

# Trade Reporting Notice

## Reporting Asset-Backed Securities to the Trade Reporting and Compliance Engine (TRACE)

### Executive Summary

Although firms have up to two business days (T + 1) to report transactions in Asset-Backed Securities (ABS) under the TRACE transaction reporting rules that become effective on May 16, 2011, FINRA requests that firms report transactions in ABS as soon as practicable after the execution of a transaction and throughout the trading day.

### Discussion

FINRA's TRACE rules provide for the reporting of transactions in TRACE-Eligible Securities to TRACE. Effective May 16, 2011, ABS are TRACE-Eligible Securities, and firms must begin reporting transactions in ABS to TRACE.<sup>1</sup>

Initially, FINRA proposed that firms report transactions in ABS no later than the close of the TRACE System on the date of trade (T), with certain exceptions. In response to firm concerns about the difficulties of submitting transaction information on certain more complex ABS transactions, FINRA proposed and the SEC approved a Pilot Program to allow more time for reporting such ABS transactions to TRACE during the first six months of reporting, which gives firms more flexibility (an additional day) for timely reporting. Specifically, during the Pilot Program, FINRA Rule 6730 permits transactions in ABS executed on a business day to be reported no later than the next business day (T+1) during TRACE System Hours.<sup>2</sup> Upon expiration of the Pilot Program, most transactions in ABS must be reported the day of execution during TRACE System Hours to be timely reported.<sup>3</sup>

May 10, 2011

### Key Topic(s)

- ▶ Asset-Backed Securities
- ▶ Delayed Reporting
- ▶ Securitized Products
- ▶ TRACE-Eligible Securities
- ▶ Transaction Reporting

### Referenced Rules & Notices

- ▶ Regulatory Notice 11-20
- ▶ FINRA Rule 6730

FINRA's TRACE system is designed to accept transaction reports throughout the trading day. FINRA has become aware that certain firms may queue ABS transaction reports and report such transactions at or near the close of the permissible reporting time period (*i.e.*, on T + 1 during the Pilot Program and trade date after the expiration of the Pilot Program). If a number of firms adopt such ABS trade reporting practices, FINRA is concerned that system capacity issues may cause delays in processing ABS transaction reports, and, in some instances, may result in firms being unable to report timely. To prevent such system problems, FINRA requests that firms report trades in ABSs as soon as practicable and throughout the course of the trading day rather than queuing such reports until the end of the reporting time period. If firms do not voluntarily report in this manner, it may become necessary to amend FINRA Rule 6730(a)(3) specifically to require that firms report "as soon as practicable" in all cases.

## Endnotes

- 1 The SEC approved amendments to the TRACE rules that define ABS as TRACE-Eligible Securities, require firms to report transactions in ABS to the TRACE system and establish other requirements related to ABS, which FINRA proposed in three rule filings. *See* Securities Exchange Act Release No. 64364 (April 28, 2011), 76 FR 25385 (May 4, 2011) (SEC Order Approving SR-FINRA-2011-012); Securities Exchange Act Release No. 64041 (March 4, 2011), 76 FR 13248 (March 10, 2011) (SEC Order Approving File No. SR-FINRA-2011-004); and Securities Exchange Act Release No. 61566 (February 22, 2010), 75 FR 9262 (March 1, 2010) (SEC Order Approving SR-FINRA-2009-065). *See also* [\*Regulatory Notice 11-20\*](#) (May 2011). The amendments become effective May 16, 2011.
- 2 FINRA Rule 6730(a)(3) (A)(i), effective May 16, 2011.
- 3 Specifically, after the Pilot Program has expired, transactions in ABSs executed on a business day at or after 12:00:00 a.m. Eastern Time through 5:00:00 p.m. Eastern Time must be reported the same day during TRACE System Hours. *See* FINRA Rule 6730(a)(3)(A)(ii). However, if a transaction is executed after 5:00:00 p.m. Eastern Time on a business day or on a non-business day, the transaction is timely reported if reported the next business day. *See* FINRA Rule 6730(a)(3)(B).