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**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

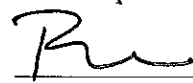
The proposed solution mitigates many of the harms smaller firms may have that are associated with the 1-minute requirement yet achieves the goal of more valuable TRACE data.

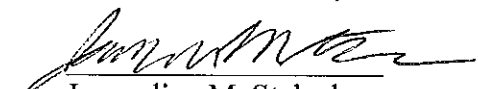
**Conclusion**


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.

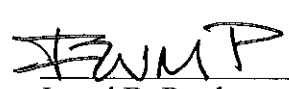
Respectfully Submitted,

  
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