

# FINANCIAL INFORMATION FORUM

June 24, 2022

**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-2022-013: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 6730 to Enhance TRACE Reporting Obligations for U.S. Treasury Securities**

Dear Secretary,

The Financial Information Forum (“FIF”)<sup>1</sup> appreciates the opportunity to comment on SR-FINRA-2022-013 filed by the Financial Industry Regulatory Authority (“FINRA”) with the Securities and Exchange Commission (the “Commission”)<sup>2</sup> and the Commission’s associated Notice of Filing (the “Notice of Filing”).<sup>3</sup> This filing by FINRA (the “Rule Filing”) proposes “to amend FINRA Rule 6730 to (i) require members to report electronically executed transactions in U.S. Treasury Securities to FINRA’s Trade Reporting and Compliance Engine (“TRACE”) in the finest increment captured by the system used to execute the transaction, subject to an exception for members with limited trading volume in U.S. Treasury Securities; and (ii) reduce the trade reporting timeframe for transactions in U.S. Treasury Securities to generally require reporting to TRACE as soon as practicable but no later than 60 minutes.”<sup>4</sup> As proposed, reporting must be “in an increment of (i) no longer than a second and (ii) no shorter than a microsecond.”<sup>5</sup> The Rule Filing also provides “a limited exception for members with limited trading

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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 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.

<sup>2</sup> SR-FINRA-2022-011, “Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Enhance TRACE Reporting Obligations for U.S. Treasury Securities” (May 23, 2022), available at <https://www.finra.org/sites/default/files/2022-05/SR-FINRA-2022-013.pdf>.

<sup>3</sup> Securities Exchange Act Release No. 34-95003 (May 27, 2022), 87 FR 33,844 (June 3, 2022), available at <https://www.govinfo.gov/content/pkg/FR-2022-06-03/pdf/2022-11878.pdf>.

<sup>4</sup> Notice of Filing, p. 33,844.

<sup>5</sup> Notice of Filing, p. 33,845.

volume in U.S. Treasury Securities from the proposed requirement to report electronically executed transactions in U.S. Treasury Securities to the finest increment of time captured by the execution system.”<sup>6</sup>

### **Requirement for time increment on TRACE report to match time increment of execution system**

FIF members note that this proposal, if adopted, would require significant changes to certain firm and vendor reporting systems to match the granularity of internal and third-party execution systems. Additionally, communications between broker-dealers and counter-parties and vendors will need to be changed to support the additional granularity. The changes will require extensive coordination and testing across all industry members. It is important that a sufficient time period be provided to allow for this industry-wide implementation.

### **Electronic executions; time of execution**

The proposed requirement to report to TRACE in the finest increment captured by the execution system would apply to “electronically executed transactions”. In Regulatory Notice 20-43, FINRA requests feedback on “what is an appropriate definition of a ‘voice’ or an ‘electronic’ trade?”<sup>7</sup> FINRA notes in the Rule Filing that “the existing timestamp granularity provision for U.S. Treasury Securities in Rule 6730.04 specifically applies to transactions that are ‘executed electronically,’ and FINRA is not aware that there has been confusion regarding the scope of the current requirement that has resulted in compliance concerns for members.”<sup>8</sup> FIF members recommend that FINRA provide additional clarity as to what is meant by an electronic execution (for example, relating to trades that are agreed through chat and IM). Prior to providing additional guidance in this area, FINRA should engage in discussions with industry members.

Various TRACE FAQs published by FINRA (for example, FAQs 3.1.52, 3.1.53 and 3.1.56) refer to the time of a trade execution as the time of the “meeting of the minds”.<sup>9</sup> FIF members recommend that FINRA clarify the application of this concept to electronic execution scenarios.

### **Truncation**

TRACE FAQ 3.5.37, which relates to TRACE reporting for Treasuries, provides:

“Members must accurately report a transaction’s Time of Execution and are not permitted to round when reporting to TRACE. The TRACE system can accommodate

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<sup>6</sup> Notice of Filing, p. 33,846.

<sup>7</sup> FINRA Regulatory Notice 20-43, “Trade Reporting and Compliance Engine (TRACE): FINRA Requests Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities” (December 23, 2020), available at <https://www.finra.org/sites/default/files/2020-12/Regulatory-Notice-20-43.pdf>, p. 11.

<sup>8</sup> Rule Filing, p. 24.

<sup>9</sup> “Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE)”, available at <https://www.finra.org/filing-reporting/trace/faq#TS>.

reporting up to the microsecond and, where the firm captures time in an increment finer than microseconds, the firm must truncate when reporting to TRACE.”<sup>10</sup>

FIF members request confirmation that this guidance relating to truncation would continue to apply.

### **Implementation timeframe**

It is important to ensure that industry members will have sufficient time to properly implement the planned reporting changes. Any timetable should run from the date that FINRA publishes technical specifications and interpretive FAQs.

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FIF appreciates the opportunity to comment on SR-FINRA-2022-013. 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](mailto:howard.meyerson@fif.com).

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson  
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<sup>10</sup> Ibid.