

Regulatory Notice

10-14

Trade Reporting and Compliance Engine (TRACE)

SEC Approves Access to Historic TRACE Data and Related Fees

Effective Date: March 31, 2010

Executive Summary

Effective March 31, 2010, the public will have access to Historic TRACE Data, and fees for professional users of Historic TRACE Data will go into effect.¹

The text of the amendments is available in Attachment B at www.finra.org/notices/10-14.

Questions regarding this *Notice* should be directed to:

- Ola Persson, Director, Transparency Services, at (212) 858-4796; or
- Elliot R. Levine, Associate Vice President and Counsel, Transparency Services, at (202) 728-8405.

For inquiries regarding how to access Historic TRACE Data, please contact TRACE Data Services at (888) 507-3665.

Background & Discussion

Transaction-level information on publicly traded TRACE-Eligible Securities is available in real-time as the transactions are reported to TRACE (TRACE Market Data). However, transaction-level information is not available in TRACE Market Data, or otherwise publicly available, if such information is not disseminated as provided in Rule 6750(b).²

March 2010

Notice Type

- Rule Amendment

Suggested Routing

- Compliance
- Fixed Income
- Legal
- Operations
- Research
- Systems
- Trading

Key Topic(s)

- Fees
- Historic TRACE Data

Referenced Rules & Notices

- FINRA Rule 6750(b)
- FINRA Rule 7730
- Securities Act Rule 144A

Currently, for each transaction the data released as TRACE Market Data includes, among other fields:

- bond identifiers (FINRA symbol and CUSIP number);
- date/time - execution time for current day's transactions, execution date and time for as/of trades and reversals;
- price;
- yield;
- quantity, subject to certain volume limits or caps³;
- contra-party type (customer or dealer) & buy or sell side indicator (in TRACE Market Data, only the sell side of an inter-dealer report is subject to dissemination);
- various modifiers, indicators (*e.g.*, the trade was executed at a special price; the settlement does not follow market convention) and administrative messages.

The fees FINRA charges for TRACE data are set forth in Rule 7730. FINRA makes the real-time TRACE Market Data available to professional users for a fee, while Non-Professionals have access to transaction-level data at no charge at www.finra.org/marketdata and other publicly accessible Web sites.⁴

Historic TRACE Data

FINRA believes that it is important to provide access to historical transaction-level data, particularly for research purposes. Effective March 31, 2010, transaction-level data for transactions in all TRACE-Eligible Securities reported to TRACE since July 1, 2002, except Rule 144A transactions, will be made available as Historic TRACE Data. Historic TRACE Data will include transactions that, at the time of reporting, were not subject to dissemination, such as Non-Investment Grade corporate bond transactions. (As a group, such transactions were reported to TRACE as of July 1, 2002, but were only later subject to dissemination.) Also, Historic TRACE Data will include certain transaction-level information—such as actual trade volume (or size)—that currently is not publicly available for larger transactions.

The release of Historic TRACE Data is subject to the following protocols:

- transaction data must have aged at least 18 months before FINRA will include it in Historic TRACE Data. For example, when historic data becomes available on March 31, 2010, TRACE corporate bond transaction data from 2009 will not be available at that time, because the data was captured and created less than 18 months ago.
- Historic TRACE Data will not include the identity of any broker-dealer that is a party to a transaction.

The data elements and fields that FINRA will include in Historic TRACE Data for each transaction are set forth in Attachment A. Additional information regarding the fields is available in “Historic TRACE Data: Enhanced Historical Time and Sales – Trade Record File Layout” in the technical specifications at www.finra.org/trace/historicaldata.

FINRA may change the fields and data elements of Historic TRACE Data to respond to user needs, improve the usefulness of the data or foster the extensive use of such data in research on the bond markets. FINRA will notify firms and other data users of any changes to Historic TRACE Data in a *Regulatory Notice* (or an equivalent publication).

Fees

In Rule 7730(d)(1), FINRA incorporates fees for Historic TRACE Data that apply to financial services professionals, such as broker-dealers and data vendors, and to Non-Professionals. Corporate bond TRACE-Eligible Security transactions will be organized and sold as the Historic Corporate Bond Data Set. After transactions in Agency Debt Securities have been reported to TRACE for more than 18 months, FINRA will organize and sell the aged transactions in Agency Debt Securities as the Historic Agency Data Set.⁵ Fees are payable per data set. Under Rule 7730(d)(1)(B), fees for Historic TRACE Data are reduced for qualifying tax-exempt organizations.

FINRA also will respond to ad-hoc requests for Historic TRACE Data from Non-Professionals—that is, individuals who are not affiliated with or engaged in financial services as defined in Rule 7730(f)(1)(A) through (C) who intend to receive and use the information solely for their personal, non-commercial use. Under Rule 7730(d)(2), if FINRA charges Non-Professionals a fee, it will be limited to cover the administrative and operational costs of responding to such requests.

Historic TRACE Data will be available, and the amendments to Rule 7730 will become effective, on March 31, 2010.

Endnotes

- 1 See Securities Exchange Act Release No. 61012 (November 16, 2009), 74 FR 61189 (November 23, 2009) (Order Approving File No. SR-FINRA-2007-006).
- 2 Currently, under Rule 6750(b), transaction-level information is not disseminated for a transaction in a TRACE-Eligible Security that is: (1) effected pursuant to Securities Act Rule 144A (a Rule 144A transaction); and (2) a transfer of proprietary securities positions between a member and another member or non-member broker-dealer where the transfer (a) is effected in connection with a merger of one broker-dealer with the other broker-dealer or a direct or indirect acquisition of one broker-dealer by the other broker-dealer or the other broker-dealer's parent company, and (b) is not in furtherance of a trading or investment strategy.
- 3 Currently, under TRACE dissemination protocols, FINRA does not make publicly available in TRACE Market Data or otherwise the actual number of bonds traded in Investment Grade debt if the par value of a transaction exceeds \$5 million and in Non-Investment Grade debt if the par value of a transaction exceeds \$1 million. "Investment Grade" and "Non-Investment Grade" are defined for purposes of the Rule 6700 Series in Rule 6710(h) and Rule 6710(i), respectively.
- 4 The term "Non-Professional" is defined in Rule 7730(f)(1) as a natural person who uses TRACE transaction data solely for his personal, non-commercial use (and will not re-distribute such data), and is not engaged as a professional in the financial services industry (*i.e.*, is not licensed in any of the specific capacities in the financial services industry and is not otherwise engaged in financial services as specified in Rule 7730(f)(1)(A) through (C)).

The site www.finra.org/marketdata includes real-time TRACE data provided free of charge to Non-Professionals for personal, non-commercial use. The descriptive information includes, among other things, the bond symbol and issuer name; coupon, maturity and redemption features such as call or put options; and Moody's, S&P and/or Fitch credit ratings, if the security is rated.

Currently, FINRA also releases aggregated data regarding both disseminated and non-disseminated transactions, but in a manner that protects transaction-level non-disseminated data from being ascertained. See, *e.g.*, FINRA's TRACE Fact Book (www.finra.org/TRACE/FactBook) and market aggregate statistics (published daily at www.finra.org/marketdata).
- 5 "Agency Debt Security" is defined in Rule 6710(l).

ATTACHMENT A

HISTORIC TRACE DATA

Historic TRACE Data will include the following transaction-level information:

- bond identifier (FINRA symbol and CUSIP number);
- date/time: execution time for current day's transactions, and execution date and time for reports for as/of trades and reversals;
- price;
- yield;
- quantity (as reported and not subject to caps);
- indicators: when issued; commission; as/of; buy or sell; contra-party (dealer or customer); automatic give up (AGU); special price;
- buyer commission and seller commission;
- buyer capacity (principal or agency) and seller capacity (principal or agency);
- security type;
- dissemination flag; and
- other fields for trade status, days to settlement, additional modifiers or indicators regarding other conditions of sale or relating to reporting, and administrative messages, such as Message Sequence Number.

Additional information about the fields and data elements is available in "Historic TRACE Data: Enhanced Historical Time and Sales – Trade Record File Layout" in the Technical Specifications at www.finra.org/trace/historicaldata.