

## Trade Reporting and Compliance Engine (TRACE)

### SEC Approves Amendments to Disseminate Additional Asset-Backed Securities Transactions and to Reduce the Reporting Time for Such Transactions

Effective Date: April 27, 2015

#### Executive Summary

The SEC approved amendments to the Trade Reporting and Compliance Engine (TRACE) rules and dissemination protocols to provide for dissemination of transactions in an additional group of asset-backed securities<sup>1</sup> and to reduce the time frame for reporting such transactions, other than Fixed or List Price and Takedown Transactions.<sup>2</sup> Transactions in asset-backed securities effected pursuant to Securities Act Rule 144A (Rule 144A transactions) also will be disseminated. The amendments will become effective on April 27, 2015.

The amended rule text is available at [www.finra.org/notices/14-34](http://www.finra.org/notices/14-34).

Questions regarding this *Notice* should be directed to:

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- ▶ Racquel Russell, Associate General Counsel, Office of General Counsel, at (202) 728-8363.

#### Background & Discussion

The SEC approved amendments to the Rule 6700 Series, Rule 7730 and the TRACE dissemination protocols to disseminate additional transactions in asset-backed securities (*e.g.*, asset-backed securities collateralized by pools of credit card receivables, student loans, auto loans), while excepting specific types of these transactions from dissemination and changing the time periods for reporting.

#### August 2014

##### Notice Type

- ▶ Rule Amendment

##### Suggested Routing

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

##### Key Topics

- ▶ Asset-Backed Securities
- ▶ Dissemination
- ▶ List or Fixed Offering Price
- ▶ Rule 144A Transactions
- ▶ Securitized Products
- ▶ Takedown Transactions
- ▶ Transaction Reporting

##### Referenced Rules

- ▶ FINRA Rule 6710
- ▶ FINRA Rule 6730
- ▶ FINRA Rule 6750
- ▶ FINRA Rule 7730
- ▶ Securities Act Rule 144A

## Definitions and Dissemination

The amendments to Rule 6710(m) add new defined terms and revise existing terms to identify the class of securities that will now also be subject to dissemination. Specifically, the current term “asset-backed security” has been re-named as “securitized products” and the new definition of “asset-backed security” more narrowly describes the specific class of securitized products to be disseminated under the amendment. This new definition of “asset backed security” specifically excludes: (i) securitized products backed by residential or commercial mortgage loans, mortgage-backed securities, or other financial assets derivative of mortgage-backed securities; (ii) an SBA-Backed asset-backed security traded to be announced (TBA) or in a specified pool transaction;<sup>3</sup> and (iii) collateralized debt, loan and bond obligations.<sup>4</sup> Beginning on the effective date, FINRA will commence dissemination of this newly defined category of asset-backed securities. Dissemination of transactions in the newly defined category of asset-backed security will include Rule 144A transactions in such securities immediately upon receipt of a transaction report. There will be a \$10 million dissemination cap for asset-backed security transactions.<sup>5</sup>

The amendments also revise the definitions of “list or fixed offering price transaction” and “takedown transaction” in Rules 6710(q) and (r), respectively, to include asset-backed security transactions. Accordingly, firms that effect primary market asset-backed security transactions that meet all the requirements of a “list or fixed offering price transaction” or a “takedown transaction” will be afforded the treatment of such transactions. As set forth in Rule 6730(a)(2), firms may report such transactions as late as T+1 during TRACE system hours. As set forth in Rule 6750(b)(3), transactions are not disseminated and per Rule 7730(b)(1)(C), firms would not be charged a reporting fee.<sup>6</sup>

## Reporting Time Periods

The amendments also address the time periods by which firms must report asset-backed security transactions to TRACE. Specifically, Rule 6730(a)(3)(B)(i) provides that, for a pilot program that will expire on October 23, 2015, asset-backed security transactions must be reported no later than 45 minutes from the time of execution, subject to minor exceptions for transactions executed shortly before the TRACE system closes and when the TRACE system is closed.<sup>7</sup> After October 23, 2015, asset-backed security transactions must be reported no later than 15 minutes from the time of execution, subject again to exceptions to the reporting time frames for transactions executed shortly before the TRACE system closes and when the TRACE system is closed.<sup>8</sup>

## Data Availability

The transaction information from disseminated asset-backed security transactions will be included in the securitized products data set (SP Data Set) under Rule 7730(c) (previously titled the ABS Data Set) and the Historic Securitized Products Data Set under Rule 7730(d) (previously titled the Historic ABS Data Set).<sup>9</sup> The transaction information from disseminated asset-backed securities that are Rule 144A transactions will be included in the Rule 144A Data Set and the Historic Rule 144A Data Set.<sup>10</sup> There is no change to the fees for either data set.

## Endnotes

1. The term “asset-backed security” is defined in Rule 6710(cc).
2. See Securities Exchange Act Release No. 71607 (February 24, 2014), 79 FR 11481 (February 28, 2014) (SEC Order Approving File No. SR-FINRA-2013-046).
3. The terms “SBA-Backed ABS,” “TBA,” and “specified pool transaction” are defined in Rule 6710(bb), Rule 6710(u) and Rule 6710(x), respectively.
4. FINRA also adopted Supplementary Material .01 to provide additional guidance regarding the scope of the term “asset-backed security.”
5. To mitigate concerns regarding the confidentiality of dealer and customer trading strategies, identities and positions in asset-backed securities, FINRA will not disseminate the contra-party indicator, which identifies whether the trade is with a dealer, a buy from a customer, or a sell to a customer.
6. All primary market transactions in other classes of securitized products will continue to be excluded from the definition of “list or fixed offering price” and “takedown transaction.”
7. See Rule 6730(a)(3)(B)(i).
8. See Rule 6730(a)(3)(B)(ii), which incorporates by reference Rule 6730(a)(1)(A) through (D).
9. A transaction in a disseminated TRACE-eligible security becomes available as part of historic TRACE data no earlier than 18 months after the specific transaction is reported to TRACE.
10. FINRA launched a new Rule 144A data set and the provision of historic Rule 144A data on June 30, 2014 in connection with FINRA’s dissemination of transactions effected as Rule 144A transactions. See Securities Exchange Act Release No. 70345 (September 6, 2013), 78 FR 56251 (September 12, 2013) (Order Approving 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); Securities Exchange Act Release No. 70691 (October 16, 2013), 78 FR 62788 (October 22, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to TRACE Fees for Securities Act Rule 144A Transaction Data; File No. SR-FINRA-2013-043); and [Regulatory Notice 13-35](#) (October 30, 2013) (announcing June 30, 2014, as the effective date for SR-FINRA-2013-029 and SR-FINRA-2013-043).

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