges that dealers would likely incur costs, relative to the baseline state, to meet the new transaction reporting time of one minute outlined in the Proposal to Rule G-14. These changes would likely include the one-time upfront costs related to adopting new technologies or upgrading existing technologies to speed up the trade reporting for some dealers, as well as setting up and/or revising policies and procedures. Since 76.9% of all relevant trades already report within one minute, the cost to comply with the proposed change would not be as significant if the current one-minute compliance rate was substantially lower.

For the upfront costs, it appears smaller firms would have difficulty with the proposed one-minute reporting requirement. The MSRB is basing this assumption on an internal analysis showing smaller firms lagging behind larger firms in reporting time...³

Thus, the SROs acknowledge that: 1) smaller broker-dealers would have difficulty coming into compliance with the new rules; and 2) some firms may have to hire a third-party in order to meet the one-minute requirement. The ASA notes that several smaller firms have already submitted letters to FINRA and MSRB outlining the challenges and costs that would be created by a one-minute requirement. We implore FINRA and MSRB to consider these real and substantial costs and weigh them against the unsubstantiated purported benefits outlined in the Proposals.

III. The Proposals do not properly consider the different ways in which certain trades are executed (i.e. voice vs. electronic) and how that can impact trade reporting timelines.

As noted previously, under current rules and existing technological capabilities, the vast majority of corporate and municipal trades are reported within five minutes. There appears to be an underlying presumption in the Proposals that due to the increase in electronic trading, in many cases it would be relatively straightforward transition for firms to begin reporting trades in one minute. However, that presumption does not consider how certain trades – particularly larger ones – are executed and the logistical challenges that a one-minute mandate would impose. For example, the MSRB proposal states:

While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute.⁴

² FINRA Proposal at 13

³ MSRB Proposal at 10

⁴ MSRB Proposal at 4



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Underlying this data is the fact that larger trades tend to be executed by voice, while smaller trades (including retail trades) have increasingly been done via electronic platforms. Voice brokerage can take substantial time to negotiate and report once the trade is executed. It is entirely possible and reasonable that large, voice-executed trades may not be able to be reported within one minute. The SROs must be careful not to equate for regulatory purposes smaller, retail trades that can easily be executed with the click of a button with larger institutional trades that take more time to be processed. Some firms may also use platforms that do not direct straight to BETA and would therefore have to take the time within one minute to manually enter trade information into BondWorks. For voice trading, doing all of this in a one-minute timeframe would in many cases be unrealistic.

Additionally, the Proposals' one-minute requirement is a hard and fast timeframe and would not provide any exception for bona fide errors when entering trades. The current time requirement allows traders to correct price or quantify numbers of transposed digits on a CUSIP. If the Proposals were adopted, firms may not have sufficient time to correct such errors and would technically be in violation of a rule if not corrected in time.

IV. The Proposals would create logistical challenges for firms that have not been fully analyzed by MSRB and FINRA.

If implemented, the Proposals would create several logistical hurdles that have not been adequately considered and would be challenging for firms to meet a one-minute reporting requirement.

For example, if a CUSIP has not been traded at a particular firm previously, that firm would have to set up a CUSIP prior to reporting the trade, something that it may eventually have to do for hundreds of securities it has not traded before. Similarly, if there is a dealer trading through an ATS that is not setup by another firm trading through the same ATS, that could create complexities for firms to comply with one minute.

Additionally, the Proposal could create an incentive for firms to "auto-route" more orders to help with compliance. This will mean that less individuals at firms are involved with handling orders which could have consequences for price improvement and best execution obligations. Firms may find themselves with no option other than to auto-route orders in order to meet the one-minute timeframe. As with other aspects of the Proposals, the ASA urges MSRB and FINRA to consider these unintended consequences before considering further action.



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Conclusion

The corporate and municipal fixed income markets have proven themselves to operate with increasing efficiency, even during times of stress that markets have experienced in recent years. We are concerned that significant regulatory changes – particularly when based upon incomplete assumptions – would be harmful to investors and threaten the participation of small and mid-sized broker-dealers in these markets. Accordingly, the MSRB and FINRA should drop the Proposals in their entirety.

Sincerely,

Kelli McMorrow

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Head of Government Affairs
American Securities Association



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October 3, 2022

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
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Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006

Re: MSRB Notice 2022-07 and FINRA Regulatory Notice 22-17 – Requests for Comment on
Proposals to Shorten Fixed Income Trade Reporting Timeframes

Dear Mr. Smith and Ms. Mitchell:

Herbert J. Sims & Co., Inc. ("HJS") appreciates this opportunity to respond to Notice 2022-07¹ (the "MSRB Notice") issued by the Municipal Securities Rulemaking Board (the "MSRB") and Regulatory Notice 22-17² (the "FINRA Notice" and, together with the MSRB Notice, the "Notices") issued by the Financial Industry Regulatory Authority ("FINRA" and, together with the MSRB, the "SROs"). The Notices request comment on shortening the trade reporting timeframe for transactions in covered fixed income securities required to be reported to each of the SRO's respective trade reporting system (together, the "Proposals"). The MSRB's Real-Time Transaction Reporting System ("RTRS") is the system operated by the MSRB for the reporting of trades in most municipal securities,³ and the Trade Reporting and Compliance Engine ("TRACE" and, together with RTRS, the "Reporting Systems") is the system operated by FINRA for the reporting of trades in most dollar-denominated debt securities of corporate issuers, federal agencies, government-sponsored enterprises and the US Treasury (collectively, TRACE-Eligible Securities").⁴ Except where otherwise specifically provided, our comments in this letter apply to both Proposals and with respect to both Reporting Systems.

HJS is a privately-owned wealth management, investment banking and institutional services firm that has been in operation since 1935. We fall on the line between Group 3 and Group 4 firms as identified

¹ MSRB Notice 2022-07 (August 2, 2022).

² FINRA Regulatory Notice 22-17 (August 2, 2022).

³ Reporting of trades in municipal securities to RTRS is governed by MSRB Rule G-14, on Reports of Sales or Purchases.

⁴ TRACE-Eligible Securities are defined in, and the reporting of trades in TRACE-Eligible Securities to TRACE is governed by, the FINRA Rule 6700 Series, on Trade Reporting and Compliance Engine (TRACE).

in the MSRB Notice.⁵ In reviewing the Notices, we believe that the SROs failed to take into account several critical points that would alter the underlying basis for the Proposals and that these items require further research and review on the part of the SROs before implementation of the Proposals.

1. The Notices assume that parties are not already reporting as soon as practicable and that a faster reporting time is possible and would not result in an increase of inaccurate trade data being submitted.

While the advent of electronic trading systems and the improvements the industry implemented since the 15 minute rule was established have vastly decreased the time of reporting, we believe that the current data on trade reporting times represents the fastest practicable reporting time for trades. The heterogeneous nature of the securities that fall within the jurisdiction of these Notices makes a “one-size-fits-all” approach (or “one-minute-fits-all” approach) inappropriate.

Numerous commentators have already submitted their perspectives regarding the reason that larger trades require additional time. As HJS has historically focused on underwriting and dealing in non-rated, high yield investments, our comments will focus on the inappropriate application of the Proposals to those scenarios. HJS does report via ATS for a portion of its trading business, but it also conducts a significant percentage of its business through voice trading, either directly or through a voice broker. In these circumstances the traders are communicating verbally and negotiating the price of a security. In addition to the basic components of a trade in a particular security (size, maturity, coupon), there are numerous other components of a security in the non-rated, high yield investing world – e.g. industry, issuer, conduit borrower underlying credit, state of issuance and tax environment in that state, authorized denominations, cash trades and forward settlement dates, distressed bonds that trade without accrued interest, Cinderella bonds (taxable municipal bonds that convert to tax-exempt status) – that impact the negotiations and price for a particular security. These items, as well as other matters specific to the individual buyer or seller or the type of trade (e.g. a fractional trade), are matters that are not manageable in an ATS world.

There is no data provided in the Notices that indicates that the SROs have taken into account the heterogeneous nature of the securities marketed and the importance of voice trading and voice brokerage to the market. Even if all systems were able to be modified to permit all securities to be traded electronically, the investing community, specifically some of our retail investors that refuse to use electronic media for trading, would not uniformly adopt electronic trading as its sole method to conduct trades.

⁵ Group 3 firms are those firms that account for between 0.01% and 0.1% of trades, and Group 4 firms are those that account for 0.01% or less of trades. HJS accounts for approximately 0.011% of trades using 2021 trade volume.

With the inability to completely automate trading in certain securities, human intervention is still required. With multiple parties involved, dealer counterparties and brokers, the idea of a trade being entered within one minute becomes improbable. A one-minute reporting period also eliminates the ability for there to be second layer of human supervisory review and common sense checks. When you layer the number of corrections that are currently caught during the 15 minute trade reporting window that will no longer be able to be caught and corrected prior to the end of the reporting window,⁶ the SROs are at risk of opening the market to much less accurate data, therefore hindering the goal of providing enhanced transparency.

The Notices assume, without evidence to the contrary, that it is possible for trades to be entered more rapidly than they already are. This is simply not our experience. In our experience, our traders already ensure that a trade is reported as soon as practicable to facilitate an ongoing efficient business process and to permit them to direct their attention to additional customer needs. Thus, there is no need to modify the rules to create additional efficiency in the market, as it is already as efficient as is practicable.

2. The Notices do not adequately contemplate how a shorter reporting period would fit into the business model of managing retail customer accounts where the retail customer is uncomfortable using or unwilling to use electronic trading systems.

SIFMA's response letter accurately covers this exact issue. We are repeating their response in our response as it reflects our experience with some of our retail client relationships and it represents the importance of providing access to all investors regardless of their preferred avenue of trading. See the following excerpt:

As the SROs and the SEC have repeatedly emphasized in connection with their focus on the needs of elder investors, many of these and other retail investors may not be accustomed to using, may not have access to, or may simply prefer not to use the

⁶ Common issues that can sometimes be corrected during the 15 minute trade reporting period but would not be caught in a 1 minute trade reporting period include issues with:

- Fractional trades (e.g. Puerto Rico bonds) where some counterparties have systems that cannot handle them and require breakdowns into two trades.
- Trades in bonds that are distressed and trade with no interest; sometimes one counterparty processes it properly while the other side inadvertently includes accrued interest.
- Trades in unusual denominations – for example, those that have an initial required purchase of \$100,000 followed by integral multiples of \$5,000.
- Trades that require manual entries. Even though platforms like Muni Center, ICE and TradeWeb all channel to Bloomberg TOMS, some will still require additional manual entries.
- A client changing the account into which the trade is to be booked.
- An auto-execute routes the trade to the wrong sales book.
- A counterparty changed its MPID identifier but has not notified HJS previously.

electronic means of trading that the Proposals seem poised to make effectively obligatory. Other than self-directed investors, retail investors typically need to have a conversation with their broker-dealer to arrive at an investment decision that ultimately results in an agreement to make a trade that starts the clock for trade reporting purposes. In fact, that conversation is at the center of broker-dealers' compliance with any number of disclosure, best interest and other customer-focused regulatory obligations. In addition, the conversation is often an iterative process with potential refinements, adjustments or clarification of terms that would create challenges in ensuring that the terms are finalized and the trade is reported within the confines of one minute. Further, some firms require best execution or fair pricing reviews to occur on retail trades before the trades are placed into the execution stream. These would need to occur nearly instantaneously or may need to be eliminated, left exclusively to post-trade retrospective review, or moved to a much earlier part of the process that might not be as effective at ensuring executions are as advantageous to the customer as the then-current and potentially moving market will allow. While the personalized negotiation effectively occurs prior to the formal time of execution that marks the beginning of the trade reporting process, the two stages are inextricably linked. Mandating one-minute trade reporting across the board would require a de-linking of these two processes, which could introduce artificiality into the broker-client relationship and hinder execution until adequate technological advances are developed.

It may be helpful for the SROs to visualize a typical office visit or phone call by a retail investor – which still occurs, even if less frequently than before online brokerage became available – and how that conversation would flow under a one-minute trade reporting scenario. Do broker-dealers have to structure those conversations in a way so that they can immediately act on their customers' directions to meet regulatory timeframes, with potentially multiple pauses during the course of the conversation to do so? Getting a fuller picture of how customer transactions with retail investors are negotiated and executed, and a clearer understanding of how regulators may expect such process to change, would be critical for a successful tightening of reporting timeframes.

It is also important that the SROs understand that the small "retail size" trades they observe through electronic venues do not all represent trades with a retail customer. A significant proportion of trades with a retail customer have one or more interdealer trades associated with it, representing the movement of the security from the selling retail customer of one broker-dealer to the ultimate purchasing retail customer of another broker-dealer. While these interdealer trades may be executed electronically or may not otherwise entail the additional complications of personalized negotiation, the execution of trades directly between the retail customers and their broker-dealers would typically arise through personalized negotiation. The manner in which these two different types of

trades of the same retail-sized block of securities are executed would have a critical impact on the ability to timely report the trades under a one-minute reporting mandate. This distinction is important to properly assess the burdens on retail customers and the professionals servicing them and must not be obscured by focusing on aggregate data for small trades.

3. The Notices assume that implementation of a shorter reporting period would only require one-time systems upgrades, one-time legal costs to upgrade compliance policies and procedures and minor ongoing costs relative to ensuring compliance, all of which would be “relatively minor.”

This set of assumptions, specifically discussed in the MSRB Notice on pages 10-13 and the FINRA Notice on page 13, completely ignores the voice trading and voice brokerage activities, which are a significant component of the fixed income securities markets. Due to the human factor of these activities and the impracticability, if not impossibility, of automating these modes of trading, any attempt to decrease reporting time would require additional personnel to essentially shadow traders, preparing tickets with the applicable information and performing simultaneous accuracy checks and best execution and suitability checks while the trader is verbally negotiating the terms of the transaction with the counterparty or broker. This cost would be ongoing, would not be minor, and still would not address the aforementioned concerns about the practicability of entering these types of trades within one minute and ensuring the accuracy of the information conveyed within a one minute window.

4. The Notices assume that the increased transparency resulting from faster reporting times would provide investors with information that would impact their price negotiations.

The MSRB notes that there were 251,635 “analyzed trades” with same-CUSIP number “matched trades” in 2021, where a matched trade was executed before the analyzed trade was reported but after the analyzed trade’s execution. This represents 3.5% of all trades executed in 2021. Of the analyzed trades, only 27.9% (70,206.165) had their matched trade executed more than a minute after the analyzed trade was reported. This data does not take into account that the analyzed trades may have had matched trades because voice brokers were involved making the trades – seller trades with voice broker and voice broker trades with buyer. Even if you assume that all 70,206 analyzed trades had matched trades arising from an unrelated, third-party trade, that accounts for less than 0.01% of the volume of trading for 2021 and presupposes that if the parties in the matched trade had knowledge of the analyzed trade it would have somehow impacted the pricing calculus.

While we support transparency in the markets and improving the efficiency of the markets, our experience has shown that traders already report trades “as soon as practicable.” We do not believe that, and the SROs have not provided sufficient data to support the idea that, a decrease in the reporting

time (i) is possible or (ii) would provide any benefit to the investing community let alone a benefit that would outweigh the costs to the broker-dealer community. There was scant data in the Notices regarding the actual costs to the broker-dealer community or the benefit to the investing community. We have not been asked to, nor have we attempted to, undertake a comprehensive analysis of the projected costs involved.

If the SROs would like to reduce the reporting time, we would request that, in light of the lack of data available to analyze the cost and benefit of implementing such a reduction, the SROs (i) embark upon a broader data-gathering mission to analyze the potential costs and benefits of such a proposal, (ii) implement any reduction in reporting time in stages to permit time for feedback to be provided and data to be gathered, and (iii) contemplate exceptions for trades that require human intervention – whether that is because the trade is conducted as a voice trade or with a voice broker, is of a size that requires internal human approval prior to reporting, or in a security, the nature of which requires personalized negotiation.

Thank you for your time and attention. We welcome the opportunity to respond to any questions and provide further information to help inform your decisions.



Melissa Messina, Esq.
Executive Vice President
Associate General Counsel



R. Jeffrey Sands, Esq.
Managing Principal
General Counsel



William Sims
Managing Principal

FINANCIAL INFORMATION FORUM

October 3, 2022

By electronic mail to pubcom@finra.org and through the MSRB comment form

Jennifer Piorko Mitchell
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Ronald W. Smith
Corporate Secretary
MSRB
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Re: FINRA Regulatory Notice 22-17: FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute; MSRB Notice 2022-07: Request for Comment on Transaction Reporting Obligations under MRBR Rule G-14

Dear Ms. Mitchell and Mr. Smith,

The Financial Information Forum (“FIF”)¹ appreciates the opportunity to comment on Regulatory Notice 22-17 (the “FINRA Regulatory Notice”) published by the Financial Industry Regulatory Authority (“FINRA”).² In the FINRA Regulatory Notice, FINRA solicits comment “on a proposal to amend Rule 6730 to reduce the Trade Reporting and Compliance Engine (TRACE) trade reporting timeframe for transactions in all TRACE-Eligible Securities that currently are subject to a 15-minute reporting timeframe.”³ As proposed by FINRA, “members would be required to submit a report to TRACE as soon as practicable (as is currently the case), but no later than one minute from the time of execution, for

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include broker-dealers, exchanges, back office service bureaus, and market data, regulatory reporting and other technology vendors in the securities industry. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² FINRA Regulatory Notice 22-17, “TRACE Reporting Timeframe, FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute” (August 2, 2022), available at <https://www.finra.org/sites/default/files/2022-08/Regulatory-Notice-22-17.pdf> (“FINRA Regulatory Notice 22-17”).

³ FINRA Regulatory Notice 22-17, p. 1

transactions in corporate bonds, agency debt securities, asset-backed securities and agency pass-through mortgage-backed securities traded to-be-announced for good delivery.”⁴

FIF further appreciates the opportunity to comment on MSRB Notice 2022-07 (the “MSRB Notice”) published by the Municipal Securities Rulemaking Board (the “MSRB”).⁵ In the MSRB Notice, “the MSRB is seeking input on a potential amendment to Rule G-14 to require that, absent an exception, transactions are reported as soon as practicable, but no later than within one minute of the Time of Trade.”⁶

Given the parallel nature of the two regulatory proposals, FIF is submitting a single comment letter to FINRA and the MSRB that covers both regulatory proposals.

Providing an exception for manual trade executions

In most cases, it is not feasible for a firm to report a trade to the FINRA Trade Reporting and Compliance Engine system (“TRACE”) or the MSRB Real-Time Transaction Reporting System (“RTRS”) within one minute if the trade has been executed manually. Manual trading is common in fixed income securities for various reasons, including the very large universe of fixed income securities, the limited trading activity in many of these securities, the substitutability (i.e., correlations in pricing) of many of these securities, the use of fixed income trading in hedging strategies, trading that involves a basket or portfolio of bonds, intermediation by inter-dealer brokers, and the participation of smaller firms in this market where executing and reporting trades automatically is not financially feasible for these firms. Manual trading provides important value for retail and institutional investors. Absent an exception for manual trade executions, the FINRA and MSRB rule proposals would severely impair the ability of firms to continue to trade manually. Restricting how firms can trade will result in less liquidity and wider spreads and ultimately will be to the significant detriment of end investors. Requiring that manual trades be reported within one minute, in addition to adversely impacting larger dealers (including banks) and their customers, will adversely impact a very significant number of small and mid-size dealers (including banks) and their customers.

To address this challenge, FIF members recommend that FINRA and the MSRB provide different reporting timeframes for manual and electronic trade executions. More specifically, electronic trade executions would be reportable as soon as practicable and no later than within one minute of the trade time while manual trade executions would continue to be reportable within fifteen minutes after the trade time. This would require adding a field to the TRACE and RTRS systems for an executing dealer to report whether a trade was executed manually or electronically. One benefit of this approach is that a firm that cannot practically report on a manual basis within one minute still has a regulatory incentive to report within fifteen minutes.

⁴ FINRA Regulatory Notice 22-17, p. 1.

⁵ MSRB Notice 2022-07, “Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14” (August 2, 2022), available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx??n=1> (“MSRB Notice 2022-07”).

⁶ MSRB Notice 2022-07, p. 1.

Providing guidance on electronic and manual trade executions

To implement the recommendation in the preceding section, it would be important for FINRA and the MSRB to provide written guidance as to when a trade execution would be considered manual or electronic. The Participants of the Consolidated Audit Trail National Market System Plan (the “CAT NMS Plan Participants”), which include FINRA, have provided the following guidance as to when an execution should be considered manual or electronic: “[T]rade events and Order Fulfillment events must be marked as either manual or electronic using the manualFlag field. A Trade event is considered manual when the trade is executed outside of an OMS/EMS and must be manually entered before it can be trade reported.”⁷

FIF members support this guidance from the CAT NMS Plan Participants.⁸ Consistent with the guidance above, FIF members would consider a trade execution to be electronic if at the time of the agreement the material terms of the trade have been entered into a firm’s books and records in a structured format that can be automatically reported to TRACE or RTRS without manual action by a person. For example, if a dealer and a customer agree on a trade by telephone, and a trader at the dealer then enters the terms of the trade into the dealer’s books and records (whether through an electronic system or a written order ticket), this would be considered a manual trade execution. A trade agreed through IM or other “chat system” similarly would be considered a manual execution because the trade terms are not entered in the IM system or other chat system in a structured format (i.e., a format that can be reported to TRACE or RTRS without further manual input). Conversely, if a broker-dealer or customer electronically routes an order to a fixed income alternative trading system (“ATS”) or to a dealer system, and the ATS or dealer system automatically executes the order, this would be considered an electronic trade execution by the ATS or dealer because the terms of the trade can be automatically reported to TRACE or RTRS. If the counter-party routing to the ATS or dealer system is a broker-dealer, the counter-party would have an electronic execution if it were able to report the trade to TRACE or RTRS without manual action by a person and would have a manual execution if manual action by a person at the counter-party were required to report the trade. It might seem unexpected that a trade would be electronic for one side and manual for the other side, but this is a function of TRACE requiring double-sided reporting for scenarios where one side (the electronic side) is the executing firm. In contrast to the approach for TRACE, the Consolidated Audit Trail (“CAT”) requires single-sided reporting for these types of trade executions. In CAT, when one dealer routes an order to a receiving dealer, and the receiving dealer executes the order electronically, the receiving dealer and not the routing dealer is considered the executing party.⁹

⁷ “CAT Reporting Technical Specifications for Industry Members”, Version 4.0.0 r16 (July 29, 2022), available at https://catnmsplan.com/sites/default/files/2022-07/07.29.2022_CAT_Reporting_Technical_Specifications_for_Industry_Members_v4.0.0r16_CLEAN_0.pdf, pp. 35-36.

⁸ FIF members are focused on the guidance from the CAT Plan Participants as to when a trade execution is considered manual or electronic. FIF members are not focused on the guidance from the CAT Plan Participants as to when an order-related event, such as an order route, is considered manual or electronic, as guidance on order-related events is not directly relevant for a transaction reporting system like TRACE or RTRS.

⁹ “CAT Industry Member Reporting Scenarios,” Version 4.9 (March 9, 2022), available at https://catnmsplan.com/sites/default/files/2022-03/03.11.22_Industry_Member_Tech_Specs_Reporting_Scenarios_v4.9_CLEAN_0.pdf, pp. 8-13.

Another scenario to consider is where two dealers negotiate and execute a trade by telephone or chat, and one dealer enters the trade terms in its OMS/EMS and electronically confirms the trade terms to the other dealer. FIF members consider this to be a manual trade execution for both sides. FIF members note that portfolio trades typically are executed and reported electronically because of the challenges with manually inputting a large number of trades within a limited time period. There are a number of different workflows for how bond trades are executed. To ensure that proper guidance is provided, FIF members recommend that FINRA, the MSRB and industry members discuss the various workflows for executing bond trades, and that FINRA and the MSRB provide guidance on whether those workflows would be considered manual or electronic.

If FINRA and the MSRB do not continue to allow fifteen-minute reporting for manual executions, a firm that wants to continue to execute trades manually might need to reach an agreement or understanding with its customers that the execution time for a trade agreed to by phone, IM or chat is the time that the firm inputs the trade into the firm's books and records in a systematized format (i.e., a format that can be reported to TRACE or the RTRS without manual input).

FINRA should provide an option for firms to report non-disseminated data elements on an end-of-day basis

In connection with the proposals by FINRA and the MSRB to achieve one-minute reporting of executed trades, FINRA and the MSRB should provide firms the option to report non-disseminated data elements on an end-of-day basis. This is a best practice that has been adopted for other reporting systems, as discussed below. Trade reporting data elements are the data elements that are subject to public dissemination. These data elements could be subject to one minute reporting, based on the timeframes proposed by FINRA and the MSRB in their respective regulatory notices. Transaction reporting data elements are data elements that are not subject to public dissemination. Firms should have the option to report these transaction reporting data elements on an end-of-day basis.

For TRACE reporting, trade reporting data elements would include the following fields: Instrument/SecurityID; Instrument/SecurityIDSource; LastQty; LastPx; TradeDate (for execution date); TransactionTime (for execution time); and SpecialPriceIndicator.¹⁰ For RTRS reporting, trade reporting data elements would include the following tags: 98C (relating to trade date and time); 90A (relating to deal price); 36B (relating to quantity); and 35B (relating to security identifier).¹¹

In contrast to one-minute reporting for the trade reporting elements identified above, firms should have the option to report transaction reporting data elements on an end-of-day basis, as these data elements

¹⁰ Financial Industry Regulatory Authority, "FIX Specifications for the Trade Reporting and Compliance Engine system (TRACE®) Trade Reporting for OTC Corporate Bonds and Agency Debt (Corporates & Agencies), Version 1.4" (March 5, 2018), available at <https://www.finra.org/sites/default/files/CA-trace-fix-specs-v1.4.pdf> ("TRACE FIX Specifications for Corporates and Agencies"), pp. 19 and 21-22.

¹¹ Municipal Securities Rulemaking Board, "Specifications for Real-Time Reporting of Municipal Securities Transactions", Version 4.0 (October 2019), available at [Specifications for Real-Time Reporting of Municipal Securities Transactions \(msrb.org\)](https://www.msrb.org/specifications-for-real-time-reporting-of-municipal-securities-transactions) ("MSRB RTRS Specifications"), pp. 55-56 and 58-59.

are not publicly disseminated. For example, firms should have the option to report the following data elements on an end-of-day basis:

- **Commissions.** The TRACE Commission and CommType fields.¹² The RTRS 19A tag relating to commissions.¹³
- **Settlement.** The TRACE SettleDate field.¹⁴ The RTRS 19A, 20C, 22F, 22H, 70C, 70E, 98A and 98B 19A tags relating to settlement, settlement counter-party and settlement amount.¹⁵
- **Capacity.** The TRACE OrderCapacity field.¹⁶ The RTRS 22F tag relating to capacity.¹⁷
- **New proposed data elements that would not be publicly disseminated.** FINRA has proposed certain new data elements for TRACE reporting, such as “a new trading desk or unit identifier field for U.S. Treasury securities reporting to identify the specific desk or unit within a member firm executing the transaction.”¹⁸ While FINRA has proposed this new data element specifically for Treasury securities, FINRA has solicited feedback on whether this data element should be required for other TRACE-reportable securities.¹⁹

The data elements above are examples of trade and transaction reporting elements and are not intended to represent the full list of data elements for each category. FIF members recommend further discussion among FINRA, the MSRB, industry members and service providers to identify which data elements should be subject to one-minute reporting and which data elements firms should have the option to report on an end-of-day basis. This end-of-day timing should be applied when determining whether a firm is late in reporting a transaction reporting data element. Firms that want to continue to report all data elements within one minute through a single transmission should continue to have the option to do so. One important benefit of allowing for these two stages of reporting is that a firm that inputs trades to TRACE manually through the TRACE portal will have fewer data elements to manually input within the required reporting timeframe.

FIF members note that the bifurcation of trade and transaction reporting has been implemented for other reporting systems. For example, the Commodity Futures Trading Commission rules for reporting swaps provide for real-time reporting of data that is to be publicly disseminated²⁰ and T+1 reporting of other transaction-related data.²¹ The Securities and Exchange Commission has permitted firms to report security-based swaps based on these same timeframes.²²

¹² TRACE FIX Specifications for Corporates and Agencies, p. 20.

¹³ MSRB RTRS Specifications, p. 58.

¹⁴ TRACE FIX Specifications for Corporates and Agencies, p. 20.

¹⁵ MSRB RTRS Specifications, p. 56-58.

¹⁶ TRACE FIX Specifications for Corporates and Agencies, p. 19.

¹⁷ MSRB RTRS Specifications, p. 57.

¹⁸ FINRA Regulatory Notice 20-43, “Trade Reporting and Compliance Engine (TRACE): FINRA Requests Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities” (December 23, 2020), available at <https://www.finra.org/sites/default/files/2020-12/Regulatory-Notice-20-43.pdf> (“FINRA Regulatory Notice 20-43”), p. 6.

¹⁹ FINRA Regulatory Notice 20-43, p. 18.

²⁰ 17 CFR §43.3(a)(1).

²¹ 17 CFR §45.3(a)(1).

²² Exchange Act Release No. 34-87780 (December 18, 2019), 85 FR 6270 (February 4, 2020), p. 6347.

The Markets in Financial Instruments Regulation (“MiFIR”) adopted by the European Parliament and Council similarly distinguishes between real-time trade reporting, for data that must be publicly disseminated in real-time, and T+1 transaction reporting, for data that is not subject to public dissemination.²³ Under MiFIR, this bifurcation of trade and transaction reporting applies to multiple financial instruments, including equities, ETFs, bonds, structured finance products and derivatives.²⁴

Electronic trade executions

FIF members note that firms also could have challenges with reporting electronic executions within one minute after execution because some trades are transmitted across multiple firm and vendor systems before they are reported to TRACE or RTRS. Some firms and reporting vendors will need to implement system and workflow changes to ensure that they can report all electronic executions within one minute. The need for firms to perform this work should be considered when setting the implementation timeframe for the proposed changes.

The current RTRS workflow is not suitable for reporting trades within a one-minute timeframe

The current workflow for reporting trades to RTRS is not suitable for reporting trades within a one-minute timeframe due to multiple layers that reports often pass through before they are received by RTRS. The first layer exists because a firm cannot submit a trade report directly to RTRS. Instead, a firm must submit a trade report to RTRS via the Real-Time Trade Matching system (“RTTM”), which is operated by the National Securities Clearing Corporation.²⁵ A second layer is introduced because an executing firm that is not a clearing firm is not able to report trades directly to RTTM. Instead, the executing firm can only report a trade to RTRS through its clearing firm. This is because the clearing firm, and not the executing firm, is the only firm permitted to submit to RTTM. A third layer is often introduced because clearing firms do not necessarily report to RTTM themselves, and instead use service providers to connect to RTTM. One reason for firms to outsource this function to service providers is that RTTM does not accept FIX and requires that messages be submitted in SWIFT format.²⁶

Before one-minute reporting can be implemented for municipal bonds, it is important that the regulators provide a mechanism to enable direct reporting of municipal bond trades by broker-dealers (including executing brokers that are not clearing firms) and their service providers. One approach that the MSRB should consider is to allow broker-dealers (including executing brokers that are not clearing firms) and service providers to report trades in municipal bonds directly to TRACE via FIX. In addition to reducing unnecessary delays in the current RTRS trade reporting process that result from the multiple layers described above, this approach would enable broker-dealers to report using FIX rather than

²³ “Regulation (EU) No 600/2014 of the European Parliament and of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012”, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0600&from=EN> (“MiFIR”), Articles 6 and 10.

²⁴ MiFIR, Article 26.

²⁵ MSRB RTRS Specifications, p. 10.

²⁶ MSRB RTRS Specifications, p. 12.

SWIFT.²⁷ Allowing firms to submit trades in municipal bonds directly to TRACE via FIX also will reduce the burden for firms in simultaneously implementing the TRACE and RTRS reporting changes and reduce the ongoing reporting burden for firms. FIF members note that in the past TRACE reporting was similarly effected through RTTM²⁸ and that FINRA subsequently updated TRACE reporting to provide for direct reporting to TRACE.

If the MSRB decides not to allow reporting of municipal bond trades through TRACE, FIF members recommend that the implementation period for the RTRS reporting changes be postponed until a reasonable period after the TRACE reporting changes have been implemented. This will avoid firms being overburdened with implementing reporting changes for two different systems at the same time.

Trades executed when the TRACE system is not open

In the FINRA Regulatory Notice, FINRA proposes that trades executed when the TRACE system is not open and trades executed between 6:29 and 6:30 pm on days when the TRACE system is open be reportable within one minute after the next opening of the TRACE system.²⁹

FIF members note that the FINRA rules for the FINRA/Nasdaq and FINRA/NYSE Trade Reporting Facilities (“TRFs”) provide for reporting of trades executed when the TRFs are not open by 8:15 am after the next opening of the applicable Trade Reporting Facility.³⁰ This fifteen-minute reporting period is provided for TRF reporting even though FINRA rules require that trades executed while the TRF systems are open be reported within 10 seconds.³¹ FINRA currently provides the same approach for TRACE reporting.³² FIF members recommend that FINRA maintain the same approach for TRACE reporting as currently applied by FINRA for TRF and TRACE reporting.

FIF members have found the fifteen-minute period for reporting overnight trades to be important in ensuring that an appropriate review of overnight trades is being performed by U.S.-based staff prior to submission to FINRA. FIF members also are concerned about technical challenges with reporting within one minute after the opening of TRACE.³³ One challenge with requiring firms to report to TRACE by 8:01 am is that firms are not able to connect to TRACE prior to 8:00 am. This means that connectively and reporting must occur within one minute at the same time as many other industry members are seeking connectivity to TRACE.

The MSRB Notice does not appear to propose a change to the current MSRB requirement that “transactions effected with a Time of Trade outside the hours of the RTRS Business Day shall be

²⁷ SWIFT is the required format for reporting to RTTM. MSRB RTRS Specifications, p. 12.

²⁸ FINRA, “Programming Specifications for Trade Reporting to the FINRA Trade Reporting and Compliance Engine (TRACE) via the NSCC RTTM System”, Version 2.4 (January 20, 2010), available at <https://www.finra.org/sites/default/files/AppSupportDoc/p120744.pdf>.

²⁹ FINRA Regulatory Notice 22-17, p. 4.

³⁰ FINRA Rules 6380A(a)(2)(C), 6380A(a)(2)(D), 6380B(a)(2)(C) and 6380B(a)(2)(D).

³¹ FINRA Rules 6380A(a)(1) and 6380B(a)(1).

³² FINRA Rules 6730(a)(1)(A), 6730(a)(1)(C) and 6730(a)(1)(D).

³³ FINRA Rules 6730(a)(1)(A), 6730(a)(1)(C) and 6730(a)(1)(D).

reported no later than 15 minutes after the beginning of the next RTRS Business Day.”³⁴ For the reasons discussed above, FIF members support this decision by the MSRB.

Securities that are not in a firm’s security master or the FINRA or MSRB security master

According to a 2017 report by the Plan Participants of the Consolidated Audit Trail National Market System Plan,

“... there are significantly more issuances of debt securities as compared with equity securities. Many public companies may have only one class of stock, but can issue numerous types of bonds with different yields, maturities, and denominations. For example General Electric has only one class of stock, but it has issued over 1,000 unique bonds (footnotes omitted).³⁵

The 2017 report indicates that the number of CUSIPs for debt securities greatly exceeds the number of CUSIPs for equity securities. According to the report, as of January 1, 2017 there were 1,600,831 CUSIPs for debt securities and 25,877 CUSIPs for equity securities.³⁶

Given the large number of CUSIPs for debt securities, it is challenging for some firms to maintain a full list of CUSIPs for debt securities. These FIF member firms request that FINRA and the MSRB provide an exception from the one-minute reporting requirement for a security that is not in a firm’s security master as of the trade time. This exception also should apply if the security is not in the security master maintained by the desk at the firm that is executing the trade. If a firm maintains separate security masters for different customers, this exception should apply where the security is not in the security master that the firm maintains for the customer that is executing the trade. In each of these scenarios, the firm will need the current fifteen-minute timeframe to add the security to its applicable security master and report the trade to TRACE or the RTRS, as applicable. At a minimum, FINRA should provide an exception from the one-minute reporting requirement for a security that is not in the FINRA or MSRB security master as of the trade time, as it would not be possible for a firm to report a trade within one minute in this scenario.

FIF members also request that FINRA post in a manner that can be accessed automatically by firms the most recent time that FINRA has updated its TRACE security master for each TRACE reporting system. Industry members need to synchronize their internal security masters with the FINRA security masters on an ongoing basis. This is a complex process and is necessary for firms to maintain the most up-to-date list of TRACE reportable securities. Providing this timestamp data will reduce unnecessary processing by firms and assist firms in maintaining updated security masters for TRACE reporting.

³⁴ MSRB Rule G-14 RTRS Procedures, paragraph (a)(iii).

³⁵ “Discussion of the Potential Expansion of the Consolidated Audit Trail Pursuant to Section 6.11 of the CAT NMS Plan Prepared by the Participants to the CAT NMS Plan” (prepared May 15, 2017, amended July 19, 2017), available at <https://www.sec.gov/divisions/marketreg/consolidated-audit-trail-expansion-report-amended-071917.pdf> (“CAT Plan Participant Discussion”), p. 6.

³⁶ CAT Plan Participant Discussion, p. 8.

The TRACE reporting rules currently provide for T+1 reporting for List and Fixed Offering Price Transactions and Takedown Transactions.³⁷ T+1 reporting is provided for these transactions because the CUSIP often is not known until end-of-day on trade date. For the same reason, FIF members recommend that FINRA also allow T+1 reporting of secondary-market transactions that occur on the first day of trading of a security. FIF members propose that this exception be available subject to the firm reporting a new modifier to be designated by FINRA. This could be achieved through the creation of a new “Trading Market Indicator” value.³⁸

The MSRB Rule G-14 RTRS Procedures similarly provide for end-of-day reporting for a List Offering Price/Takedown Transaction.³⁹ End-of-day reporting is provided for these transactions because the CUSIP often is not known until end-of-day on trade date. For the same reason, FIF members recommend that the MSRB also allow end-of-day reporting of secondary-market transactions that occur on the first day of trading of a security. FIF members propose that this exemption be available subject to the firm reporting a new modifier to be designated by the MSRB.

Cancels and corrects

FIF members request that FINRA and the MSRB provide additional clarification as to how cancels and corrects are reflected in the data provided in the respective regulatory notices on the percentage of transactions that are reported within specific timeframes. As an example, for purposes of the trade reporting statistics provided in the regulatory notices, if a trade is initially reported within 15 minutes and cancelled or corrected after 15 minutes, is this counted as one trade that is reported within 15 minutes and one trade that is reported after 15 minutes? Alternatively, is this only counted as one trade that is reported after 15 minutes? FIF members also would like to understand the impact of these cancels and corrects on the statistics set forth in the regulatory notices and the percentage of corrects that relate to transaction-reporting fields (as compared to the percentage of corrects that relate to trade reporting fields and the percentage of cancels).

FIF members recommend that FINRA count cancels and corrects separately from other late reports when reporting back to a firm and when evaluating a firm’s TRACE reporting compliance rate.

TRACE report cards

FIF members request that FINRA provide additional detail to firms on their TRACE report cards to indicate the percentage of trades that a firm reports within specific time intervals (for example, within one minute, five minutes, ten minutes, and fifteen minutes) and how the firm compares to the industry average for each time interval. This data can be broken out further by other relevant categories, such as trade size. This data will assist firms in better understanding how their reporting timeframes compare to the industry averages.

³⁷ FINRA Rule 6730(a)(2).

³⁸ TRACE FIX Specifications for Corporates and Agencies, p. 32.

³⁹ MSRB Rule G-14 RTRS Procedures, paragraph (a)(ii)(A).

Implementation timeframe

The implementation timeframe for firms will depend on the scope of the final rules that are adopted by FINRA and the MSRB. In particular, in connection with these proposals, FINRA and the MSRB should allow for bifurcated reporting of trade and transaction data, and sufficient time would be required to implement this. Further, if FINRA and the MSRB will require one-minute reporting for manual trades, this will mean a multi-year effort for many firms to change their trade execution workflows, implement new front-end trading systems and downstream books and records and reporting systems, upgrade existing front-end, downstream and reporting systems, implement new connectivity with counterparties, and upgrade existing connectivity with counterparties. If FINRA and the MSRB will continue to allow fifteen minute reporting for manual trades, this type of multi-year effort would not be required. To ensure that industry members will have sufficient time to properly implement any reporting changes that are adopted, any timetable should run from the date that FINRA and the MSRB publish technical specifications and interpretive FAQs.

FIF appreciates the opportunity to comment on FINRA Regulatory Notice 22-14 and MSRB Notice 2022-07. If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at howard.meyerson@fif.com.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

VIA ELECTRONIC MAIL: pubcom@finra.org

October 3, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
The Financial Industry Regulatory Authority, Inc.
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 22-17: Request for Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute Under FINRA Rule 6730

Dear Ms. Mitchell,

Cambridge Investment Research, Inc. (“Cambridge”) appreciates the opportunity to comment on the proposed rule change contemplated in RN-22-17 (the “Proposal”) that would amend The Financial Industry Regulatory Authority’s (“FINRA”) rules regarding the trade-reporting timeframe for transactions in certain TRACE-eligible securities. Cambridge understands that this proposed change would require members to submit a report to TRACE as soon as practicable, but no later than one minute from the time of execution, for transactions in corporate bonds, agency debt securities, asset-backed securities and agency pass-through mortgage-backed securities traded to-be-delivered for good delivery.

Cambridge recognizes and appreciates FINRA’s interest in rethinking the manner in which firms disseminate transaction data. However, for the reasons detailed below, Cambridge questions the practicality of the proposed one-minute limitation for the submission of reports to TRACE and requests that FINRA consider the following recommendations and concerns related to the Proposal.

I. ASSUMPTIONS OF CURRENT REPORTING PERCENTAGES UNDER ONE MINUTE AS DERIVED FROM REPORTER ACTIVITY LEVEL

Cambridge understands and appreciates FINRA’s desire to improve price data transparency. However, Cambridge believes that as drafted the Proposal will create an increase in late-reported

trades without meaningfully improving the transparency of price data. For transactions executed in TRACE-eligible securities at or after 8:00 a.m. ET and before 6:15 p.m. ET, FINRA notes that 81.9 percent were reported within one minute of execution. FINRA also notes that corporate bonds comprised 87 percent of all trade reports in the sample and that 82.2 percent of those corporate bond reports were made within one minute of execution. Further, of the transaction report sampled by FINRA, only 18.8 percent of reporters submitted 95 percent of their reports for corporate bond trades within one minute of execution. The sampling data utilized by FINRA would, under the Proposal, cause 18.1 percent of all reportable transactions and 17.8% of all corporate bonds to fail.

Based upon this data alone, it is clear that the Proposal would create a much greater percentage of reporting failures for firms so that price data would be available within one minute, rather than the current 15-minute requirement. Cambridge questions the necessity of a one-minute reporting requirement for TRACE-eligible securities, as they are not quoted or traded with the same frequency or volatility as are stocks listed on the NYSE or NASDAQ. Any potential benefit in shortening the trade reporting time appears to be outweighed by the increase in reporting failures and, as discussed in more detail below, reporting errors.

Cambridge additionally believes that the metrics utilized by FINRA do not sufficiently account for the overrepresentation within the sample of active reporters and reports submitted via the FIX entry method. In the Proposal, FINRA notes that more active reporters submitted trades more quickly across the different types of TRACE-eligible securities subject to the Proposal, with very active reporters registering the highest percentages of reports in one minute or less for ABS, agency, and TBA GD categories. FINRA also indicates that for active reporters, 82 percent of corporate trades were reported within one minute, while less-active reporters and moderately-active reporters successfully reported within one minute only 45 percent and 43 percent of the time, respectively. FINRA also indicates that for all TRACE-eligible securities, reports submitted via the FIX entry method were reported within the one-minute timeframe 83 percent of the time while reports submitted via the web entry method met the one-minute timeframe only 14% of the time; only four percent of the active reporters used only the web entry method. In comparing the reports for all TRACE-eligible securities made within one minute with the reports made via the FIX entry method, the implication is that the FIX entry method was a dominant factor in the projections assigned to the entire sample.

Cambridge questions whether the underlying reporting sample utilized by FINRA in support of the Proposal was heavily weighted toward active traders or those reporting through the FIX entry method. Broad application of a one-minute trade reporting time limit for TRACE-eligible securities does not account for firms who report with less frequency than active reporters. Further, the ability for active reporters to make reports within one minute is likely due to integrated FIX reporting methods utilized by those active reporters. Requiring firms of varying sizes and business models who are not active traders or do not utilize the FIX entry method to similarly report trades in TRACE-eligible securities within one minute will ultimately result in those firms being unable to meet the reporting deadline. The Proposal creates an environment where firms can no longer comply with the transaction reporting requirements and will be subject to FINRA regulatory actions as a result of this non-compliance. Cambridge strongly encourages FINRA consider the failure rates the Proposal would create, particularly with respect to the diverse sizes and business

models of firms who do not have the capability to report all TRACE-eligible securities within one minute.

II. CHALLENGES BASED ON TYPES OF SECURITIES AND TRANSACTIONS

In the Proposal, FINRA questions why larger trades and trades in certain types of transactions took longer to report than the proposed one-minute timeframe. Cambridge believes that larger trades, due to their size, may be more likely to be executed manually or more likely to trigger additional manual safeguards, pre-trade filters, market-access controls or credit filters, thus resulting in slower reporting times. With respect to slower reporting of customer trades versus inter-dealer trades, Cambridge believes that inter-dealer trades are more likely to be executed and reported on a purely automated basis, while client trades are more likely to involve additional steps, such as manual keying after the dealer trade is complete or additional allocations to multiple client accounts.

In the Proposal, FINRA acknowledges reducing the reporting timeframe would necessitate a greater change in behavior for members in connection with some types of securities and transactions than others; however, the Proposal placed continued emphasis on this concern with respect to the types of securities involved, entry methods, and changes to reporting methods without much focus on the actual methods of transacting underlying the methods of reporting. Cambridge encourages FINRA to consider variables in the transaction methods which necessarily affect reporting times. For many members, a significant number of transactions are confirmed by voice, which require manual keying for dealer and client sides. When multi-entry transactions require manual keying with numerous client allocations (such as a buy order involving allocations to 12 separate client accounts), it may be impossible to meet a one-minute reporting timeframe, even with integrated TRACE reporting. Similarly, if a series of individual executions (such as a group of 15 sell orders when liquidating an account) are confirmed by voice, a one-minute reporting timeframe would require the transacting parties to confirm and synchronize trades, one at a time, then manually key them in a recurring series of individual transactions to avoid violating the one-minute reporting time frame. These scenarios would be even more challenging for firms using web-entry, only.

Cambridge urges FINRA to further evaluate the impact of the proposed one-minute reporting timeframe based on the numerous ways whereby transaction and allocation methods may necessitate additional time to comply with standards.

III. OPERATIONAL CHALLENGES & MARKET IMPACTS RELATED TO THE PROPOSED ONE-MINUTE TIMEFRAME

In the Proposal, FINRA notes that 82 percent of all corporate trades were reported in one minute, but for trades which were later cancelled or corrected, only 66 percent were reported in one minute. FINRA makes the inference that the trades which were subsequently cancelled or corrected were reported more slowly due to a greater degree of implied difficulty with those trades. Cambridge believes additional analysis should be conducted, as it is possible that this observed

decrease could be correlated with the reporter and method of transaction and allocation, rather than with report entry method or trade type.

Cambridge believes that the proposed changes, if adopted, would lead to more cancellations and corrections (and more late reports) since the potential for repairing an erroneous report without generating a true trade correction would shrink from 15 minutes to one minute under the Proposal and the chance of successfully mitigating an erroneous report within the proposed one-minute timeframe is minimal. Cambridge believes that in all circumstances, but especially those which require manual keying for entry or allocation of transaction data, trading and clerical personnel will be more likely to make mistakes, generate more late TRACE reports, cause more cancellations and corrections activity, and create more trading error events when attempting to comply with the proposed one-minute standard.

Additionally, Cambridge urges FINRA to consider the potential for member firms to limit or even cease working with firms providing access to fixed-income services and executions as a result of difficulties complying with the proposed one-minute reporting standard. Many member firms and their financial professionals leverage numerous third-party relationships to ensure broader access to bonds and inventories when buying, to locate more bids when selling, and to utilize for assistance in constructing custom ladders or model portfolios for retail clients. If these relationships were to become high-risk for reporting failures under a one-minute standard, members may be faced with a choice between meeting the one-minute reporting standard and giving up access to valued services, broader market access, and potential price benefits provided by those third-party relationships. Further, Cambridge believes it is likely that smaller, less active reporters would be negatively impacted while larger and more sophisticated firms with integrated trade processing and reporting channels would disproportionately benefit from such limitations, if imposed.

Cambridge appreciates the opportunity to offer comments regarding the proposed rule to increase transparency and improve access to timely transaction data for TRACE-eligible securities. Cambridge would be happy to discuss further any of the comments or recommendations outlined in this letter.

Respectfully Submitted,

/s/ Seth A. Miller

Seth A. Miller

General Counsel

President, Advocacy and Administration

Michael Moise Comment On Regulatory Notice 22-17

Michael Moise

N/A

This proposal will blatantly continue to negatively impact small member firms that do not have neither the current infrastructure, capital or staffing levels to accommodate this significant of a change to their reporting structure. The continued demise in the number of FINRA-registered small firms, which benefits the largest firms with additional greater market share, provides the cover for the statistics used to consider this change. The statistic that 80+% of trades are reported within 1 minute should be cross referenced by which firm type is doing the reporting to get a true gauge on who will really be impacted. This decision, if enacted, will certainly cause the closure of additional small firms that can no longer compete with the largest of firms, continuing a trend that has never been fully addressed over the past 10 years as FINRA continues to enact rules that only benefit its largest constituents. FINRA should spend more time defending its small firms and ensuring a competitive industry for the benefit of the investors that FINRA has vowed to protect.

September 26, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006-1506

Re: FINRA Reporting Timeframe – Regulatory Notice 22-17

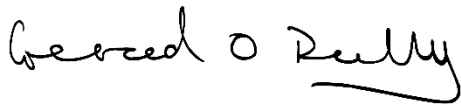
Dear Ms. Mitchell,

Dimensional Fund Advisors LP (“Dimensional”) appreciates the opportunity to provide the Financial Industry Regulatory Authority (“FINRA”) with our views on Regulatory Notice 22-17.¹ Dimensional is a registered investment adviser, and together with its advisory affiliates, has approximately \$575 billion in global assets under management.² We strongly support FINRA’s proposal to shorten the trade reporting timeframe for transactions in all TRACE-Eligible Securities³ that are currently subject to a 15 minute reporting timeframe to one minute.

Shortening the time between trade execution and price dissemination will enhance transparency and reduce information asymmetries in the fixed income market. At Dimensional, we strongly believe that transparency fosters a fair and efficient market and that market quality is improved when public information is disseminated evenly to all market participants. As FINRA recognizes, reducing the reporting timeframe will also enable market participants to obtain, evaluate, and act on price and other market information more quickly, and investors will benefit from fairer pricing and better executions from their dealers.⁴ For these reasons, we believe that more timely reporting will greatly benefit investors.

As we have learned from TRACE over the last 20 years, transparency fosters a fair and efficient market, and we believe this transparency has helped fuel capital growth and increase investor confidence in the bond market. We commend FINRA for proposing to enhance market transparency by reducing the reporting timeframe. If we can be of further assistance, please do not hesitate to contact Stephanie Hui, Vice President and Counsel. We would welcome the opportunity to expand on our discussion of these issues.

Sincerely,



Gerard O'Reilly
Co-CEO and Chief Investment Officer



David A. Plecha
Global Head of Fixed Income

¹ *FINRA Regulatory Notice 22-17* (August 2, 2022), available at <https://www.finra.org/rules-guidance/notices/22-17> (“Notice”).

² As of June 30, 2022.

³ As defined in FINRA Rule 6710.

⁴ Notice at 12-13.

Gary Purpura Comment On Regulatory Notice 22-17

Gary Purpura

N/A

I am president of Liberty Capital Investment. We are a small BD with 5 reps. We often buy bonds from 3rd party vendors. We find our clients can get prices by using an outside vendor like Muni Center versus buying from our correspondent inventory. Filling these orders often takes 10 to fifteen minutes to report. In the interest of best client price I remain firmly in favor of keeping the 15 minute report time

Beech Hill Securities Comment On Regulatory Notice 22-17

Sean Rogan

Beech Hill Securities, Inc.

It is Beech Hill Securities (BHS) opinion, that FINRA's proposal to amend Rule 6730 to reduce TRACE reporting timelines to 1-minute will adversely affect the ability of small to mid-sized firms to participate in Fixed Income reportable securities. Given it is cost prohibitive, most small to mid-size firms do not utilize automated trade reporting systems (E.g., Bloomberg TOMS). Rule 6730 proposal for a 1-minute reporting timeline, would not only inhibit small to midsize firm participation but would work in favor of larger firms, making the market less transparent, more concentrated, and less competitive for better price discovery. Small to mid-size Broker-Dealers are utilizing manual means for booking and reporting fixed income trades, here is an example of a standard trade cycle: 1- Trader confirms trade via phone/ firm monitored chat/Bloomberg VCON 2- Trader forwards time stamped paper ticket or Bloomberg VCON to operations / middle office personnel 3- Operations/Middle office receives ticket / email VCON 4- Operations/ Middle office staff must then review and manually book trade in to clearing firms' systems for allocation/ reporting purposes 5- Clearing firm reports trade to TRACE Considering the above example, it is not practical that this can all be accomplished in 1-minute from the time the trader has confirmed the trade with the client/counterparty to reporting to TRACE. In addition, it is BHS's opinion that this proposal will result in a much greater number of trade errors which would include bad price, size and cusip errors, causing less efficient and effective trade reporting. In effect, we believe this proposal will make TRACE data less accurate, less transparent, and less reliable. Based on our experience the TRACE reporting facility is commonly used by industry professionals and much less by retail or institutions. Further, industry personnel use many different tools to contemplate pricing, the difference between 15-minute and 1-minute from that perspective provides limited added value. To reiterate, this proposed rule implementation will work to the advantage of larger firms who have the existing infrastructure, in which smaller firms because of rule violations on trade reporting will be dissuaded from participating. This will have the unintended consequence of creating a less competitive market, to the detriment of the greater good of the public, which is what the spirit of this rule's intended goal of "transparency" is meant to address.

Leslie Seinfeld Comment On Regulatory Notice 22-17

Leslie Seinfeld

N/A

We are a firm of 3 people, it will be impossible for us to be able to report ANY BONDS in a 1 minute time frame. I feel that at the minimum it should 10 mins, anything shorter than that and we would probably be reporting late on a consistent basis.



October 3, 2022

Via Electronic Mail (pubcom@finra.org)

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 22-17; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities

Dear Ms. Mitchell:

The Wholesale Markets Brokers' Association, Americas ("WMBAA")¹ appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") proposal to shorten the trade reporting timeframe for transactions in certain TRACE-eligible securities from 15 minutes to one minute (the "Proposal").²

The WMBAA supports FINRA's efforts to increase transparency and agrees that timely trade reporting is critical in today's markets. However, we believe that shortening the reporting timeframe to one minute would interfere with WMBAA members' ability to operate fair and orderly markets. For the following reasons, the WMBAA respectfully requests that FINRA withdraw the Proposal to evaluate its impact on certain TRACE-eligible securities that have significant manual trade processing and reporting components and consider whether an exception for manually reported transactions is appropriate.

Overview

While the WMBAA supports FINRA's efforts to provide timely data, we do not believe the industry is equipped to report all trades in TRACE-eligible securities within one minute. We ask that FINRA evaluate the Proposal's impact on member firms and that FINRA explore alternative methods to achieve its goals of real-time reporting. The WMBAA believes that rather than shortening the timeframe to the blunt and somewhat arbitrary deadline of one minute,

¹ The WMBAA is an independent industry body representing the largest inter-dealer brokers. The members of the group – BGC Partners, GFI Group, Tradition, and TP ICAP – operate globally, including in the North American wholesale markets, in a broad range of financial products, and have received registration as swap execution facilities. The WMBAA membership collectively employs approximately 4,000 people in the United States; not only in New York City, but in Stamford and Norwalk, Connecticut; Chicago, Illinois; Jersey City and Piscataway, New Jersey; Raleigh, North Carolina; Miami and Juno Beach, Florida; Burlington, Massachusetts; and Dallas, Houston and Sugar Land, Texas.

² FINRA Regulatory Notice 22-17 TRACE Reporting Timeframe (Aug. 2, 2022), available at <https://www.finra.org/sites/default/files/2022-08/Regulatory-Notice-22-17.pdf>.



reporting should be required as soon as technologically practicable, but not greater than 15 minutes. If data can establish that certain transactions that are consistently reported within a shorter time period, then a shorter “not greater than” limit may be appropriate. But, simply put, requiring all TRACE-eligible securities to be reported within one minute is not reasonable across the board and risks introducing unnecessary disruption to market liquidity and price discovery, limiting timely competitive prices to participants.

As described below, the WMBAA believes that the current 15-minute reporting timeframe is adequate given the manual processes and time-consuming nature of certain transaction protocols.

Discussion

The WMBAA believes that the Proposal lacks consideration of some key components of market operation and liquidity formation that must be considered when fashioning a post-trade reporting framework. Interdealer bond brokers are intermediaries and either arrange bilaterally settled transactions between counterparties or act as a matched principal counterparty. Transaction matching and reporting is largely done manually.

Once brokers agree on prices and quantities with counterparties to the trade and the brokers agree to the details amongst themselves, their clerks compare details with the counterparties. Upon all parties agreeing on the details, the trade is reported to TRACE. Trades are then confirmed to the counterparties. The Proposal would have a disproportionate impact on firms that follow this manual process of entering and negotiating transactions, which includes all WMBAA firms in some manner. Shortening the reporting timeframe from 15 minutes to one-minute places an undue burden on brokers who are manually entering all of the information required to report a transaction. The impact of such time constraints only increases in instances of complicated, multi-party transactions, particularly in a busy market where a desk may have several transactions matching simultaneously across multiple bonds and could impact, among other things, data quality in the name of expediency over accuracy.

For example, the following transaction protocols alone require increased time and attention:

- For multiple counterparty trades, tickets must be written for each individual trade and counterparty. There may be a single counterparty on one side with multiple counterparties on the other, or multiple counterparties on both sides of the transaction.
- Each interdealer transaction will include, at a minimum, two separate reporting requirements. In many cases, there may be multiple counterparties and/or securities involved in a “trade,” exponentially increasing the number of required transactions to be reported within one minute under the Proposal. (See IG bonds below).
- The work-up trade process can take several minutes, assuming that all counterparties are on the desk to respond to the administrative aspects of a trade after the economic terms have been agreed.



- Work-ups occur in a real-time, live market environment and are exposed to error risk if the process is halted at intervals for reporting, or for reporting error risk if matching transaction data is hurried.
- Investment-grade (“IG”) bonds are quoted as a basis against an equivalent treasury security and trades in the dealer market are packaged with an accompanying hedge trade in U.S. Treasury securities. For every IG bond transaction, four tickets (buy and sell IG bond plus buy and sell UST hedge), must be produced, and the details matched prior to reporting. The Treasury trades are reported with a modifier to identify that it was a hedge for a bond trade.
- The material terms of a multi-counterparty trade are not determined until after an order has been filled so as not to disadvantage the initiator of the order.
- Bond swap trades, which include multiple instruments along with multiple buyers and seller, are time-consuming to match and compare details.
- Auction or matching session trades may not be reported until the auction or matching session has ended.

Disrupting trades to meet a reporting requirement will only hurt liquidity. In addition, it appears unlikely that member firm customers will be able to comply with a one-minute reporting requirement for manual trades. The interdealer bond market operates differently and should not be compared to the institutional or retail bond markets, stock, swap or futures markets. Many clearing and processing fees are also calculated on a per-ticket basis. Disaggregation of transactions would cause a large increase in ticket or clearing costs. The costs of upgrading or changing systems to comply with a one-minute reporting requirement may cause some intermediaries and participants to leave the market, which would also fragment liquidity.

The WMBA believes the one-minute trade reporting will forestall any potential desired disaggregation of the affected markets. Since April 12, 2019, alternative trading systems (“ATSs”) have been required to report to TRACE each transaction in U.S. Treasury securities executed in trading sessions on an ATS on a disaggregated basis. Subsequently, there have been informal discussions regarding the feasibility of doing the same for other markets. If the reporting times for these markets is reduced to one-minute, we believe it will become impossible to disaggregate the markets. In a disaggregated market, the ATS owner-operator will know the exact time each transaction is matched and executed on its system. However, the member firm subscribers will remain unaware of the execution time until the matched transactions are entered into the ATS’s middle office system and post-trade messaging is sent to the subscriber by the ATS. If an ATS were able to process the trade and send the post-trade message to the subscriber within one minute, the processing lag time would likely leave the subscriber with mere seconds to receive the execution time details, process the trade, and report it. Thus, shortening the reporting time to one minute would effectively terminate any possibility of future disaggregation of these markets.

According to data provided in the Proposal, 80 to 84 percent of transactions across all types and platforms are reported within one minute of execution, as opposed to 99 to 100 percent of the industry reporting within 15 minutes.³ Rather than shortening the timeframe to one minute,

³ Proposal at 6.



reporting should be required as soon as technologically practicable, but not greater than 15 minutes. Such a requirement would still allow for timely and informative reporting of data.

* * *

The WMBAA appreciates the opportunity to comment on the Proposal. We look forward to continuing to work with FINRA and its staff on future amendments or guidance.

Please feel free to contact the undersigned with any questions you may have on our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read 'William Shields', written over a light blue horizontal line.

William Shields
Chairman, WMBAA



Hartfield, Titus & Donnelly, LLC.

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September 14, 2022

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street, NW, Suite 1000
Washington, DC 20005

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006

**Re: MSRB Notice 2022-07 and FINRA Regulatory Notice 22-17 – Requests for Comment
On Proposals to Shorten Fixed Income Trade Reporting Timeframes**

Dear Mr. Smith and Ms. Mitchell:

Hartfield, Titus & Donnelly, LLC (“HTD”)¹ welcomes the opportunity to respond to Notice 2022-07 (the “MSRB Notice”) and Regulatory Notice 22-17 (the “FINRA Notice” and together with the MSRB Notice, the “Notices”) issued by the Financial Industry Regulatory Authority (“FINRA” and, together with the MSRB, the “SROs”). The statistical figures provided in the Notices which describe trade reporting performance appear to be substantially similar among municipal securities and the various classes of TRACE eligible securities. HTD’s position with regard to the Notices is identical for the proposed changes to the Relevant Rules in that the proposed changes will have the same impact on voice brokers for TRACE eligible and municipal securities trades. In the interest of efficiency, HTD’s response to the Notices is intended for both SROs but will address the statistical figures provided in the MSRB Notice where applicable and will respond to the individual questions under the “Request for Comment” and “Operational Considerations” sections of the MSRB Notice as applicable to all of HTD’s municipal and TRACE eligible securities businesses.

There is a central narrative in the Notices that should be carefully considered. Specifically, MSRB Rule G-14 and FINRA Rule 6730 (together, the “Relevant Rules”) require transactions to be reported as soon as practicable, but not later than fifteen minutes from the time of execution. Systems, practices and procedures were developed over time by member firms to submit transactions as quickly as possible. These systems were not designed to hold transactions until the last allowable minute, but rather to report transactions as quickly as possible. In the Request for Comment, the MSRB notes that 97.3% of trades are currently reported within five minutes and then posits that little would be gained in reducing the transaction time to five minutes. To be clear, the industry as a whole has demonstrated that in 97.3% of trades, the fastest times that trades can be reported is, in fact, five minutes. Fifteen minutes is the time limit and “as soon as possible” is the approach. As soon as possible, for

¹ HTD has operated as a Municipal Securities Broker’s Broker since 1965 and as an inter-dealer broker in TRACE eligible securities since 2014, headquartered in Jersey City, New Jersey with offices in California, Texas, Illinois and Florida. HTD’s primary responsibility is to provide anonymity while facilitating liquidity in the institutional fixed income marketplace. HTD operates as a voice broker and transacts exclusively with broker-dealers, banks, SMMPs and institutional counterparties.

97.3% of trades executed, is five minutes. By way of analogy, this is akin to the four-minute mile. While many thought it impossible to achieve, Roger Bannister proved them wrong in 1954. Since then, it has been broken by nearly two thousand runners, but at best, has only been reduced by seventeen seconds. The point is that there are limits to everything and suggesting that trade reporting can be reduced to one minute by decree fails to recognize this reality. HTD believes that the data presented in connection with the Notices must be more fully analyzed in the context of the market activity behind this data in order to provide accurate and realistic conclusions.

A more complete analysis of the data discussed in the Notices must consider differences between institutional voice brokered fixed income markets and retail fixed income markets. Specifically, the material differences in how trades in these markets are negotiated, executed and processed. A general observation of the information that was provided in the Notices shows that no such consideration was made by the SROs when proposing to amend the Relevant Rules. There was no meaningful discussion of the fact that the vast majority of large volume trades are voice trades. There was no discussion of the verbal negotiation and manual processing of large volume (e.g., institutional) voice brokered trades compared with the comparatively simple pricing and execution of smaller volume trades that are more commonly executed on electronic trading platforms, much in the way equity transactions are executed.

From a purely operational standpoint, a one-minute reporting requirement is unrealistic in voice-brokered (e.g., intermediated) trades. These trades are verbally negotiated and manually executed and processed by brokers and traders and the operations personnel who support them. These trades consist of two or more counterparties buying and selling through the voice broker. Such trades are complicated and require manual processing from the point of execution through the final clearance and settlement of the trades. There are often delays in processing such trades that are beyond the control of the counterparties to the trades.

HTD addresses these points and others under the Request for Comment section below. It is HTD's position that these are points that must be fully considered in any discussion to amend the Relevant Rules as proposed in the Notices.

Request for Comment on the Proposal

1. In 2021, 76.9% of trades that were not exempt from the 15-minute reporting requirement were reported within one minute after a trade execution. By comparison, more than 97.3% of trades required to be reported within 15 minutes were reported in five minutes or less.
This is an important point to consider. With a regulatory requirement to report trades within 15 minutes, the industry implemented a variety of procedures, policies and technologies to report trades as quickly as practicable but no longer than 15 minutes from the execution of the trade. The result of this effort exceeded the regulatory requirements and as a result, the vast majority of trades are reported within five minutes or less from the time of execution. This is testimony to the industry's efforts across a variety of trade execution methods, trading platforms and post trade processing systems. This demonstrates that the trade reporting process has been optimized over the last 17 years, it does not indicate that the industry "targeted" five minutes as a goal. This accomplishment should properly be viewed as "state-of-the-art" and any adjustments to the Relevant Rules should reflect this accordingly.
2. While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute.

This is evidence that trade size impacts trade reporting times. In addition, some of these larger trades were made up of pieces of trades put together as part of the negotiation process. Additional trade participants involved in an intermediated multilateral transaction will also lead to longer trade capture, processing and reporting times.

3. By comparison, the differences in percentage of trades reported within two minutes and five minutes were smaller across the trade size groups, ranging from 49.4% for trades above \$5,000,000 par value to 93.4% for trades at \$100,000 par value or lower for two-minute reporting and 80.3% for trades above \$5,000,000 par value to 98.1% for trades at \$100,000 par value or lower for five-minute reporting.
The data reflects the results of industry efforts to report trades as quickly as possible, not to report these trades just shy of the 15-minute requirement. Systems, policies and procedures have optimized trade capture, processing and reporting and have exceeded the regulatory requirements. This is the result of member firms expending tremendous resources and working to maximize performance to achieve compliance with the Relevant Rules.
4. The main benefit for proposing the one-minute trade reporting would be improved transparency in the municipal securities market.
The SROs have not demonstrated that improved transparency would result from reducing the trade reporting time to one minute. There is no evidence or data presented in the contemporaneous trades of identical CUSIPs that show that they would have been closer in price as a direct result of a prior trade report for that CUSIP. In addition, trade size definitively impacts pricing and there is no data or evidence to the contrary.
5. Under the proposed change, however, more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades.
This is an assumption without supporting evidence. Unrelated contemporaneous trades in TRACE eligible and Municipal Securities represent a tiny percentage of trading in general, and unrelated contemporaneous trades of identical CUSIP with materially similar par amounts reflects an even smaller set of transactions. Trades that are intermediated by voice brokers will always result in contemporaneous trades in securities with identical CUSIPs. This fact was not included in the SROs' analysis. These trades will not benefit from a reduced reporting time because these trades are the components of transactions that are intermediated by voice brokers (e.g., the voice broker buying from the selling counterparty, and then the voice broker selling to the buying counterparty). The difference in price for these intermediated trades is the commission/brokerage fee paid.
6. Out of the universe of the trades (251,635 "analyzed trades") with same-CUSIP number matched trades between January and December 2021, where a matched trade was executed before the analyzed trade's execution but was reported after the analyzed trade's execution, 27.9% (100% - 72.1%) of those analyzed trades had at least one matched trade executed more than a minute before the analyzed trade's execution.
Once again, although same-CUSIP contemporaneous trades are referred to in this statistic, there is no consideration for trade size, which would indicate if the trade was institutional or retail. Without this information, the analysis provided here is incomplete and misleading.
7. By comparison, if the trade reporting requirement were shortened to five minutes, only 7.9% (100% - 92.1%) of analyzed trades would have benefited from the matched trades' execution information; and only 15.5% (100% - 84.5%) of analyzed trades would have benefited if the trade reporting requirement were reduced to two minutes.

This is a spurious observation. The SROs should consider the fact that the industry's efforts have resulted in the vast majority of trades being recorded in one-third of the time required by the Relevant Rules. The industry hasn't targeted five minutes as a goal, it targeted "as quickly as possible" which has resulted in a very small percentage of trades taking more than five minutes. This perspective is important to understanding how markets operate and how participants have maximized their performance with respect to trade reporting.

8. The percentage of trades reported within five minutes has risen from 86.4% in the latter half of 2005 to 97.3% by 2021, and from 77.9% to 91% for trades reported within two minutes during the same period. **This is a critically important point. With markets as diverse as the municipal and TRACE eligible securities markets reflected in the issues traded, participant profile and various execution methods, it took 16 years to achieve the improvements illustrated in this data. This isn't reflective of any changes in the trade reporting requirement, but arguably a reflection of the evolution of technology and best-practices. Simply ruling that the new target is one-minute without truly considering and understanding the current performance of market participants will introduce prohibitive costs and, for many firms, unmitigable burdens for no apparent benefit based on the presented analysis.**
9. One alternative the MSRB reviewed but deemed inferior was to introduce a five-minute trade reporting period. By MSRB's estimates, as shown in Table 1 above, 20.4% (97.3% - 76.9%) of all reported trades in municipal securities would have satisfied the five-minute reporting requirement but not the one-minute reporting requirement in 2021. **A five-minute requirement would reflect the state-of-the-art, not an improved target. In addition, a five-minute requirement reflects the industry's effort to optimize the post-trade process, not a target mutually agreed upon. It reflects the diverse nature of the municipal and TRACE eligible securities markets and the dedicated efforts of the market participants who operate there.**

Operational Considerations

1. The time to report a trade is triggered at the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price; is this definition of "Time of Trade" the appropriate trigger? If not, what other elements of the trade should be established before the reporting obligation is triggered?
The primary consideration should be the business method used in trade execution. For example, when a dealer executes a trade with a customer, it is a one-on-one transaction between a buyer and a seller. Alternatively, when a voice broker intermediates a trade, it always acts as a matched principal and generates a broker-to-buyer and broker-to-seller ticket. In practice, the simplest trade has four tickets: selling dealer to broker and broker to buying dealer. In many cases there are multiple buyers and sellers on a trade with each piece creating two tickets. This in turn must acknowledge the fact that the parties to the trade may have, and in all likelihood do have, different technology/systems, policies and procedures in place. Requiring trade reports within a minute under these routine circumstances is not realistic. Put simply, voice brokers should have an accommodation to their unique business model under a one-minute reporting requirement. Perhaps an appropriate trigger in this context would be when the intermediated transaction is complete (e.g., when all underlying trades of the intermediated transaction are executed).

2. The data in Table 1 above indicates that 76.9% of trades reported to the MSRB were reported within one minute. Are there any commonalities with the trades (other than those noted above) that were reported within one minute or reported after one minute?

Although 76.9% of the trades were reported within one minute, this needs to consider the trading venue. The majority of trades in the Municipal Securities market are less than 100 bonds and these trades are executed electronically via ATS platforms. This clearly skews the data and ignores the high-volume trades that are executed in the institutional fixed income markets by voice brokers.

3. The data in Table 1 above indicates that larger-sized trades take longer to report than smaller-sized trades. What is the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (e.g., voice trades)?

Larger trades are the result of a verbally negotiated pricing process which is intermediated by a voice broker between buying and selling institutional counterparties. In these cases, voice brokers may not have the respective buyers and sellers on the phone at the same time. Confirming both sides of an intermediated transaction, often with multiple counterparties, and then processing these trades naturally takes longer in a negotiated market and the longer trade reporting times reflect this.

4. For dealers that report larger-sized trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?

It is not clear that there is anything that a dealer can do in terms of its processes that would reduce the time it takes for an executed trade to be reported. The timing of a trade report is a function of the complexity of the trade. The more complex the trade, the longer it will take to process. In many instances, delays in processing trades result from operational and system-related issues at clearing firms which are beyond the control of the voice broker or their institutional counterparties.

5. Would dealers need retail and/or institutional investors to modify any of their processes so that larger-sized trades could be reported in a shorter timeframe?

This would not address the time it takes to report a trade. The timing of a trade report is a function of the complexity of the trade. The more complex the trade, the longer it will take to process. As mentioned in 5., above, in many instances, delays in processing trades result from operational and system-related issues at clearing firms which are beyond the control of the voice broker or their institutional counterparties.

6. The data in Table 2 above indicates dealers that report a smaller number of trades per year, take longer to report trades than dealers that report a larger number of trades. What is the reason(s) it takes a firm that reports a small number of trades more time to report a trade? For dealers that report a small number of trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?

This reflects the heterogenous nature of the market. Not every participant employs the same technology, policies or procedures and as a result, may achieve varying trade reporting outcomes. This observation also speaks to the fact that dealers that report a larger quantity of trades are executing smaller volume trades and dealers that are reporting fewer trades are generally executing larger volume trades.

7. Based on the MSRB's analysis, trades conducted on ATS platforms are reported to RTRS in less time than non-ATS trades, with 84.4% of inter-dealer trades on an ATS platform being reported within one

minute while only 74.9% of non-ATS trades were reported within one minute. What is the reason(s) it takes more time to report trades executed away from an ATS?

Simply put, this is the result of electronic trading. The SROs should note that these trades are generally 100 bonds and less and do not require negotiations or operational processing prior to reporting, which large volume voice brokered trades always require.

8. Submitting transactions to RTRS using a service bureau appears to result in faster trade reporting time than a dealer using the RTRS Web interface. On average how long does it take a dealer to report a trade through the RTRS Web interface? How could the MSRB improve the process for reporting through the RTRS Web interface? In what instance would a dealer choose to or need to use the RTRS Web interface?
HTD's trades are reported electronically by its clearing firm, which is the way regulatory reporting is often done by firms that are not self-clearing.

9. Would reducing the timeframe to as soon as practicable, but no later than within one minute affect the accuracy of information reported and/or the likelihood of potential data entry errors? If so, what is the reason for such impact?

Trade errors are a fact of life and in general, the trades that take longer to report do reflect some issue with the trade; for example, an incorrect price or par amount. Reducing the trade reporting time to one minute will have a detrimental effect on trade reporting accuracy because market participants will be primarily focused on reporting within one minute.

10. Are there any necessary process(es) a dealer needs to complete before trading a bond for the first time that could impact the ability to report a trade within a reduced timeframe (e.g., querying an information service provider to obtain indicative data on the security)?

It is not clear that any specific dealer-related process(es) completed prior to a trade would facilitate compliance with a voice broker's reporting obligations within a reduced timeframe. To answer the subsequent questions, it can take more than the fifteen-minute reporting time and can result in a late trade report. Items a., b., and c., below, are performed by HTD's clearing firm.

- a. Please describe the process(es) and how often it is necessary to implement the process(es).
- b. Please estimate the time necessary to complete such process(es).
- c. Describe how, if at all, the process has changed in the last 10 years?

11. Rule G-14 currently provides exceptions for certain trades to be reported at end of day. Are these exceptions still necessary? If so, is end of day still the appropriate timeframe for reporting these transactions?

HTD rarely executes such trades.

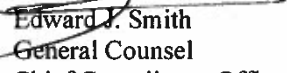
12. Would reducing the reporting timeframe to one minute require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (e.g., 3 minutes)? If so, please identify the types of trades that would require an exception and why such are believed necessary? For example, do trades executed on swap rather than on a cash basis require more time to report?

In general, HTD's position is that voice brokered trades do represent a unique workflow and as a result should have a separate reporting requirement to address this. As stated earlier, market participants have made every effort to minimize their trade reporting times, and in the vast majority of cases have reported trades within five minutes. This is the state-of-the-art and should be used as the best-case scenario when contemplating amendments to the Relevant Rules. The SROs need to consider the unique business model and function of voice brokers in the institutional

fixed income markets. Voice brokers are essential to liquidity in this marketplace which ultimately effects liquidity in the retail fixed income marketplace. The business model and function of voice brokers are vastly different than those of a dealer accommodating a customer and taking a position on a trade.

In summary, HTD is supportive of improving processes as they relate to our role in the institutional fixed income markets. It is essential that any rule changes that are made to achieve the stated objectives are made with complete information and consideration of how such changes will affect all market participants. Voice brokers in the institutional fixed income marketplace serve an essential role in facilitating market liquidity, but are often overlooked when considering such proposals. HTD respectfully requests that the SROs engage the voice brokers in meaningful dialogue regarding their concerns with the proposed amendments to the Relevant Rules.

Sincerely yours,



Edward J. Smith
General Counsel
Chief Compliance Officer
Hartfield, Titus & Donnelly, LLC

Juan I. Sosa Comment On Regulatory Notice 22-17

Juan I. Sosa

N/A

Transitioning to a 1 minute reporting time frame would make it more expensive for clients and make it harder for small firms like us to truly obtain best execution as we would be limited to only trading through our clearing firm. It's a horrible idea and needs to be eliminated.

Colliers Securities LLC Comment On Regulatory Notice 22-17

Thomas Steichen

N/A

October 3, 2022 Ronald W. Smith Jennifer Piorko Mitchell Corporate Secretary Office of the Corporate Secretary Municipal Securities Rulemaking Board FINRA 1300 I Street NW 1735 K Street NW Washington, DC 20005 Washington, DC 20006-1506 Dear Mr. Smith and Ms. Mitchell: I am the General Counsel of Colliers Securities LLC. I am writing you this letter relating to The Municipal Securities Rulemaking Board (the "MSRB") proposal Notice 20220007 "Request for Common on Transaction Reporting Obligations under MSRB Rule G-14" and the FINRA proposal Regulatory Notice 22-17 "FINRA Requests Comments on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities from 15 Minutes to One Minute." Colliers Securities strongly agrees with the letter dated October 3, 2022 that was sent to you by the Bond Dealers of America. Reducing the mandated reporting time frame from 15 minutes to one minute would be overly burdensome for dealers, especially smaller dealers such as ourselves, to comply with. We feel that it is unreasonable to impose a one-minute requirement on dealers that they cannot always meet for a variety of reasons. We believe such one-minute requirement would put undue pressure and added expenses on small firms and would be damaging and unnecessary to such small firms in that it would involve substantial costs relating to technology and a change in the business without any measurable benefits. Colliers Securities strongly opposes the proposals to require a one-minute requirement on trade reporting and we urge the MSRB and FINRA to abandon these initiatives. Let me know if you have any questions regarding this matter. I can be reached directly at (612) 376-4060. Thank you, Thomas Steichen General Counsel



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October 3, 2022

Via email:

pubcom@finra.org
Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

**RE: Regulatory Notice 22-17: Proposal to Shorten the Trade Reporting
Timeframe for Transactions in Certain Trace-Eligible Securities From 15
Minutes to One Minute**

Dear Ms. Mitchell:

The University of Pittsburgh Securities Arbitration Clinic (the “Clinic”) appreciates the opportunity to comment on the Financial Industry Regulatory Authority’s (“FINRA”) proposal to shorten the trade reporting timeframe for certain TRACE-Eligible securities relating to the proposed amendments to FINRA Rule 6730. The Clinic, a University of Pittsburgh curricular offering, provides legal representation to investors with limited resources, often advocating for people whose claims represent much of their life savings. The Clinic offers the following commentary on the proposed amendments to Rule 6730.

Our comment will begin by discussing the three rule changes proposed by FINRA, and then directly responding to FINRA’s specifically enumerated questions. The numbering within the Direct Response Comments to FINRA Specific Questions section, reflects the enumeration proposed within the Notice 22-17.

General Comments Related to the Three Proposed Changes

A. Proposed Change to Rule 6730(a)(1)(A) Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day no later than 15 minutes after the TRACE system opens. FINRA is preparing to amend the rule to no later than 1 minute after the TRACE system opens

We agree with this proposed change to the TRACE reporting rules as requiring reporters to have all their after-hours trading ready to report immediately at the beginning of TRACE business hours as is not significant hardship and serves the goals of the TRACE system by increasing the transparency of after-hours trading of fixed income securities.

B. Proposed Change to Rule 6730(a)(1)(B) Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported within 15 minutes of the Time of Execution. FINRA is proposing to amend the rule to transactions executed within 1 minute of the Time of Execution

While decreasing the reporting time for after-hours trades to one minute after the opening of the TRACE system seems likely to not cause any hardship for small investors, doing so for all trades during the main hours of TRACE reporting may cause hardship. Decreasing the reporting times so significantly may push small investors with limited access to additional staff or high-end FIX reporting systems may reduce the volume of trades the investor can accomplish each working day, decreasing their ability to maximize returns. In trade categories such as ABS, where the FINRA data shows many of such trades are not reported in under a minute, small investors without the capacity to devote resources to decreasing their reporting time may simply have to move out of those markets entirely. With the SEC's goal being to increase access to securities to all, this seems counterproductive.

FINRA's data in Regulatory Notice 22-17 suggests that at the 5-minute mark, all categories have reached an 80% reporting level. Therefore, we suggest that since 1 minute was chosen in light of roughly 80% all TRACE-Eligible securities being reported in under a minute, that the 80% mark be used as a guide for all categories of securities rather than total trades. To that end, if FINRA reduces the reporting window during TRACE business hours, FINRA should reduce the window to 5 minutes, or in the alternative taper the timeframe.

C. Proposed Change to Rule 6730(a)(1)(C) Transactions executed on a business day less than 15 minutes before 6:30:00 p.m. Eastern Time must be reported no later than 15 minutes after the TRACE system opens the next business day, FINRA is proposing to amend the rule to transactions executed less than 1 minute before 6:30:00 p.m. Eastern Time must be reported no later than 1 minute after the TRACE system opens the next business day

Reporting of trades completed in the closing window of business being reported within one minute of the opening of TRACE on the following business day is a good idea. Additionally, reducing the window of time at end of day from 15 minutes to 1 minute would better increase transparency of end of day trades without restricting the ability of investors to continue to make trades as the day comes to a close.

D. Proposed Change to Rule 6730(a)(1)(D) Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported the next business day (T + 1), FINRA is proposing to amend the rule to transactions executed no later than 15 minutes after the TRACE system opens. FINRA is proposing to amend the rule to transactions executed no later than 1 minute after the TRACE system Opens

Similar to our stance on proposed change (1), we agree with this proposed change to the TRACE reporting rules as requiring reporters to have all their weekend or holiday trading ready

to report immediately at the beginning of TRACE business hours is not significant hardship and serves the goals of the TRACE system by increasing the transparency of the trading of fixed income securities during weekends and holidays.

Direct Response Comments to FINRA's Specific Questions

7. Table 4 shows that only 14 percent of reports entered using the web interface were reported within one minute of trade execution. FINRA notes that reporting using the web interface is not concentrated in smaller and less active firms. Why do firms report using the web interface for certain trades? Are trades reported using the web interface different from other trades? If so, how are these trades different? How will firms currently reporting trades through the web interface change their reporting process to comply with a shortened reporting timeframe?

While Table 4 does not show a concentration for smaller or less active firms, a smaller firm using solely the web-interface in lieu of more expensive OMS (Order Management Systems) technology would be substantially disadvantaged and this would lead to near impossible compliance with the regulation. This non-compliance would disproportionately subject smaller investment firms to sanction and financial penalties.

10. How might the proposal affect the overall market for large trades and liquidity? For example, could faster reporting and dissemination alter incentives for dealers? Please be specific.

Large scale liquidation of assets or purchase of assets being recorded within a faster timeframe will protect smaller investment firms. Large firms have the capacity to shift the market in ways that smaller firms do not. Within 15 minutes, a fire sale of a particular asset may substantially impact the market and subject smaller firms with less liquidity to substantial hardship. Thus, the market for large trades may be affected such that smaller investment firms are now further protected from large market shifts and may accordingly adjust especially if working in conjunction with larger firms, through an inter-dealer trade.

11. How might the reduced reporting timeframe affect competition among reports of different activity levels in TRACE-Eligible Securities? Table 3 shows that very active reporters submitted trade reports faster than other reporters. Might members' compliance costs (e.g., costs in connection with upgrading systems) differ depending on firms' activity levels?

Table 3 shows that active TRACE reporters, report more quickly. This may be because larger companies with more capacity who rely on the TRACE-Eligible trades have already implemented operating system technologies that allow for automatic reporting. Therefore, non-active TRACE reporters, which may also be smaller investment firms, will be disadvantaged by costs associated with updating and maintaining an environment similar to a TRACE active reporter, that is a business structure that relies on TRACE reporting.

12. What technology, compliance or other costs would be associated with the proposed reporting timeframe reduction? Please be specific.

The one-minute timeframe *requires* automatic reporting. Table 4 shows that when firms do not use automatic reporting or OMS, that only 14% of trades would be in compliance with the new regulation. Automatic reporting requires the implementation of expensive operating systems that will pass through to investors.

The implementation of expensive technology is costly not only in hardware, software, and installation, but also in training personnel, and the requirement for specialized IT consulting. The pass-through cost is likely to be higher for investors who invest through smaller firms than investors who invest in larger investment firms. Larger firms have the benefit of internal IT, or contract IT. The risk of non-compliance thus will be greater for smaller investment firms, further snowballing the effect of the costs.

16. Should FINRA consider providing any exceptions, whether on a temporary or permanent basis, for particular types of firms, for example, those with limited trading volume in corporates, agencies, ABS and MBS TBA GD securities? If so, what threshold should FINRA consider for an exception and should it differ for the different types of securities that are subject to the proposal? Are there any additional exceptions that FINRA should consider? What impacts would permitting exceptions have on the overall benefits of the proposal?

Our clinic acknowledges several Comments from small firms submitted in response to the proposed amendments to Rule 6730 noting that they worry that the shortening of reporting time could potentially be too expensive to implement, putting small firms out of business. While transparency is an important goal to protect investors, there too must be a balance of this transparency with the opportunity for investors to have a competitive marketplace in which to invest. If smaller investment firms are put out of business because of this change, this lowers the choices small investors have when choosing an investment firm.

As an anecdotal note, our clinic provides legal representation to individuals with limited resources, some of whom have invested in large investment firms and some of whom have invested in small firms. Therefore, any affect the proposed amendments could have on small firms will also be passed off to some of the potential clients our clinic assists.

Our clinic would like to offer one potential solution to combat this potentially disproportionate harm on smaller firms which have not previously utilized automated reporting software and cannot afford to implement this technology. FINRA could create an exception to the one-minute reporting rule for investment firms that trade below a certain volume annually. This would ensure larger firms, which can more easily afford automated reporting software, will be required to report within one minute. However, this would reduce the potentially harmful effects the proposed amendments could have on smaller investment firms that may not be able to afford automated reporting software. In turn, this would prevent harm to small investors who invest through smaller firms by preventing either (1) the passing off of the costs to implement automated reporting onto those investors with limited resources and (2) the reduction of investment firm choices that those investors with limited resources have.

For the exception, our clinic would suggest the 15-minute timeframe remain in place generally. However, where manual reporting to TRACE is already significantly faster than the 15 minute requirement, FINRA should consider reducing the reporting time requirement to match that of manually reported securities. For example, as provided by FINRA in the Regulatory Notice, for corporate bonds, "Ninety-eight percent of trades smaller than \$100k par value and 88 percent of trades larger than \$25M par value were reported within five minutes." Therefore, for trades for corporate bonds smaller than \$100k par value, FINRA could easily implement a mandatory reporting time of 5 minutes or less without affecting smaller firms.

17. What implementation period would be appropriate to provide members with sufficient time to comply with the proposed changes to the reporting timeframe?

Because we agree that more accurate TRACE information provides protection for small-firms as larger-firms possess more capacity to swing markets with giant trades, implementing a taper on the time requirement would likely be beneficial both to FINRA's study of the market and how the trade requirements affect certain investors.

Additionally, a taper would protect small investment firms by allowing them to develop, implement and learn best practices for automatic reporting without the risk of non-compliance. Thus, implementation of the requirement could take place over the course of 3 years.

- A. Year 1: 10 minute requirement
- B. Year 2: 5 minute requirement
- C. Year 3: 1 minute requirement

The proposed solution mitigates many of the harms smaller firms may have that are associated with the 1-minute requirement yet achieves the goal of more valuable TRACE data.


Conclusion

Thank you for this opportunity to comment on the proposed amendments to Rule 6730, Transaction Reporting. It is important to our clinic at the University of Pittsburgh School of Law, as our clinic provides legal representation to investors with limited resources, often advocating for people whose claims represent much of their life savings. For the aforementioned reasons, we submit our approval of the proposed amendments with the above suggestions.

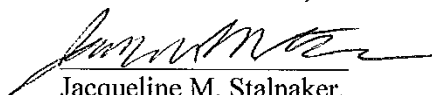
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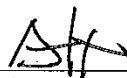
Alice L. Stewart, Esquire
Director, Securities Arbitration
Clinic, Professor of Law



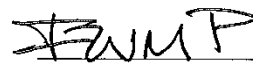
Rachael T. Shaw, Esquire
Adjunct Professor of Law



Jacqueline M. Stalnaker,
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Alexander L. Dickinson,
Certified Legal Intern
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Izumi D. Presberry,
Legal Intern
Securities Arbitration Clinic

By Email

October 3, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority ("FINRA")
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 22-17 FINRA Requests Comment on Shortening the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities from 15 Minutes to One Minute

Dear Ms. Mitchell,

BMO Capital Markets¹ ("BMO CM" or "We") welcomes the opportunity to provide comments to FINRA with respect to the above referenced proposal on Shortening the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities from 15 Minutes to One Minute (Regulatory Notice 22-17). The proposal would require members to submit a report to TRACE within one minute from the time of execution for transactions in corporate bonds, agency debt securities, asset-backed securities ("ABS"), and agency pass-through mortgage-backed securities traded to-be-announced for good delivery ("TBA GD").

As a participant in fixed income markets, BMO CM appreciates FINRA's continued efforts to increase efficiency and ensure that the fixed income market operates equitably. Further, we recognize the critical role that the TRACE reporting framework plays in capital markets. However, we do not believe that this proposal will benefit market participants and, instead, will result in adverse impacts to the fixed income market's liquidity, structure, and integrity. We are concerned that this proposal is in essence an electronic trading mandate and, as we detail below, a one minute reporting timeframe will be impossible to achieve for products for which the market mostly uses manual trading methods.²

¹ BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A. (member FDIC), Bank of Montreal Europe p.l.c, and Bank of Montreal (China) Co. Ltd, the institutional broker dealer business of BMO Capital Markets Corp. (Member FINRA and SIPC) and the agency broker dealer business of Clearpool Execution Services, LLC (Member FINRA and SIPC) in the U.S., and the institutional broker dealer businesses of BMO Nesbitt Burns Inc. (Member Investment Industry Regulatory Organization of Canada and Member Canadian Investor Protection Fund) in Canada and Asia, Bank of Montreal Europe p.l.c. (authorized and regulated by the Central Bank of Ireland) in Europe and BMO Capital Markets Limited (authorized and regulated by the Financial Conduct Authority) in the UK and Australia. "Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Inc., used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license. ® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere. ™ Trademark of Bank of Montreal in the United States and Canada. © 2020 BMO Financial Group.

² Throughout this comment letter we will refer to both "manual trading" and pure "electronic trading". By manual trading we are referring to instances where details of a trade are initially agreed to over email, chat or voice communication tools (or

We believe that dealers will need to fully adopt electronic trading for all in-scope products in order to be compliant. Consequently, these dealers will be unable to trade with clients who do not follow suit without risking non-compliance with the reporting deadlines and being subject to the resulting fines. A proper cost-benefit analysis of this proposal, therefore, cannot exclude the significant costs dealers and investors will be compelled to incur in adopting pure electronic trading, as well as the associated overhauling of related processes, should they wish to remain in these markets.

Below, we provide an overview of TRACE reporting requirements followed by a product-by-product analysis of how BMO CM currently trades each in-scope product, including challenges that we and the industry will confront in meeting the proposed one-minute reporting deadline.

TRACE Reporting Overview

Accurate and timely reporting of TRACE-eligible transactions for fixed income products outlined in the proposal involves several critical business functions including sales, trading desk, and back-office. The market practice is often manual (e.g., voice or chat), as opposed to purely electronic, requiring individuals to confirm and enter all the required TRACE data fields in order to correctly report the trade. At a minimum, dealers must verify multiple data elements, including counterparty information (e.g., a customer, MPID, or affiliate), capacity (e.g., principal, agent, or principal agent), commissions data, settlements data, and other trade modifiers, in order to correctly report TRACE requirements.

Dealers then enter this information into our trade capture system, after which both sales and the trading desk review it prior to submitting it into TRACE. In this context, correctly reporting relatively straightforward bi-lateral trades within a minute would be impossible and mandating this will only serve to increase corrections and fines. We, therefore, believe that it is critical that FINRA consider the unique trading nature of each product type as well as the associated challenges prior to FINRA recommending that the Securities and Exchange Commission adopt this proposal.

Impact of Proposal by Product Type

1. TBA GD Securities

BMO CM conducts most of its transactions in TBA GD securities employing market standard manual trading methods with over 60% of trades being conducted via voice or chat. Although there is some electronic trading of TBA GD securities, the complexity of products and diverse mix of market participants, including large and small firms, necessitates most trading to be executed manually. Further, while some dealers and clients deploy a mix of manual and pure electronic trading, some market participants, particularly smaller investors, are still entirely reliant on manual trading since they do not have the capital to adopt pure electronic solutions.

Meeting the one-minute timeframe as proposed for manually conducted trades in TBA GD is not a realistic standard. To better illustrate the difficulty this would impose on a dealer, we have outlined an example of a specified pool trade for which a CUSIP has not yet been issued. After a trade is agreed to, a new temporary CUSIP needs to be setup for the security in order to accurately record the terms of the trade. Once this is complete only then can the trade be booked and reported as either GD TBA or non-GD TBA,

similar) after which the details still need to be manually entered into a trading platform. Pure electronic trading refers to instances where further input of trade details is not required after a trade has been agreed to.

with the TRACE submission subsequently updated with the appropriate TBA CUSIP. Since these trades are conducted via voice/chat, there is no straight-through processing available and it will not be possible to execute the entire process, including setting-up the product, dual-entry booking, and updating the TBA CUSIP, within a one-minute timeframe.

In another common scenario, we have observed that our clients mostly rely on voice or chat to buy a specified pool on swap from BMO CM and then sell TBA to BMO CM as part of one single trade. In this situation, booking the TBA side of the trade would be impossible to execute within a minute.

Moreover, reporting TBA GD trades accurately within the currently permitted 15-minute timeframe, although achievable, has been a challenge for the market. Restricting the permissible time for reporting TBA GD trades further would require all market dealers to move to purely electronic trading to meet the new regulatory requirement and force them to cease trading with counterparties unable to migrate to electronic trading. This will result in market participants exiting the TBA GD market as the costs of participation become too high, which would have an adverse impact on market liquidity.

2. ABS

Currently, ABS sales and trading activity at BMO CM is conducted manually with the trade execution process involving two parties agreeing to a trade by either voice, chat, or email. The salesperson then enters the ticket which the trading desk affirms (or rejects), followed by the ticket being sent to the client to be matched, and then finally reported into TRACE. There is no pure electronic trading occurring in this process and we are unaware of any pure electronic trading solutions on offer for these products in the market.³ Therefore, and as described below, we do not believe that the proposed one-minute time limit for reporting ABS trades is plausible.

The primary reasons behind the lack of adoption of electronic trading in ABS include:

- i) *Complexity of ABS products*, including the highly diversified nature of underlying collateral pools, varied bond positioning based on risk profile in an inherently complex capital structure, as well as pricing dynamics which involve numerous model parameters (e.g., rates of defaults in collateral pools, nature of payments) that would be difficult to satisfactorily account for electronically.
- ii) *Complexity of the ABS trade execution lifecycle*, including the manual intervention of several active business functions such as the salesperson, trader, middle office, and the client, with very limited automation taking place or available during the process.
- iii) *Lesser trading frequency and visibility*, relative to other markets such as the Treasury market.

To reiterate, since all ABS trades are conducted manually, meeting the one-minute timeframe for reporting would not be possible, as we highlight in the following example. Once a portfolio of bonds is introduced into the market via a bids wanted in competition ("BWIC") process (a popular method for investors to sell assets), an ABS client closes its list, allocates the selling of bonds, and generates an email to the winners. This is followed by a ticketing process involving several functions including the

³ We are aware of limited electronic trading tools for ABS trades; however, their use is mostly limited to sorting and as a result play a minimal role in the current trading lifecycle for ABS products.

dealer's salesperson and trading desk, the seller's trader, analyst, portfolio manager, and possibly operations personnel on both sides. In the case of agency trades where a third market participant has bid bonds on the BWIC, the dealer involved must complete another round of ticketing. This results in a chain of several people, numbering anywhere from 10 or more, working manually to ensure that every iteration along the trade cycle is accurate, which is then followed by details being finally submitted into TRACE. Executing multiple trade transactions, which tend to be common in ABS, has been difficult within the current 15-minute timeframe and would be impossible to achieve within a minute.

Given these challenges, we fear that the shortened timeframe will increase reporting of inaccurate or incomplete information due to the heightened pressures on the business functions to operate within the timeframe. Rather than providing any material benefit to the ABS market, a one-minute timeframe will only serve to decrease liquidity as participants will inevitably choose to exit the market.

Furthermore, the proposal seems to assume that ABS market participants could meet the one-minute reporting timeline by incurring modest costs in establishing automated reporting systems. We, however, believe that compliance with the proposal would require a complete overhaul of the ABS market, including significant costs for market participants in developing and adopting electronic trading systems that, as highlighted earlier, do not currently exist in ABS trading. If pure electronic trading in the ABS market is something that the regulators would like to encourage, it is imperative that regulators work with market participants to first explore the feasibility of such a development. Only once such processes are developed and established in the ABS marketplace, will dealers be in a position to work with regulators to meet the requirements of a one-minute reporting deadline.

3. Corporate bonds

While pure electronic trading occurs in the corporate bond market, our experience is that the market still relies on manual methods, with over 60% of trading in corporates at BMO CM involving the manual execution of trades. Furthermore, our experience is that electronic trading is more common for trades in corporates that are \$5 million or less. Larger blocks are still overwhelmingly traded via voice or chat.

Requiring the reporting of manual trades within one minute would expose dealers to increased risks of fines for late reporting and inevitably result in more errors. If dealers are required to report trades in corporates within a minute, the increased compliance costs would inevitably push participants away from this market segment resulting in decreased liquidity.

Our concern is that this proposal is a solution without a problem. Market participants have not voiced concerns with the current reporting timeframes or the associated information availability. Nor do we think that these concerns would be different for retail or institutional investors. Dealers are already challenged in meeting the 15-minute timeframe and we are unaware of dealers deliberately delaying trade reporting to gain any advantage under the current reporting requirements.

We are further concerned that the only market participants that would benefit from this proposal are niche "fast money" entities that specialize in developing and employing algorithmic trading. The reduced reporting timeframe will likely result in the increase of unnecessary intermediation from these participants who would be incentivized to get in front of real investors. The result will be increased costs for these investors, both retail and institutional.

Conclusion

BMO CM is committed to the fair and efficient functioning of fixed income markets, including the timely reporting of trades. However, we believe that further reductions in trade reporting timeframes should directly translate to benefits for investors in the specific product being contemplated. Otherwise, regulators will risk compromising market liquidity, integrity and structure, without any corresponding benefits.

BMO CM urges FINRA to reconsider this proposal at this time and pursue an in-depth review of trading in fixed income markets, including revisiting the data outlined in the proposal and conducting a product-by-product analysis looking at the benefits and challenges of moving to a one-minute timeframe for each unique product type. We recommend that FINRA consult industry in this process and solicit diverse viewpoints, including from both institutional and retail investors, and consider alternative approaches to achieve policy outcomes with minimal market disruption. Not only will this approach help mitigate industry concerns, but it will also ensure that fixed income markets continue to function efficiently and equitably.

If you have any questions on our comment letter, please feel free to contact the undersigned.

Sincerely,

“Stephen Thom”

Stephen Thom
Managing Director,
Head of Global Credit Trading
BMO Capital Markets

“Eric Jacks”

Eric Jacks
Managing Director,
Head of Global Markets Origination
BMO Capital Markets

“Michael Forlenza”

Michael Forlenza
Chief Compliance Officer
US BMO Capital Markets
BMO Capital Markets

Eduardo Tovar Comment On Regulatory Notice 22-17

Eduardo Tovar

N/A

The 1 minute rule proposed would be very difficult for small broker dealers to keep, and would represent a major hurdle to our fixed income business. Most small broker dealers as is our case do not have a dedicate trading desk to handle this proposed new 1 minute rule, nor do they have the state of the art software that big firms may have access to. While compliance may be possible, this would likely dramatically increase errors and result in a worse execution outcome between counterparties. The emphasis on timing over quality and accuracy would harm the harmonious market this rule is intending to promote. This rule may be easy for large entities to comply with, but a healthy marketplace requires small players as well and this stacks the playing field against small firms. We have been in the fixed income business for decades, and strongly oppose this rule.



October 3, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street NW
Washington, DC 20006

Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Mr. Smith and Ms. Mitchell:

Crescent Securities Group, Inc. submits this letter in response to the proposals issued by the Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA) that would mandate corporate and municipal fixed income securities trades to be reported within one minute.

As a member of the American Securities Association's Affiliate Member Division, Crescent Securities Group, Inc. shares many of the concerns and arguments included in the comment letter dated September 30, 2022 from the American Securities Association.

As such, we support the ASA's conclusions outlined in their submission.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell Travis", is written over a large, faint, stylized crescent moon graphic that spans the lower left and center of the page.

Russell Travis

Senior Vice President

Crescent Securities Group, Inc.

October 3, 2022

Jennifer Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington DC 20006-1506

Dear Ms. Mitchell-

Seaport Global Securities, LLC is pleased to comment on Regulatory Notice 22-17 issued by FINRA on August 2, 2022, especially with regards to Investment Grade and High Yield corporate bonds.

We believe that the statistical approach taken in consideration of shortening the reporting time for eligible TRACE trades ignores the evolution of market structure, particularly regarding the impacts of electronic trading. The data used regarding time of reporting is skewed by the facts that almost 90% of TRACE tickets by count are less than or equal to \$1mm notional value and most of these sized tickets are executed electronically. FINRA's data in figure 2 of 22-17 reveals a 25% differential between smallest (<\$100k par value) and largest trades (>\$25mm par value) reported in less than 1 minute. We further believe that the non-electronic portion of the market transactions, most notably voice brokering, accounts for more of the ADV in IG and HY than what is executed electronically and requires more than 1 minute to confirm and process.

A limited set of CUSIPs accounts for the bulk of electronic traded transactions. Many of these trades are executed by algo pricing which requires a significant amount of price data which limits the domain of CUSIPs. The vast remainder of CUSIPs are less liquid and tend to trade in larger size by voice and/or Bloomberg IB. The human element of such trade execution, as well as the practical considerations of hedging and multiple CUSIPs involved in switches often requires time beyond a 1 minute horizon. We believe that consideration of the majority of ADV beyond electronic volumes and a more inclusive view of the CUSIPs traded justifies the current requirements as they stand.

If the trade reporting time limit was shortened to 1 minute, we believe that the error rate would grow substantially and possibly result in market disinformation increasing. The current ticketing work-flow would also require additional automation for bond price confirmation between sales & trading, likely at a significant cost, especially to firms like ours that trade by voice and in larger size than typical electronic trades.

In summary, we conclude that corporate bond trading beyond electronic means serves an essential role in providing market liquidity and by practical necessity

requires an execution reporting window beyond 1 minute. We respectfully ask FINRA to consider fully the impact of changing the requirements on such trading.

Sincerely,

Markus Witthaut
Head of Compliance
Seaport Global Securities LLC

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)

* * * * *

6730. Transaction Reporting

(a) When and How Transactions are Reported

Each member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member must report a transaction in a TRACE-Eligible Security as soon as practicable, but no later than within one minute[15 minutes] of the Time of Execution, except as otherwise specifically provided below. Transactions not reported within the specified timeframe will be designated as “late.” A member must transmit the report to TRACE during TRACE System Hours.

(1) No Change.

(A) Transactions Executed At or After 12:00:00 A.M.

Through 7:59:59 A.M. Eastern Time

Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported the same day as soon as practicable after the TRACE system opens, but no later than within 15 minutes after the TRACE system opens.

(B) Transactions Executed During TRACE System Hours

Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported as soon as practicable, but no later than within one minute[15 minutes] of the Time of Execution, except as provided in paragraph (a)(1)(C) of this Rule[below].

(C) Transactions Executed Less Than One Minute[15 Minutes] Before TRACE System Closes

Transactions executed on a business day less than one minute[15 minutes] before 6:30:00 p.m. Eastern Time must be reported as soon as practicable after the TRACE system opens the next business day (T+1), but no later than within 15 minutes after the TRACE system opens the next business day [(T + 1)], and if reported on T + 1, designated “as/of” and include the date of execution.

(D) Transactions Executed After TRACE System Hours or on Non-Business Days.

Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), but no later than within 15 minutes

after the TRACE system opens the next business day, designated “as/of” and include the date of execution.

(2) through (8) No Change.

(b) through (c) No Change.

(d) Procedures for Reporting Price, Capacity, Volume

(1) through (3) No Change.

(4) Modifiers and Indicators

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

(A) through (H) No Change.

(I) Manual Trade Indicator

If reporting a transaction that is manually executed or where such member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQS website or into a system that facilitates trade reporting to TRACE, select the appropriate indicator.

(e) No Change.

(f) Compliance With Reporting Obligations

A pattern or practice of late reporting without exceptional circumstances or reasonable justification may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010.

• • • **Supplementary Material:** -----

.01 through **.02** No Change.

.03 Trade Reporting Time Frame

(a) Each member with an obligation to report a transaction in a TRACE-Eligible Security “as soon as practicable” pursuant to [paragraph (a) of]this Rule must adopt policies and procedures reasonably designed to comply with this requirement by implementing systems that commence the trade reporting process at the Time of Execution without delay. Where a member has such reasonably designed policies, procedures and systems in place, the member generally will not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting that are due to extrinsic factors that are not reasonably predictable and where the member does not purposely intend to delay the reporting of the trade. In no event may a member purposely withhold trade reports, e.g., by programming its systems to delay reporting until the end of the reporting time period.

(b) No Change.

.04 through .07 No Change.

.08 Exception for Members with Limited Trading Activity. As described further in this Supplementary Material .08, members with “limited trading activity” are excepted from the one-minute reporting requirements of paragraphs (a)(1)(A) through (a)(1)(D) of this Rule.

(a) For purposes of this Supplementary Material .08, a member with “limited trading activity” is a member that, during one of the prior two calendar years, reported to TRACE fewer than 4,000 transactions in TRACE-Eligible Securities that are subject to paragraphs (a)(1)(A) through (a)(1)(D) of this Rule.

(b) A member relying on the exception in this Supplementary Material .08 shall confirm on an annual basis that it meets the criteria for a member with “limited trading activity” set forth in paragraph (a) of this Supplementary Material .08. If a member no longer meets these criteria, such member must comply with the one-minute reporting requirements of paragraphs (a)(1)(A) through (a)(1)(D) of this Rule beginning 90 days after the member no longer meets the criteria for the exception.

(c) Except as otherwise specifically provided in paragraph (a)(2) of this Rule with respect to List or Fixed Offering Price Transactions and Takedown Transactions, a member reporting a transaction in a TRACE-Eligible Security in reliance on the exception for members with limited trading activity in this Supplementary Material .08 must report the transaction as soon as practicable but no later than within 15 minutes of execution, as further provided in this paragraph:

(1) Transactions Executed At or After 12:00:00 A.M. Through 7:59:59 A.M. Eastern Time

Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported as soon as practicable the same day, but no later than within 15 minutes after the TRACE system opens.

(2) Transactions Executed During TRACE System Hours

Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported as soon as practicable, but no later than within 15 minutes of the Time of Execution, except as provided in paragraph (c)(3) of this Supplementary Material .08.

(3) Transactions Executed Less Than 15 Minutes Before TRACE

System Closes

Transactions executed on a business day less than 15 minutes before 6:30:00 p.m. Eastern Time must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), but no later than within 15 minutes after the TRACE system opens the next business day, and if reported on T + 1, designated “as/of” and include the date of execution.

(4) Transactions Executed After TRACE System Hours or on Non-

Business Days

Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), no later than within 15 minutes after the TRACE system opens the next business day, designated “as/of” and include the date of execution.

.09 Exception for Manual Trades

(a) As further described in this Supplementary Material .09, a member is excepted from the one-minute reporting requirement of paragraphs (a)(1)(A) through (a)(1)(D) of this Rule with respect to transactions that are manually executed or where such member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQS website or into a system that facilitates trade reporting to TRACE. A member must report such transactions as soon as practicable and

in no event may a member purposely delay the execution or reporting of a transaction by handling a trade manually or introducing manual steps following the Time of Execution.

(b) Except as otherwise specifically provided in paragraph (a)(2) of this Rule with respect to List or Fixed Offering Price Transactions and Takedown Transactions, a member relying on the exception for manual trades in this Supplementary Material .09 must report the transaction as soon as practicable but no later than within: 15 minutes of the Time of Execution (this 15-minute outer timeframe is available for up to one calendar year from the effectiveness of this Supplementary Material .09); within 10 minutes of the Time of Execution (this 10-minute outer timeframe is available for up to two calendar years from the effectiveness of this Supplementary Material .09); or within 5 minutes of the Time of Execution (this 5-minute outer timeframe is applicable two or more calendars years from the effectiveness of this Supplementary Material .09), as further provided in this paragraph.

(1) Transactions Executed At or After 12:00:00 A.M. Through 7:59:59 A.M. Eastern Time

Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported as soon as practicable the same day, but no later than within 15 minutes after the TRACE system opens.

(2) Transactions Executed During TRACE System Hours

Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported as soon as practicable, but no later than within 15, 10, or 5 minutes after the TRACE system opens (the 15-, 10-, or 5-minute outer timeframe is

available for up to one year, up to two years, or two or more years, respectively, from the effectiveness of this Supplementary Material .09), except as provided in paragraph (b)(3) of this Supplementary Material .09.

(3) Transactions Executed Less Than 5 Minutes Before TRACE

System Closes

Transactions executed on a business day less than 15, 10, or 5 minutes (the 15-, 10-, or 5-minute timeframe is available for up to one year, up to two years, or two or more years, respectively, from the effectiveness of this Supplementary Material .09) before 6:30:00 p.m. Eastern Time must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), but no later than within 15 minutes after the TRACE system opens the next business day, and if reported on T + 1, designated “as/of” and include the date of execution.

(4) Transactions Executed After TRACE System Hours or on Non-Business Days

Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), but no later than within 15 minutes after the TRACE system opens, designated “as/of” and include the date of execution.

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