

FINANCIAL INFORMATION FORUM

August 23, 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-2024-007: Notice of Filing of a Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™)); Participant Specification for SLATE

Dear Secretary,

The Financial Information Forum (“FIF”)¹ appreciates the opportunity to comment on (i) the rule filing submitted by the Financial Industry Regulatory Authority (“FINRA”) to the Securities and Exchange Commission (the “Commission”) on May 1, 2024, titled “Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))” (the “FINRA rule filing”),² and (ii) the associated Notice of Filing published by the Commission on May 1, 2024 (the “Notice of Filing”).³ The FINRA rule filing proposes a new series of rules to implement Securities Exchange Act Rule 10c-1a,⁴ which was adopted by the Commission on October 13, 2023. The FINRA rule filing provides for the establishment of a new “Securities Lending and Transparency Engine” system, also known as “SLATE”.⁵ On June 10, 2024, the Commission published a Notice of Designation to provide for a longer period for

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 SR-FINRA-2024-007 (May 1, 2024) (Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))), available at <https://www.finra.org/sites/default/files/2024-05/SR-FINRA-2024-007.pdf> (“FINRA Rule Filing”).

³ Securities Exchange Act Release No. 100046 (May 1, 2024), 89 FR 38203 (Notice of Filing of a Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™))).

⁴ 17 CFR §240.10c-1a.

⁵ FINRA Rule Filing, at 3.

Commission action on the proposed rule change.⁶ On August 5, 2024, the Commission published an Order Instituting Proceedings to solicit additional comments on the FINRA rule filing.⁷ FIF is also commenting on the draft Participant Specification for Securities Lending and Transparency Engine (SLATE™) published by FINRA during May 2024 (the “Participant Specification”).⁸

Given the focus of FIF on implementation issues, this comment letter does not discuss the FINRA rule proposals relating to dissemination of loan information and also does not discuss the issue of whether the proposed reporting in the FINRA rule filing exceeds the scope of Commission Rule 10c-1a. FIF members have concerns about both of these issues. These concerns have been or will be addressed through comment letters submitted by other industry associations and other market participants. Where this letter provides comments below on how a specific data element should be reported, it does not necessarily mean that FIF members agree that such data element is authorized for reporting based on Commission Rule 10c-1a.

A. Modifications on the date a covered securities loan is first agreed

On January 19, 2022, FIF submitted a comment letter⁹ in response to the Commission’s proposing release for Rule 10c-1a.¹⁰ FIF wrote as follows in the 2022 comment letter:

The securities lending process often involves intra-day modifications before loan terms are finalized and settlement occurs. This includes a lending agent reallocating a securities loan among lenders throughout the day. Modifications also can include re-pricings and changes in collateral. Reporting each reallocation and other modification prior to finalization of loan terms would mean the reporting of terms that are subject to change and never in fact transacted. A better alternative is to report the terms that are ultimately transacted based on the settlement time.¹¹

In the Commission’s adopting release for Rule 10c-1a (the “adopting release”), the Commission writes that it “... understands the frequency with which parties to a securities loan may agree to some of the basic terms initially, but that some or many of the securities loan terms may not be agreed to (or may be

⁶ Securities Exchange Act Release No. 100305 (June 10, 2024), 89 FR 50644 (Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™))).

⁷ Securities Exchange Act Release No. 100615 (Aug. 5, 2024), 89 FR 65441 (Aug. 9, 2024) (Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule To Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE™))).

⁸ Participant Specification for Securities Lending and Transparency Engine (SLATE™), DRAFT Version 1.0 PUBLIC CLEAN (undated), available at <https://www.finra.org/sites/default/files/2024-05/slate-participant-specification.pdf> (“Participant Specification”).

⁹ Letter from FIF to the Commission (Jan. 19, 2022), available at <https://www.sec.gov/comments/s7-18-21/s71821-20112205-265296.pdf> (“FIF 2022 Comment Letter”).

¹⁰ Securities Exchange Act Release No. 93613 (November 18, 2021), 86 FR 69802 (December 8, 2021), available at <https://www.govinfo.gov/content/pkg/FR-2021-12-08/pdf/2021-25739.pdf>.

¹¹ FIF 2022 Comment Letter, at 3.

updated throughout the day and, thus, not finalized) until the end of the day.”¹² The Commission also writes that, “As modified, the final rule’s end-of-day reporting requirement will help prevent an excessive number of incomplete or slightly modified reports that otherwise would occur throughout the day yet without providing any incremental value.”¹³

It is clear from the Commission’s statements quoted above that the Commission does not intend for covered persons (as defined in Rule 10c-1a) to report terms negotiated on the date that a covered securities loan (as defined in Rule 10c-1a) is first agreed, where these terms do not represent the final agreement of the parties prior to settlement. In the 2022 comment letter, FIF recommends that covered persons report based on the settlement time. The Commission makes clear in the adopting release that the time that a loan is “effected” is distinct from the settlement time.¹⁴ Accordingly, while FIF members continue to believe that reporting should be based on the settlement time, FIF members recommend as an alternative that a covered person be required to report only the final terms that the covered person records in its books and records (i.e., “books”) prior to initial settlement of a covered securities loan. Under this proposal, a covered person would report to SLATE the time that it records these final terms in its books and records. For the less common scenario where a covered securities loan does not settle on the date that terms are first agreed and booked, please see the discussion in the next section.

This proposed approach would properly implement the Commission’s stated intent in the adopting release to “... help prevent an excessive number of incomplete or slightly modified reports that otherwise would occur throughout the day yet without providing any incremental value.”¹⁵

The FINRA rule filing does not implement the Commission’s stated intent in the adopting release to avoid the reporting of terms agreed prior to settlement that do not represent the final agreement of the parties prior to initial settlement of a covered securities loan. For example, proposed FINRA Supplementary Material .01 to Rule 6530 provides that “If a Covered Securities Loan previously reported to SLATE or a Covered Securities Loan not previously reported to SLATE is modified multiple times throughout the day, a Covered Person must report each Loan Modification as set forth in Rule 6530(b).”¹⁶ FIF members request that FINRA modify its rule filing to reflect the clear direction from the Commission in the adopting release, as quoted above.

* * * * *

FIF members believe that the same guidance should be provided for corrections. For example, assume the following events occur in sequence on the same day: a lender and borrower agree on pricing for a covered securities loan; the lender records the wrong price in its books and records; the lender corrects the price in its books and records; the covered securities loan settles at the correct price. In this

¹² Securities Exchange Act Release No. 98737 (Oct. 13, 2023), 88 FR 75644 (Nov. 3, 2023) (Reporting of Securities Loans) (“Adopting Release”), at 88 FR 75680-75681.

¹³ Id. at 88 FR 75680.

¹⁴ The adopting release provides as follows: “Further, as discussed below, in Part VII.E, the term ‘agrees to a covered securities loan’ also provides that Rule 10c-1a information is not limited to covered securities loans that have been settled.” Adopting Release, at 88 FR 75651.

¹⁵ Adopting Release, at 88 FR 75680.

¹⁶ FINRA Rule Filing, at 112-113.

scenario, it should be acceptable for the lender to report the covered securities loan to SLATE (based on the correct terms) without reporting the incorrect terms and the subsequent correction of the incorrect terms.

B. Loans that do not settle

FIF members believe that a covered person should only be required to report a covered securities loan that settles. If a covered securities loan settles, a covered person should report the date and time that it recorded the covered securities loan in its books and records, as discussed above. If a transaction settles on a date that is after the date of booking, the timeliness of reporting should be measured against the settlement date and time. In support of this proposed approach, FIF members note that in many cases where a lending agent is involved, the parties to the loan do not know the identity of the counter-party until the settlement time.

C. Sourcing of securities to settle a short sale

FIF members request that the Commission provide written confirmation and any appropriate clarifications relating to the scenario presented by the Securities Industry and Financial Markets Association (“SIFMA”) in Section III of the comment letter that SIFMA submitted to the Commission on May 28, 2024 in response to the FINRA Rule Filing and the Notice of Filing.¹⁷

D. Time period for filing

The FINRA rule filing provides that,

(A) A Loan Modification effected on a business day at or after 12:00:00 a.m. Eastern Time through 7:45:00 p.m. Eastern Time must be reported the same day before 8:00:00 p.m. Eastern Time; (B) A Loan Modification effected on a business day after 7:45:00 p.m. Eastern Time must be reported no later than the next business day (T+1) before 8:00:00 p.m. Eastern Time;

FIF members have two concerns with this proposal. First, FIF members are concerned that it will be challenging to process and report all transactions for a day by the 8 p.m.¹⁸ cut-off time for reporting. For many covered persons, reporting will involve multiple front-office, back-office and reporting systems, including vendor systems. Some vendors run batch processing in the evening. Accordingly, FIF members recommend that the cut-off time for reporting be extended from 8 p.m. to 11:59 p.m. Since transaction details will not be disseminated until the following morning, FIF members do not see any impact to market transparency in providing a later filing cut-off time.

¹⁷ Letter from Robert Toomey, Managing Director, Associate General Counsel, Head of Capital Markets, SIFMA, and Joseph Corcoran, Managing Director, Associate General Counsel, SIFMA, to Vanessa Countryman, Secretary, Commission (May 28, 2024), available at <https://www.sec.gov/comments/sr-finra-2024-007/srfinra2024007-478691-1370214.pdf>, at 8-9.

¹⁸ All times referenced in this section are Eastern Time.

Second, SLATE is intended to be an end-of-day reporting system. The natural cut-off time for an end-of-day reporting system is the close of trading. For example, the trading day for reporting to the consolidated audit trail ends at 4:15 p.m.¹⁹ FIF members propose that any loans or modifications booked after 4 p.m. be reportable by end-of-day the following business day.

To address the two concerns set forth above, FIF members propose that any loan or modification booked on or prior to 4 p.m. on a business day be reportable by 11:59 p.m. that business day and that any loan or modification booked after 4 p.m. on a business day be reportable by 11:59 p.m. the following business day.

E. Participant Specification

1. FINRA's publication of a draft Participant Specification

FIF members would like to thank FINRA for publishing a draft Participant Specification within one month after the FINRA rule filing. Timely publication of a draft specification is a best practice that the Commission and FINRA should adopt for all rule filings that are focused on regulatory reporting. Publishing a draft specification document at this early stage facilitates the identification of scenarios where industry members require further guidance, thereby enabling the regulators to provide guidance at an earlier stage. This helps to prevent the scenario where industry members are forced to implement coding and process changes at the last minute (and often after the compliance date), and thereby enhances the quality of the reporting and the consistency in reporting across industry members.

2. General comments and questions on the draft Participant Specification

We now provide comments and questions from FIF members on the draft Participant Specification. We first provide comments and questions that are general to the Participant Specification and then provide comments and questions that are focused on specific data elements and the inbound and outbound files.

Introduction

The Introduction to the Participant Specification provides that the SLATE system will operate from 6 am to 7:59:59 pm ET.²⁰ FIF members assume that the SLATE system will sometimes provide feedback to covered persons and reporting persons outside of these hours and request confirmation on this point.

¹⁹ CAT Reporting Technical Specifications for Industry Members, Version 4.1.0 r3 (July 24, 2024), available at https://catnmsplan.com/sites/default/files/2024-07/07.24.24_CAT_Reporting_Technical_Specifications_for_Industry_Members_v4.1.0r3_CLEAN.pdf, at 331.

²⁰ Participant Specification, at 4.

Loan Cancellation Event

The Participant Specification provides that “A New Loan Event may not be cancelled; it must be deleted or corrected.”²¹ FIF members request clarification as to whether a Pre-Existing Loan Modification Event can be cancelled.

Required, Conditional and Optional fields

The Participant Specification classifies every field based on one of the following values: Required; Conditional; or Optional.²² FIF members interpret the Optional classification to mean that there is no circumstance under which a covered person is required to report the applicable field. In actuality, it appears that the only fields in the reportable events that are truly Optional are the party identifier fields (Fields 12-23) in the Pre-Existing Loan Modification Event.²³ It appears that for every other field a covered person is required to report that field in all cases or under certain conditions. If a firm is required to report a field in all cases or under certain conditions, a value other than Optional should be used. As one of multiple examples that could be cited, the “LEI of Security Issuer” field is labeled as Optional,²⁴ but under FINRA’s proposed Rule 6530(a)(2)(A) a covered person is required to report the issuer’s Legal Entity Identifier (“LEI”) if the issuer has a non-lapsed LEI.²⁵ Accordingly, this field should not be labeled as Optional.

Block transactions and allocations

FIF members request confirmation that an Intermediary would not report a block (i.e., omnibus) transaction to SLATE and would instead report the allocations for the block transaction once the allocations have been finalized.

Covered Securities Loan secured by a pool of collateral

A covered securities loan could be secured by a pool of collateral. The pool of collateral could include cash and non-cash collateral. The cash collateral could consist of cash in multiple currencies. FIF members request that FINRA update the Collateral Type and Collateral Currency fields and the fee and rebate fields to address these scenarios.

Variable Lending Fee or Rebate Rate

In many cases, the Lending Fee or Rebate Rate for a Covered Securities Loan can be priced as a spread to a benchmark. For these variable-rate transactions, many systems that record the transactions record the benchmark and the spread without recording the benchmark rate. In many cases, computation of the actual daily rate and payment amount (which are based on the benchmark rate and the spread) are

²¹ Id. at 6.

²² Id. at 7.

²³ Id. at 21-24.

²⁴ Id. at 10.

²⁵ FINRA Rule Filing, at 106.

handled by a downstream system. If FIF members were required to report a fixed rate for these variable rate transactions, in many cases they would need to integrate with pricing feeds, which would be burdensome. Accordingly, FIF members support the approach of reporting a benchmark and a spread for a variable-rate transaction as opposed to reporting a fixed rate. This is the approach that the U.S. Treasury Department's Office of Financial Research has adopted for reporting of non-centrally cleared bilateral repos²⁶ and the European Union has adopted in its Securities Financing Transactions Regulation.²⁷ FIF members also are concerned about having to report a daily change in a benchmark rate as a loan modification because the benchmark rate, in many cases, would not be available in the system that records the transaction. Treating a change in the benchmark rate as a modification to a securities loan also could mean disseminating misleading information to the public because a change in the benchmark rate is not an actual loan modification.²⁸

FIF members recommend that the Commission and FINRA engage in further discussions with market participants about this issue. As part of these discussions, the Commission and FINRA should consider and provide clarity on how FINRA intends to disseminate pricing information for variable rate transactions. For example, is FINRA intending to disseminate a variable rate transaction as if it were a fixed rate transaction even though the economics of a fixed rate and variable rate transaction that have the same initial rate are not necessarily the same? In addition, does FINRA intend to disseminate a change in a benchmark rate as a modification even though no modification has occurred? These are important questions that require further discussion between regulators and market participants.

Terminated loans

The Participant Specification, under certain circumstances, requires a covered person to report a Modify Loan Event when a loan has been terminated. When a loan has been terminated, there are a number of fields in the Modify Loan Event that no longer apply. The following are some of the fields that would no longer apply upon a termination: Equity Shares; Par Value; Collateral Type; Collateral Currency; Lending Fee; Rebate Rate; Other Fees; Other Fees Currency; Required Pct of Collateral; Rate Fee Override Flag; Rate Fee Modifier; Exclusive Arrangement Flag; Affiliate Loan Flag; and Unsettled Loan Flag.

Based on the above, FIF members recommend that FINRA adopt one of the following two approaches for a loan termination:

- If a covered person reports the Terminated Loan Indicator as "Y" in a Modified Loan Event, the covered person would only be required to report the following additional fields in the Modified Loan Event: Report Type; Reporting Party; File Record Number; and FINRA Loan ID.

²⁶ 12 CFR §1610.11.

²⁷ Commission Implementing Regulation (EU) 2019/363 of 13 December 2018, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0363&from=EN>.

²⁸ See, for example, European Securities and Markets Authority, "Guidelines: Reporting under Articles 4 and 12 SFTR", available at [ESMA70-151-2838 Guidelines on reporting under SFTR \(europa.eu\)](https://www.esma.europa.eu/press-news/esma-news/esma70-151-2838-guidelines-on-reporting-under-sftr), at 94 ("When reporting floating rates, counterparties should indicate the relevant rate and the applicable spread. Counterparties should update this information only when they agree to change the rate or the spread, but not on a daily basis.")

- Create a Terminated Loan event limited to the following fields: Report Type; Reporting Party; File Record Number; and FINRA Loan ID.

Correction Loan Event

The instructions for the Correction Loan Event provide as follows: “Other than the fields required to identify the record being corrected, report only the fields being corrected. If the correction to a field is intended to replace the populated value with a null, explicitly send the field with a null value (e.g. {“otherFees”: null}).”²⁹

FIF members believe that it would be more straightforward for a covered person to report a correction through a restatement of the event as opposed to correcting specific fields. The initial version of the CAT Customer and Account Information System provided for the reporting of only the affected fields for a modification, and this approach was subsequently replaced by an approach requiring a restatement of a modified record.³⁰

Notification to FINRA Operations

Pursuant to proposed Rule 6530(d)(4),

if the Reportable Security is not entered into the SLATE system, the Covered Person or Reporting Agent, as applicable, must promptly notify and provide FINRA Operations, in the form and manner required by FINRA, the information specified in Rule 6530(a)(2)(A) and (B), along with such other information as FINRA deems necessary to enter the Reportable Security for reporting through SLATE.³¹

Under Commission Rules 10c-1a(j)(2) and 10c-1a(j)(3), which are incorporated by reference in FINRA Rule 6510(k),³² reporting only applies to a securities loan if the security is reportable to the consolidated audit trail (“CAT”), FINRA’s Trade Reporting and Compliance Engine (“TRACE”), or the Municipal Securities Rulemaking Board’s (“MSRB’s”) Real-Time Transaction Reporting System (“RTRS”). CAT reporting, in turn, is limited to securities that are either listed on a U.S. stock exchange or reportable to the FINRA OTC Reporting Facility (“ORF”). Since (i) a broker-dealer is already subject to the obligation to notify FINRA if a symbol is not available for any security that the broker-dealer is required to report to TRACE or the ORF,³³ (ii) the MSRB currently handles adding new symbols that are reported to RTRS, and (iii) FINRA has access to all exchange-listed symbols, the proposed process for adding symbols to SLATE

²⁹ Participant Specification, at 41.

³⁰ See, for example: CAT Reporting Customer & Account Technical Specifications for Industry Members, Version 1.2.2 (Apr. 20, 2021), available at https://catnmsplan.com/sites/default/files/2021-04/04.20.21-CAT-CAIS-Reporting-Technical-Specification-v1.2.2_CLEAN.pdf; and CAT Reporting Customer & Account Technical Specifications for Industry Members, Version 2.2 (July 18, 2024), available at https://catnmsplan.com/sites/default/files/2024-07/07.18.24_Full_CAIS_Technical_Specifications_2.2_CLEAN.pdf.

³¹ FINRA Rule Filing, at 112.

³² FINRA Rule Filing, at 104. 17 CFR §§242.10c-1a(j)(2) and 242.10c-1a(j)(3).

³³ See FINRA, Trade Reporting Frequently Asked Questions, available at <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq>, FAQ 105.1.

would appear to be duplicative and unnecessary. In this regard, FINRA should consider the example of CAT. There is no separate process for an industry member to request that a symbol be added to CAT; instead, a new symbol is added for exchange listing or added to the ORF, and CAT reporting is derived from the lists of exchange-listed and ORF-reportable symbols.

Reporting Scenarios document

FIF members request that FINRA publish a Reporting Scenarios document that provides an example of how covered persons should report various scenarios, including the following:

- Deletion of a loan
- Correction of a New Loan Event
- Cancel of a Modify Loan Event
- Correction of a Modify Loan Event
- Reallocation of a loan by an intermediary from one lender to another lender.

3. Comments and questions relating to specific data elements

Event Date Time (multiple events)

For the New Loan Event, the Participant Specification describes the Event Date Time field as the “Date and time to which these terms of the loan were **effected** [emphasis added].”³⁴ For the Pre-Existing Loan Modification Event, the Participant Specification describes this field as the “Date and time to which the terms of the loan reflected by this reportable event were **agreed upon** [emphasis added].”³⁵ These descriptions should use the same terminology.

Rule 10c-1a requires the reporting of the date and time that a covered securities loan was “effected.”³⁶ Rule 10c-1a does not define the term “effected”, but as noted above the adopting release makes clear that the time a loan is effected is distinct from the settlement time.³⁷ Proposed FINRA Rules 6530(a)(2)(C) and (D), like Commission Rule 10c-1a, require covered persons to report the date and time that a covered securities loan was effected.³⁸ The proposed FINRA Rule also does not define the term “effected”. Rule 10c-1 defines a “covered person” to include “any person that agrees to a covered securities loan as a lender”³⁹ FINRA Rule 6510(k) incorporates this definition by reference.⁴⁰

FIF members recommend that FINRA clarify that the time a loan or loan modification is “effected” is the time the covered person records the loan in its books and records. As discussed above, FINRA should further clarify, consistent with the Commission’s statements in the adopting release, that a covered

³⁴ Participant Specification, at 10.

³⁵ Id. at 20.

³⁶ 17 CFR §240.10c-1(c)(3) and (4).

³⁷ Adopting Release, at 88 FR 75651.

³⁸ FINRA Rule Filing, at 106.

³⁹ 17 CFR §240.10c-1(j)(1)(i).

⁴⁰ FINRA Rule Filing, at 104.

person is required to report only the final terms booked prior to initial settlement of a covered securities loan.

LEI of Security Issuer (multiple events)

The Participant Specification requires a covered person to report the LEI “if not lapsed”.⁴¹ In many cases, a lapsed LEI is a valid identifier for an entity, but the LEI for the entity has lapsed because of the entity’s failure to pay the LEI renewal fee on a timely basis. FIF members request that FINRA clarify that a covered person would be permitted to report an LEI even if it lapsed. FIF members have the same comment for the Lender LEI, Intermediary LEI and Borrower LEI fields.

Lender, Intermediary and Borrower fields (multiple events)

Proposed FINRA Rules 6530(a)(2)(O), (P), (Q) and (R) require the reporting of the legal name, CRD number or investment adviser registration depository number, MPID and LEI of each party to a covered securities loan, in each case, “if known.”⁴² FIF members request that FINRA update the Participant Specification to add this “if known” qualifier for the description for each lender, intermediary and borrower field, along with a general statement that a covered person must report at least one value (presumably, the name) for each legal entity that is a party to a covered securities loan.

Borrower Type (multiple events)

Proposed FINRA Rule 6530(a)(2)(N) requires a covered person to report “... Whether the borrower is a Broker or Dealer, a customer (if the person lending securities is a Broker or Dealer), a Clearing Agency, a Bank, a Custodian, or other person”⁴³ The Participant Specification requires a covered person to report the “Type of entity represented by the Borrower” and provides the following permitted values for reporting:

- BD - Broker dealer
- CD - Custodian
- CT – Customer
- CA - Clearing Agency
- BK – Bank
- OP - Other Person.⁴⁴

FIF members request that FINRA provide written confirmation that if a broker-dealer is lending securities to (i) a customer that is another broker-dealer or (ii) a customer that is a custodian, clearing agency, bank or other person, the broker-dealer should report the value CT (Customer) for this field. FIF members also recommend that a lender that is not a broker-dealer, when lending to a hedge fund or

⁴¹ Participant Specification, at 10.

⁴² FINRA Rule Filing, at 107.

⁴³ Ibid.

⁴⁴ Participant Specification, at 14.

mutual fund, report the value CT for this field rather than the value OP (Other Person). FIF members request that FINRA provide clarification on these points.

Terminated Loan Indicator (multiple events)

The Participant Specification describes this field as a “Flag to confirm the loan has been terminated.”⁴⁵ FIF members understand that this field would be reportable as ‘Y’ if a covered securities loan terminates without settling, if an open loan is terminated, or if a term loan is terminated prior to the scheduled termination date. FIF members request that FINRA confirm that this field is not reportable if a term loan terminates on its scheduled termination date.

Execution Platform/Venue (multiple events)

The Participant Specification describes this field as the “Market Identifier Code (MIC) for the venue or platform on which the loan was executed.”⁴⁶ FIF members request that FINRA maintain an updated public list of lending platforms that Covered Reporters have reported to SLATE along with the associated MIC for each lending platform. FIF members further request that FINRA, during the implementation period for SLATE, (i) request that industry participants identify execution platforms to FINRA, and (ii) make publicly available a list of execution platforms identified by industry participants. FIF members also request that FINRA define the MANU (manual) value for this field that is provided in the Participant Specification.

Other fees (multiple events)

The Participant Specification describes this field as the “Dollar amount of other fees incurred.”⁴⁷ It is not clear to FIF members as to which types of fees FINRA is contemplating would be disclosed. FIF members presume that only fees that are specific to a transaction and not conditional would be disclosed. FIF members request confirmation on this point.

Source of Loan (multiple events)

The Participant Specification describes this field as follows: “Indicates where the Lender obtained the security loaned.”⁴⁸ The permitted values are Y (Inventory) and N (Not from Inventory).⁴⁹ A covered person could lend from a pool that includes both firm and customer securities. It is unclear how a covered reporter should report in this scenario. FIF members requests that FINRA provide guidance on this question.

⁴⁵ Ibid.

⁴⁶ Id. at 14-15.

⁴⁷ Id. at 16.

⁴⁸ Id. at 18.

⁴⁹ Ibid.

Loan Close Outs FTD (multiple events)

The Participant Specification describes this field as follows: “Indicates if the loan is being used to close out a failure to deliver pursuant to Rule 204 of Reg SHO or otherwise.”⁵⁰ The permitted values are Y (Used to cover an FTD) and N (Not used to cover an FTD).⁵¹ FIF members request that FINRA add another permitted value for this field (for example, U = Unknown) to address the scenario where a covered person does not know whether the covered securities loan is used to cover a fail-to-deliver.

Unsettled Loan Flag (multiple events)

As discussed above, FIF members recommend that reporting be limited to transactions that settle. The Participant Specification provides the following description for this field: “Must set to D (Did not settle) if the loan will not settle before the close of SLATE System Hours.”⁵² If FINRA will require the reporting of transactions that do not settle, to conform to the proposed FINRA Rule 6550(c)(3),⁵³ FINRA should clarify in the Participant Specification that the value D would only apply where a covered securities loan did not settle and the expected settlement date has passed.

4. Comments and questions relating to input and output files

Inbound Files: Group and File Number

The Participant Specification provides that “the File Number is required to be populated in submission order and must be incremented by 1.”⁵⁴ If a Covered Reporter assigns Group numbers for reporting, do all the Groups share a single file number sequence or does each Group have its own file number sequence?

File Integrity Feedback

FIF members request clarification on the purpose of the severity field in the File Integrity Feedback if the status field reports whether the submission is a success or failure.⁵⁵

Validation of filename

The Participant Specification provides that the filename is validated in the File Acknowledgment Feedback and in the File Integrity Feedback.⁵⁶ FIF members request clarification on this point.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

⁵³ “If an Initial Covered Securities Loan or a modification to the amount of Reportable Securities loaned did not settle by the close of SLATE System Hours ***on the expected settlement date*** [emphasis added], select the appropriate indicator.” FINRA Rule Filing, at 111.

⁵⁴ Participant Specification, at 56.

⁵⁵ Id. at 58.

⁵⁶ Id. at 57 and 58.

Rejected Events File

The Participant Specification provides the following description for Field 10 of this file (codes): “System will return an empty string if no errors were found.”⁵⁷ FIF members request clarification on how a record could be rejected if no errors were found.

Late Report Indicator

The Rejected Event File includes a Late Report Indicator.⁵⁸ FIF members request clarification on how a record could be considered late if it is rejected.

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FIF appreciates the opportunity to submit this comment letter on the FINRA rule filing, the Commission’s Notice of Filing, and the draft Participant Specification. 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

⁵⁷ Id. at 61.

⁵⁸ Ibid.