

Regulatory Notice

13-35

Trade Reporting and Compliance Engine (TRACE)

SEC Approves Amendments to TRACE Rules and Dissemination Protocols to Disseminate Rule 144A Transactions in TRACE-Eligible Securities and Related Fees

Effective Date: June 30, 2014

Executive Summary

The SEC approved amendments to FINRA Rule 6750 and TRACE dissemination protocols that provide for the dissemination of transactions in TRACE-eligible securities that are effected pursuant to Securities Act Rule 144A (Rule 144A transactions). In addition, the SEC approved amendments to FINRA Rule 7730 to establish real-time and historic data sets for Rule 144A transactions.¹ In a related rule filing, FINRA amended Rule 7730 to establish the fees for Rule 144A real-time and historic data at the same rates currently in effect for similar data sets.²

The effective date is June 30, 2014.

The amended rule text is available at www.finra.org/notices/13-35.

Questions regarding this *Notice* may be directed to:

- ▶ Elliot Levine, Associate Vice President and Counsel, Transparency Services, at (202) 728-8405;
- ▶ Sharon Zackula, Associate Vice President and Associate General Counsel, Office of General Counsel (OGC), at (202) 728-8985; or
- ▶ Kathryn Moore, Associate General Counsel, OGC, at (202) 728-8200.

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Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Fixed Income
- ▶ Legal
- ▶ Operations
- ▶ Systems
- ▶ Trading
- ▶ Training

Key Topics

- ▶ Dissemination
- ▶ Rule 144A transactions
- ▶ TRACE-Eligible Securities
- ▶ TRACE Fees

Referenced Rules & Notices

- ▶ FINRA Rule 6750
- ▶ FINRA Rule 7730
- ▶ Securities Act Rule 144A



Financial Industry Regulatory Authority

Background and Discussion

FINRA amended Rule 6750 and the dissemination protocols to provide for the dissemination of Rule 144A transactions in TRACE-eligible securities, provided the asset type (*e.g.*, corporate bonds) is currently subject to dissemination under Rule 6750. In addition, FINRA amended Rule 7730 to establish real-time and historic data sets for Rule 144A transactions and related fees. FINRA also modified Rule 7730 to incorporate clarifying and technical amendments to various provisions. The more significant amendments to the FINRA rules are as follows:

- ▶ **Dissemination.** FINRA amended Rule 6750 to provide for the dissemination of Rule 144A transactions upon receipt of a transaction report. Under TRACE dissemination protocols, a Rule 144A transaction will be disseminated subject to the same dissemination cap that is currently in effect for a non-Rule 144A transaction involving the same type of security. Thus, for Rule 144A transactions in investment-grade corporate bonds, the dissemination cap is \$5 million, which is the same dissemination cap that applies to non-Rule 144A transactions in such securities. Similarly, for Rule 144A transactions in non-investment grade corporate bonds, the dissemination cap is \$1 million.³
- ▶ **Fees.** FINRA amended Rule 7730(c) and (d) to establish the Rule 144A Data Set for real-time TRACE data and the Historic Rule 144A Data Set and the fees for the data sets. The fees are set at the same rate currently in effect for the other real-time and historic data sets discussed in Rule 7730.⁴
- ▶ **Clarifying Amendments.** FINRA also incorporated a number of clarifying and technical amendments to Rule 7730, including modifications to Rule 7730(f)(4) to refine the definition of Historic TRACE Data; Rule 7730(a)(1)(B) to clarify the TRACE Web browser fees applicable to subscriptions involving more than two data sets; and Rule 7730(b)(1)(A) to clarify that the to be announced (TBA) transaction reporting fee of \$1.50 applies to TBA transactions in SBA-backed ABS as well as TBA transactions in agency pass-through mortgage-backed securities.⁵

Endnotes

1. See Securities Exchange Act Release No. 70345 (September 6, 2013), 78 FR 56251 (September 12, 2013) (SEC Order Granting Approval of Proposed Rule Change Relating to the Dissemination of Transactions in TRACE-Eligible Securities that are Effected Pursuant to Securities Act Rule 144A, File No. SR-FINRA-2013-029).
2. See Securities Exchange Act Release No. 70691 (October 16, 2013), 78 FR 62788 (October 22, 2013) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to TRACE Fees for Securities Act Rule 144A Transaction Data, File No. SR-FINRA-2013-043).
3. See SR-FINRA-2013-029. The terms Investment Grade and Non-Investment Grade are defined in FINRA Rule 6710(h) and FINRA Rule 6710(i), respectively.
4. See SR-FINRA-2013-029 and SR-FINRA-2013-043.
5. See SR-FINRA-2013-029 and SR-FINRA 2013-043. The terms agency pass-through mortgage-backed security, to be announced (TBA), and SBA-Backed ABS are defined in FINRA Rule 6710(v), FINRA Rule 6710(u), and FINRA Rule 6710(bb), respectively.