Regulatory Notice

13-24

Trade Reporting and Compliance Engine (TRACE)

FINRA Announces Modifications Regarding Historic TRACE Data

Effective Date: July 22, 2013

Executive Summary

Effective July 22, 2013, FINRA will make available information on historic transactions in agency pass-through mortgage-backed securities (MBS) and Small Business Administration-backed asset-backed securities (SBA-Backed ABS) traded in specified pool transactions (collectively, Specified Pool Transactions) and SBA-Backed ABS traded to be announced (TBA).[1] The information that will be provided per transaction in Historic TRACE Data for ABS transactions is set forth in Attachment A to this *Notice*.[2]

Questions concerning this *Notice* should be directed to:

▶ Ola Persson, Vice President, Transparency Services, at (212) 858-4796;

▶ Colin Phillips, Associate Director, Transparency Services, at (212) 858-4336; or

▶ Kathryn Moore, Associate General Counsel, Office of General Counsel, at (202) 974-2974.

Background & Discussion

FINRA currently provides access to historic transaction-level data (Historic TRACE Data) pursuant to FINRA Rule 7730(d). FINRA makes Historic TRACE Data available for a class of securities at the time the class becomes subject to real-time dissemination under FINRA Rule 6750. The available Historic TRACE Data includes all transactions that have been reported to TRACE in the class, provided the transaction data is at least 18 months old.

Historic TRACE Data includes data from certain asset-backed securities transactions (Historic ABS Data Set). Currently, the Historic ABS Data Set includes transaction data for agency pass-through MBS traded in TBA transactions. Those transactions became eligible for inclusion in Historic TRACE Data on November 12, 2012, contemporaneously with the real-time dissemination of such transactions.[3] The Historic ABS Data Set will expand to include Specified Pool Transactions and SBA-Backed ABS TBA transactions effective July 22, 2013, when real-time dissemination of such transactions begins.[4]

Historic TRACE Data includes more information per transaction than FINRA disseminates in real-time TRACE market data.[5] The data elements and fields that FINRA currently includes in Historic TRACE Data for each transaction are set forth in Attachment A to *Regulatory Notice 10-14*.

Attachment A to this *Notice* sets forth the minor modifications to these data elements and fields for transactions in the Historic ABS Data Set due to the special characteristics of asset-backed securities.[6] Among other changes, FINRA will include fields for factor and pool number(s) and omit the field for yield. The pool number and the CUSIP will be included in the per transaction information for transactions in the Historic ABS Data Set, including for Specified Pool Transactions as such transactions are added to the Historic ABS Data Set. While confidentiality concerns prevent real-time dissemination of such data fields for Specified Pool Transactions, the 18-month aging requirement sufficiently reduces those concerns to allow access to those fields in the Historic ABS Data Set.

Endnotes

1. The terms agency pass-through mortgage-backed security, specified pool transaction, SBA-Backed ABS and to be announced (TBA) are defined in FINRA Rule 6710(v), FINRA Rule 6710(x), FINRA Rule 6710(bb), and FINRA Rule 6710(u), respectively.

2. The terms Historic TRACE Data and Historic ABS Data Set are defined in FINRA Rule 7730(f)(4) and FINRA Rule 7730(d), respectively.

3. TBA transactions in agency pass-through MBS, like all asset-backed securities, have been reported to TRACE since May 16, 2011. *See* Securities Exchange Act Release No. 66829 (April 18, 2012), 77 FR 24748 (April 25, 2012) (Order Granting Approval of Proposed Rule Change Relating to Post-Trade Transparency for Agency Pass-Through Mortgage-Backed Securities Traded TBA, File No. SR-FINRA-2012-020) and *Regulatory Notice 12-26*.

4. *See* Securities Exchange Act Release No. 68084 (October 23, 2012), 77 FR 65436 (October 26, 2012) (Order Granting Approval of Proposed Rule Change Relating to Post-Trade Transparency for Agency Pass-Through Mortgage-Backed Securities Traded in Specified Pool Transactions and SBA-Backed Asset-Backed Securities Transactions, File No. SR-FINRA- 2012-042) and *Regulatory Notice 12-56*.

5. For example, Historic TRACE Data includes actual trade volumes, rather than capped volume amounts, which are disseminated as part of real-time TRACE data. Historic TRACE Data, however, does not include MPID information.

6. *See* Attachment A. In *Regulatory Notice 10-14*, FINRA indicated that it would notify firms and other data users of any changes to the per transaction information it would provide in Historic TRACE Data.

Attachment A

Historic TRACE Data

As previously published in Attachment A of *Regulatory Notice 10-14*, Historic TRACE Data includes 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.

The Historic ABS Data Set will include the following additional data elements and fields:**

- ▶ factor; and
- ▶ pool number.

"Yield" will *not be* provided in the Historic ABS Data Set. (In addition, "yield direction" will not be provided as a field.)

* Additional information about the fields and data elements available in Historic TRACE Data for the Historic Corporate Bond and Historic Agency Data Sets is located at "Historic TRACE Data: Enhanced Historical Time and Sales – Trade Record File Layout (Corporate Bond and Agency Debt Securities)" in the *Technical Specifications*.

** Additional information about the fields and data elements available for the Historic ABS Data Set is located at "Historic TRACE Data: Enhanced Historical Time and Sales – ABS Trade Record File Layout" in the *Technical Specifications*.