

FINANCIAL INFORMATION FORUM

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Via Electronic Delivery

April 5, 2017

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File Number SR-FINRA-2017-006

Dear Mr. Fields,

The Financial Information Forum (“FIF”)¹ non-exchange industry members (for purposes of this letter, referred to as “member firms” or “members”), appreciates the opportunity to provide comments on SR-FINRA-2017-006 – Proposed Rule Change to Amend Rule 6191 to Implement an Anonymous, Grouped Masking Methodology for Over-The-Counter Activity in Connection with Website Data Publication of Appendix B Data Pursuant to the Reg NMS Plan to Implement a Tick Size Pilot Program. Overall, FIF member firms want to express their support for FINRA’s proposal, particularly with respect to the significant steps taken to improve the masking methodology required by the Tick Size Plan regarding this data. That said, FIF is also writing to express our continued concerns regarding FINRA’s proposed grouping methodology pursuant to the publication of B.I, B.II, and B.IV Statistics related to the Tick Size Pilot transactions on FINRA’s website which will be made broadly available for public consumption.

Proposed Aggregation Methodology:

FIF member firms appreciate that FINRA’s proposed rule change to amend FINRA Rule 6191 accounts for Industry concerns regarding the confidentiality of certain data related to OTC activity. Specifically, FIF member firms were particularly concerned that the publication of disaggregated data will allow market participants to determine the identity of broker-dealer trading centers, “in violation of the Tick Size Pilot Plan, which explicitly provides that the ‘data made publicly available will not identify the trading center that generated the data.’”² FIF members believe that the aggregation methodology set forth pursuant to SR-FINRA-2017-006

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact financial services and technology firms. 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 to arrive at productive solutions to meet the requirements of new regulations, technology developments, and other industry changes.

² See e.g., [Letter](#) to Brent J. Fields, Secretary, SEC, from Adam C. Cooper, Senior Managing Director and Chief Legal Officer, Citadel Securities (“Citadel Letter”) at 1-2 (Dec 21, 2016).

adequately masks Appendix B.I., B.II., and B.IV data to prevent potential identification of specific trading centers in violation of the NMS Tick Size Pilot Plan.³

Proposed Grouping Methodology:

FIF member firms have expressed outstanding confidentiality concerns around the grouping methodology proposed by the Commission and FINRA pursuant to SR-FINRA-2017-006.⁴ FINRA has proposed that for the “purposes of the data to be made available on the FINRA website pursuant to the Plan, FINRA proposes to aggregate individual OTC Trading Center Appendix B data *within groupings of Trading Centers by ATS and non-ATS categories*, using an undisclosed methodology for assigning each Trading center a group.”⁵ While FIF members appreciate the anonymized grouping methodology elucidated in SR-FINRA-2017-006, FIF is concerned that each ATS and Non-ATS group must ‘contain between five and 25 market participant identifiers (MPIDs)’⁶ as well as the additional requirement that ‘for each day’s statistics, the number of MPIDs in each group activity in any Pilot Security for that day will be disclosed’⁷ will potentially allow interested parties to reveal the identity of broker-dealer trading centers.

Alternative Grouping Methodology:

FIF suggests that rather than aggregate individual OTC Trading Center Appendix B data within groupings of 5-25 Trading Centers by ATS and non-ATS categories, the Commission and FINRA eliminate the grouping requirement and consolidate all market participants into groups of either ATS or non-ATS categories. FIF believes that granular groupings of Trading Centers in batches of 5-25 MPIDs may allow interested parties the opportunity to discern the identity of the Trading Center. For example, FIF member firms have cited the possibility of market participants identifying specific trading centers by comparing the ‘published data to Rule 605 reports or OTC volume data published by FINRA.’⁸

The elimination of the requirement that OTC Trading Center Appendix B data be assigned to groups of between 5-25 market participants will ensure that the confidentiality of the identity of specific trading centers will remain safeguarded, while also ensuring that data pursuant to FINRA Rule 6191(b) remain unadulterated to allow for academic analysis of Tick Size Pilot data to establish behavioral patterns and outcomes, which the Commission has cited as a necessary component of the Tick Size Pilot Program.⁹

Conclusion:

FIF member firms appreciate that FINRA and The Commission have considered industry concerns¹⁰ regarding the publication of disaggregated, thinly-veiled Appendix B data, and thus amended the original data masking requirements resulting in the proposed aggregated

³ Securities Exchange Act Release No. 74892 (May 6, 2015), 80 FR 27514 (May 13, 2015), Pg. 19. In addition, Release No. 34-76382; File No. 4-657 (Nov. 6, 2015), Pg. 3 stated: “The collected data will be publicly available in an aggregated form.”

⁴ SR-FINRA-2017-006 at 6.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ See *supra* note, 2 at 2.

⁹ See [Letter](#) to Robert W. Errett, Deputy Secretary, SEC, from William Hebert, Managing Director, Financial Information Forum (“FIF Letter”) at 2-3 (December 21, 2016).

¹⁰ See e.g. Citadel and FIF Letters.

publication of Appendix B data outlined in SR-FINRA-2017-006. However, FIF requests that the Commission and FINRA carefully consider the benefits of requiring the aggregation of individual Trading Center Appendix B data within groupings of 5-25 by ATS and non-ATS categories versus the elimination of the grouping requirement. FIF believes that the elimination of the groupings requirement will both satisfy the need for an academic analysis of Tick Size Pilot Data as well as meet the objectives of the Tick Size Pilot Program while ensuring that the identity of specific trading centers will be wholly masked.

Thank you in advance for considering FIF members' concerns. Please do not hesitate to contact me with any follow-up questions.

Regards,

A handwritten signature in black ink, appearing to read "C. Bok", with a long horizontal flourish extending to the right.

Christopher W. Bok
Financial Information Forum

cc: The Honorable Michael S. Piwowar, Acting Chair, SEC
The Honorable Kara M. Stein, Commissioner, SEC

Ms. Heather Seidel, Acting Director, Division of Trading and Markets, SEC
Mr. Gary Goldsholle, Deputy Director, Division of Trading and Markets, SEC
Mr. David Shillman, Associate Director, Division of Trading and Markets, SEC
Ms. Kelly Riley, Assistant Director, Division of Market Regulation, SEC

Ms. Stephanie M. Dumont, Senior Vice President and Director of Capital Markets Policy,
FINRA