

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2016 - * 040

Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input checked="" type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 806(e)(1) *

Section 806(e)(2) *

Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend FINRA Rule 7730 to Establish a Fee for the Academic Corporate Bond TRACE Data Product

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Racquel Last Name * Russell

Title * Associate General Counsel

E-mail * racquel.russell@finra.org

Telephone * (202) 728-8363 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 10/25/2016

By Stephanie M. Dumont

(Name *)

Senior Vice President and Director of Capital Markets Policy

Stephanie Dumont,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549	
For complete Form 19b-4 instructions please refer to the EFFT website.	
<div>Form 19b-4 Information *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
<div>Exhibit 1 - Notice of Proposed Rule Change *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
<div>Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
<div>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
<div>Exhibit 3 - Form, Report, or Questionnaire</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
<div>Exhibit 4 - Marked Copies</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
<div>Exhibit 5 - Proposed Rule Text</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
<div>Partial Amendment</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend FINRA Rule 7730 to establish a fee for the new Academic Corporate Bond TRACE Data product.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on February 11, 2015, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. The effective date of the proposed rule change will be the date of effectiveness of the Academic Corporate Bond TRACE Data product.²

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

¹ 15 U.S.C. 78s(b)(1).

² See Order Approving File No. SR-FINRA-2016-024. FINRA will announce the effective date of the Academic Corporate Bond TRACE Data product in a Regulatory Notice to be published no later than 90 days following Commission approval. The effective date will be no later than 270 days following publication of that Regulatory Notice.

FINRA's TRACE data product offerings, set forth in Rule 7730 (Trade Reporting and Compliance Engine (TRACE)), include both real-time as well as historic data for most TRACE-eligible securities. The SEC recently approved a new TRACE data product composed of enhanced historic data available solely to academics (i.e., requests originating from an institution of higher education).³ The new TRACE data product — Academic Corporate Bond TRACE Data — will contain transaction-level data on historic transactions in corporate bonds and will include masked counterparty information.⁴ Specifically, “Academic Corporate Bond TRACE Data” means historic transaction-level data on all transactions in corporate bonds reported to TRACE (except a transaction that is a List or Fixed Offering Price Transaction, as defined in Rule 6710(q), or a Takedown Transaction, as defined in Rule 6710(r)), including Rule 144A transactions in corporate bonds, with elements to be determined from time to time by FINRA in its discretion and as stated in a Regulatory Notice or other equivalent publication.⁵

The Academic Corporate Bond TRACE Data will be delayed a minimum of 36 months and will not include Market Participant Identifiers (“MPIDs”), but will substitute a masked dealer identifier for each MPID included in the data.⁶ Applicants for Academic Corporate Bond TRACE Data will be required to execute appropriate agreements with FINRA.⁷

³ See Securities Exchange Act Release No. 78759 (September 2, 2016), 81 FR 62222 (September 8, 2016) (“Order Approving File No. SR-FINRA-2016-024”).

⁴ See Rule 7730(g)(5).

⁵ See supra note 4.

⁶ See supra note 4.

⁷ See Rule 7730(e).

FINRA is now proposing to amend FINRA Rule 7730 (Trade Reporting and Compliance Engine (TRACE)) to establish fees for the Academic Corporate Bond TRACE Data product. FINRA is proposing to establish a data fee of \$500 per calendar year (with a single set-up fee of \$500) for receipt of the Academic Corporate Bond TRACE Data product. FINRA believes that this fee is reasonable, and notes that the subscription fee for the Historic TRACE Data Sets is \$500 per year (per data set), with a single fee of \$1,000 for development and set-up to receive Historic TRACE Data for qualifying tax-exempt organizations.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The effective date of the proposed rule change will be the date of effectiveness of the Academic Corporate Bond TRACE Data product.⁸

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,⁹ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

Pursuant to the proposal, FINRA will establish fees to make available to institutions of higher education an enhanced historic TRACE data product that will include transaction-level data on corporate bonds on a 36-month delayed basis with masked MPIDs. Academic Corporate Bond TRACE Data will be made available only to

⁸ See supra note 2.

⁹ 15 U.S.C. 78o-3(b)(5).

institutions of higher education for a fee of \$500 per calendar year (with a single set-up fee of \$500). FINRA believes that the proposed fees are reasonable, and notes that the fees will be applied equally to all institutions of higher education that choose to subscribe to the data product. Thus, FINRA believes that the proposed rule change is consistent with the Act.

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposal to create a new Academic Corporate Bond TRACE Data product would not impose any additional reporting requirements or costs on firms and, as a result, would have no direct impact on firms. The proposal to establish fees in connection with the new Academic Corporate Bond TRACE Data product applies only to institutions of higher education that choose to subscribe to the data product, and the proposed fees will apply equally to all such subscribers.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FINRA solicited comment on a proposal to establish an enhanced historic data product with masked dealer identifiers in Regulatory Notice 15-26, including the proposal of a \$500 fee per data set and a one-time initial set-up fee of \$500. FINRA received four comment letters in response to the Regulatory Notice.¹⁰ A copy of the

¹⁰ See Letter from Michael Nicholas, Chief Executive Officer, Bond Dealers of America, to Marcia E. Asquith, Corporate Secretary, FINRA, dated August 24, 2015 ("BDA"), letter from Luis Palacios, Director of Research Services, The Wharton School, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 10, 2015 ("Wharton"), letter from David L. Cohen, Managing Director & Associate General Counsel, and Sean Davy, Managing Director, Securities Industry and Financial Markets Association, to Marcia E. Asquith, Corporate

Regulatory Notice is attached as Exhibit 2a. A list of comment letters received in response to the Regulatory Notice is attached as Exhibit 2b. Copies of the comment letters received in response to the Regulatory Notice are attached as Exhibit 2c. Of the four comment letters received, none of the commenters discussed the \$500 fee per data set or the single set-up fee of \$500.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act¹¹ and paragraph (f)(2) of Rule 19b-4 thereunder,¹² in that the proposed rule change is establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization.

FINRA is proposing to establish fees in connection with the new Academic Corporate Bond TRACE Data product. As noted above, proposed fees in connection with the new Academic Corporate Bond TRACE Data product apply only to institutions of higher education that choose to subscribe to the data product, and the proposed fees will apply equally to all such subscribers.

Secretary, FINRA, dated September 11, 2015 (“SIFMA”), and letter from Carrie Devorah, Founder, The Center for Copyrights Integrity, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 14, 2015 (“CCI”).

¹¹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹² 17 CFR 240.19b-4(f)(2).

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 2a. Regulatory Notice 15-26 (July 2015).

Exhibit 2b. A list of comment letters received in response to Regulatory Notice 15-26 (July 2015).

Exhibit 2c. Copies of the comment letters received in response to Regulatory Notice 15-26 (July 2015).

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-FINRA-2016-040)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rule 7730 to Establish a Fee for the Academic Corporate Bond TRACE Data Product

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 7730 to establish a fee for the Academic Corporate Bond TRACE Data product.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

FINRA's TRACE data product offerings, set forth in Rule 7730 (Trade Reporting and Compliance Engine (TRACE)), include both real-time as well as historic data for most TRACE-eligible securities. The SEC recently approved a new TRACE data product composed of enhanced historic data available solely to academics (*i.e.*, requests originating from an institution of higher education).⁵ The new TRACE data product — Academic Corporate Bond TRACE Data — will contain transaction-level data on historic transactions in corporate bonds and will include masked counterparty information.⁶ Specifically, "Academic Corporate Bond TRACE Data" means historic transaction-level data on all transactions in corporate bonds reported to TRACE (except a transaction that

⁵ See Securities Exchange Act Release No. 78759 (September 2, 2016), 81 FR 62222 (September 8, 2016) ("Order Approving File No. SR-FINRA-2016-024").

⁶ See Rule 7730(g)(5).

is a List or Fixed Offering Price Transaction, as defined in Rule 6710(q), or a Takedown Transaction, as defined in Rule 6710(r)), including Rule 144A transactions in corporate bonds, with elements to be determined from time to time by FINRA in its discretion and as stated in a Regulatory Notice or other equivalent publication.⁷

The Academic Corporate Bond TRACE Data will be delayed a minimum of 36 months and will not include Market Participant Identifiers (“MPIDs”), but will substitute a masked dealer identifier for each MPID included in the data.⁸ Applicants for Academic Corporate Bond TRACE Data will be required to execute appropriate agreements with FINRA.⁹

FINRA is now proposing to amend FINRA Rule 7730 (Trade Reporting and Compliance Engine (TRACE)) to establish fees for the Academic Corporate Bond TRACE Data product. FINRA is proposing to establish a data fee of \$500 per calendar year (with a single set-up fee of \$500) for receipt of the Academic Corporate Bond TRACE Data product. FINRA believes that this fee is reasonable, and notes that the subscription fee for the Historic TRACE Data Sets is \$500 per year (per data set), with a single fee of \$1,000 for development and set-up to receive Historic TRACE Data for qualifying tax-exempt organizations.

⁷ See supra note 6.

⁸ See supra note 6.

⁹ See Rule 7730(e).

FINRA has filed the proposed rule change for immediate effectiveness. The effective date of the proposed rule change will be the date of effectiveness of the Academic Corporate Bond TRACE Data product.¹⁰

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,¹¹ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

Pursuant to the proposal, FINRA will establish fees to make available to institutions of higher education an enhanced historic TRACE data product that will include transaction-level data on corporate bonds on a 36-month delayed basis with masked MPIDs. Academic Corporate Bond TRACE Data will be made available only to institutions of higher education for a fee of \$500 per calendar year (with a single set-up fee of \$500). FINRA believes that the proposed fees are reasonable, and notes that the fees will be applied equally to all institutions of higher education that choose to subscribe to the data product. Thus, FINRA believes that the proposed rule change is consistent with the Act.

¹⁰ See Order Approving File No. SR-FINRA-2016-024. FINRA will announce the effective date of the Academic Corporate Bond TRACE Data product in a Regulatory Notice to be published no later than 90 days following Commission approval. The effective date will be no later than 270 days following publication of that Regulatory Notice.

¹¹ 15 U.S.C. 78o-3(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposal to create a new Academic Corporate Bond TRACE Data product would not impose any additional reporting requirements or costs on firms and, as a result, would have no direct impact on firms. The proposal to establish fees in connection with the new Academic Corporate Bond TRACE Data product applies only to institutions of higher education that choose to subscribe to the data product, and the proposed fees will apply equally to all such subscribers.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FINRA solicited comment on a proposal to establish an enhanced historic data product with masked dealer identifiers in Regulatory Notice 15-26, including the proposal of a \$500 fee per data set and a one-time initial set-up fee of \$500. FINRA received four comment letters in response to the Regulatory Notice.¹² A copy of the Regulatory Notice is attached as Exhibit 2a. A list of comment letters received in response to the Regulatory Notice is attached as Exhibit 2b. Copies of the comment letters received in response to the Regulatory Notice are attached as Exhibit 2c. Of the

¹² See Letter from Michael Nicholas, Chief Executive Officer, Bond Dealers of America, to Marcia E. Asquith, Corporate Secretary, FINRA, dated August 24, 2015 ("BDA"), letter from Luis Palacios, Director of Research Services, The Wharton School, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 10, 2015 ("Wharton"), letter from David L. Cohen, Managing Director & Associate General Counsel, and Sean Davy, Managing Director, Securities Industry and Financial Markets Association, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 11, 2015 ("SIFMA"), and letter from Carrie Devorah, Founder, The Center for Copyrights Integrity, to Marcia E. Asquith, Corporate Secretary, FINRA, dated September 14, 2015 ("CCI").

four comment letters received, none of the commenters discussed the \$500 fee per data set or the single set-up fee of \$500.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and paragraph (f)(2) of Rule 19b-4 thereunder.¹⁴ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2016-040 on the subject line.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(2).

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2016-040. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2016-040 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Robert W. Errett
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).

Regulatory Notice

15-26

Trade Reporting and Compliance Engine (TRACE)

FINRA Requests Comment on a New Academic TRACE Data Product

Comment Period Expires: September 14, 2015

Executive Summary

FINRA is soliciting comment on a proposal to create a new Academic TRACE Data product that would be available to institutions of higher education. FINRA and the Municipal Securities Rulemaking Board (MSRB) have been engaged in ongoing dialogue to support a coordinated approach to potential rulemaking in this area. The MSRB also is publishing a notice soliciting comment on a similar proposal that would establish a historical data product of post-trade municipal securities transaction data collected through the MSRB's Real-time Reporting System (RTRS) for institutions of higher education.¹

The proposed rule text is attached as Appendix A. Selected key terms from the User Agreement for the proposed new Academic TRACE Data product is attached as Appendix B.

Questions regarding this *Notice* should be directed to:

- ▶ Ola Persson, Vice President, Transparency Services, at (212) 858-4796; or
- ▶ Racquel Russell, Associate General Counsel, Office of General Counsel, at (202) 728-8363.

Action Requested

FINRA encourages all interested parties to comment on the proposal. Comments must be received by September 14, 2015.

July 2015

Notice Type

- ▶ Request for Comment

Suggested Routing

- ▶ Fixed Income
- ▶ Research
- ▶ Trading

Key Topics

- ▶ Fees
- ▶ Historic TRACE Data
- ▶ TRACE Transaction Data

Referenced Rules and Notices

- ▶ FINRA Rule 7730
- ▶ Regulatory Notice 10-14
- ▶ Regulatory Notice 15-24
- ▶ Securities Act Rule 144A

Member firms and other interested parties can submit their comments using the following methods:

- ▶ Emailing comments to pubcom@finra.org; or
- ▶ Mailing comments in hard copy to:
 Marcia E. Asquith
 Office of the Corporate Secretary
 FINRA
 1735 K Street, NW
 Washington, DC 20006-1506

To help FINRA process and review comments more efficiently, persons should use only one method to comment on the proposal.²

Before becoming effective, the proposed rule change must be filed with the Securities and Exchange Commission (SEC) pursuant to Section 19(b) of the Securities and Exchange Act.³

Important Notes: The only comments that FINRA will consider are those submitted pursuant to the methods described above. All comments received in response to this *Notice* will be made available to the public on the FINRA website. In general, FINRA will post comments as they are received.

Background and Discussion

FINRA Rule 7730 sets forth the TRACE data products offered by FINRA. FINRA's data offerings include both real-time as well as aged historical data for most TRACE-eligible securities.⁴ FINRA is soliciting comment on proposed changes to create a new Academic TRACE Data product, which would be made available solely to institutions of higher education and would include masked dealer identities.

Academic TRACE Data

FINRA periodically receives requests from academics for enhanced historical TRACE data. FINRA's existing Historic TRACE Data product provides transaction-level data on an 18-month delayed basis for all transactions that have been reported to TRACE in the classes of TRACE-eligible securities that currently are disseminated.⁵ While Historic TRACE Data is used by academic researchers today, it does not include any identifying information regarding the dealer reporting each transaction. Thus, where a researcher wishes to track the behavior of an individual dealer—even anonymously—the existing Historic TRACE Data product would not allow for this type of observation. As a result, academics have requested that FINRA make available an enhanced version of Historic TRACE Data that would include dealer identification.

In response to these requests from academics, FINRA is proposing to create a new Academic TRACE Data product that would include masked market participant identifiers (MPIDs). As noted previously, masked MPID information may be useful to academics in a variety of ways—for example, to enable researchers to track activity by individual dealers or group of dealers and observe their behaviors in studying the impact of various events on measures such as intermediation costs, dealer participation and liquidity. Academic TRACE Data would be made available only to academics (*i.e.*, requests originating from an institution of higher education) for a fee of \$500 per data set per calendar year (with a one-time initial set-up fee of \$500), and would include the same security classes as included in Historic TRACE Data.⁶

While FINRA understands that masked dealer identifications may be very useful to academics in connection with their research activities, we also appreciate that firms may be concerned regarding the potential for reverse engineering of dealer identities (even though masked). To address this issue, in addition to masking dealer MPIDs, FINRA proposes to take further measures to allay such concerns, including to: (1) explicitly require subscribers to agree that they will not attempt to reverse engineer the identity of any market participant; (2) prohibit the redistribution of data in the Academic TRACE Data product; (3) require users to disclose each intended use of the data (including a description of each study being performed and the names of each individual who will have access to the data for the study); and (4) require that the data be returned or destroyed if the agreement is terminated. Select key terms intended to be included in the User Agreement to safeguard the data are attached in Appendix B. In addition, the transactions included in the Academic TRACE Data product will be aged no less than 24 months.

Economic Impact Analysis

Need for the Rule

As discussed above, FINRA has received requests from academics for access to historical TRACE data that provides sufficient information to allow them to track the behaviors of individual dealers, even on an anonymous basis.

Regulatory Objective

The proposed new Academic TRACE Data product with masked MPIDs is expected to enable academics to conduct research on a variety of topics related to dealer activities, which could enhance understanding of the fixed-income market and its participants.

Economic Impacts

The proposal will not have any direct operational impact on firms, as it does not require firms to provide FINRA with any additional data. The purchase of TRACE data products will continue to be optional.

The proposed Academic TRACE Data product with masked MPIDs may promote academic research on dealer behaviors; it also may raise concerns regarding the potential for reverse engineering of dealer identities. FINRA will explore this issue further using available data and information obtained through the comment process.

Request for Comment

FINRA requests comment on all aspects of the proposal. FINRA requests that commenters provide empirical data or other factual support for their comments wherever possible. FINRA specifically requests comment concerning the following issues.

- ▶ What public and investor protection benefits might arise from the addition of masked MPIDs to TRACE data available to academics?
- ▶ FINRA proposes that the Academic TRACE Data product be issued on a 24-month delayed basis. Is this delay an appropriate period of time to allay concerns regarding potential reverse engineering of dealer identities? If not, what other delay period would be appropriate to address these concerns, while still providing data that is timely enough to be useful for market research purposes?
- ▶ Would a shorter delay period, such as 12 months, be appropriate to enhance the timeliness of the data for research purposes while still minimizing the risk and potential impact of reverse engineering of dealer identities?
- ▶ Are there alternative ways that dealers may be identified in the Academic TRACE Data? Are there groupings of dealers based on dealer characteristics (*e.g.*, size of firm) that could be used to identify the type of dealer that executed each transaction? Are there behavioral groupings that may be used (*e.g.*, average daily trading volume across TRACE-eligible security asset classes)? How would this approach be preferable to a masked MPID approach in retaining the usefulness of the data to academics while presenting fewer concerns regarding reverse engineering of dealer identifiers?
- ▶ FINRA intends to limit the availability of Academic TRACE Data to academics currently associated with an institution of higher education in connection with their research activities. Is this an appropriate limitation? If not, please provide alternatives and explain how the alternatives would address concerns regarding reverse engineering of dealer identities. For example, should a data product containing masked MPIDs be made available more broadly to researchers, even if not part of an institution of higher education (*e.g.*, industry groups, non-profit organizations or research-oriented for-profit companies)? Would a broader subscriber base increase the likelihood that dealers or other market participants may obtain the data for competitive reasons?

- ▶ Are the key terms of the User Agreement in Appendix B sufficient in striking the appropriate balance between protecting member dealer transaction confidentiality interests and facilitating academic research? Should FINRA include any additional restrictions on the use of the data? Are any of the key terms in the User Agreement unduly restrictive such that they may potentially hinder research? Would academics be opposed to a requirement that a copy of all derivative works that rely on the Academic TRACE Data be provided to FINRA upon publication?
- ▶ How would dealers or other market participants be impacted if dealer identities were reverse engineered? Is there data or other evidence, including studies or research, that supports estimates of these impacts?

Endnotes

1. See MSRB Notice 2015–10 (July 16, 2015), on www.msrb.org.
2. FINRA will not edit personal identifying information, such as names or email addresses, from submissions. Persons should submit only information that they wish to make publicly available. See *Notice to Members 03-73* (November 2003) (Online Availability of Comments) for more information.
3. See SEA Section 19 and rules thereunder. After a proposed rule change is filed with the SEC, the proposed rule change generally is published for public comment in the Federal Register. Some proposed rule changes take effect immediately upon filing with the SEC. See SEA Section 19(b)(3) and SEA Rule 19b-4.
4. FINRA adopted the Historic TRACE Data rule and related fees in 2010. See Securities Exchange Act Release No. 61012 (November 16, 2009), 74 FR 61189 (November 23, 2009) (Order Approving File No. SR-FINRA-2007-006). See also [Regulatory Notice 10-14](#) (March 2010).
5. FINRA recently published a *Regulatory Notice* seeking comment on a proposal to shorten the delay period for the Historic TRACE Data product from 18 months to six months. See [Regulatory Notice 15-24](#) (June 2015). That proposal would not impact the proposed 24-month delay for the Academic TRACE Data product.
6. Historic TRACE Data is transaction-level data and includes the following data sets: the Historic Corporate Bond Data Set, the Historic Agency Data Set, the Historic Securitized Product Data Set, and the Historic Rule 144A Data Set. Historic TRACE Data originally included only the Corporate Bond and Agency Data Sets; the Securitized Product and Rule 144A Data Sets were added to Historic TRACE Data later as information about transactions in those securities became subject to dissemination. Additional securities may be included in the data sets as they become subject to dissemination.

APPENDIX A

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS, AND FACILITY CHARGES

* * * * *

7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES

* * * * *

7730. Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine ("TRACE"):

(a) through (e) No Change.

System Fees	Transaction Reporting Fees	Data Fees
* * * * *	* * * * *	* * * * *
		<u>Academic TRACE Data: Set-Up Fee — a single fee of \$500 for development and set-up to receive Academic TRACE Data.</u>
		<u>Academic TRACE Data: Fee — \$500/calendar year per Data Set for receipt of Academic TRACE Data. Redistribution of data is not permitted.</u>

(f) Definitions

(1) through (4) No Change.

(5) “Academic TRACE Data” as used in Rule 7730 means historic transaction-level data with elements to be determined from time to time by FINRA in its discretion and as stated in a Regulatory Notice or other equivalent publication. Academic TRACE Data will be delayed a minimum of 24 months and will not include MPIDs, but will substitute an identifier for each MPID included in the Data Set. Academic TRACE Data is available only to institutions of higher education. Academic TRACE Data includes the following Data Sets:

(A) Academic Corporate Bond Data Set — includes all transactions in corporate bonds reported to TRACE, except Rule 144A transactions in corporate bonds;

(B) Academic Agency Data Set — includes all transactions in Agency Debt Securities as defined in Rule 6710(l) reported to TRACE;

(C) Academic SP Data Set — includes all transactions in Securitized Products as defined in Rule 6710(m) reported to TRACE, if transactions in the type of Securitized Products are subject to real-time dissemination under Rule 6750, but excludes historic Rule 144A transactions in Securitized Products; and

(D) Academic Rule 144A Data Set — includes all Rule 144A transactions reported to TRACE, except transactions involving a type of TRACE-Eligible Security that is not subject to real-time dissemination under Rule 6750.

(g) No Change.

* * * * *

APPENDIX B

Selected key terms of proposed data agreement. Some of these terms may be modified in the final version of the agreement.

Authorized Use

- ▶ Except as otherwise provided in the agreement, Licensee is granted a world-wide, non-transferable, non-exclusive, non-assignable, limited right and license to use the Academic Data Set in accordance with the agreement and its attachments, and to create and publish derivative works.
- ▶ Authorized use is limited to accessing, receiving, using, processing, manipulating and storing the Academic Data Set and creating and publishing derivative works in accordance with the agreement and attachments. Licensee is prohibited from disseminating the Academic Data Set or any Data contained therein to third parties.
- ▶ Licensee must submit to FINRA a new attachment to the agreement for each new intended use of the Academic Data Set by Licensee. Any use of the Data, by a Licensee or its Internal Users, unless expressly described in an Attachment B received by FINRA, is prohibited.
- ▶ Internal Users of Licensee listed on a separate attachment to the agreement are authorized to use the specifically identified Academic Data Set in accordance with the terms and conditions of the agreement and its attachments. Licensee warrants that those individuals listed in the attachment fall within the definition of Internal Users set out in the agreement.
- ▶ Licensee remains liable to FINRA for any breach of the agreement resulting from the action/inaction of Licensee's Internal Users or any other individual or entity that accesses the Academic Data Set via Licensee or to whom Licensee provides any derivative works.
- ▶ If Licensee learns of any Unauthorized Use of the Data, it shall immediately provide FINRA with written notice of the Unauthorized Use, and shall assist FINRA in investigating, halting and prosecuting, if necessary, any such Unauthorized Use. If FINRA so elects, Licensee shall assign and shall ensure that its, agents assign, all right, title and interest in and to any suit, including its subject matter, of or concerning the Data or which otherwise arises out of or is related to the agreement, to FINRA.
- ▶ FINRA reserves the right to monitor and review the activities of Licensee to ensure that no Unauthorized Use of the Data occurs. Licensee agrees to cooperate with FINRA, and use reasonable efforts to obtain the cooperation of its Internal Users with FINRA, at Licensee's cost, in any such review. In the event that FINRA identifies any Unauthorized Use, Licensee shall, upon notice from FINRA, immediately cease all such use and confirm to FINRA that such use has been terminated. At such time when the Unauthorized Use, in the sole, reasonable judgment of FINRA, has been cured, FINRA

may grant Licensee permission to resume using Academic Data Set and disseminating the Derivative Data. This remedy is in addition to and not in place of any other remedy FINRA may have as a matter of law or equity.

Restrictions and Redistribution

- ▶ As the Data includes masked identification of the FINRA Member executing the trade, Licensee will not attempt to reverse engineer or take any other measures, nor will it assist any other person or entity, in taking any measures, to discover the true identity of any FINRA Member at any time.
- ▶ Licensee shall not redistribute the Academic Data Set or any Data comprising the Academic Data Set to any other individual or entity with the exception of the Internal Users listed in the attachment to the agreement and shall use commercially reasonable measures to cause Licensee's Service to be configured and operated in such a manner as to protect the Data. Such measures may include, but not be limited to, the use of user IDs and passwords and other forms of entitlements to gain access to the Data. Additionally, Licensee shall administer reasonable security procedures in the place(s) where Licensee's Service and the Data are used, accessed, processed, stored or transmitted in order to ensure that the Academic Data Set remains, at all times, secure from unauthorized access or interference and to prevent the Academic Data Set from being accessed or taken from or in any way communicated, divulged or published except through authorized channels of transmission or reception.
- ▶ If Licensee is a Public University, terms to protect the Data from FOIA laws of Licensee's state shall be applicable.

Publication of Derivative Works

All Data results included in any draft or final version provided to or made available in any way whatsoever, to any third party, shall be sufficiently aggregated to ensure that no third party can identify any specific FINRA Member, or reverse engineer any specific transaction. Licensee shall inform all of its Internal Users and Authorized Users to act accordingly and shall take reasonable measures to ensure their compliance. **Any disclosure of the identity of any FINRA Member, whether willful or accidental, is considered a material breach of the agreement and will result in immediate Termination of the agreement for Cause.**

Termination

Immediately upon conclusion or termination of the agreement for any reason, Licensee shall, without additional cost to or demand from FINRA, return to FINRA in an orderly and expeditious manner or destroy all information, records, documentation, data, and other property supplied to Licensee by and for FINRA, and shall certify in writing that it has done so.

Exhibit 2b

Alphabetical List of Written Comments

1. Sean Davy, Securities Industry and Financial Industry Markets Association (September 11, 2015) (“SIFMA”)
2. Carrie Devorah, The Center for Copyrights Integrity (September 14, 2015) (“CCI”)
3. Michael Nicholas, Bond Dealers of America (August 24, 2015) (“BDA”)
4. Luis Palacios, The Wharton School (September 10, 2015) (“Wharton”)



September 11, 2015

Marcia E. Asquith
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Alexandria, VA 22314

Re: **FINRA Regulatory Notice 15-26,
FINRA Requests Comment on a New Academic
TRACE Data Product**

**MSRB Regulatory Notice 2015-10,
Request for Comment on Establishment of an
Academic Historical Trade Data Product**

Dear Ms. Asquith and Mr. Smith:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the Financial Industry Regulatory Authority’s (“FINRA’s”) Regulatory Notice 15-26 and the Municipal Securities Rulemaking Board’s (“MSRB”) Regulatory Notice 2015-10 (together the “Proposals”). In response to requests from certain parties, the MSRB and FINRA are proposing to create new Real-time Transaction Reporting System (“RTRS”) and Trade Reporting and Compliance Engine (“TRACE”) Academic Data Products that would include anonymized dealer identifiers. The RTRS and TRACE Academic Data Products would be made available only to institutions of higher education and would include the same transactions included in the current historical transaction data sets. The MSRB and FINRA propose to take measures to allay concerns regarding the potential for reverse engineering of anonymized dealer identifiers to determine dealer identities by: (1) explicitly requiring subscribers to agree that they will not attempt to reverse engineer the identity of any dealer; (2) prohibiting the redistribution of the data in the RTRS Academic Data Product and TRACE Academic Data Product; (3) requiring users

¹ SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

to disclose each intended use of the data (including a description of each study being performed and the names of each individual who will have access to the data for the study); and (4) requiring that the data be returned or destroyed if the agreement is terminated. The transactions included in the RTRS and TRACE Academic Data Products will be aged no less than 24 months.

SIFMA continues to support the MSRB's and FINRA's efforts to improve market transparency to investors and promote regulatory efficiency. To this end, we suggest certain modifications to the Proposals.

I. Access to data by Regulators

SIFMA believes it is important to note in the context of the Proposals that regulators have real time access to RTRS data and TRACE Data, including dealer identifiers, for market surveillance and enforcement purposes. We agree with the MSRB and FINRA that not all information or transactions reported to RTRS and TRACE are necessary to serve the transparency objective of the system and therefore do not qualify for public dissemination. Among other things, information that provides the identity of each dealer that executed a transaction reported to RTRS and TRACE is not publicly disseminated.

II. Anonymizing Dealer Identities and Reverse Engineering

SIFMA is concerned that the Proposals to use anonymized dealer identifiers to make available the RTRS data and TRACE data do not effectively protect dealers' identities. Given the unique trading structure of certain firms, (i.e., some firms will always demonstrate back-to-back trades followed by a trade with a customer), it likely will not be difficult to reverse engineer to determine certain dealer identities. A preferable approach would be to make available the RTRS data and TRACE data through groupings of comparable dealers. SIFMA suggests that the MSRB and FINRA adopt the peer group criteria used in MSRB and FINRA report cards to aggregate dealers into reportable groups. This would allow academics to track trading patterns and pricing in the secondary market, while alleviating concerns over reverse engineering. We are particularly concerned about making primary markets (P1) data available in the Academic Historical Data Product, as seems to be envisioned, given the ready ability to reverse engineer dealer identities from public information. If the MSRB and FINRA insist on making the data available on a dealer-by-dealer basis, we would propose excluding primary (P1) trades from the data set and a periodic scrambling of the dealer identity number in order to minimize the risk of reverse engineering.

The potential impact of reverse engineering could be significant. Dealer trading strategies may be deciphered through reverse engineering of MPIDs and reviewing trading patterns and practices. If dealer trading strategies are publicly known they may significantly impact a dealer's ability to provide the market with liquidity. Additionally, reverse engineering of dealer MPIDs may also lead to the potential reverse engineering of specific client transactions. The disclosure of any client specific information may reveal

confidential business information and the confidentiality of such information isn't necessarily removed by the passage of time.

III. Scope of Internal Users and Authorized Use

The proposal contains no standard around who at the academic institutions may access the RTRS data and TRACE data. SIFMA suggests that the MSRB and FINRA amend the Proposals to include parameters around who may be considered an "Internal User" or "Recipient/Licensee". SIFMA also suggests that the MSRB and FINRA further limit "Authorized Use" to serve the purpose of research and to exclude any commercial purposes. Including such limitations will better ensure that the data is accessible by the appropriate network of users and for the purposes envisioned by the Proposals. These measures will also decrease the likelihood of data misuse and reverse engineering of dealer identities.

IV. Likelihood of Data Breaches

Recent headlines² have been filled with reports of various types of data breaches³ on systems likely far more secure than any system an academic researcher would use to store or transmit the data. Despite the well-intentioned safeguards and restrictions proposed by the MSRB and FINRA, SIFMA believes that data breaches are inevitable. This can have a negative impact on market liquidity (i.e. revealing dealer trading and distribution strategies).

III. Aging of Data

SIFMA believes that if the MSRB and FINRA move forward with the Proposals, the risks to data breaches and reverse engineering can be mitigated sufficiently by an aging period of no less than four years. We believe this timeframe appropriately balances the concerns raised above with researchers' desire to have access to the data with anonymized dealer identifiers.

IV. Users of Data

SIFMA believes the Proposals limitation on providing the RTRS and TRACE Academic Data Products to "academics currently associated with an institution of higher education in connection with their research activities" may be too limiting and unnecessarily restrictive. If the MSRB and FINRA adequately address the data security and reverse engineering concerns outlined above by using peer group criteria and aging the data for no less than four years, SIFMA believes there is value in providing the RTRS and TRACE Academic Data Product to a wider, yet controlled, group of users in connection

² See breach list compiled by the Identity Theft Resource Center ("ITRC"). This list is a compilation of data breaches confirmed by various media sources and/or notification lists from state governmental agencies <http://www.idtheftcenter.org/ITRC-Surveys-Studies/2015databreaches.html>.

³ Data breaches occur due to a variety of reasons including accidental; employee error, negligence, or improper disposal; hacking, skimming, or phishing; insider theft; physical theft; or subcontractor/third party theft.

with their research activities and would support an expanded user group accordingly. There are many organizations engaged in research activities not associated with an institution of higher learning.⁴ Any not-for-profit that has a separately identifiable Research Department and regularly publishes research reports should have access to the RTRS and TRACE Academic Data Products on the same terms as academics currently associated with an institution of higher education in connection with their research activities. However, SIFMA would not support expansion of the user group under the construct of the current Proposals.

V. Conclusion

SIFMA sincerely appreciates this opportunity to comment upon the Proposals. SIFMA believes that by implementing the above modifications, the Proposals will provide investors with additional informative market information.

If you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,



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⁴ For example “think tanks” such as The Brookings Institution (<http://www.brookings.edu/research#trade/topics/>), Cato Institute (<http://www.cato.org/research>), Pew Research Center (<http://www.pewresearch.org/>), Urban Institution’s Housing Finance Policy Center (<http://www.urban.org/policy-centers/housing-finance-policy-center>). Additionally, certain trade associations (both finance and non finance-related) regularly publish research reports. Examples include, Aerospace Industries Association (http://www.aia-aerospace.org/research_reports/), American Public Transportation Association (<http://www.apta.com/resources/reportsandpublications/Pages/default.aspx>), American Bankers Association (<http://www.aba.com/Tools/Research/Pages/default.aspx>), American Council of Life Insurers (<https://www.acli.com/Tools/Pages/Publications%20Guest.aspx>), Investment Company Institute (<https://www.ici.org/research>), International Swaps and Derivatives Association, Inc. (<https://www2.isda.org/functional-areas/research/>), and SIFMA (<http://www.sifma.org/research/>).

cc:

Municipal Securities Rulemaking Board

Lynnette Kelly, Executive Director

Michael Post, General Counsel, Regulatory Affairs

Financial Industry Regulatory Authority

Robert Colby, Chief Legal Officer

Steve Joachim, Executive Vice President, Transparency Services

Marcia E Asquith

Office of the Corporate Secretary

FINRA

1735 K Street NW

Washington DC 20006-1506

FINRA Regulatory Notice15-24

FINRA Regulatory Notice15-26

The lack of comments to the request is stunningly shocking. This new academic product is at risk to the dealers but also to the investor.

Any data accessed online or transmitted online has no privacy. The use of T.O.R., the Onion Router and ICANN/IANA remind us there is no privacy.

Google, the Internet Archive and others copy and save all data. Ashley Madison, Google and Facebook are three prime examples that deleted is not gone. Deleted is gone until someone restores it, more often not the content creator. Julian Assange, Bradley Manning, Jonathan Pollard and Snowden are four examples of data being accessed by parties with mal-intent.

"Investor Ed" is not using investors and brokers for studies but "investor ed" is publishing required data on brokerage reps clarifying otherwise not doing so on IA v BD matters is at a cost.

All proposals and content must be compliant with the President Clinton's Memorandum On Plain Writing

[1] that was followed in 2010 with President Obama's Act On Plain Writing.

[2] Need disclosure of the academics along with disclosure of what the academics are being paid. Need disclosure of who is accessing the data. Need a pre-disclosure of the proposed study topics in advance of the program implementation. Need to know that dead accounts, accounts a client no longer uses, are not going to be used in S.R.O. studies.

A lot of data is already missing that before F.I.N.R.A. steps in to getting permission to collect data must be addressed. Moreso, there is an ingenueness in that programs already used by the industry are stalking clients accounts and emails and pushing product.

F.I.N.R.A. states it is about investor protection. In no particular order, for investor protection:

State in large block letters that FINRA has no oversight of investment clients and investment advisors and that any decision reached in a FINRA DRS can be litigated in a Court of Law

State in large block letters that all settlement agreements signed within the FINRA DRS forum are non binding in that Congress has given no oversight to FINRA of investment clients and investment advisors

Provide client a copy of all account papers once an investment has been accepted as a client by the firm/financial consultant.

Make it mandatory that an investor, at will, can and must be provided a cover-to-cover copy of the investment clients files and all correspondences, profiles etc.

All type fonts/picas including but not limited to disclaimers must be in a print large enough for old people and people with visual disabilities to read with or without glasses

Provide a list of all civil actions by and against the FINRA DRS arbitrators/mediators, members

Provide a list of all complaints in FINRA by and against the FINRA DRS arbitrators/mediators, members

Provide a list of all settlement agreements by and against the FINRA DRS arbitrators/mediators, members

Make each and every FINRA employee and/or DRS participant in a FINRA DRS process aware they are not protected in that FINRA is not a government agency, and that any FINRA Case Manager, Mediator/Arbitrator will be liable for criminal charges of obstruction of justice and or accessory to crimes if they block witnesses, expert witness and production of discovery requested from the FINRA business league member by the investment client complainant.

All lawyers representing clients in an financial SRO forum must provide their Bar number and the Bar number of each and every attorney participating in the DRS forum, in lead attorney or as support staff inclusive of emails, letters, texts, pleadings, faxes, voicemails, and other communications, electronic of otherwise.

Advise investment clients, investment advisors, brokers and dealers that ALL lawyers arguing in a FINRA forum must be licensed in compliance to the local Bar association, that any lawyer arguing in a FINRA forum without being licensed in the local forum cannot collect fees for representing a client.

Advise investment clients, investment advisors, brokers and dealers that ALL lawyers arguing in a FINRA forum without being licensed in compliance with local and state law is to be reported to that lawyers foreign state Bar Association without repercussion to the complainant. Any steps taken directly or indirectly against the complainant to the Bar, will result in criminal charges to that attorney and/or the person through which communications were transmitted, 2nd or 3rd party or otherwise.

A lawyer who threatens a complainant to the attorneys Bar Ethics committee will suffer criminal charges.

All out-of-state lawyers representing clients must either seek and be granted permission to argue in that forum prior to beginning to represent their client in the proceeding or, in the alternative, find a local attorney to turn represent the client. The attorney can seek pro-hac vice. There can be no grey area,

representing a client's interests, even by correspondence, in a state where the attorney is not licensed is practicing law without a license in that state. The attorney practicing law in a foreign state without the proper licensing or submitting Pro Hac Vice is doing so knowing they are accepting the punishing terms their home state has determined in to that state's bar association.

Advise investment clients, investment advisors, brokers and dealers that ALL lawyers arguing in a FINRA forum must be licensed in compliance to the local Bar association.

FINRA is not a neutral forum. FINRA is a 501 (c)(6), a business league that collects dues from its business league members, the persons/entities that investment clients brought complaints against. Groups like P.I.A.B.A., N.A.S.A.A. themselves are business leagues that, like FINRA are using investment clients misfortunes for the benefit of the group's membership.

All SRO's as legislated by Congress to be able to exist, not just the singular SRO FINRA that the SEC has allowed to act as the only SRO, must publish publicly on their website the names and identities and resumes of all the participating Arbitrators/mediators along with all the arbitrators/mediators decisions, parties, providing a voting record similar to what one would find in the court records as do J.A.M.S., Fed. Arm., WIPO, World Intellectual Property Organization records.

In that F.I.N.R.A. is a business league accepting dues from its members, F.I.N.R.A. is not neutral, is unable since not being a neutral forum to conduct Arbitrations between investment clients, investment advisors and F.I.N.R.A. members. In that F.I.N.R.A. has been conducting arbitrations under false impression that approved by Congress, all arbitrations since 2007 involving investment clients, investment advisors, must be annulled along the investment client the opportunity to take their claim to the proper forum the courts that F.I.N.R.A. blocked, obstructing justice. A F.I.N.R.A. claim that a client made that decision was allowed to be conducted in a F.I.N.R.A. forum is an obstruction of justice, that will not be barred being revisited by any claim of Statue Of Limitations having passed.

Any decision within F.I.N.R.A. that was appealed in the Courts will be given the same consideration of being reviewed and annulled if the matter was presented to the Court as having been arbitrated compliant to the F.A.A., Federal Arbitration Act.

F.I.N.R.A. members are licensed on a state by state license basis which subjects F.I.N.R.A. members to state law, the U.C.C., Universal Commercial Code, not Federal law as F.I.N.R.A. claims its arbitrations are bound by. The F.A.A. is for Maritime issues. The way this is going F.I.N.R.A. is a sinking ship. Maybe maritime law should apply.

FINRA must make sure that each BD/Brokerage provide U4's that are completed with fingerprints and are signed rather than as exist currently, many are unsigned without fingerprints attached. Fingerprints and signatures are required by law enforcement that are mandatory in determining frauds of forgery and theft.

F.I.N.R.A. has two codes of procedure, one code of procedure for its members and one code of procedure for investors. F.I.N.R.A. should not have a code of procedure for investors. Congress' laws the S.E.C. is supposed to effect are for disputes between brokers and brokerages.

Provide list of all regulators decisions against firm by any agency- FTC, CFTC, IRS, etc

F.I.N.R.A. does not define 3rd parties, not stating, if, for example, the United Nations, Swift, the Egemont Group or others are going to be users of the data. A public university is just that a public university no different than the university that the Hathi Trust attached itself to for claim of non profit status accessing data, books, from which the Hathi Trust makes money, no different than Stanford University from which the evolving technologies already taking people's analytics have been developing new product up to and including Alphabet Holdings, a black hole concept that F.I.N.R.A. does not require its dues paying members to declare what is gone on inside the Holdings name. Simply, there is no trail, no accountability for the harmed party.

The proposed periods of time have no bearing in that in a climate of fraud that F.I.N.R.A. has been perpetrating on the investment Main Street is still a climate of fraud. 12 months or 24 months makes no difference. The clients identity is proprietary.

In that the Academic Trace Data provides that elements are to be determined from time to time by FINRA in its discretion, this is a train wreck determined to happen, derailed in F.I.N.R.A.'s favor not for the benefit or gain of the Investment client F.I.N.R.A. uses to achieve its non profit status.

The Academic Trace Data is a thinly disguised existing concept in the tech industry and markets. A horse of a different color will always just be a horse of a different color as is F.I.N.R.A. still is the NASD running the old end game, at a cost to Main Street.

[1] www.plainlanguage.gov/whatisPL/govmandates/memo.cfm

[2] www.plainlanguage.gov/plLaw/index.cfm

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Sincerely

Carrie Devorah

562 688 2883

Founder

THE CENTER FOR COPYRIGHTS INTEGRITY

www.centerforcopyrightintegrity.com[centerforcopyrightintegrity.com]

Where ARTS, IP, ID, IT and ENFORCEMENT Come Together In One Voice Against Online Theft Of Content and Commerce

<https://www.youtube.com/watch?v=I93F73UYmsw&feature=youtu.be>[youtube.com]

CCIA : Profiler : trained MPI : LACBA-DRS : CA-BSIS

Actively built the 1st discrete site crime analysis lab on a campus in North America

Licenser <http://ybtlv.com/?p=306>[ybtlv.com]

Retired White House News Photographers Association Alumnus Covering Capitol Hill and the White House for Almost a Decade

DISCLAIMER :

With the continuing crossing and interfacing of platforms both on & off line both with & without our knowledge nor approval to note nothing sent over the Internet anymore is ever private nor should be presumed to be so. If it is that much of a secret, say nothing. If you must? Take a lesson from our military- hand write the note, chew then swallow



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www.bdamerica.org

August 24, 2015

VIA ELECTRONIC MAIL

Marcia E. Asquith
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506

**RE: FINRA Regulatory Notice 15-24: FINRA Requests Comment on the
Reduction of the Delay Period for Historic TRACE Data**

**FINRA Regulatory Notice 15-26: FINRA Requests Comment on a New
Academic TRACE Data Product**

Dear Ms. Asquith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to the Financial Industry Regulatory Authority’s (“FINRA”) Regulatory Notice 15-24, requesting comment on a proposal to reduce the delay period for historic TRACE data sets and Regulatory Notice 15-26, requesting comment on a new academic TRACE data product. BDA is the only Washington, DC based group representing the interests of middle-market securities dealers and banks focused on the United States fixed income markets and we welcome this opportunity to present our comments on these Notices.

BDA supports initiatives to increase market transparency and investor education that do not create additional business risks for dealers. Therefore, BDA writes to support the proposal described by Regulatory Notice 15-24, to reduce the delay period for historic data sets from 18 months to six months. The data set will not identify dealers by attaching masked market participant identifiers (MPIDs). BDA believes that the risk of reverse engineering a specific dealer identity, trading strategy, or inventory is low.

However, BDA does not support the proposal described in Regulatory Notice 15-26, to create a new academic data product. That proposal does not adequately balance the risks associated with information leakage and the potential for reverse engineering a dealer identity with the benefits of academic research.

BDA does not support the proposed academic data set, which would expose dealers to new business risks

BDA appreciates the value of rigorous academic study of the fixed-income markets. However, BDA believes the proposed new academic data set would expose dealers to unnecessary business risks. The benefits of creating an academic data set, which would include masked dealer-specific identifiers, on a 24-month delay basis, are not outweighed by the business risks to dealers associated with reverse engineering of dealer identities, dealer trading strategies, and dealer inventories.

BDA believes that the data sets currently available include a sufficient level of detail to support rigorous study. The inclusion of a dealer-specific identifier in a data set would open dealers to myriad risks related to their trading strategies and business models. It is for this reason that FINRA has so far chosen to exclude a dealer identifier in its publicly disseminated information and data sets. BDA sees no compelling reason to halt that practice and urges FINRA to continue to protect dealer identities and trading strategies.

The fact that the proposal does not describe the intent to create a process to change the masked dealer identifiers, for each dealer, on a regular basis is problematic. Without changing the masked identifier, it will become much easier to identify a specific dealer based on its trading data over a longer period of time. A superior method would be to group dealers into multiple groups based on size, which would allow FINRA to reduce the risk of dealer identification.

BDA does not believe the risks to dealers associated with the academic data set proposal can be meaningfully reduced by the use of the proposed contract

Furthermore, the value of the contractual agreement which outlines the restrictions that will apply to the authorized academic data set purchasers do not adequately protect dealers. The academic studies will be detailed descriptions and analyses of the dealer-specific transactions based on the academic data set. The agreement to not attempt to reverse engineer a dealer's identity will not extend to a reader of any study. There may be specific contexts in which it may be easy for the reader of a study to identify a dealer based on an especially large percentage of trading volume in a security that the dealer has recently underwritten or due to other trading patterns in specific securities described in a study. Furthermore, nothing in the contract requires the academic institution to have a minimum required level of data security protections in place. Therefore, the valuable dealer-specific data would not be adequately protected from theft. In short, the contract does little to prevent the results it is designed to achieve—the protection of dealer identities.

In conclusion, BDA does not believe there is a compelling reason to put dealer identities at risk. While BDA supports transparency and investor education, including supporting the shortened delay period in Regulatory Notice 15-24, it cannot support the

academic data set proposed in Regulatory Notice 15-26, which puts dealer businesses at risk.

Thank you again for the opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Nicholas", with a stylized flourish at the end.

Michael Nicholas
Chief Executive Officer

Hi All,

These are WRDS' Comment on the Reduction of the Delay Period for Historic TRACE Data:

1. FINRA proposes to reduce the delay period for Historic TRACE Data from 18 months to six months. Historic TRACE Data does not include masked MPID information. In light of this fact, is a six-month delay sufficient to address concerns regarding the current trading, positions or strategies of particular market participants? Please provide information to support your analysis. Are there other possible harms associated with reducing the delay period from 18 months to six (in addition to potential information leakage regarding current trading, positions or strategies)? Would the six-month delay be more detrimental for certain types of TRACE-eligible securities compared to others. Should FINRA consider setting different delay periods for different types of TRACE-eligible securities?

Comment:

During to recent developments in the fixed income market, with the introduction of new derivative instruments (such as ETFs, ETNs, Trusts, and other vehicles) and new players (stat arbitrageurs, smaller hedge funds, robo-advisors, etc), the challenges in the fixed income market, and particularly the corporate bond market have been intensifying and becoming more complex. From the point of view of academic community, which WRDS represents, more timely dissemination of Enhanced Historic TRACE database is expected to be useful. It will favor academic research on current issues which boost policymakers' understanding of potential dislocations in the corporate market for bonds and for other derivate fixed-income securities. So, they may respond more promptly by devising more effective rules and/or regulations. It would facilitate more research in the areas pertaining to the impact of TRACE on the corporate bond market and, specifically, the potential reduction in trade execution costs and pricing transparency resulting from the sooner availability of transactions data for market participants.

For example, Cici et al (2011) analyzed the pattern of pricing dispersion in six-month event windows immediately before and after the TRACE dissemination event dates and found evidence consistent with the view that the transparency-enhancing TRACE system contributed to increasing pricing precision, including a spillover effect for non-disseminated bonds. Less delayed releases of the data can also produce more timely answers to questions surrounding potentially recent mispricing of various fixed-income securities held not only by bond mutual funds, but also by bond ETFs (recent SEC inquiry into whether PIMCO improperly priced odd lots of certain non-agency mortgage-backed securities purchased by its Total Return Active BOND ETF is a good illustrative example).

More timely and time-relevant access to the TRACE transactions would speed up the process of identifying and analyzing potential episodes of discontinuous market pricing and developing mechanisms to minimize the risks associated with them. Identifying and analyzing these events are usually done by the academic community using financial databases.

2. What public and investor protection benefits might arise from the addition of masked MPIDs to TRACE data available to academics? FINRA proposes that the Academic TRACE Data product be issued on a 24-month delayed basis. Is this delay an appropriate period of time to allay concerns regarding potential reverse engineering of dealer identities? If not, what other delay period would be appropriate to address these concerns, while still providing data that is timely enough to be useful for market research purposes? Would a shorter delay period, such as 12 months, be appropriate to enhance the timeliness of the data for research purposes while still minimizing the risk and potential impact of reverse engineering of dealer identities?

Comment:

Academic community's primary interest in having broker IDs is not related to the desire to determine the identities/names of underlying brokers, but most importantly to assess the role of brokers in bond market liquidity and price discovery process. Major data vendors provide data for academic research with masked IDs for brokers. It has been available for many years in WRDS without compromising identify of the parties. Thomson-Reuters IBES analyst forecast and recommendations database is a good example as it has been providing masked IDs for both brokerage houses as well as individual analysts since the early 80's. Another example is Ancerno (Abel-Noser) high-frequency database of institutional trades which academic researchers have used mainly for the reason that it contains a masked institution ID (e.g., Arif, Rephael and Lee, 2015; Choi and Sias, 2012).

So far WRDS is unaware of cases when availability of masked IDs led to successful reverse engineering and public disclosure of broker identities by academic researchers. Broker ID is very important in studies that try to control for fixed effects associated with specific brokers. For example, in "The Market for borrowing corporate bonds" by Asquith, Au, and Pathak (2013), authors use brokerid as a control variable in estimating the borrowing cost of corporate bonds, which allows for much cleaner identification and analysis of borrowing cost of corporate bonds after controlling for broker-related fixed effects. Other researchers used masked broker IDs to study the structure of the dealer network and how it is related to bid-ask spreads in the market for Registered and Rule 144a securitizations. Furthermore, validity of many econometric tests also depends on the researcher's ability to cluster the test statistics

not just by individual bonds, but also by brokers, as it results in more informative and accurate inferences and not related in any way to attempts to reverse engineer the identity of the brokers.

Additional important challenge using TRACE data, is the absence of a historical identifier database that properly maps TRACE securities to their historical secondary identifier (issue name, issuer, cusip, ticker, etc) as well as the characteristics of such issues in the time series (coupon rate, frequency, terms, maturity date, ratings, etc.). The absence of such info jeopardizes any attempt to process and analyze TRACE data. One solution is to provide historical snapshots to the MASTER ID table that FINRA provides online.

Luis Palacios, PhD
Director of Research Services, WRDS
The Wharton School
Saint Leonard's Court #300
3819 Chestnut St
Philadelphia, PA 19104

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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**7000. CLEARING, TRANSACTION AND ORDER DATA REQUIREMENTS,
AND FACILITY CHARGES**

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**7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD
AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES**

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7730. Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine (“TRACE”):

System Fees	Transaction Reporting Fees	Data Fees
* * * * *	* * * * *	* * * * *
		<u>Academic Corporate Bond</u> <u>TRACE Data: Set-Up Fee — a</u> <u>single fee of \$500 for</u> <u>development and set-up to</u> <u>receive Academic Corporate</u> <u>Bond TRACE Data.</u>
		<u>Academic Corporate Bond</u> <u>TRACE Data: Fee —</u> <u>\$500/calendar year for receipt</u>

		<u>of Academic Corporate Bond</u> <u>TRACE Data. Redistribution</u> <u>of data is not permitted.</u>
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(a) through (h) No Change.

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