

Academic Corporate Bond TRACE Data and Related Fees

SEC Approves Rule Amendment to Create a New Academic Corporate Bond TRACE Data Product

Effective date: February 27, 2017

Executive Summary

Effective February 27, 2017, FINRA will make available for a fee the Academic Corporate Bond TRACE Data product—an enhanced historical TRACE data product available solely to institutions of higher education. The rule text is available in the online FINRA Manual.

Questions regarding this *Notice* should be directed to:

- ▶ Chris Stone, Vice President, Transparency Services, at (202) 728-8457 or by email at chris.stone@finra.org;
- ▶ Alié Diagne, Director, Transparency Services, at (212) 858-4092 or by email at alie.diagne@finra.org; or
- ▶ for legal and interpretive questions, Racquel Russell, Associate General Counsel, Office of General Counsel, at (202) 728-8363 or by email at racquel.russell@finra.org.

For inquiries regarding how to access Academic Corporate Bond TRACE Data, please contact TRACE Data Services at (888) 507-3665.

Background and Discussion

On September 2, 2016, the SEC approved an amendment to FINRA Rule 7730 to create a new Academic Corporate Bond TRACE Data product that will be available solely to institutions of higher education.¹ This enhanced data product will further support academic research on corporate bonds by providing academics with access to TRACE historical transaction-level data on corporate bonds, on a 36-month delayed basis, that includes masked identifying information regarding the dealer reporting each transaction.

November 2016

Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Fixed Income
- ▶ Research
- ▶ Trading

Key Topics

- ▶ Corporate Bonds
- ▶ Fees
- ▶ Fixed Income Securities
- ▶ TRACE Eligible Securities
- ▶ TRACE Transaction Data

Referenced Rules

- ▶ FINRA Rule 6710
- ▶ FINRA Rule 7730

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 are currently disseminated, but does not include any identifying information regarding the dealer reporting each transaction.² As a result, academics have requested, and FINRA will now make available, an enhanced version of historical TRACE data that will include masked dealer identities.

Academic Corporate Bond TRACE Data Product

FINRA will make the Academic Corporate Bond TRACE Data available only to academics (*i.e.*, requests originating from an institution of higher education), and the institution of higher education seeking to subscribe to Academic Corporate Bond TRACE Data must execute the appropriate agreements with FINRA. The agreements generally will: (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 Corporate Bond 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); (4) require users to ensure that any data presented in work product be sufficiently aggregated so as to prevent reverse engineering of any dealer or transaction; and (5) require that the data be returned or destroyed if the agreement is terminated.

The Academic Corporate Bond TRACE Data will comprise 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,³ or a Takedown Transaction,⁴ and will include Rule 144A transactions in corporate bonds. Academic Corporate Bond TRACE Data also will include transactions that, at the time of reporting, were not subject to dissemination.⁵ In addition, Academic Corporate Bond TRACE Data will include certain transaction-level information—such as actual trade volume (or size)—that currently is not publicly available for larger transactions.

Academic Corporate Bond TRACE Data will be provided on a 36-month delayed basis and will not include specific market participant identifiers (MPIDs), but will substitute a masked dealer identifier for each MPID included in the data. Specifically, the data set will contain transaction-level information, including, among other things:⁶

- ▶ bond identifier (FINRA symbol and CUSIP number);
- ▶ execution date and time;
- ▶ price;
- ▶ yield;
- ▶ quantity (as reported and not subject to caps);
- ▶ commission;
- ▶ buy or sell;
- ▶ capacity (principal or agency); and
- ▶ reporting party and contra party (masked IDs for FINRA members).

Elements of the Academic Corporate Bond TRACE Data product may be modified from time-to-time by FINRA in its discretion and as stated in a *Regulatory Notice* or equivalent publication.

Fees

FINRA amended Rule 7730 to incorporate the fees for the Academic Corporate Bond TRACE Data product. The fee to academics (*i.e.*, requests originating from an institution of higher education) will be \$500 per calendar year. There also will be a single, one-time set-up fee of \$500.⁷

Effective Date

FINRA will make the Academic Corporate Bond TRACE Data product available to institutions of higher education beginning February 27, 2017. On the effective date, requests may be made for data on corporate bonds reported to TRACE from 2002 through 2013. (Note: 2013 is the calendar year that is at least 36 months prior to the effective date of the Academic Corporate Bond TRACE Data product.)

1. See Securities Exchange Act Release No. 78759 (Sept. 2, 2016), 81 FR 62222 (Sept. 8, 2016) (Order Approving File No. SR-FINRA-2016-024).
2. 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).
3. Rule 6710(q) generally defines “List or Fixed Offering Price Transaction” as a primary market sale transaction sold on the first day of trading of a security excluding a Securitized Product other than an Asset-Backed Security as defined in Rule 6710(cc): (i) by a sole underwriter, syndicate manager, syndicate member or selling group member at the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser, syndicate manager, syndicate member or selling group member at the published or stated fixed offering price.
4. Rule 6710(r) generally defines “Takedown Transaction” as a primary market sale transaction sold on the first day of trading of a security excluding a Securitized Product other than an Asset-Backed Security: (i) by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published or stated list or fixed offering price, or (ii) in the case of a primary market sale transaction effected pursuant to Securities Act Rule 144A, by an initial purchaser or syndicate manager to a syndicate or selling group member at a discount from the published or stated fixed offering price.
5. This would include transactions occurring in Non-Investment Grade corporate bonds (as defined in Rule 6710(ii)) or Rule 144A transactions executed prior to their dissemination pursuant to TRACE rules, as well as data such as the buy-side of interdealer transactions, which is reported to TRACE but not subject to dissemination.
6. Complete information regarding the fields contained in the Academic Corporate Bond TRACE Data product will be available on the [FINRA TRACE Content Licensing](#) webpage.
7. See Securities Exchange Act Release No. 79190 (October 28, 2016), 81 FR 76683 (November 3, 2016) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2016-040).