

FINANCIAL INFORMATION FORUM

February 26, 2024

By electronic mail to rule-comments@sec.gov

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attn: Secretary

Re: File Number SR-FINRA-2024-004: Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute

File Number SR-MSRB-2024-01: Notice of Filing of a Proposed Rule Change to Amend MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB

Dear Secretary,

The Financial Information Forum (“FIF”)¹ is submitting this comment letter as a follow-up to the comment letter that FIF submitted on February 20, 2024 (the “prior FIF comment letter”)² relating to the above-referenced Notices of Filing published by the Securities and Exchange Commission (the “Commission”) on January 19, 2024³ and the associated rule filings (the “rule filings”) submitted to the Commission by the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Municipal Securities

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include broker-dealers, exchanges, back office service bureaus, and market data, regulatory reporting and other technology vendors in the securities industry. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² Letter from Financial Information Forum to the Securities and Exchange Commission (Feb. 20, 2024), available at <https://www.sec.gov/comments/sr-finra-2024-004/srfinra2024004-430042-1065782.pdf>.

³ Securities Exchange Act Release No. 99402 (Jan. 19, 2024), 89 FR 5384 (Jan. 26, 2024) (Notice of Filing of a Proposed Rule Change to Amend MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB Securities). Exchange Act Release No. 99404 (Jan. 19, 2024), 89 FR 5034 (Jan. 25, 2024) (Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute).

Rulemaking Board (“MSRB”).⁴ The FINRA rule filing proposes to reduce to one minute the timeframe for reporting to the FINRA Trade Reporting and Compliance Engine system (“TRACE”) securities that are currently subject to 15-minute reporting.⁵ The MSRB rule filing similarly proposes to reduce from 15 minutes to one minute the timeframe for reporting trades in municipal securities to the MSRB’s Real-Time Transaction Reporting System (“RTRS”).⁶

In the prior FIF comment letter, FIF wrote:

FINRA and the MSRB should consider scenarios where a firm corrects a technical issue and then submits automatically

A reporting firm could have a scenario where, as a result of a technical issue, the firm is not able to automatically submit one or more trades to TRACE or RTRS. The firm’s employees could then make the appropriate system changes addressing the technical issues, which would enable the automated systems to submit the trade or trades to TRACE or RTRS. FIF members are currently discussing whether the manual trade indicator should apply in this scenario and might provide further comment on this scenario in a supplemental comment letter.

This comment letter provides further comment on the scenario above. The following are the specific steps involved in this scenario:

- A reporting firm executes a trade electronically
- The intention and standard practice of the firm is to report this trade to TRACE or RTRS automatically and in real-time
- Because of a technical issue, the firm is not able to report the trade in real-time
- An employee at the firm takes a manual action to resolve the technical issue
- The firm submits the trade through the firm’s standard automated reporting process.

The following are examples of manual actions described in the steps above:

- Correcting data about an instrument in a security master
- Correcting information about a trading counterparty
- Addressing a hardware issue.

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⁴ SR-FINRA-2024-004, Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute (Jan. 11, 2024), available at <https://www.finra.org/sites/default/files/2024-01/sr-finra-2024-004.pdf> (“FINRA Rule Filing”). SR-MSRB-2024-01, Proposed Rule Change to Amend MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB (Jan. 12, 2024), available at https://www.msrb.org/sites/default/files/2024-01/SR-MSRB-2024-01_0.pdf (“MSRB Rule Filing”).

⁵ FINRA Rule Filing, at 3.

⁶ MSRB Rule Filing, at 3.

The rule filing submitted by FINRA defines the scope of when the manual trade indicator should be reported:

(I) Manual Trade Indicator

If reporting a transaction that is manually executed or where such member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQs website or into a system that facilitates trade reporting to TRACE, select the appropriate indicator.⁷

The rule filing submitted by the MSRB similarly requires that firms report a special condition indicator for a “trade with a manual component.”⁸ The MSRB rule filing defines this as follows:

A “trade with a manual component” means for the purposes of this rule a transaction that is manually executed or where the dealer must manually enter any of the trade details or information necessary for reporting the trade directly into an RTRS Portal or into a system that facilitates trade reporting to an RTRS Portal.⁹

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FIF members are not clear as to whether the scenario described above (and, more specifically, the three examples above) would require reporting of the manual trade indicator. For example, with respect to the FINRA rule proposal, FIF members would not consider this scenario to be a “manual execution” and the transaction is not reported through TRAQs, but FIF members are not clear as to whether this scenario involves the manual “... entry ... of the trade details or information necessary for reporting the trade ... into a system that facilitates trade reporting to TRACE”¹⁰ Similarly, with respect to the MSRB rule proposal, FIF members would not consider this scenario to be “manually executed,” and the transaction is not reported directly into an RTRS Portal, but FIF members are not clear as to whether this scenario involves the dealer manually entering “... any of the trade details or information necessary for reporting the trade ... into a system that facilitates trade reporting to an RTRS Portal”¹¹ FIF members also are not clear as to whether the analysis would be different for the three examples of manual actions provided above.

Some FIF members are opposed to a requirement to report the manual trade indicator in this scenario because, in their view, a requirement to append this modifier to otherwise automated trade flows might necessitate delays in reporting to append the modifier, or the submission of corrections purely to include the modifier. Other firms are not clear at this time as to whether or not it would be appropriate to report the manual trade indicator in this scenario (and the three examples provided above). FIF

⁷ Proposed FINRA Rule 6730(d)(4)(I). FINRA Rule Filing, at 282.

⁸ Proposed MSRB Rule G-14(b)(iv)(B)(4). MSRB Rule Filing at 407-408.

⁹ Proposed MSRB Rule G-14(d)(xiii). MSRB Rule Filing, at 408.

¹⁰ Proposed FINRA Rule 6730(d)(4)(I). FINRA Rule Filing, at 282.

¹¹ Proposed MSRB Rule G-14(d)(xiii). MSRB Rule Filing, at 408.

members recommend that FINRA and MSRB representatives engage in discussion with industry members about this scenario. This could be after rule adoption but should be prior to the commencement of the implementation timeline.

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FIF appreciates the opportunity to submit this supplemental comment letter on the FINRA and MSRB filings. If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at howard.meyerson@fif.com.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum