The Securities and Exchange Commission (SEC) approved a rule change to modify the dissemination protocols for transactions in agency debt securities to apply a $5 million dissemination cap uniformly, regardless of the rating assigned to the security. The change will go into effect on November 19, 2018. The new rule text is available on FINRA’s website.

Questions regarding this Notice should be directed to:

- Alie 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 (OGC), at (202) 728-8363 or racquel.russell@finra.org, or Cara Bain, Counsel, OGC, at (202) 728-8852 or cara.bain@finra.org.

Background and Discussion
FINRA disseminates transaction information on agency debt securities and displays either the actual size (volume) of the transaction or a capped amount, depending on the size of the transaction and the rating assigned to the security. Currently, for transactions in agency debt securities that are non-investment grade, FINRA disseminates the actual size of the trade for transactions less than or equal to $1 million in par value traded, and disseminates “1MM+” for trades exceeding $1 million in par value. For all other agency debt securities (i.e., investment grade or unrated), FINRA...
disseminates the actual size of the trade for transactions less than or equal to $5 million in par value traded, and disseminates “5MM+” for trades exceeding $5 million in par value traded. Beginning on November 19, 2018, FINRA will disseminate transactions in agency debt securities with a $5 million dissemination cap, irrespective of the rating assigned to the security. This change does not alter firm trade reporting obligations and will not necessitate any technological changes by firms.

Endnotes

1. “Agency Debt Security” generally includes a debt security (i) issued or guaranteed by an agency as defined in Rule 6710(k); (ii) issued or guaranteed by a government-sponsored enterprise (GSE) as defined in Rule 6710(n); or (iii) issued by a trust or other entity that was established or sponsored by a GSE for the purpose of issuing debt securities, where such enterprise provides collateral to the trust or other entity or retains a material net economic interest in the reference tranches associated with the securities issued by the trust or other entity. Rule 6710(n) provides that “Government-Sponsored Enterprise” has the same meaning as defined in 2 U.S.C. § 622(8).

2. Rule 6710 (Definitions) provides that “Non-Investment Grade” means “a TRACE-Eligible Security that, if rated by only one nationally recognized statistical rating organization (“NRSRO”), is rated in one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated in one of the four highest generic rating categories by all or a majority of such NRSROs; provided that if the NRSROs assign ratings that are evenly divided between (i) the four highest generic ratings and (ii) ratings lower than the four highest generic ratings, FINRA will classify the TRACE-Eligible Security as Non-Investment Grade for purposes of TRACE. If a TRACE-Eligible Security is unrated, for purposes of TRACE, FINRA may classify the TRACE-Eligible Security as an Investment Grade security. FINRA will classify an unrated Agency Debt Security as defined in [Rule 6710(l)] as an Investment Grade security for purposes of the dissemination of transaction volume.” See FINRA Rule 6710(i).

3. Rule 6710 provides that “Investment Grade” means “a TRACE-Eligible Security that, if rated by only one nationally recognized statistical rating organization (“NRSRO”), is rated in one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated in one of the four highest generic rating categories by all or a majority of such NRSROs; provided that if the NRSROs assign ratings that are evenly divided between (i) the four highest generic ratings and (ii) ratings lower than the four highest generic ratings, FINRA will classify the TRACE-Eligible Security as Non-Investment Grade for purposes of TRACE. If a TRACE-Eligible Security is unrated, for purposes of TRACE, FINRA may classify the TRACE-Eligible Security as an Investment Grade security. FINRA will classify an unrated Agency Debt Security as defined in [Rule 6710(l)] as an Investment Grade security for purposes of the dissemination of transaction volume.” See FINRA Rule 6710(h).