

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * SECURITIES AND EXCHANGE COMMISSION File No.* SR - - *
 WASHINGTON, D.C. 20549 Form 19b-4 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input 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) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

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 Reduce the Delay Period for the Historic TRACE Data Sets Relating to Corporate and Agency Debt Securities

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 * Last Name *
 Title *
 E-mail *
 Telephone * Fax

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 Senior Vice President and Director of Capital Markets Policy
 By
 (Name *)

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 EFFF website.

Form 19b-4 Information *

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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.

Exhibit 1 - Notice of Proposed Rule Change *

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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)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

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.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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.

Exhibit 4 - Marked Copies

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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.

Exhibit 5 - Proposed Rule Text

Add Remove View

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.

Partial Amendment

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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”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend Rule 7730 to reduce the delay period for the Historic TRACE Data Sets relating to corporate and agency debt securities from 18 months to six months.

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.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 120 days following publication of the Regulatory Notice.

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

(a) Purpose

Rule 7730 (Trade Reporting and Compliance Engine (TRACE)), among other things, sets forth the data products offered by FINRA relating to TRACE transaction

¹ 15 U.S.C. 78s(b)(1).

information and the fees applicable to such products. FINRA's data offerings include both real-time as well as delayed data for most TRACE-Eligible Securities.² FINRA's delayed data ("Historic TRACE Data") contains historical transaction-level data for the following TRACE 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.³ Rule 7730 provides that Historic TRACE Data will be delayed a minimum of 18 months and will not include Market Participant Identifier ("MPID") information.⁴ The proposed rule change would reduce the delay period applicable to the Historic Corporate Bond Data Set and the Historic Agency Data Set and Rule 144A transactions in corresponding securities (together, "Corporate and Agency Historic TRACE Data"), from 18 months to six months and would retain the criteria that MPIDs not be included.⁵

² Rule 6710 (Definitions) provides that a "TRACE-Eligible Security" is a debt security that is United States dollar-denominated and issued by a U.S. or foreign private issuer, and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); or a U.S. Treasury Security as defined in paragraph (p). "TRACE-Eligible Security" does not include a debt security that is: issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o).

³ Historic TRACE Data originally included only the Corporate Bond and Agency Data Sets; the Securitized Product ("SP") Data Set and the Rule 144A Data Set were added to Historic TRACE Data later as information about transactions in those securities became subject to dissemination. Additional securities may be included in Historic TRACE Data as they become subject to dissemination.

⁴ The specific data elements provided in the Historic TRACE Data Sets are to be determined from time-to-time by FINRA in its discretion and as stated in a Regulatory Notice or other equivalent publication. See infra note 7.

⁵ FINRA proposes to retain the current 18-month delay for the Historic SP Data Set. The Historic SP Data Set generally includes information on transactions in asset-backed securities ("ABS"), mortgage-backed securities ("MBS"), and Small

The Historic TRACE Data provisions and related fees became effective in 2010.⁶ Historic TRACE Data provides transaction-level data for all trades reported to TRACE in those classes of TRACE-Eligible Securities that currently are disseminated and includes, among other things, the price, date, time of execution, yield and uncapped volume for each transaction, provided the transaction is at least 18 months old.⁷ The 18-month delay

Business Administration (“SBA”)-backed securities traded To Be Announced (“TBA”) and in specified pool transactions, collateralized mortgage-backed securities (“CMBS”), collateralized mortgage obligations (“CMO”) and collateralized debt obligations (“CDO”). While transaction information on ABSs, MBSs and TBAs are currently subject to dissemination and CMOs became subject to dissemination on March 20, 2017, FINRA does not yet disseminate transaction information on CMBSs or CDOs. FINRA issued a Regulatory Notice seeking comment on a proposal to disseminate such products. See Regulatory Notice 15-04 (February 2015) (FINRA Requests Comment on a Proposal to Disseminate Additional Securitized Products and to Reduce the Reporting Time Frame for These Products). Once all SPs become subject to dissemination, FINRA will consider whether a delay period of less than 18 months should apply to the Historic SP Data Set.

⁶ 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).

⁷ Historic TRACE Data also may include transactions or items of information that were not disseminated previously. For example, Historic TRACE Data includes exact trade volumes, rather than the capped amounts that are disseminated in real-time. The applicable real-time dissemination cap differs depending upon the type of TRACE-Eligible Security being reported. The caps are \$5 million for agency debentures and corporate bonds that are rated investment grade; \$1 million for corporate bonds that are rated non-investment grade; \$25 million for agency pass-through mortgage-backed securities traded TBA for good delivery; and \$10 million for agency pass-through mortgage-backed securities traded TBA not for good delivery, agency pass-through mortgage-backed securities traded in specified pool transactions, and SBA-backed asset-backed securities traded TBA and in specified pool transactions.

Historic TRACE Data also is available for trade reports dating back to 2002, even for transactions that were not subject to public dissemination at the time. Similarly, while real-time information for specified pool transactions is disseminated based on security characteristics, Historic TRACE Data identifies

period was adopted to address concerns regarding the possibility that the data, though delayed, might be used to identify current trading, positions or the strategies of market participants.⁸

Since implementation, researchers and other non-dealers have been the primary subscribers to Historic TRACE Data. FINRA understands that the lack of usage by dealers is due to the 18-month delay period for transactions included in Historic TRACE Data and market participants have indicated that a reduction in the delay period to six months would make the data more useful.

In response, FINRA is proposing to reduce the delay period applicable to Corporate and Agency Historic TRACE Data from 18 months to six months. FINRA is not aware of any instances of complaints regarding information leakage under the 18-month delay timeframe, and believes that the delay period can be reduced, thereby increasing the utility of the Corporate and Agency Historic TRACE Data to market participants and promoting the goal of increased transparency for TRACE-Eligible

securities by CUSIP. Historic TRACE Data also includes reports on both the buy- and sell-side of inter-dealer transactions, whereas only sell-side trade reports are subject to real-time dissemination.

⁸ See Securities Exchange Act Release No. 56327 (August 28, 2007), 72 FR 51689 (September 10, 2007) (Notice of Filing of File No. SR-FINRA-2007-006). See also Notice to Members 06-32 (June 2006).

Securities.⁹ FINRA also believes that a six-month delay will be sufficient to continue to address information leakage concerns.¹⁰

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 120 days following publication of the Regulatory Notice.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹¹ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

FINRA believes that reducing the delay period for the Corporate and Agency Historic TRACE Data will increase the utility of the data to market participants and

⁹ FINRA is not proposing any changes to the fields made available in the Historic TRACE Data at this time, and notes that the data will continue to omit any identifying dealer information. Additional information regarding included fields is available in “Historic TRACE Data: Enhanced Historical Time and Sales – Trade Record File Layout” in the technical specifications.

¹⁰ FINRA notes that the Municipal Securities Rulemaking Board (MSRB) disseminates in real-time the exact par value on all transactions with a par value of \$5 million or less, and includes an indicator (“MM+”) in place of the exact par value on transactions where the par value is greater than \$5 million until the fifth business day. MSRB disseminates the exact par value on all transactions on the fifth day after the trade.

¹¹ 15 U.S.C. 78o-3(b)(6).

others, thereby promoting the goal of increased transparency for TRACE-Eligible Securities, while continuing to incorporate a sufficient period of aging to address information leakage concerns.

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.

Economic Impact Analysis

(a) Need for the Rule

As discussed above, FINRA has received feedback from market participants that the current 18-month delay period may be too long to make Historic TRACE Data useful. Most subscribers to Historic TRACE Data have been vendors and research firms; there have been very few member subscribers due to the length of the delay.

(b) Regulatory Objective

The proposed shorter delay period for Historic TRACE Data aims to increase the utility of Historic TRACE Data for market participants and others, thereby promoting the goal of increased transparency for TRACE-Eligible Securities.

(c) Economic Impacts

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. As detailed above, FINRA is proposing to reduce the delay period for the Historic TRACE Data Sets relating to Corporate and Agency Debt securities from 18 months to six months.

The proposed rule change would expand the benefits of FINRA’s TRACE initiatives by increasing the utility of the Corporate and Agency Historic TRACE Data Sets to market participants, as the proposed reduction in the delay period to six months would make the data more useful.

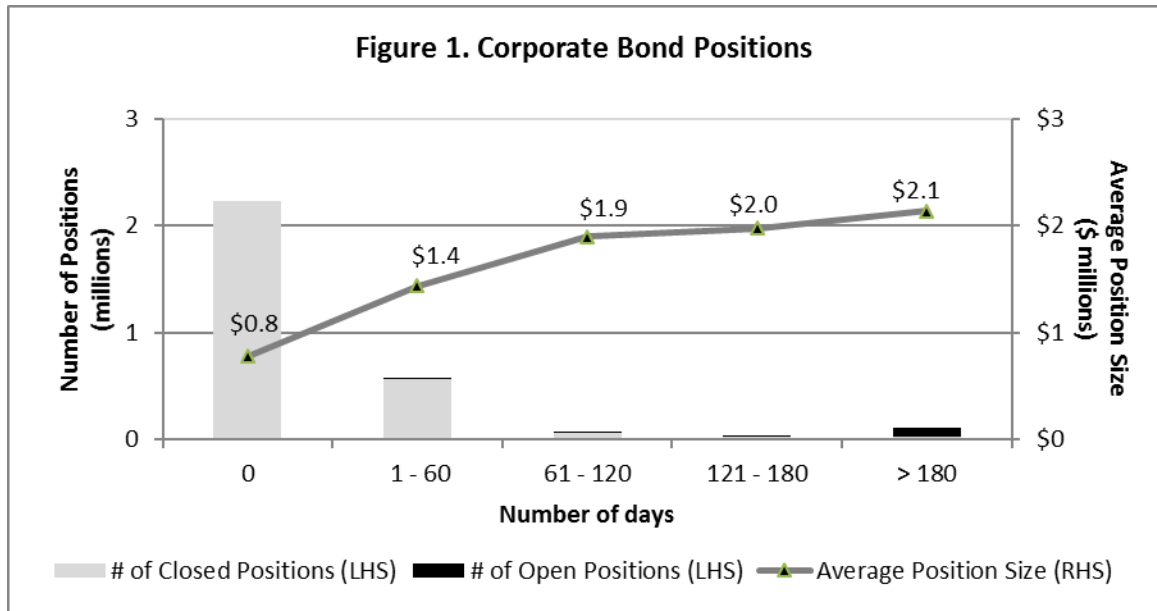
The proposed rule change will not have any operational impact on firms, as the proposal does not require firms to provide FINRA with any additional data. The purchase of TRACE data products will continue to be optional for members and others. However, FINRA considered the potential for indirect costs regarding possible information leakage due to the reduction in the delay period applicable to the Corporate and Agency Historic TRACE Data Sets from 18 months to six months. To address those concerns and investigate whether the reduction in the delay period poses a risk for reverse engineering of positions, FINRA analyzed daily positions in 12,087 corporate and 10,109 agency bonds, that were issued between March 6, 2012 and February 5, 2014, by using trades between February 6, 2012 and February 5, 2016 that were reported to TRACE by 1,509 market participants.¹²

Figure 1 depicts the average number of days it takes to reverse¹³ corporate bond positions and the average position size in the sample.¹⁴

¹² Historic TRACE Data does not include a “List or Fixed Offering Price Transaction” or “Takedown Transaction,” as defined in Rule 6710.

¹³ To “reverse” a position means entering into a trade on the opposite side of a position that flattens or reverses the position. For example, if long in a specific bond, a reversal would entail a sell trade in an amount that is equal to or greater than the amount of the original position.

¹⁴ Positions that are created in the last six months of the sample period are not included in the sample to prevent a bias in the results.



2,230,676, or approximately 74.5%, of the 2,992,946 daily corporate bond positions in the sample were reversed on the same day (number of days = 0). The average size of the positions in this category was approximately \$0.8 million per CUSIP. 21.9% of the trades were reversed between one and 180 days. These trades had an average size of between \$1.4 and \$2.0 million. The remaining positions, approximately 3.6% of the sample, were reversed after 180 days (*i.e.*, remained open for longer than 180 days). FINRA notes that the vast majority, approximately 79.2%, of the positions in this category were still open at the end of our sample period (February 5, 2016). The positions that remained open for more than 180 days had an average size of \$2.1 million.¹⁵

642 CUSIPs only had positions that were reversed after 180 days from acquisition. Another 1,402 CUSIPs only had positions that were reversed within 180

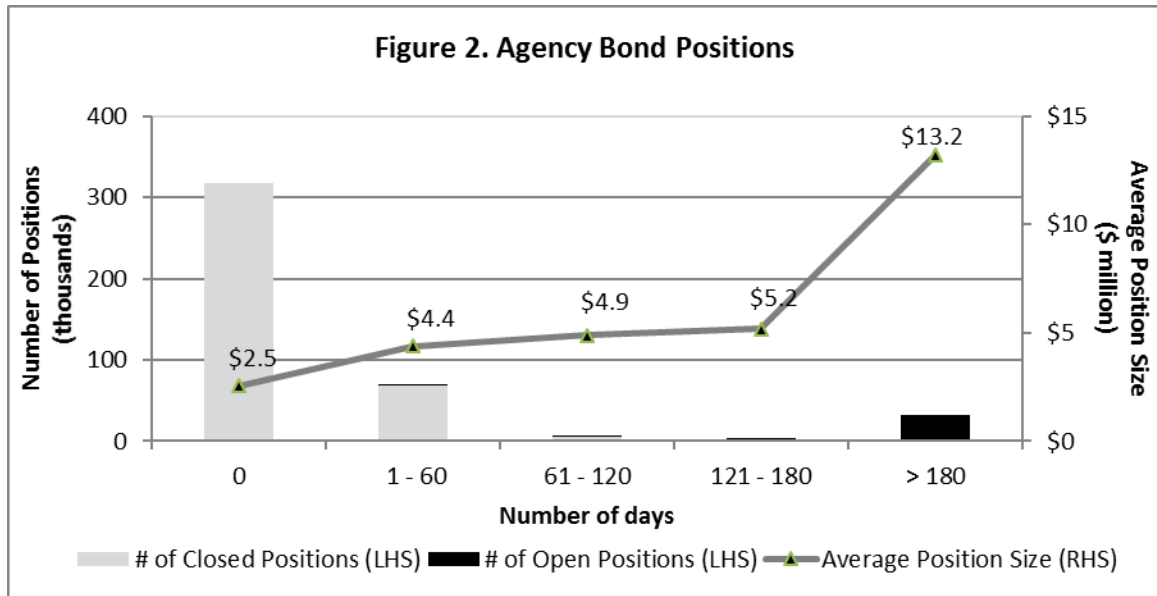
¹⁵ The difference in the average size of positions that reversed after 180 days (\$2.1 million) and positions that were reversed within 180 days (\$0.9 million) is statistically significant at conventional levels.

days. The remaining 10,043 CUSIPs had both positions that were reversed within 180 days and positions that were reversed after 180 days from acquisition.

FINRA believes that the risk of reverse engineering would be higher for the 642 CUSIPs that only had positions that were still open after 180 days. These CUSIPs were for significantly smaller issues (average issuance amount of approximately \$38 million) than the rest of the CUSIPs (an average issuance amount of approximately \$315 million). These 642 CUSIPs had an average of seven trades per CUSIP over the sample period, compared to 1,306 trades per CUSIP for the rest of the sample. These CUSIPs also were traded by fewer market participants, an average of 1.3, compared to an average of 42 market participants for the remaining 11,445 CUSIPs. There were only 862 positions in those 642 CUSIPs, with relatively large balances as a proportion to the issuance size, with an average balance-to-issuance size of 32.5%, compared to 0.3% for the remaining CUSIPs. Approximately 15% of the 862 positions were reversed between six and 18 months of acquisition, implying that the reduction in dissemination delay would impact a small portion of the holdings in the sample. This would suggest that the proposed rule, if it had been in place, would have provided little additional information to the public relative to these positions.

These figures suggest that only a small portion of the corporate positions in the sample are reversed after 180 days of acquisitions. Moreover, only a few CUSIPs had positions with holding periods of more than 180 days, while such positions consisted of less than 0.02% of all daily corporate bond positions in the sample.

Figure 2 depicts the average number of days it takes to reverse agency bond positions and the average position size in the sample.



Of the 425,823 daily agency bond positions, 317,447, or approximately 74.5%, of the sample were reversed on the same day (number of days = 0). The average size of the positions in this category was approximately \$2.5 million per CUSIP. Another 18.0% of the trades were reversed between one and 180 days. These trades had an average size of between \$4.4 and \$5.2 million. The remaining positions, approximately 7.4% of the sample, were still open for more than 180 days. Approximately 92.4%, of the positions in this category were still open at the end of our sample period.¹⁶ The positions that remained open for more than 180 days had an average size of \$13.2 million.¹⁷

764 CUSIPs only had positions that were reversed after 180 days from acquisition. Another 497 CUSIPs only had positions that were reversed within 180 days.

¹⁶ FINRA staff also notes that approximately 93.3% of the open agency bond positions in the sample were open for more than 180 days as of February 5, 2016.

¹⁷ The difference in the average size of positions that reversed after 180 days (\$13.2 million) and positions that are reversed within 180 days (\$2.8 million) is statistically significant at conventional levels.

The remaining 8,848 CUSIPs had both positions that were reversed within 180 days and positions that were reversed after 180 days from acquisition.

The 764 CUSIPs with positions that were reversed after 180 days were slightly smaller issues (an average issuance amount of approximately \$110 million) than the rest of the CUSIPs (an average issuance amount of approximately \$125 million). These 764 CUSIPs had an average of 1.7 trades per CUSIP over the sample period, compared to 175 trades per CUSIP for the rest of the sample. These CUSIPs also were traded by fewer market participants, an average of 1.1, compared to an average of 22 market participants for the remaining 9,345 CUSIPs (497+8,848) for positions that were reversed both within and after 180 days of acquisition. There were 816 positions in those 764 CUSIPs, with relatively larger balances (but not as large as those for corporate bonds) as a proportion to the issuance size, with an average balance-to-issuance size of 2.1%, compared to 0.2% for the rest of the position balances (425,007) in the rest of the CUSIPs. Approximately 1% of the 816 positions were reversed between six and 18 months of acquisition, implying that the reduction in dissemination delay would impact a very small portion of the holdings in the agency bond sample.

These figures suggest that only a small portion of the agency bond positions in the sample were reversed after 180 days of acquisition. Moreover, only a few CUSIPs related to positions with holding periods longer than 180 days, while such positions consisted of less than 0.02% of all daily agency bond positions in the sample.

Based on the empirical evidence in the sample period, FINRA notes that information leakage, due to the reduction in the delay period applicable to the Corporate and Agency Historic TRACE Data Sets from 18 months to six months is a limited risk for

smaller issues that are held by a limited number of market participants. As noted above, such issues are, on average, traded very infrequently. As such, the information leakage associated with these issues may be of limited use to market participants. To the extent that such market participants choose not to trade these issues as a result of the proposed dissemination delay, some CUSIPs may experience a decrease in liquidity.

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

The proposed rule change was published for comment in Regulatory Notice 15-24 (June 2015). Four comment letters were received in response to the Notice.¹⁸ A copy of the Notice is attached as Exhibit 2a. The list of the commenters is attached as Exhibit 2b. Copies of the comment letters received in response to the Notice are attached as Exhibit 2c.

SIFMA, BDA and Wharton supported the proposed reduction in the delay period for Historic TRACE Data from 18 months to six months. SIFMA noted that, if certain TRACE-Eligible Securities (not currently subject to dissemination) became subject to dissemination – *i.e.*, CMOs, CMBSs and CDOs, FINRA should consider potential information leakage and liquidity issues for such securities prior to including them in Historic TRACE Data with a six-month, reduced delay. SIFMA suggested a phased-in

¹⁸ See Letter from Sean Davy, Managing Director, Securities Industry and Financial Markets Association, to Maria E. Asquith, Corporate Secretary, FINRA, dated August 24, 2015 (“SIFMA”); letter from Michael Nicholas, CEO, Bond Dealers of America, to Maria E. Asquith, Corporate Secretary, FINRA, dated August 24, 2015 (“BDA”); letter from Luis Palacios, Director of Research Services, The Wharton School, to Maria E. Asquith, Corporate Secretary, FINRA, dated September 10, 2015 (“Wharton”); and letter from Carrie Devorah, Founder, The Center for Copyrights Integrity, to Maria E. Asquith, Corporate Secretary, FINRA, dated September 14, 2015 (“CCI”).

approach to incorporating this subset of TRACE-Eligible Securities that would begin with an 18-month delay and that, ultimately, is reduced to six months once these products are subject to public dissemination. In response to this comment, and as discussed in Section 3(a) of this filing, FINRA has revised the proposal to reduce the 18-month delay period to six months only for the Historic Corporate and Agency Data; the Historic SP Data Set will continue to be subject to an 18-month delay. FINRA will consider whether reducing the 18-month delay period for the Historic SP Data Set is appropriate once all SPs have become subject to dissemination.¹⁹

CCI did not support the proposal and, among other things, raised privacy concerns, and stated that any data transmitted online has no privacy.²⁰ FINRA notes that the Historic TRACE Data product consists of security-focused transaction information, not customer information, and generally is available to any professional or non-professional party that subscribes, executes appropriate agreements and pays the applicable fee. In addition, while Historic TRACE Data includes delayed information for transactions that were not disseminated previously, the vast majority of the data included already has been disseminated publicly. Thus, in the unprecedented event of a breach involving Historic TRACE Data, FINRA does not believe this would present a harm to FINRA members or the market.

¹⁹ See supra note 5.

²⁰ CCI also raised other issues that are not germane to the proposed reduction of the delay period for Historic TRACE Data and that, therefore, are not addressed herein.

6. Extension of Time Period for Commission Action

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.²¹

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)

Not applicable.

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 15-24 (July 2015).

Exhibit 2b. A list of comment letters received in response to Regulatory Notice 15-24 (July 2015).

Exhibit 2c. Copies of the comment letters received in response to Regulatory Notice 15-24 (July 2015).

Exhibit 5. Text of the proposed rule change.

²¹ 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2017-012)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 7730 to Reduce the Delay Period for the Historic TRACE Data Sets Relating to Corporate and Agency Debt Securities

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.

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 Rule 7730 to reduce the delay period for the Historic TRACE Data Sets relating to corporate and agency debt securities from 18 months to six months.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

Rule 7730 (Trade Reporting and Compliance Engine (TRACE)), among other things, sets forth the data products offered by FINRA relating to TRACE transaction information and the fees applicable to such products. FINRA's data offerings include both real-time as well as delayed data for most TRACE-Eligible Securities.³ FINRA's delayed data ("Historic TRACE Data") contains historical transaction-level data for the following TRACE 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.⁴

³ Rule 6710 (Definitions) provides that a "TRACE-Eligible Security" is a debt security that is United States dollar-denominated and issued by a U.S. or foreign private issuer, and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); or a U.S. Treasury Security as defined in paragraph (p). "TRACE-Eligible Security" does not include a debt security that is: issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o).

⁴ Historic TRACE Data originally included only the Corporate Bond and Agency Data Sets; the Securitized Product ("SP") Data Set and the Rule 144A Data Set were added to Historic TRACE Data later as information about transactions in

Rule 7730 provides that Historic TRACE Data will be delayed a minimum of 18 months and will not include Market Participant Identifier (“MPID”) information.⁵ The proposed rule change would reduce the delay period applicable to the Historic Corporate Bond Data Set and the Historic Agency Data Set and Rule 144A transactions in corresponding securities (together, “Corporate and Agency Historic TRACE Data”), from 18 months to six months and would retain the criteria that MPIDs not be included.⁶

The Historic TRACE Data provisions and related fees became effective in 2010.⁷ Historic TRACE Data provides transaction-level data for all trades reported to TRACE in those classes of TRACE-Eligible Securities that currently are disseminated and includes,

those securities became subject to dissemination. Additional securities may be included in Historic TRACE Data as they become subject to dissemination.

⁵ The specific data elements provided in the Historic TRACE Data Sets are to be determined from time-to-time by FINRA in its discretion and as stated in a Regulatory Notice or other equivalent publication. See infra note 8.

⁶ FINRA proposes to retain the current 18-month delay for the Historic SP Data Set. The Historic SP Data Set generally includes information on transactions in asset-backed securities (“ABS”), mortgage-backed securities (“MBS”), and Small Business Administration (“SBA”)–backed securities traded To Be Announced (“TBA”) and in specified pool transactions, collateralized mortgage-backed securities (“CMBS”), collateralized mortgage obligations (“CMO”) and collateralized debt obligations (“CDO”). While transaction information on ABSs, MBSs and TBAs are currently subject to dissemination and CMOs became subject to dissemination on March 20, 2017, FINRA does not yet disseminate transaction information on CMBSs or CDOs. FINRA issued a Regulatory Notice seeking comment on a proposal to disseminate such products. See Regulatory Notice 15-04 (February 2015) (FINRA Requests Comment on a Proposal to Disseminate Additional Securitized Products and to Reduce the Reporting Time Frame for These Products). Once all SPs become subject to dissemination, FINRA will consider whether a delay period of less than 18 months should apply to the Historic SP Data Set.

⁷ 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).

among other things, the price, date, time of execution, yield and uncapped volume for each transaction, provided the transaction is at least 18 months old.⁸ The 18-month delay period was adopted to address concerns regarding the possibility that the data, though delayed, might be used to identify current trading, positions or the strategies of market participants.⁹

Since implementation, researchers and other non-dealers have been the primary subscribers to Historic TRACE Data. FINRA understands that the lack of usage by dealers is due to the 18-month delay period for transactions included in Historic TRACE Data and market participants have indicated that a reduction in the delay period to six months would make the data more useful.

⁸ Historic TRACE Data also may include transactions or items of information that were not disseminated previously. For example, Historic TRACE Data includes exact trade volumes, rather than the capped amounts that are disseminated in real-time. The applicable real-time dissemination cap differs depending upon the type of TRACE-Eligible Security being reported. The caps are \$5 million for agency debentures and corporate bonds that are rated investment grade; \$1 million for corporate bonds that are rated non-investment grade; \$25 million for agency pass-through mortgage-backed securities traded TBA for good delivery; and \$10 million for agency pass-through mortgage-backed securities traded TBA not for good delivery, agency pass-through mortgage-backed securities traded in specified pool transactions, and SBA-backed asset-backed securities traded TBA and in specified pool transactions.

Historic TRACE Data also is available for trade reports dating back to 2002, even for transactions that were not subject to public dissemination at the time. Similarly, while real-time information for specified pool transactions is disseminated based on security characteristics, Historic TRACE Data identifies securities by CUSIP. Historic TRACE Data also includes reports on both the buy- and sell-side of inter-dealer transactions, whereas only sell-side trade reports are subject to real-time dissemination.

⁹ See Securities Exchange Act Release No. 56327 (August 28, 2007), 72 FR 51689 (September 10, 2007) (Notice of Filing of File No. SR-FINRA-2007-006). See also Notice to Members 06-32 (June 2006).

In response, FINRA is proposing to reduce the delay period applicable to Corporate and Agency Historic TRACE Data from 18 months to six months. FINRA is not aware of any instances of complaints regarding information leakage under the 18-month delay timeframe, and believes that the delay period can be reduced, thereby increasing the utility of the Corporate and Agency Historic TRACE Data to market participants and promoting the goal of increased transparency for TRACE-Eligible Securities.¹⁰ FINRA also believes that a six-month delay will be sufficient to continue to address information leakage concerns.¹¹

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 120 days following publication of the Regulatory Notice.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹² which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote

¹⁰ FINRA is not proposing any changes to the fields made available in the Historic TRACE Data at this time, and notes that the data will continue to omit any identifying dealer information. Additional information regarding included fields is available in “Historic TRACE Data: Enhanced Historical Time and Sales – Trade Record File Layout” in the technical specifications.

¹¹ FINRA notes that the Municipal Securities Rulemaking Board (MSRB) disseminates in real-time the exact par value on all transactions with a par value of \$5 million or less, and includes an indicator (“MM+”) in place of the exact par value on transactions where the par value is greater than \$5 million until the fifth business day. MSRB disseminates the exact par value on all transactions on the fifth day after the trade.

¹² 15 U.S.C. 78q-3(b)(6).

just and equitable principles of trade, and, in general, to protect investors and the public interest.

FINRA believes that reducing the delay period for the Corporate and Agency Historic TRACE Data will increase the utility of the data to market participants and others, thereby promoting the goal of increased transparency for TRACE-Eligible Securities, while continuing to incorporate a sufficient period of aging to address information leakage concerns.

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.

Economic Impact Analysis

(a) Need for the Rule

As discussed above, FINRA has received feedback from market participants that the current 18-month delay period may be too long to make Historic TRACE Data useful. Most subscribers to Historic TRACE Data have been vendors and research firms; there have been very few member subscribers due to the length of the delay.

(b) Regulatory Objective

The proposed shorter delay period for Historic TRACE Data aims to increase the utility of Historic TRACE Data for market participants and others, thereby promoting the goal of increased transparency for TRACE-Eligible Securities.

(c) Economic Impacts

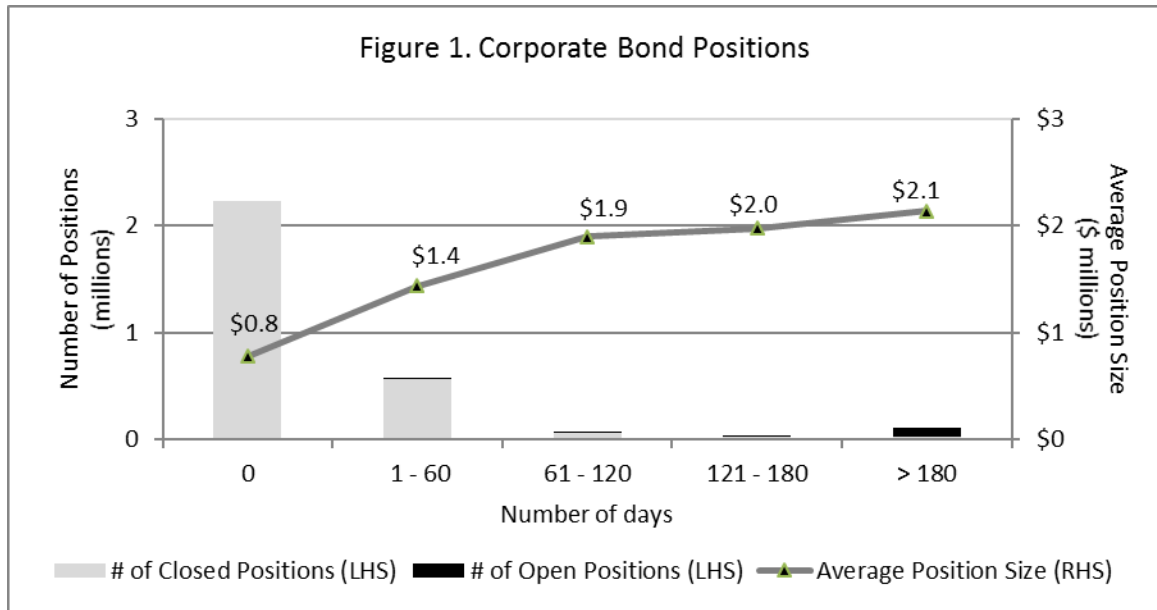
FINRA's existing Historic TRACE Data product provides transaction-level data on an 18-month delayed basis for all transactions that have been reported to TRACE in the classes of TRACE-Eligible Securities that currently are disseminated. As detailed above, FINRA is proposing to reduce the delay period for the Historic TRACE Data Sets relating to Corporate and Agency Debt securities from 18 months to six months.

The proposed rule change would expand the benefits of FINRA's TRACE initiatives by increasing the utility of the Corporate and Agency Historic TRACE Data Sets to market participants, as the proposed reduction in the delay period to six months would make the data more useful.

The proposed rule change will not have any operational impact on firms, as the proposal does not require firms to provide FINRA with any additional data. The purchase of TRACE data products will continue to be optional for members and others. However, FINRA considered the potential for indirect costs regarding possible information leakage due to the reduction in the delay period applicable to the Corporate and Agency Historic TRACE Data Sets from 18 months to six months. To address those concerns and investigate whether the reduction in the delay period poses a risk for reverse engineering of positions, FINRA analyzed daily positions in 12,087 corporate and 10,109 agency bonds, that were issued between March 6, 2012 and February 5, 2014, by using trades between February 6, 2012 and February 5, 2016 that were reported to TRACE by 1,509 market participants.¹³

¹³ Historic TRACE Data does not include a "List or Fixed Offering Price Transaction" or "Takedown Transaction," as defined in Rule 6710.

Figure 1 depicts the average number of days it takes to reverse¹⁴ corporate bond positions and the average position size in the sample.¹⁵



2,230,676, or approximately 74.5%, of the 2,992,946 daily corporate bond positions in the sample were reversed on the same day (number of days = 0). The average size of the positions in this category was approximately \$0.8 million per CUSIP. 21.9% of the trades were reversed between one and 180 days. These trades had an average size of between \$1.4 and \$2.0 million. The remaining positions, approximately 3.6% of the sample, were reversed after 180 days (*i.e.*, remained open for longer than 180 days). FINRA notes that the vast majority, approximately 79.2%, of the positions in this category were still open at the end of our sample period (February 5, 2016). The

¹⁴ To “reverse” a position means entering into a trade on the opposite side of a position that flattens or reverses the position. For example, if long in a specific bond, a reversal would entail a sell trade in an amount that is equal to or greater than the amount of the original position.

¹⁵ Positions that are created in the last six months of the sample period are not included in the sample to prevent a bias in the results.

positions that remained open for more than 180 days had an average size of \$2.1 million.¹⁶

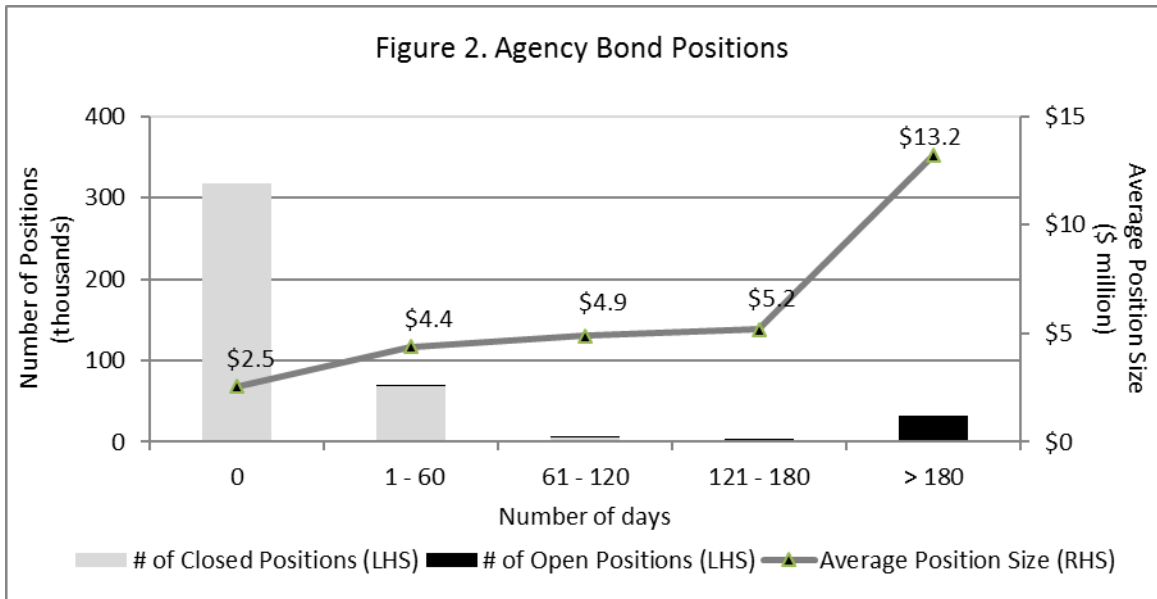
642 CUSIPs only had positions that were reversed after 180 days from acquisition. Another 1,402 CUSIPs only had positions that were reversed within 180 days. The remaining 10,043 CUSIPs had both positions that were reversed within 180 days and positions that were reversed after 180 days from acquisition.

FINRA believes that the risk of reverse engineering would be higher for the 642 CUSIPs that only had positions that were still open after 180 days. These CUSIPs were for significantly smaller issues (average issuance amount of approximately \$38 million) than the rest of the CUSIPs (an average issuance amount of approximately \$315 million). These 642 CUSIPs had an average of seven trades per CUSIP over the sample period, compared to 1,306 trades per CUSIP for the rest of the sample. These CUSIPs also were traded by fewer market participants, an average of 1.3, compared to an average of 42 market participants for the remaining 11,445 CUSIPs. There were only 862 positions in those 642 CUSIPs, with relatively large balances as a proportion to the issuance size, with an average balance-to-issuance size of 32.5%, compared to 0.3% for the remaining CUSIPs. Approximately 15% of the 862 positions were reversed between six and 18 months of acquisition, implying that the reduction in dissemination delay would impact a small portion of the holdings in the sample. This would suggest that the proposed rule, if it had been in place, would have provided little additional information to the public relative to these positions.

¹⁶ The difference in the average size of positions that reversed after 180 days (\$2.1 million) and positions that were reversed within 180 days (\$0.9 million) is statistically significant at conventional levels.

These figures suggest that only a small portion of the corporate positions in the sample are reversed after 180 days of acquisitions. Moreover, only a few CUSIPs had positions with holding periods of more than 180 days, while such positions consisted of less than 0.02% of all daily corporate bond positions in the sample.

Figure 2 depicts the average number of days it takes to reverse agency bond positions and the average position size in the sample.



Of the 425,823 daily agency bond positions, 317,447, or approximately 74.5%, of the sample were reversed on the same day (number of days = 0). The average size of the positions in this category was approximately \$2.5 million per CUSIP. Another 18.0% of the trades were reversed between one and 180 days. These trades had an average size of between \$4.4 and \$5.2 million. The remaining positions, approximately 7.4% of the sample, were still open for more than 180 days. Approximately 92.4%, of the positions

in this category were still open at the end of our sample period.¹⁷ The positions that remained open for more than 180 days had an average size of \$13.2 million.¹⁸

764 CUSIPs only had positions that were reversed after 180 days from acquisition. Another 497 CUSIPs only had positions that were reversed within 180 days. The remaining 8,848 CUSIPs had both positions that were reversed within 180 days and positions that were reversed after 180 days from acquisition.

The 764 CUSIPs with positions that were reversed after 180 days were slightly smaller issues (an average issuance amount of approximately \$110 million) than the rest of the CUSIPs (an average issuance amount of approximately \$125 million). These 764 CUSIPs had an average of 1.7 trades per CUSIP over the sample period, compared to 175 trades per CUSIP for the rest of the sample. These CUSIPs also were traded by fewer market participants, an average of 1.1, compared to an average of 22 market participants for the remaining 9,345 CUSIPs (497+8,848) for positions that were reversed both within and after 180 days of acquisition. There were 816 positions in those 764 CUSIPs, with relatively larger balances (but not as large as those for corporate bonds) as a proportion to the issuance size, with an average balance-to-issuance size of 2.1%, compared to 0.2% for the rest of the position balances (425,007) in the rest of the CUSIPs. Approximately 1% of the 816 positions were reversed between six and 18 months of acquisition, implying that the reduction in dissemination delay would impact a very small portion of the holdings in the agency bond sample.

¹⁷ FINRA staff also notes that approximately 93.3% of the open agency bond positions in the sample were open for more than 180 days as of February 5, 2016.

¹⁸ The difference in the average size of positions that reversed after 180 days (\$13.2 million) and positions that are reversed within 180 days (\$2.8 million) is statistically significant at conventional levels.

These figures suggest that only a small portion of the agency bond positions in the sample were reversed after 180 days of acquisition. Moreover, only a few CUSIPs related to positions with holding periods longer than 180 days, while such positions consisted of less than 0.02% of all daily agency bond positions in the sample.

Based on the empirical evidence in the sample period, FINRA notes that information leakage, due to the reduction in the delay period applicable to the Corporate and Agency Historic TRACE Data Sets from 18 months to six months is a limited risk for smaller issues that are held by a limited number of market participants. As noted above, such issues are, on average, traded very infrequently. As such, the information leakage associated with these issues may be of limited use to market participants. To the extent that such market participants choose not to trade these issues as a result of the proposed dissemination delay, some CUSIPs may experience a decrease in liquidity.

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

The proposed rule change was published for comment in Regulatory Notice 15-24 (June 2015). Four comment letters were received in response to the Notice.¹⁹ A copy of the Notice is attached as Exhibit 2a. The list of the commenters is attached as Exhibit 2b. Copies of the comment letters received in response to the Notice are attached as Exhibit 2c.

¹⁹ See Letter from Sean Davy, Managing Director, Securities Industry and Financial Markets Association, to Maria E. Asquith, Corporate Secretary, FINRA, dated August 24, 2015 (“SIFMA”); letter from Michael Nicholas, CEO, Bond Dealers of America, to Maria E. Asquith, Corporate Secretary, FINRA, dated August 24, 2015 (“BDA”); letter from Luis Palacios, Director of Research Services, The Wharton School, to Maria E. Asquith, Corporate Secretary, FINRA, dated September 10, 2015 (“Wharton”); and letter from Carrie Devorah, Founder, The Center for Copyrights Integrity, to Maria E. Asquith, Corporate Secretary, FINRA, dated September 14, 2015 (“CCI”).

SIFMA, BDA and Wharton supported the proposed reduction in the delay period for Historic TRACE Data from 18 months to six months. SIFMA noted that, if certain TRACE-Eligible Securities (not currently subject to dissemination) became subject to dissemination – i.e., CMOs, CMBSs and CDOs, FINRA should consider potential information leakage and liquidity issues for such securities prior to including them in Historic TRACE Data with a six-month, reduced delay. SIFMA suggested a phased-in approach to incorporating this subset of TRACE-Eligible Securities that would begin with an 18-month delay and that, ultimately, is reduced to six months once these products are subject to public dissemination. In response to this comment, and as discussed in Section II.A.1. of this filing, FINRA has revised the proposal to reduce the 18-month delay period to six months only for the Historic Corporate and Agency Data; the Historic SP Data Set will continue to be subject to an 18-month delay. FINRA will consider whether reducing the 18-month delay period for the Historic SP Data Set is appropriate once all SPs have become subject to dissemination.²⁰

CCI did not support the proposal and, among other things, raised privacy concerns, and stated that any data transmitted online has no privacy.²¹ FINRA notes that the Historic TRACE Data product consists of security-focused transaction information, not customer information, and generally is available to any professional or non-professional party that subscribes, executes appropriate agreements and pays the applicable fee. In addition, while Historic TRACE Data includes delayed information for

²⁰ See supra note 6.

²¹ CCI also raised other issues that are not germane to the proposed reduction of the delay period for Historic TRACE Data and that, therefore, are not addressed herein.

transactions that were not disseminated previously, the vast majority of the data included already has been disseminated publicly. Thus, in the unprecedented event of a breach involving Historic TRACE Data, FINRA does not believe this would present a harm to FINRA members or the market.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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-2017-012 on the subject line.

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-2017-012. 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-2017-012 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.²²

Robert W. Errett
Deputy Secretary

²² 17 CFR 200.30-3(a)(12).

Regulatory Notice

15-24

Trade Reporting and Compliance Engine (TRACE)

FINRA Requests Comment on the Reduction of the Delay Period for Historic TRACE Data

Comment Period Expires: August 24, 2015

Executive Summary

FINRA is soliciting comment on a proposal to reduce the delay period for the Historic TRACE Data Sets from 18 months to six months.

The proposed rule text is attached as Appendix A.

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 August 24, 2015.

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

June 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
- ▶ Securities Act Rule 144A

To help FINRA process and review comments more efficiently, persons should use only one method to comment on the proposal.¹

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.²

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.³ FINRA is soliciting comment on proposed changes to reduce the delay period applicable to the Historic TRACE Data Sets from 18 months to six months.

Historic TRACE Data

FINRA adopted the Historic TRACE Data rule and related fees in 2010.⁴ Historic TRACE Data provides transaction-level data for all transactions that have been reported to TRACE in those classes of TRACE-eligible securities that currently are disseminated. Historic TRACE Data includes, among other things, the price, date, time of execution, yield and uncapped volume for each transaction, provided the transaction is at least 18 months old.⁵ Initially, Historic TRACE Data was available only for corporate bonds and agency debt, but was expanded to include other classes of TRACE-eligible securities as they became subject to public dissemination.

While Historic TRACE Data has been used by researchers and other non-dealers, firms rarely use it due to the 18-month minimum period that transactions must age prior to being included in the data sets. FINRA has received feedback from firms that 18 months is too long to make Historic TRACE Data useful, and that six months would greatly improve its utility. When FINRA initially adopted the Historic TRACE Data rule, an 18-month delay was put in place as a conservative measure intended to respond to concerns that the data might be used to identify current trading, positions or the strategies of market participants.⁶ However, FINRA believes that a shorter delay period can be sufficient to continue to address information leakage concerns, while improving the usefulness of the data.⁷ Thus, FINRA proposes to amend Rule 7730 to shorten the delay period from 18 months to six months. FINRA believes that a six-month delay will increase the utility of historic data to market participants, thereby promoting the goal of increased transparency for TRACE-eligible securities.⁸

Economic Impact Analysis

Need for the Rule

As discussed above, FINRA has received feedback from firms that the current 18-month delay period may be too long to make Historic TRACE Data useful. Most subscribers to the Historic TRACE Data Sets have been vendors and research firms. There have been very few broker-dealer subscribers due to the length of the delay.

Regulatory Objective

The proposed shorter delay period for Historic TRACE Data aims to increase the utility of historical data to market participants, thereby promoting the goal of increased transparency for TRACE-eligible securities.

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 for firms and others. The proposal will require changes by FINRA to adjust the permissible delay for Historic TRACE Data product generation to six months.

While the shortened delay period for Historic TRACE Data is likely to increase transparency for TRACE-eligible securities, FINRA is aware of the potential concern that the dissemination of more recent transaction information may interfere with certain trading strategies and liquidity provision. FINRA requests comment regarding this potential concern, and intends to investigate the issue more closely during the rulemaking 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.

- ▶ 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?

Endnotes

1. 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.
2. *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.
3. 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 Historic TRACE Data as they become subject to dissemination.
4. *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. Historic TRACE Data also may include transactions or items of information that were not disseminated previously. For example, Historic TRACE Data includes exact trade volumes, rather than the capped amounts that are disseminated in real-time. The applicable real-time dissemination cap differs depending upon the type of TRACE-eligible security being reported. The caps are \$5 million for agency debentures and corporate bonds that are rated investment grade; \$1 million for corporate bonds that are rated non-investment grade; \$25 million for agency pass-through mortgage-backed securities traded TBA for good delivery; and \$10 million for agency pass-through mortgage-backed securities traded TBA not for good delivery, agency pass-through mortgage-backed securities traded in specified pool transactions, and SBA-backed asset-backed securities traded TBA and in specified pool transactions.

Historic TRACE Data also is available for trade reports dating back to 2002, even for transactions that were not subject to public dissemination at the time. Similarly, while real-time information for specified pool transactions is disseminated based on security characteristics, Historic TRACE Data identifies securities by CUSIP. Historic TRACE Data also includes reports on both the buy- and sell-side of inter-dealer transactions, whereas only sell-side trade reports are subject to real-time dissemination.
6. *See* Securities Exchange Act Release No. 56327 (August 28, 2007), 72 FR 51689 (September 10, 2007) (Notice of Filing of File No. SR-FINRA-2007-006).

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7. FINRA notes that the Municipal Securities Rulemaking Board (MSRB) disseminates in real-time the exact par value on all transactions with a par value of \$5 million or less, and includes an indicator (“MM+”) in place of the exact par value on transactions where the par value is greater than \$5 million until the fifth business day. MSRB disseminates the exact par value on all transactions on the fifth day after the trade.
8. FINRA is not proposing any changes to the fields made available in the Historic TRACE Data Sets at this time, and notes that the data will continue to omit any identifying dealer information. Additional information regarding included fields is available in [“Historic TRACE Data: Enhanced Historical Time and Sales – Trade Record File Layout”](#) in the technical specifications.

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.

(f) Definitions

(1) through (3) No Change.

(4) “Historic 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. Historic TRACE Data will be delayed a minimum of [18] six months and will not include MPID_s [information]. Historic TRACE Data includes the following Data Sets:

(A) through (D) No Change.

(g) No Change.

* * * * *

EXHIBIT 2b

**Alphabetical List of Written Comments
Regulatory Notice 15-24**

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



August 24, 2015

By *Electronic Mail* to pubcom@finra.org

Maria E Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory 15-24 / Reduction of the Delay Period for Historic TRACE Data

Dear Ms. Asquith:

The Securities Industry and Financial Markets Association (“*SIFMA*”)¹ appreciates the opportunity to respond to the request for comment by the Financial Industry Regulatory Authority (“*FINRA*”) on Reg. Notice 15-24. The calibration of the post-trade reporting regime and any related access to specific trade data is of great interest to our members. It is of the utmost importance to SIFMA’s members that as we seek to promote greater price discovery and transparency, we do so in a manner that does not impair the liquidity in our markets. Our members are also concerned about permitting access to specific trade data in a manner that could detrimentally impact their business by revealing trading positions, distribution strategies and other related proprietary information.

Regulatory Notice 15-24 proposes to reduce the delay period for the Historic TRACE data sets from 18 months to six months. SIFMA generally agrees that the envisioned reduction in the delay could increase the utility of historic data to market participants and that six months should generally be sufficient to address any dealer concerns related to trading strategies and liquidity provisioning. However, trade reports for certain segments of the ABS markets are not currently subject to public dissemination and we believe that it would be appropriate to review and consider confidentiality and liquidity issues for that class of products before including them in the 6 month Historic Data set. A phase-in process that starts with 18 months and eventually moves to 6 months may be more appropriate once those products are subject to public dissemination. SIFMA otherwise supports the current proposal as a means to further promote transparency for TRACE-eligible securities.

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>.

If you have any questions or require further information, please contact Sean Davy at (212) 313-1118 or sdavy@sifma.org. Thank you again for your consideration of our comments.

Regards,

A handwritten signature in black ink that reads "Sean Davy". The signature is written in a cursive style with a long, sweeping tail that loops back under the name.

Sean Davy
Managing Director

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 or 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

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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 that reads "Michael Nicholas". The signature is written in a cursive, flowing style.

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

Exhibit 5 shows 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 (f) No Change.

(g) Definitions

(1) through (3) No Change.

(4) “Historic 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. Historic TRACE Data [will be delayed a minimum of 18 months and] will not include MPIDs [information]. Historic Corporate Bond and Historic Agency Data will be delayed a minimum of six months. Historic SP Data will be delayed a minimum of 18 months. Historic Rule 144A Data will carry a delay consistent with the delay period applicable to the component security type (i.e., Rule 144A transactions in corporate bonds will be delayed a minimum of six

months and Rule 144A transactions in Securitized Products will be delayed a minimum of 18 months). Historic TRACE Data includes the following Data Sets:

(A) through (D) No Change.

(5) No Change.

(h) No Change.

* * * * *