FINANCIAL INFORMATION FORUM

December 23, 2021

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-2021-030: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to Amend FINRA Rule 6730 to Require Members to Append Modifiers to Delayed Treasury Spot and Portfolio Trades When Reporting to TRACE

Dear Secretary,

The Financial Information Forum (FIF)[1] appreciates the opportunity to comment on SR-FINRA-2021-030 filed by the Financial Industry Regulatory Authority (FINRA) with the Securities and Exchange Commission (the Commission).[2] This filing by FINRA proposes to amend FINRA Rule 6730 to require members to append modifiers to identify delayed Treasury spot and portfolio trades when reporting to FINRA's Trade Reporting and Compliance Engine (TRACE). The filing also would require firms to report the time at which the spread for a delayed Treasury spot trade was agreed. The Commission also requests comment on whether the proposal by FINRA should be expanded to require FINRA members to report, with respect to delayed Treasury spot trades: (1) the actual yield spread (spread) between the corporate bond and the U.S. Treasury Security that is agreed between the counterparties; and (2) the CUSIP number (or another identifier) of the specific U.S. Treasury Security that serves as the basis for the spread calculation.

Implementation timeframe

It is important to ensure that industry members will have sufficient time to properly implement the planned reporting changes. These changes will require coordination and integration across market

[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] Securities Exchange Act Release No. 34-93699 (Dec. 1, 2021), 86 FR 69337 (Dec. 7, 2021), available at https://www.sec.gov/rules/sro/finra/2021/34-93699.pdf.

participants and also across multiple systems within individual firms, which adds to the implementation timeframe. For example, vendor-provided and proprietary order management systems (OMSs) will need to receive and process data from ATS and RFQ systems that execute delayed Treasury spot trades. These OMSs, in turn, will need to provide the relevant data to back-end (i.e., post-trade processing), reporting and compliance systems. Similarly, dealers that execute delayed Treasury spot trades directly with customers and other counterparties will need to capture additional data in front-end systems (i.e., systems used by traders) and communicate this data to downstream back-end and reporting systems. For many firms, this will require changes to front-end user interfaces and the data captured and maintained by front-end systems, along with changes to trader workflows. Firms also require advance notice to allocate resources for the work that will be required across different front-end, back-end, reporting and compliance systems. Similar coordination and development work will be required to implement reporting of the portfolio trading modifier. Coordination also will be required across trading counterparties to ensure consistent reporting of modifiers and timestamps. Development work also will be required for firms that process TRACE dissemination feeds for internal use or distribution to third-parties.

The filing by FINRA provides that the effective date of the proposed rule change will be no later than 365 days following publication of a Regulatory Notice by FINRA announcing the Commission's approval of the rule change. In light of the significant technical work that will be required, including integration across the industry and within multiple internal firm systems, FIF members believe that a two-year implementation period is more appropriate. In addition, any timetable should run from the date that FINRA publishes technical specifications and interpretive FAQs.

Special price indicator flag

FINRA writes as follows in the rule filing:

> "FINRA confirms that the portfolio trade modifier would be taken into account in FINRA's reviews of members' trading activities, including fair pricing reviews, along with any other indicators or modifiers that may be appended to individual trades (such as the special price indicator, where applicable). However, the new portfolio trade modifier would not replace any other applicable indicators or modifiers, including the special price indicator, where applicable."

FIF members continue to have concerns about the special price indicator flag. If a bond trades infrequently, the analysis of whether to report the special price indicator flag is highly subjective. It is also challenging to perform this type of analysis within the timeframe for reporting corporate bond transactions to TRACE. FIF members request that FINRA provide additional guidance to industry members on the conditions for reporting this field and that the scope for reporting this field be limited to specific scenarios identified by FINRA.

TRACE validations

FIF members would like to understand whether the TRACE system will validate the following:

- For a delayed Treasury spot trade, whether the counterparties to a trade consistently report the time at which the spread is agreed
- Whether the counterparties to a trade consistently identify a trade as being part of a portfolio trade.

Reporting the agreed spread and the CUSIP for the referenced Treasury bond

The Commission requests comment on whether the proposal by FINRA should be expanded to require FINRA members to report, with respect to delayed Treasury spot trades: (1) the actual yield spread (spread) between the corporate bond and the U.S. Treasury Security that is agreed between the counterparties; and (2) the CUSIP number (or another identifier) of the specific U.S. Treasury Security that serves as the basis for the spread calculation. Industry members do not believe that reporting this additional data is necessary because there are standard industry practices for determining the reference Treasury for a corporate bond, and these practices are reflected in the benchmarks for corporate bonds published by the leading data vendors. Including these additional data elements will increase the work required for firms to implement these changes. If the regulators will require this additional data to be reported, this additional work should be considered when setting the implementation timetable.

The Commission references "the CUSIP number (or another identifier) of the specific U.S. Treasury Security." FIF members support the ongoing consideration by the Commission, FINRA and other regulators of additional identifiers that firms can use for TRACE and other reporting.

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FIF appreciates the opportunity to comment on SR-FINRA-2019-030. 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