

# FINANCIAL INFORMATION FORUM

5 Hanover Square  
New York, New York 10004

212-422-8568

## **Via Electronic Delivery**

August 5, 2015

Robert W. Errett  
Deputy Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: SR-FINRA-2015-025 – Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Require Members to Report Transactions in TRACE-Eligible Securities As Soon As Practicable

Dear Mr. Errett,

The Financial Information Forum (FIF)<sup>1</sup> would like to take this opportunity to comment on *SR-FINRA-2015-025 - Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Require Members to Report Transactions in TRACE-Eligible Securities As Soon As Practicable* (“Proposed Rule”). We appreciate the SEC’s willingness to seek feedback on the important issues outlined in the notice.

In responding to the Proposed Rule, FIF is focused on aspects of the notice with operational or implementation impacts. In summary, FIF members request the following:

1. Eliminate or clarify the “as soon as practicable” statement
2. Consider the impact on TRACE reporting with regards to:
  - a. Diversity of workflows for Fixed Income TRACE reporting
  - b. Setup of securities in the Security Master File and on FINRA’s website
  - c. Phone orders and manual reporting

FIF’s perspectives on the Proposed Rule are discussed in more detail below.

## **Definitions of Certain Terms**

The current Rule requiring FINRA members to report TRACE-eligible securities within 15 minutes of the time of execution is a very clearly defined requirement. Including the language “as soon as practicable” in this requirement creates some grey area that did not formerly exist. We would like to see elimination of “as soon as practicable”, or at a minimum, inclusion of a definition that will provide clarity. FIF

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<sup>1</sup> FIF ([www.fif.com](http://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 trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

members surmise that the intent of this language is to address firms that have an established pattern or practice of intentionally delaying or stopping “as soon as practicable” reporting by building mechanisms into their workflows. If so, the intent of the Proposed Rule would be strengthened by language that explicitly states it is a violation of the rule to purposely delay or knowingly stop reporting, rather than using vague language such as “as soon as practicable”. Similarly, FIF members request a definition of “reasonably” as it is used in Supplementary Material .03.

While the Proposed Rule states “FINRA anticipates that this rule will not impose any significant new compliance costs on members” and, absent any systems in place that are programmed to intentionally delay reporting, FIF members seek clarity on whether other changes are expected to be made to existing systems and workflows to comply with the revised proposal.

In addition, given the one minute and five minute reporting thresholds that are currently being reported and cited in the Proposed Rule, will there be unofficial thresholds that firms will be measured against? FIF members would like clarification on any new reporting thresholds that may be incorporated into a Final Rule.

### **TRACE Reporting Considerations**

Reporting TRACE-eligible fixed income securities to FINRA can be operationally challenging. In the Proposed Rule, FINRA cites that the “as soon as practicable” requirement for the reporting of transactions to the equity trade reporting facilities has already been codified. There are intricacies to fixed income reporting that don’t exist in reporting equities to the trade reporting facilities. We’d like to ensure the following circumstances will not be construed as delay tactics as they are required to support the operational and technology procedures necessary to meet reporting obligations.

### **Diverse Workflows**

The process required to generate a TRACE message utilizes both trade and static data to determine TRACE eligibility. There are differences among broker dealers in their approaches to setting up a security in the Master File. The Security Master often relies on data received from third party providers. As broker dealers use different data providers and implement varying internal workflows, the reporting times may differ from broker to broker. We would like to ensure that if a broker reports a trade within one minute and the contra broker reports in fourteen minutes due to internal workflows, both brokers will still be in compliance as the reporting occurred within fifteen minutes from the time of execution.

### **Primary Market**

Setting up new issues in TRACE impacts timeliness of reporting. Making new issues TRACE-eligible is a manual process done via the FINRA website. For example, if the new issue is priced at 3 PM and starts trading in the secondary market right after, the security needs to be made TRACE-eligible and indicated as such by the underwriter on the FINRA website before it starts trading. Otherwise the trade will be rejected by TRACE or not reported. Then, each broker needs to ensure their Security Master is updated accordingly. This lag needs to be considered in determining if a trade was reported “as soon as practicable”.

### **Manual Reporting**

Although some trading in fixed income securities is automated with executions facilitated by ATSS or electronic platforms, trading in fixed income remains largely a manual process. In the Proposed Rule, Supplementary Material .03 acknowledges that brokers may manually report TRACE-eligible securities. One scenario to consider is receiving orders from customers while on the phone or via instant

messenger. These transactions require manual entry into the trading system which adds an additional layer to the manual reporting process.

**Conclusion**

FIF would like to thank FINRA and the SEC for providing the opportunity to comment on the Proposed Rule. We believe the above recommendations made by FIF members would be beneficial to firms affected by the proposed changes and would help the industry as a whole. We welcome FINRA and the SEC to join a meeting with FIF members to further discuss our concerns on SR-FINRA-2015-025. We are particularly interested in coordinating future changes more closely, and look forward to working further with FINRA and the SEC on this and future proposals.

Regards,

A handwritten signature in black ink, appearing to read "Darren Wasney". The signature is fluid and cursive, with a prominent initial "D" and a long, sweeping underline.

Darren Wasney  
Program Manager  
Financial Information Forum