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September 14, 2022

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street, NW, Suite 1000
Washington, DC 20005

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006

Re: MSRB Notice 2022-07 and FINRA Regulatory Notice 22-17 – Requests for Comment On Proposals to Shorten Fixed Income Trade Reporting Timeframes

Dear Mr. Smith and Ms. Mitchell:

Hartfield, Titus & Donnelly, LLC ("HTD")[1] welcomes the opportunity to respond to Notice 2022-07 (the "MSRB Notice") and Regulatory Notice 22-17 (the "FINRA Notice" and together with the MSRB Notice, the "Notices") issued by the Financial Industry Regulatory Authority ("FINRA" and, together with the MSRB, the "SROs"). The statistical figures provided in the Notices which describe trade reporting performance appear to be substantially similar among municipal securities and the various classes of TRACE eligible securities. HTD's position with regard to the Notices is identical for the proposed changes to the Relevant Rules in that the proposed changes will have the same impact on voice brokers for TRACE eligible and municipal securities trades. In the interest of efficiency, HTD's response to the Notices is intended for both SROs but will address the statistical figures provided in the MSRB Notice where applicable and will respond to the individual questions under the "Request for Comment" and "Operational Considerations" sections of the MSRB Notice as applicable to all of HTD's municipal and TRACE eligible securities businesses.

There is a central narrative in the Notices that should be carefully considered. Specifically, MSRB Rule G-14 and FINRA Rule 6730 (together, the "Relevant Rules") require transactions to be reported as soon as practicable, but not later than fifteen minutes from the time of execution. Systems, practices and procedures were developed over time by member firms to submit transactions as quickly as possible. These systems were not designed to hold transactions until the last allowable minute, but rather to report transactions as quickly as possible. In the Request for Comment, the MSRB notes that 97.3% of trades are currently reported within five minutes and then posits that little would be gained in reducing the transaction time to five minutes. To be clear, the industry as a whole has demonstrated that in 97.3% of trades, the fastest times that trades can be reported is, in fact, five minutes. Fifteen minutes is the time limit and "as soon as possible" is the approach. As soon as possible, for

[1] HTD has operated as a Municipal Securities Broker's Broker since 1965 and as an inter-dealer broker in TRACE eligible securities since 2014, headquartered in Jersey City, New Jersey with offices in California, Texas, Illinois and Florida. HTD's primary responsibility is to provide anonymity while facilitating liquidity in the institutional fixed income marketplace. HTD operates as a voice broker and transacts exclusively with broker-dealers, banks, SMMPs and institutional counterparties.

97.3% of trades executed, is five minutes. By way of analogy, this is akin to the four-minute mile. While many thought it impossible to achieve, Roger Bannister proved them wrong in 1954. Since then, it has been broken by nearly two thousand runners, but at best, has only been reduced by seventeen seconds. The point is that there are limits to everything and suggesting that trade reporting can be reduced to one minute by decree fails to recognize this reality. HTD believes that the data presented in connection with the Notices must be more fully analyzed in the context of the market activity behind this data in order to provide accurate and realistic conclusions.

A more complete analysis of the data discussed in the Notices must consider differences between institutional voice brokered fixed income markets and retail fixed income markets. Specifically, the material differences in how trades in these markets are negotiated, executed and processed. A general observation of the information that was provided in the Notices shows that no such consideration was made by the SROs when proposing to amend the Relevant Rules. There was no meaningful discussion of the fact that the vast majority of large volume trades are voice trades. There was no discussion of the verbal negotiation and manual processing of large volume (e.g., institutional) voice brokered trades compared with the comparatively simple pricing and execution of smaller volume trades that are more commonly executed on electronic trading platforms, much in the way equity transactions are executed.

From a purely operational standpoint, a one-minute reporting requirement is unrealistic in voice-brokered (e.g., intermediated) trades. These trades are verbally negotiated and manually executed and processed by brokers and traders and the operations personnel who support them. These trades consist of two or more counterparties buying and selling through the voice broker. Such trades are complicated and require manual processing from the point of execution through the final clearance and settlement of the trades. There are often delays in processing such trades that are beyond the control of the counterparties to the trades.

HTD addresses these points and others under the Request for Comment section below. It is HTD's position that these are points that must be fully considered in any discussion to amend the Relevant Rules as proposed in the Notices.

Request for Comment on the Proposal

1. In 2021, 76.9% of trades that were not exempt from the 15-minute reporting requirement were reported within one minute after a trade execution. By comparison, more than 97.3% of trades required to be reported within 15 minutes were reported in five minutes or less.
   This is an important point to consider. With a regulatory requirement to report trades within 15 minutes, the industry implemented a variety of procedures, policies and technologies to report trades as quickly as practicable but no longer than 15 minutes from the execution of the trade. The result of this effort exceeded the regulatory requirements and as a result, the vast majority of trades are reported within five minutes or less from the time of execution. This is testimony to the industry's efforts across a variety of trade execution methods, trading platforms and post trade processing systems. This demonstrates that the trade reporting process has been optimized over the last 17 years, it does not indicate that the industry "targeted" five minutes as a goal. This accomplishment should properly be viewed as "state-of-the-art" and any adjustments to the Relevant Rules should reflect this accordingly.

2. While 80.3% of trades with trade size of $100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between $1,000,000 and $5,000,000 par value and 25.3% of trades with trade size above $5,000,000 par value were reported within one minute.

This is evidence that trade size impacts trade reporting times. In addition, some of these larger trades were made up of pieces of trades put together as part of the negotiation process. Additional trade participants involved in an intermediated multilateral transaction will also lead to longer trade capture, processing and reporting times.

3. By comparison, the differences in percentage of trades reported within two minutes and five minutes were smaller across the trade size groups, ranging from 49.4% for trades above $5,000,000 par value to 93.4% for trades at $100,000 par value or lower for two-minute reporting and 80.3% for trades above $5,000,000 par value to 98.1% for trades at $100,000 par value or lower for five-minute reporting.
   The data reflects the results of industry efforts to report trades as quickly as possible, not to report these trades just shy of the 15-minute requirement. Systems, policies and procedures have optimized trade capture, processing and reporting and have exceeded the regulatory requirements. This is the result of member firms expending tremendous resources and working to maximize performance to achieve compliance with the Relevant Rules.

4. The main benefit for proposing the one-minute trade reporting would be improved transparency in the municipal securities market.
   The SROs have not demonstrated that improved transparency would result from reducing the trade reporting time to one minute. There is no evidence or data presented in the contemporaneous trades of identical CUSIPs that show that they would have been closer in price as a direct result of a prior trade report for that CUSIP. In addition, trade size definitively impacts pricing and there is no data or evidence to the contrary.

5. Under the proposed change, however, more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades.
   This is an assumption without supporting evidence. Unrelated contemporaneous trades in TRACE eligible and Municipal Securities represent a tiny percentage of trading in general, and unrelated contemporaneous trades of identical CUSIP with materially similar par amounts reflects an even smaller set of transactions. Trades that are intermediated by voice brokers will always result in contemporaneous trades in securities with identical CUSIPs. This fact was not included in the SROs' analysis. These trades will not benefit from a reduced reporting time because these trades are the components of transactions that are intermediated by voice brokers (e.g., the voice broker buying from the selling counterparty, and then the voice broker selling to the buying counterparty). The difference in price for these intermediated trades is the commission/brokerage fee paid.

6. Out of the universe of the trades (251,635 "analyzed trades") with same-CUSIP number matched trades between January and December 2021, where a matched trade was executed before the analyzed trade's execution but was reported after the analyzed trade's execution, 27.9% (100% - 72.1%) of those analyzed trades had at least one matched trade executed more than a minute before the analyzed trade's execution.
   Once again, although same-CUSIP contemporaneous trades are referred to in this statistic, there is no consideration for trade size, which would indicate if the trade was institutional or retail. Without this information, the analysis provided here is incomplete and misleading.

7. By comparison, if the trade reporting requirement were shortened to five minutes, only 7.9% (100% - 92.1%) of analyzed trades would have benefited from the matched trades' execution information; and only 15.5% (100% - 84.5%) of analyzed trades would have benefited if the trade reporting requirement were reduced to two minutes.

This is a spurious observation. The SROs should consider the fact that the industry's efforts have resulted in the vast majority of trades being recorded in one-third of the time required by the Relevant Rules. The industry hasn't targeted five minutes as a goal, it targeted "as quickly as possible" which has resulted in a very small percentage of trades taking more than five minutes. This perspective is important to understanding how markets operate and how participants have maximized their performance with respect to trade reporting.

8. The percentage of trades reported within five minutes has risen from 86.4% in the latter half of 2005 to 97.3% by 2021, and from 77.9% to 91% for trades reported within two minutes during the same period.
   This is a critically important point. With markets as diverse as the municipal and TRACE eligible securities markets reflected in the issues traded, participant profile and various execution methods, it took 16 years to achieve the improvements illustrated in this data. This isn't reflective of any changes in the trade reporting requirement, but arguably a reflection of the evolution of technology and best-practices. Simply ruling that the new target is one-minute without truly considering and understanding the current performance of market participants will introduce prohibitive costs and, for many firms, unmitigable burdens for no apparent benefit based on the presented analysis.

9. One alternative the MSRB reviewed but deemed inferior was to introduce a five-minute trade reporting period. By MSRB's estimates, as shown in Table 1 above, 20.4% (97.3% - 76.9%) of all reported trades in municipal securities would have satisfied the five-minute reporting requirement but not the one-minute reporting requirement in 2021.
   A five-minute requirement would reflect the state-of-the-art, not an improved target. In addition, a five-minute requirement reflects the industry's effort to optimize the post-trade process, not a target mutually agreed upon. It reflects the diverse nature of the municipal and TRACE eligible securities markets and the dedicated efforts of the market participants who operate there.

Operational Considerations

1. The time to report a trade is triggered at the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price; is this definition of "Time of Trade" the appropriate trigger? If not, what other elements of the trade should be established before the reporting obligation is triggered?
   The primary consideration should be the business method used in trade execution. For example, when a dealer executes a trade with a customer, it is a one-on-one transaction between a buyer and a seller. Alternatively, when a voice broker intermediates a trade, it always acts as a matched principal and generates a broker-to-buyer and broker-to-seller ticket. In practice, the simplest trade has four tickets: selling dealer to broker and broker to buying dealer. In many cases there are multiple buyers and sellers on a trade with each piece creating two tickets. This in turn must acknowledge the fact that the parties to the trade may have, and in all likelihood do have, different technology/systems, policies and procedures in place. Requiring trade reports within a minute under these routine circumstances is not realistic. Put simply, voice brokers should have an accommodation to their unique business model under a one-minute reporting requirement. Perhaps an appropriate trigger in this context would be when the intermediated transaction is complete (e.g., when all underlying trades of the intermediated transaction are executed).

2. The data in Table 1 above indicates that 76.9% of trades reported to the MSRB were reported within one minute. Are there any commonalities with the trades (other than those noted above) that were reported within one minute or reported after one minute?
Although 76.9% of the trades were reported within one minute, this needs to consider the trading venue. The majority of trades in the Municipal Securities market are less than 100 bonds and these trades are executed electronically via ATS platforms. This clearly skews the data and ignores the high-volume trades that are executed in the institutional fixed income markets by voice brokers.

3. The data in Table 1 above indicates that larger-sized trades take longer to report than smaller-sized trades. What is the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (e.g., voice trades)?
Larger trades are the result of a verbally negotiated pricing process which is intermediated by a voice broker between buying and selling institutional counterparties. In these cases, voice brokers may not have the respective buyers and sellers on the phone at the same time. Confirming both sides of an intermediated transaction, often with multiple counterparties, and then processing these trades naturally takes longer in a negotiated market and the longer trade reporting times reflect this.

4. For dealers that report larger-sized trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?
It is not clear that there is anything that a dealer can do in terms of its processes that would reduce the time it takes for an executed trade to be reported. The timing of a trade report is a function of the complexity of the trade. The more complex the trade, the longer it will take to process. In many instances, delays in processing trades result from operational and system-related issues at clearing firms which are beyond the control of the voice broker or their institutional counterparties.

5. Would dealers need retail and/or institutional investors to modify any of their processes so that larger-sized trades could be reported in a shorter timeframe?
This would not address the time it takes to report a trade. The timing of a trade report is a function of the complexity of the trade. The more complex the trade, the longer it will take to process. As mentioned in 5., above, in many instances, delays in processing trades result from operational and system-related issues at clearing firms which are beyond the control of the voice broker or their institutional counterparties.

6. The data in Table 2 above indicates dealers that report a smaller number of trades per year, take longer to report trades than dealers that report a larger number of trades. What is the reason(s) it takes a firm that reports a small number of trades more time to report a trade? For dealers that report a small number of trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?
This reflects the heterogenous nature of the market. Not every participant employs the same technology, policies or procedures and as a result, may achieve varying trade reporting outcomes. This observation also speaks to the fact that dealers that report a larger quantity of trades are executing smaller volume trades and dealers that are reporting fewer trades are generally executing larger volume trades.

7. Based on the MSRB's analysis, trades conducted on ATS platforms are reported to RTRS in less time than non-ATS trades, with 84.4% of inter-dealer trades on an ATS platform being reported within one

minute while only 74.9% of non-ATS trades were reported within one minute. What is the reason(s) it takes more time to report trades executed away from an ATS?
Simply put, this is the result of electronic trading. The SROs should note that these trades are generally 100 bonds and less and do not require negotiations or operational processing prior to reporting, which large volume voice brokered trades always require.

8. Submitting transactions to RTRS using a service bureau appears to result in faster trade reporting time than a dealer using the RTRS Web interface. On average how long does it take a dealer to report a trade through the RTRS Web interface? How could the MSRB improve the process for reporting through the RTRS Web interface? In what instance would a dealer choose to or need to use the RTRS Web interface?
HTD's trades are reported electronically by its clearing firm, which is the way regulatory reporting is often done by firms that are not self-clearing.

9. Would reducing the timeframe to as soon as practicable, but no later than within one minute affect the accuracy of information reported and/or the likelihood of potential data entry errors? If so, what is the reason for such impact?
Trade errors are a fact of life and in general, the trades that take longer to report do reflect some issue with the trade; for example, an incorrect price or par amount. Reducing the trade reporting time to one minute will have a detrimental effect on trade reporting accuracy because market participants will be primarily focused on reporting within one minute.

10. Are there any necessary process(es) a dealer needs to complete before trading a bond for the first time that could impact the ability to report a trade within a reduced timeframe (e.g., querying an information service provider to obtain indicative data on the security)?
It is not clear that any specific dealer-related process(es) completed prior to a trade would facilitate compliance with a voice broker's reporting obligations within a reduced timeframe. To answer the subsequent questions, it can take more than the fifteen-minute reporting time and can result in a late trade report. Items a., b., and c., below, are performed by HTD's clearing firm.
    a. Please describe the process(es) and how often it is necessary to implement the process(es).
    b. Please estimate the time necessary to complete such process(es).
    c. Describe how, if at all, the process has changed in the last 10 years?

11. Rule G-14 currently provides exceptions for certain trades to be reported at end of day. Are these exceptions still necessary? If so, is end of day still the appropriate timeframe for reporting these transactions?
HTD rarely executes such trades.

12. Would reducing the reporting timeframe to one minute require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (e.g., 3 minutes)? If so, please identify the types of trades that would require an exception and why such are believed necessary? For example, do trades executed on swap rather than on a cash basis require more time to report?
In general, HTD's position is that voice brokered trades do represent a unique workflow and as a result should have a separate reporting requirement to address this. As stated earlier, market participants have made every effort to minimize their trade reporting times, and in the vast majority of cases have reported trades within five minutes. This is the state-of-the-art and should be used as the best-case scenario when contemplating amendments to the Relevant Rules. The SROs need to consider the unique business model and function of voice brokers in the institutional

fixed income markets. Voice brokers are essential to liquidity in this marketplace which ultimately effects liquidity in the retail fixed income marketplace. The business model and function of voice brokers are vastly different than those of a dealer accommodating a customer and taking a position on a trade.

In summary, HTD is supportive of improving processes as they relate to our role in the institutional fixed income markets. It is essential that any rule changes that are made to achieve the stated objectives are made with complete information and consideration of how such changes will affect all market participants. Voice brokers in the institutional fixed income marketplace serve an essential role in facilitating market liquidity, but are often overlooked when considering such proposals. HTD respectfully requests that the SROs engage the voice brokers in meaningful dialogue regarding their concerns with the proposed amendments to the Relevant Rules.

Sincerely yours,

Edward J. Smith
General Counsel
Chief Compliance Officer
Hartfield, Titus & Donnelly, LLC