

# FINANCIAL INFORMATION FORUM

May 27, 2025

**By electronic mail**

Municipal Securities Rulemaking Board  
300 I Street NW, Suite 1000  
Washington, DC 20005  
Attn: Ernesto Lanza, Chief Regulatory and Policy Officer

**Re: Direct Reporting for Municipal Bonds**

Dear Mr. Lanza,

Financial Information Forum (“FIF”) is submitting this letter on behalf of FIF members to request that the Municipal Securities Rulemaking Board (the “MSRB”) provide broker-dealers and their service providers the option to report trades in municipal bonds (“munis”) directly to the MSRB. The trade reporting system operated by the MSRB is the Real-Time Transaction Reporting System (“RTRS”). At present, a broker-dealer or service provider cannot report muni trades between two broker-dealers (“inter-dealer trades”) directly to RTRS. Instead, the broker-dealer or service provider must submit the trade to the Real-Time Trade Matching System (“RTTM”) operated by the Fixed Income Clearing Corporation (“FICC”). After performing certain validations, RTTM transmits the trade report to RTRS for further processing.<sup>1</sup> As discussed below, broker-dealers that are not self-clearing, which represent the significant majority of broker-dealers, are not authorized to access RTTM.

FIF members initially raised this issue in a letter submitted on October 3, 2022 in response to a request for comment by the MSRB on transaction reporting under MSRB Rule G-14.<sup>2</sup> FIF members most recently discussed this issue with you and your colleagues at the MSRB during a call on March 14, 2025. FIF

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<sup>1</sup> See, for example, Municipal Securities Rulemaking Board, Specifications for Real-Time Reporting of Municipal Securities Transactions, Version 4.1 (Nov. 2022), available at <https://www.msrb.org/sites/default/files/Specifications-Documents-for-RTRS-Subscription-Service.pdf> (“RTRS Specifications”), at 10-11. Trades between a broker-dealer and a customer are not subject to RTTM validation but still must be submitted through FICC.

<sup>2</sup> Letter from FIF to the Financial Industry Regulatory Authority and the Municipal Securities Rulemaking Board (Oct. 3, 2022), available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=2641:fif-comment-letter-on-finra-and-msrb-proposals-to-reduce-to-one-minute-the-reporting-timeframe-for-trades-in-corporate-agency-and-municipal-bonds&start=100&view=category>.

members would like to thank you and your colleagues for taking the time to discuss this issue with FIF members.

### **Other reporting systems provide for direct reporting**

FIF members have concerns regarding the efficiency of the current combined trade and settlement reporting and believe the current process could be modernized and improved. FIF members are not aware of any other reporting system in the U.S. where trade reporting is dependent on settlement reporting. For example, direct reporting applies for trades in all of the following categories of securities:

- Listed equity securities (off-exchange trades): reported directly to the FINRA/NYSE Trade Reporting Facility or the FINRA/Nasdaq Trade Reporting Facility<sup>3</sup>
- OTC equity securities: reported directly to the FINRA OTC Reporting Facility
- Corporate, agency, Treasury and foreign sovereign bonds and securitized products: reported directly to TRACE
- Security-based swaps: reported directly to a swap data repository.

### **Challenges with indirect reporting for munis**

There are a number of challenges arising from the current indirect reporting system for munis, as discussed in this section.

#### ***1. Restricted access to reporting***

The indirect reporting system for munis unfairly restricts access to reporting because only members of FICC (or their service providers) can report to RTTM. This is in contrast to TRACE, where any broker-dealer can report directly. TRACE also allows service providers to submit TRACE reports on behalf of broker-dealers. Many broker-dealers have determined it to be cost efficient to engage established service providers to manage many of the technical and operational details of their TRACE reporting. For RTRS reporting, this option is not available to the many non-clearing broker-dealers.

#### ***2. Increased incidence of rejected trade reports***

The indirect reporting system unnecessarily increases the number of rejected trades because trades submitted to RTTM can fail validation based on a field that applies for RTTM reporting but not for RTRS reporting. For example, settlement amount is a mandatory field for most inter-dealer trades that is not related to trade reporting.<sup>4</sup> A formatting error in reporting the settlement amount could result in an error that impacts trade reporting.<sup>5</sup> With direct trade reporting, the failure of a validation relating to settlement amount would not impact trade reporting.

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<sup>3</sup> An equity or options exchange operator is responsible for communicating trades executed on its exchange to a securities information processor.

<sup>4</sup> See, for example, RTRS Specifications, at 48, 56 and 63. Trade reporting includes price and quantity, but not the settlement amount, which takes into account accrued interest.

<sup>5</sup> Id. at 112.

### ***3. Broker-dealers can be charged with late reporting for issues that are unrelated to reporting or that are not the fault of the broker-dealer***

Because of the indirect reporting structure for munis, broker-dealers can be charged with late reporting for issues that are unrelated to reporting and do not impact transparency to the market. In addition to this being unfair to reporting broker-dealers, this distorts the MSRB's assessment of the relative compliance rates of reporting broker-dealers because broker-dealers that have reporting issues that impact transparency to the market are evaluated in the same manner as broker-dealers that have settlement issues that have no impact on market transparency.

For example, accrued interest is not disseminated to the market but must be reported to RTTM to enable trade settlement.<sup>6</sup> FIF members understand that if a broker-dealer is required to amend the accrued interest that it previously reported for a trade (through a reversal and resubmission), the broker-dealer can be marked as being late for the associated trade report, even though accrued interest is not related to trade reporting. This type of scenario would not occur if trade reporting were unlinked from trade settlement.

FIF members further understand that a broker-dealer can be marked as late through no fault of the broker-dealer. For example, if a broker-dealer's counter-party has an issue that impacts the counter-party's reporting to RTTM, the broker-dealer can be marked as reporting late through no fault of the broker-dealer. As a second example, assume the following scenario: a broker-dealer matches with its counter-party on a trade; the broker-dealer has reported the correct accrued interest; the counter-party has not reported the correct accrued interest, but the parties are within the permitted ten-dollar threshold for trade matching; the counter-party wants to correct the reported accrued interest. To accommodate the counter-party's request, both sides must reverse and resubmit this trade, resulting in a late trade report for the correctly-reporting broker-dealer through no fault of its own.

### ***4. Fixing trade reporting errors***

In many cases, the indirect reporting system makes it more difficult to fix a trade reporting error because an issue relating to trade settlement must also be addressed. This would not be an issue if direct reporting were permitted. In addition, the limitations on direct access to RTTM (as broker-dealers must report through FICC members) often makes resolution of trade reporting errors more difficult. Another challenge is that a broker-dealer requires action by the counter-party to correct a reporting error. In contrast, with TRACE, a broker-dealer can correct a reporting error from its side without requiring action by the counter-party.

### ***5. Reporting delays***

The current reporting system leads to delayed reporting in many cases. There are several causes for these delays: (i) in many cases broker-dealers require additional time to collect and process data that

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<sup>6</sup> Id. at 58.

they require for trade settlement but that are not required for trade reporting; (ii) transmission to and from RTTM represents an additional and unnecessary intermediate step in the trade reporting process; (iii) processing time at RTTM could introduce a delay; (iv) because of the restricted access to RTTM, broker-dealers often must incur delays resulting from the need to transmit through clearing firm intermediaries that are FICC members (and/or their service providers); (v) as discussed above, trades can be rejected based on settlement-related fields that are not relevant to reporting; if a trade is rejected based on a settlement-related field, this creates a delay in reporting that would not have occurred if direct reporting were permitted; (vi) as discussed above, trade reporting by one party can be delayed because of challenges faced by its counter-party (through no fault of the first party); and (vii) there have been scenarios in the past where there have been technical issues with RTTM that have impacted the ability of broker-dealers to report trades on a timely basis. These reporting delays impact market transparency.

### **Providing direct reporting as an option**

FIF members believe that, at least initially, direct reporting should be optional. After direct reporting has been implemented for a period of time, the MSRB could consider whether it is necessary to retain the current reporting system through RTTM.

### **Potential use of TRACE for direct reporting**

The MSRB should also consider whether the TRACE system (instead of RTRS) could be used for direct reporting of muni trades. It would be less costly and more efficient for broker-dealers to report all bond trades to a single reporting system. TRACE currently accommodates different types of bonds with different characteristics (for example, corporate, agency, Treasury and foreign sovereign bonds and securitized products). TRACE also currently offers certain functionality that is not available in RTRS. For example, for a fee, a reporting broker-dealer can subscribe to receive automated delivery of an end-of-day file for each trade date. This assists broker-dealers in reconciliation. RTRS does not offer this automated delivery service. FIF members note more generally that the Securities and Exchange Commission and other financial regulators are focused on how to enhance coordination with other financial regulators, including for surveillance.<sup>7</sup> Coordination of regulatory oversight would be enhanced through the use of a common reporting system. Switching to TRACE for reporting munis also could reduce the MSRB's costs, which are ultimately charged back to broker-dealers.

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<sup>7</sup> See, for example, Securities and Exchange Commission, Staff Paper on Cross-Market Regulatory Coordination (last reviewed or updated Oct. 16, 2024), available at <https://www.sec.gov/about/divisions-offices/division-trading-markets/staff-paper-cross-market-regulatory-coordination#:~:text=Alternatively%2C%20the%20SROs%20could%20centralize,and/or%20the%20rules%20involved.>

Please contact me at [howard.meyerson@fif.com](mailto:howard.meyerson@fif.com) after you and your colleagues have had the opportunity to review the request set forth above.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson  
Managing Director, Financial Information Forum