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June 18, 2026

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Via email to rule-comments@sec.gov

Re: File No. SR-FINRA-2026-009 – Proposed Rule Change to Amend the FINRA Rule 6700 Series (Trade Reporting and Compliance Engine) (TRACE) to Expand the Scope of the Non-Member Affiliate—Principal Transaction Indicator to also Include Member Affiliates

Dear Ms. Countryman:

This letter is being submitted by the Financial Industry Regulatory Authority, Inc. ("FINRA") in response to comments received by the Securities and Exchange Commission ("SEC" or "Commission") regarding the above-referenced rule filing. The proposed rule change would amend the FINRA Rule 6700 Series (Trade Reporting and Compliance Engine) ("TRACE") to expand the scope of the non-member affiliate—principal transaction indicator to also include member affiliates.

The Commission published the proposed rule change for public comment in the Federal Register on May 6, 2026.[1] The Commission received four comment letters on the Proposal.[2] Commenters supported the proposal's objective of improving TRACE data quality by suppressing transaction reports that are not economically distinct, and provided feedback on the need for adequate transition time for system implementation,

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1 *See* Securities Exchange Act Release No. 105352 (May 1, 2026), 91 FR 24625 (May 6, 2026) (Notice of Filing of File No. SR-FINRA-2026-009) ("Proposal").

2 *See* Chris Killian, Securities Industry and Financial Markets Association ("SIFMA") (May 27, 2026); Howard Meyerson, Financial Information Forum ("FIF") (May 27, 2026); Joanna Mallers, PTG ("PTG") (May 27, 2026); and Scott Pintoff, MarketAxess Holdings Inc. ("MarketAxess") (May 27, 2026).

flexibility regarding good-faith errors, and requests for scenario-based clarifications in the FAQs. Below, FINRA responds to the material aspects of the comments received.[3]

Background

FINRA introduced the non-member affiliate—principal transaction indicator in 2015 to suppress from dissemination inter-affiliate transactions between a member and its non-member affiliate that do not provide distinct pricing information from separately disseminated transactions with unaffiliated counterparties. In connection with FINRA's engagement with members on various TRACE reporting issues, members have communicated that transactions between affiliated members present similar issues—specifically, that such transactions are not economically distinct and result in duplicative dissemination of information that does not add value from a transparency perspective. In light of these discussions, FINRA proposed to expand the non-member affiliate—principal transaction indicator to also apply to qualifying transactions between member affiliates where both members engage in same-day, same-price, principal transactions in the same security with another counterparty, and to re-designate the indicator as the Affiliate—Principal Transaction indicator to reflect its expanded scope.

Comments on Current Proposal

All four commenters supported FINRA's proposal to expand the Affiliate—Principal Transaction indicator to member affiliates.[4] Commenters agreed that the proposal would improve the quality and usefulness of TRACE data by suppressing transaction reports that do not provide meaningful pricing or volume information.[5] One commenter emphasized that the proposal's "reasonable belief" standard appropriately balances the need to apply the indicator with the operational realities of multi-affiliate trading operations, particularly where information barriers may limit visibility into

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[3] Commenters raised additional issues that were not directly related to the Proposal's expansion of the Affiliate—Principal Transaction indicator, including requests for guidance on other aspects of TRACE reporting (*e.g.*, scenarios that involve trading by non-member covered depository institutions and clarification on obligations relating to disseminated and non-disseminated trades). *See* FIF. FINRA is not responding to these comments here as they are not germane to the instant filing; however, FINRA is happy to engage with members on the need for clarifications in this and other areas and will consider further updates to the FAQs, as appropriate.

[4] *See* FIF, MarketAxess, PTG, SIFMA.

[5] *Id.*

affiliate trading activity.[6]

Several commenters addressed the implementation timeline for the expanded indicator.[7] These commenters generally recommended that FINRA provide an adequate implementation period (*e.g.*, 12 months), while also allowing the voluntary earlier adoption of the expanded indicator for firms that are operationally ready to do so.[8] Should the Commission approve the proposed rule change, FINRA intends to publish a *Regulatory Notice* establishing an implementation date of no less than 12 months from SEC approval to provide firms with sufficient time for systems and process changes. In addition, FINRA intends to make the Affiliate—Principal Transaction indicator available for voluntary use sooner (*e.g.*, within 30 to 60 days of SEC approval) for firms that opt to adopt it earlier.[9]

One commenter articulated a view that FINRA should not penalize good-faith errors with respect to unintentional mismatches and instead focus on pattern-and-practice issues and instances of intentionally misleading actions.[10] Consistent with FINRA's historical approach to trade reporting oversight, in evaluating compliance with the expansion of the Affiliate—Principal Transaction indicator, FINRA will work with members to swiftly identify and rectify potential issues. It is not uncommon, notwithstanding a member's earnest efforts, that implementation of a new or expanded reporting requirement may be accompanied by increased errors. FINRA works alongside firms to effectively achieve compliance, including through mechanisms such as the Rapid Remediation program, through which FINRA surveillance teams share observations across specific scenarios with member firms, enabling them to take prompt corrective action.[11]

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6 *See* SIFMA.

7 *See* FIF, PTG, SIFMA.

8 *See* FIF, PTG, SIFMA. Of these commenters, only one suggested a specific implementation period, recommending "at least 12 months" from the Proposal's finalization, in addition to allowing adoption by firms on an "as-ready basis." *See* SIFMA at 3.

9 FINRA will notify members of when the indicator is available for voluntary use.

10 *See* SIFMA.

11 *See* discussion of FINRA's Rapid Remediation Program by Feral Talib, Executive Vice President, Head of Surveillance, FINRA, Expanding Rapid Remediation—A FINRA Forward Initiative to Resolve More Issues Earlier, noting, "Rapid Remediation, promotes compliance and supports the integrity of audit trails and transparency information…Rapid Remediation is most impactful at the onset of

One commenter requested that FINRA incorporate additional guidance into FINRA's TRACE FAQ[12] illustrating the operation of the expanded Affiliate—Principal Transaction indicator.[13] FINRA agrees and intends to incorporate the scenarios provided in the Proposal into the TRACE FAQs to provide members with illustrative examples regarding the circumstances under which members append the indicator and where member affiliate transactions would be suppressed from dissemination.[14] In addition, FINRA will continue to engage with members to consider whether additional interpretive guidance would be appropriate.

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FINRA believes that the foregoing responds to the material issues raised by the commenters on the rule filing. If you have any questions, please contact me at (202) 728-8363.

Sincerely,

/s/ Racquel L. Russell

Racquel L. Russell
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new reporting requirements, a period when FINRA has observed higher rates of non-compliance as member firms adapt. Using Rapid Remediation in the early stages empowers firm compliance and resolves problems faster than addressing non-compliance through longer, formal investigations and enforcement actions." (May 11, 2026), available at https://www.finra.org/media-center/blog/expanding-rapid-remediation.

12 *See* FINRA's Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at https://www.finra.org/filing-reporting/trace/faq ("FAQ").

13 *See* FIF.

14 *See* Proposal, 91 FR 24625, 24626-24628.