

## ATS Reporting of Transactions in U.S. Treasury Securities

### SEC Approves Amendment to Require Alternative Trading Systems to Identify Non-FINRA Member Subscribers in TRACE Reports for U.S. Treasury Securities

Effective Date: April 1, 2019

#### Summary

Effective April 1, 2019, large alternative trading systems (ATSs) will be required to identify non-FINRA member subscriber counterparties in TRACE reports for transactions in U.S. Treasury securities using FINRA-assigned market participant identifiers (MPIDs). This information will be used for regulatory purposes, and will not be made public.

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](mailto:chris.stone@finra.org);
- ▶ for inquiries regarding how to submit a list of non-FINRA member subscribers and obtain FINRA-assigned MPIDs, please contact FINRA Market Operations at (866) 776-0800 or by email at [atsadmin@finra.org](mailto:atsadmin@finra.org); or
- ▶ for legal and interpretive questions, please contact Racquel Russell, Associate General Counsel, Office of General Counsel, at (202) 728-8363 or by email at [racquel.russell@finra.org](mailto:racquel.russell@finra.org).

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#### Notice Type

- ▶ Rule Amendment

#### Suggested Routing

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

#### Key Topics

- ▶ Alternative Trading System
- ▶ Fixed Income
- ▶ TRACE Eligible Security
- ▶ Trade Reporting
- ▶ U.S. Treasury Security

#### Referenced Rules & Notices

- ▶ FINRA Rule 6730

## Background & Discussion

On August 9, 2018, the SEC approved an amendment to Rule 6730 (Transaction Reporting) to adopt new Supplementary Material .07 (ATS Identification of Non-FINRA Member Counterparties for Transactions in U.S. Treasury Securities) to require “covered ATSs” to identify non-FINRA member counterparties in TRACE reports for transactions in U.S. Treasury Securities, using FINRA-assigned MPIDs.<sup>1</sup> This information will improve the information available to FINRA and the official sector for transactions in Treasury securities. Rule 6730.07 defines a “covered ATS” as an ATS<sup>2</sup> that executed transactions in U.S. Treasury securities with non-FINRA member subscribers<sup>3</sup> of \$10 billion or more in monthly par value (computed by aggregating buy and sell transactions) for any two months in the preceding calendar quarter.

Each ATS initially must determine if it is a “covered ATS” based on its activity level with non-FINRA member counterparties for the calendar quarter ending on December 31, 2018, and, if so, such ATS must submit to FINRA’s Market Operations Department a list of its non-FINRA member subscribers by January 31, 2019. FINRA Market Operations staff will assign MPIDs for each listed non-FINRA member subscriber, and, beginning April 1, 2019, ATSs must use the assigned MPIDs to identify non-FINRA member subscribers for purposes of populating the counterparty field in TRACE reports for transactions in U.S. Treasury securities.<sup>4</sup> If a covered ATS onboards new subscribers after January 31, 2019, it must contact FINRA to obtain MPIDs for these additional subscribers and begin using the assigned MPIDs on the effective date.<sup>5</sup>

Any ATS that does not meet the \$10 billion threshold for the calendar quarter ending on December 31, 2018, must monitor its quarterly activity on an ongoing basis to determine if its activity level reaches the rule’s “covered ATS” threshold in the future. If the activity threshold is met, such ATS must commence complying with the non-FINRA member counterparty identification requirements within 60 calendar days of the end of the calendar quarter in which it becomes a covered ATS. Thus, for example, if a member ATS first meets the \$10 billion threshold in the calendar quarter ending on June 30, 2019, such ATS must begin complying with the non-FINRA member identification requirement within 60 calendar days of June 30, 2019 (*i.e.*, by August 29, 2019).<sup>6</sup>

Once an ATS becomes a covered ATS under the rule, it must continue to comply with the non-FINRA member counterparty identification requirement irrespective of whether in the future its volume of executed transactions in U.S. Treasury securities against non-FINRA member subscribers falls below the \$10 billion threshold.

## Implementation

The effective date of the non-FINRA member counterparty identification requirement is April 1, 2019. ATSs that meet the “covered ATS” definition for the quarter ending December 31, 2018, must submit to FINRA’s Market Operations Department a list of its non-FINRA member subscribers by January 31, 2019. All other ATSs must monitor their activity level on a going-forward basis to determine if, in the future, their activity level falls within the scope of the rule’s definition of “covered ATS.”

To obtain FINRA-assigned MPIDs, a covered ATS should email a list of its non-FINRA member subscribers to FINRA Market Operations at [atsadmin@finra.org](mailto:atsadmin@finra.org). For each non-FINRA member subscriber, the email should provide identifying information about the subscriber including, but not limited to, the subscriber name (and subaccount, if applicable);<sup>7</sup> and the street address, city, state, zip code and country.

## Endnotes

1. See Securities Exchange Act 83815, 83 FR 40601 (August 15, 2018) (Order Approving File No. SR-FINRA-2018-023).
2. For purposes of this rule, an ATS or “alternative trading system” has the same meaning as set forth in Rule 300 of SEC Regulation ATS.
3. For purposes of this rule, “subscriber” has the same meaning as set forth in Rule 300 of SEC Regulation ATS. See also *infra* note 6.
4. Rule 6730(c) (Transaction Reporting) sets forth members’ TRACE reporting obligations. Paragraph (c) (Transaction Information To Be Reported) provides the items of information that must be included in members’ TRACE reports, including item #6—the counterparty’s identifier—which is either an MPID, customer, or non-member affiliate, as applicable. Under the new supplementary material, covered ATSs no longer are permitted to identify a non-FINRA member subscriber generically as a customer or a non-member affiliate, but must use the FINRA-assigned MPID.
5. Similarly, as a covered ATS onboards additional non-member subscribers going forward, it should contact FINRA as early in the process as possible to obtain an MPID for reporting all trades with the subscriber. At a minimum, a covered ATS must begin using a FINRA-assigned MPID to identify a new non-member subscriber within five business days of the date of its first trade with the subscriber.
6. After the implementation date, the rule provides a 60-calendar day period to afford sufficient time for a newly covered ATS to provide to FINRA a list of, and obtain MPIDs for, non-FINRA member subscribers, and to perform any programming changes necessary to accurately identify non-FINRA member counterparties using the FINRA-assigned MPIDs. Once an ATS sends the list of non-FINRA member subscribers to FINRA, FINRA will require at least 14 calendar days to return a list of MPID assignments. Therefore, a newly covered ATS should factor this time into its plans for complying with the rule within 60 calendar days of the end of the calendar quarter in which it becomes a “covered ATS.”
7. Some non-FINRA member subscribers may have multiple MPIDs assigned to them, for example if they use separate aggregation units or desks to access or trade through the ATS, in which case the unit/subaccount assigned the MPID is the “subscriber” for purposes of this rule.