

# FINANCIAL INFORMATION FORUM

November 20, 2024

**By electronic mail**

Financial Industry Regulatory Authority  
9509 Key West Avenue  
Rockville, MD 20850  
Attn: Lauren Schreuer, Associate General Counsel

Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, DC 20005  
Attn: Ernesto Lanza, Chief Regulatory and Policy Officer

Board of Governors of the Federal Reserve System  
Washington, DC 20551  
Attn: Nuha Elmaghrabi, Federal Reserve Board Clearance Officer, Office of the Chief Data Officer

**Re: File Number SR-FINRA-2024-004: Proposed Rule Change, as Modified by Partial Amendment No. 1, to Amend FINRA Rule 6730 (Transaction Reporting) to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute**

**File Number SR-MSRB-2024-01: Proposed Rule Change, as Modified by Amendment No. 1, to Amend MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB**

Dear Ms. Schreuer, Mr. Lanza and Ms. Elmaghrabi,

The Financial Information Forum (“FIF”) is submitting this letter on behalf of FIF members in connection with the implementation of the above-referenced rule changes by the Financial Industry Regulatory Authority (“FINRA”) and the Municipal Securities Rulemaking Board (“MSRB”). The rule changes provide for shortened timeframes for reporting certain trades to the Trade Reporting and Compliance Engine system (“TRACE”) operated by FINRA and the Real-time Trade Reporting System (“RTRS”) operated by the MSRB. The Securities and Exchange Commission (the “Commission”) approved these rule changes on September 20, 2024. FIF is also submitting this letter to the Federal Reserve Board specifically with respect to Item 5 below relating to the application of the rule changes to covered depository institutions.

## **1. Scenario where a system issue prevents automated reporting promptly after trade execution**

The rule filings by FINRA and the MSRB provide very helpful guidance on when the manual trade indicator should be reported for a trade. FIF members request that FINRA and the MSRB provide further guidance for the following specific scenario (we refer to this scenario as Scenario 1):

- A firm executes a trade electronically.
- The firm's systems are designed to automatically report the trade to TRACE or RTRS, as applicable, promptly after execution.
- Because of a technical issue, the firm's systems do not automatically report the trade to TRACE or RTRS, as applicable, promptly after execution.
- The firm manually addresses the technical issue. This is a technical fix and does not involve manually changing, adding or inputting any TRACE-reportable data elements. This results in automated reporting of the trade to TRACE or RTRS, as applicable.

While Scenario 1 is described above for a single trade, Scenario 1 could sometimes involve a system issue that prevents the automated reporting of multiple trades.

The Commission's approval order for the FINRA rule filing provides the following guidance:

For a commenter's request for clarification about whether the manual trade indicator is applicable to general systems fixes necessary to correct a technical issue that adversely impacted trade reporting, FINRA states that 'the manual trade indicator must be appended [i]f reporting a transaction that is manually executed or where such member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQS website or into a system that facilitates trade reporting to TRACE.'<sup>1</sup>

FIF members understand that Scenario 1 would not involve reporting of the manual trade indicator because, while manual action is involved to address the system issue, the firm is not manually entering trade details or information into TRAQS or a system that facilitates trade reporting to TRACE. FIF members understand that the same reasoning would apply for RTRS reporting. FIF members request confirmation on this point for TRACE and RTRS reporting.

## **2. Reporting scenarios that involve reporting by a non-executing broker-dealer**

The scenarios in this section relate to reporting by a non-executing broker-dealer. The complexity of these scenarios arises from the fact that TRACE and RTRS both require two-sided reporting (i.e., a non-executing counterparty dealer also must report to TRACE and RTRS).

---

<sup>1</sup> Securities Exchange Act Release No. 101121 (Sept. 20, 2024), 89 FR 78930 (Sept. 26, 2024) (Order Approving a Proposed Rule Change, as Modified by Partial Amendment No. 1, to Amend FINRA Rule 6730 (Transaction Reporting) to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute), at 89 FR 78939.

### ***Scenario 2A: automated execution and reporting***

In this scenario, the non-executing dealer indicates its willingness to enter into a specific trade with the executing dealer. The executing dealer automatically executes the trade. As part of its automated processing of the executed trade, the executing dealer automatically transmits the trade details to the non-executing dealer. The non-executing dealer's system automatically receives the trade details and automatically books and reports the trade.

FIF members understand that the non-executing dealer would not report the manual trade indicator for this scenario and request confirmation on this point.

### ***Scenario 2B: automated execution; one-click reporting***

Scenario 2B is the same as Scenario 2A except that the non-executing dealer's systems do not automatically report the trade. Instead, a trader at the non-executing dealer clicks accept on the trade details from the executing dealer, and this triggers reporting of the trade by the non-executing dealer.

FIF members understand that, since the non-executing dealer is taking manual action after the trade is executed, the non-executing dealer would report the manual trade indicator for this scenario. FIF members request confirmation on this point.

### ***Scenario 2C: non-executing dealer is aware that executing dealer engaged in post-trade manual activity***

In this scenario, the non-executing dealer indicates its willingness to enter into a specific trade with the executing dealer. The executing dealer automatically executes the trade and informs the non-executing dealer that an employee at the executing dealer will transmit the final details soon. The executing dealer employee copies the information from the executing dealer's execution system to a transmission system that electronically transmits the trade details to the non-executing dealer. The non-executing dealer's system automatically receives the trade details and automatically books and reports the trade.

For this scenario, FIF members understand that, since the non-executing dealer is aware that the executing dealer is engaging in manual transmission of the trade details to the non-executing dealer, the non-executing dealer would report the manual trade indicator. FIF members request confirmation on this point.

### ***Scenario 2D: non-executing dealer does not know whether executing dealer is engaged in post-trade manual activity***

In a similar scenario to Scenario 2C, the non-executing dealer might not know whether the executing dealer is engaged in manual activity. For example, the non-executing dealer could send to the executing dealer prices and quantities for a list of bonds held in inventory by the non-executing dealer. The executing dealer could respond in a chat: "I am looking at your list. Will send you over fills on anything we do. Will let you know when we're done." The non-executing dealer's system automatically receives

the fills and automatically books and reports the trades. The non-executing dealer does not know whether the executing dealer is engaging in manual activity between the time of execution and the time of transmission of the trade details to the executing dealer.

For this scenario, FIF members believe that, since the non-executing dealer does not know whether the executing dealer is engaging in manual activity between trade execution and transmission of the trade details to the non-executing dealer, the non-executing dealer should not be required to report the manual trade indicator. FIF members request clarification on this point.

### **3. Test symbols and free testing**

This item 2 is specific to RTRS. FIF members appreciate the statement in the comment letter submitted by the MSRB on July 18, 2024 that, prior to the effective date for the MSRB rule filing,

... the MSRB will facilitate free testing that would include test CUSIP numbers and other appropriate support to ensure that all dealers have a significant opportunity to prepare their systems and processes to achieve full compliance with the requirements of the proposed rule change, if approved.<sup>2</sup>

The MSRB providing test CUSIP numbers for RTRS (as currently provided by FINRA for TRACE) will greatly facilitate testing by industry members. The MSRB providing free testing also will promote testing by reporting firms and thereby enhance the quality of reporting. FIF members request confirmation that the test symbols for RTRS will be available to all reporting firms at no charge and that firms will be able to report the test symbols in the RTRS production and testing environments. FIF members also request that the MSRB provide an estimated time frame for when the test symbols will be available for RTRS.

Given the extensive testing that many firms will require for this regulatory change, FIF members also request that FINRA provide 180 days of testing in the TRACE testing environment at no charge. This will promote testing by reporting firms and thereby enhance the quality of reporting. In addition, because reporting vendors might not have access to the list of test symbols, FIF members request that FINRA make the list of test symbols publicly available.

### **4. Scope of trades for reporting the manual trade indicator**

#### ***Bonds that are not subject to one-minute reporting***

FIF members assume that firms will not be required to append the manual trade indicator for bonds (such as Treasury bonds) that are not subject to one-minute reporting. This assumption of FIF members is based on the fact that the primary purpose for requiring firms to report the manual trade indicator is

---

<sup>2</sup> Letter from Ernesto A. Lanza, Chief Regulatory and Policy Officer, MSRB, to the Commission (July 18, 2024), available at <https://www.sec.gov/comments/sr-msrb-2024-01/srmsrb202401-491663-1411646.pdf>, at 24.

to assist FINRA and the MSRB to monitor for compliance with the one-minute reporting timeframe.<sup>3</sup> FIF members request clarification on this point.

FIF members understand that none of the bonds that are reportable to the TRACE TS facility (for Treasuries) are subject to one-minute reporting. FIF members understand that some bonds that are reportable to the TRACE CA facility, such as corporate and agency bonds, are subject to one-minute reporting, while other bonds that are reportable to the TRACE CA facility, such as foreign sovereign bonds, are not subject to one-minute reporting. FIF members similarly understand that some bonds that are reportable to the TRACE SP facility, such as asset-backed securities and agency pass-through mortgage-backed securities traded TBA for good delivery, are subject to one-minute reporting, while other bonds that are reportable to the TRACE SP facility, such as other mortgage-backed securities, are not subject to one-minute reporting.

It would be a significant challenge for some firms to implement logic to report the manual trade indicator (where applicable) for some but not all bonds that are reportable to a specific reporting facility. If reporting of the manual trade indicator is limited to certain types of bonds, FIF members request that FINRA and the MSRB provide guidance to allow a firm to optionally report the manual trade indicator for all trades reported to the same facility (where manual activity occurs) if some bonds reported to that facility are reportable within one minute.

One negative consequence of not providing this optionality is that there are scenarios where a firm could mistakenly submit a corporate bond to FINRA as a foreign sovereign bond, and FINRA could add the bond to the foreign sovereign list. If another firm subsequently detects that the bond should have been listed as a corporate bond and notifies FINRA of this fact, there could be questions as to whether firms that previously submitted trades for this bond are now required to update their prior TRACE reports to add the manual trade indicator, where applicable. FINRA could also address this issue by clarifying that firms would not need to resubmit prior TRACE reports in this scenario.

#### ***Trades that are not subject to one-minute reporting***

For bonds that are subject to one-minute reporting, there are trades that are not subject to this requirement, such as trades executed outside of TRACE reporting hours and list and fixed offering price transactions. FIF members request clarification on whether firms will be required to report the manual trade indicator for these trades. As discussed above, FIF members do not believe that the manual trade indicator is appropriate for trades that are not subject to one-minute reporting.

At the same time, it would be a significant challenge for some firms to implement logic to report the manual trade indicator (where applicable) for some but not all trades in the same bond. If reporting of

---

<sup>3</sup> See, for example, Securities Exchange Act Release No. 99404 (Jan. 19, 2024), 89 FR 5034 (Jan. 25, 2024) (Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 6730 (Transaction Reporting) To Reduce the 15-Minute TRACE Reporting Timeframe to One Minute) (“FINRA Rule Filing”), at 89 FR 5036-5037 (“FINRA proposes to amend Rule 6730(d)(4) to require that any member that executes or reports a trade manually append a manual trade indicator to the trade report so that FINRA can identify manual trades.”).

the manual trade indicator is limited to certain types of transactions in a particular bond, FIF members request that FINRA and the MSRB provide guidance to allow a firm to optionally report the manual trade indicator for all trades in that bond (where manual activity occurs).

### ***Reporting by firms with limited trading activity***

FIF members request clarification on whether a firm with limited trading activity is required to report the manual trade indicator for trades where manual activity occurs. If FINRA and the MSRB determine that their respective rules require firms with limited trading activity to report the manual trade indicator, FIF members request that FINRA and the MSRB provide an exemption for such firms from such requirement. This type of exemption would be appropriate because the primary purpose for requiring firms to report the manual trade indicator is to assist FINRA and the MSRB to monitor for compliance with the one-minute reporting timeframe,<sup>4</sup> and one-minute reporting does not apply for firms with limited trading activity.

While FIF members believe that it would be appropriate for FINRA and the MSRB to grant an exception to firms with limited trading activity from reporting the manual trade indicator, FIF members also note that it would be a significant challenge for some reporting vendors to implement logic to report the manual trade indicator (where applicable) for some customers but not others. Accordingly, if firms with limited trading activity are not required to report the manual trade indicator, FIF members request that FINRA and the MSRB provide guidance to allow a firm with limited trading activity to optionally report the manual trade indicator if manual activity occurs.

## **5. Covered depository institutions**

Certain depository institutions (referred to as “covered depository institutions”) are subject to TRACE reporting pursuant to Reporting Form FR 2956 (Reporting Treasury Securities and Agency Debt and Mortgage-Backed Securities in TRACE).<sup>5</sup> This includes reporting for certain securities (agency debt securities and agency pass-through mortgage-backed securities traded TBA for good delivery) that are currently subject to fifteen-minute reporting and for which all of the following changes will apply: one-minute reporting; the manual trade exception; and the requirement to report the manual trade indicator (where applicable). The FINRA rule filing for one-minute reporting provides as follows: “FINRA recognizes that covered depository institutions will not be subject to the proposed rule change.”<sup>6</sup>

Based on the above statement from the FINRA rule filing, FIF members understand that one-minute reporting, the manual trade exception, and the requirement to report the manual trade indicator (where applicable) will not apply to covered depository institutions. FIF members request confirmation

---

<sup>4</sup> Id. at 89 FR 5036-5037.

<sup>5</sup> Available at

<https://www.federalreserve.gov/apps/reportingforms/Download/DownloadAttachment?guid=2b899e9f-4654-42c5-ac44-c40d53ae9599>.

<sup>6</sup> FINRA Rule Filing, at 89 FR 5045.

on this point. FIF members also request that FINRA and the Federal Reserve Board update the TRACE FAQs<sup>7</sup> to clarify this point.

While FIF members understand that covered depository institutions are not required to report the manual trade indicator, FIF members note that it would be a significant challenge for some reporting vendors to implement logic to exclude reporting the manual trade indicator (where applicable) for some customers (in this case, covered depository institutions), but not other customers. Accordingly, if covered depository institutions are not required to report the manual trade indicator, FIF members request that FINRA provide guidance to allow a covered depository institution to optionally report the manual trade indicator for trades by covered depository institutions if manual activity occurs.

## **6. Expanded report card data**

Due to the complex nature of one-minute reporting and the work FIF members are doing to prepare for the implementation of this change, FIF members request that FINRA and the MSRB provide additional "report card" like information in advance of the go-live date to assist firms in implementing this new requirement. More specifically, FIF members request that FINRA and the MSRB provide firms with the following additional data:

- When the testing goes live, FIF members request that the test report cards include separate reporting data for trades reported with the manual trade indicator and trades reported without this indicator, including the number and percentage of exceptions for each category.
- FIF members request that FINRA add a line above "Total Late Trade Reports" stating "Total Trades Reported After 1 Minute" for the report cards for the 12 months prior to the implementation date.
- FIF members request that the MSRB provide similar data to member firms in the Dealer Data Quality RTRS Report Card for the 12 months prior to the implementation date. First, within the "Late Trades Summary" tab within the "Inter-Dealer" section, FIF members request that the MSRB add a line above "Late Matched Reports" stating "Total Matched Reports After 1 Minute". Second, within the "Customer" section, FIF members request that the MSRB add a line stating "Total Reports After 1 Minute".

FIF members are requesting these additional fields and corresponding data because this data will help member firms focus on improvements in trade reporting in advance of the go-live date.

## **7. Away from market indicator**

FIF members appreciate the following response by the MSRB as quoted in the Commission's approval of the MSRB rule filing:

---

<sup>7</sup> Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at <https://www.finra.org/filing-reporting/trace/faq>.

In response, the MSRB clarified that the “Notice was not intended to create a requirement for portfolio trades to be reported with a trade indicator under MSRB Rule G–14, and no such portfolio indicator is proposed or would be required pursuant to the proposed rule change.” See MSRB Letter at 16. The MSRB further explained “that it has not made a determination as to whether an “away from market’ indicator would be required in connection with any particular portfolio transaction.”). Id. at 17.<sup>8</sup>

FIF members believe that any requirement for a portfolio transaction to be reported with the away from market indicator should be subject to a separate rule filing.<sup>9</sup>

\* \* \* \* \*

Please contact me at [howard.meyerson@fif.com](mailto:howard.meyerson@fif.com) if you would like further clarification on any of the items discussed in this letter.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson  
Managing Director, Financial Information Forum

---

<sup>8</sup> Securities Exchange Act Release No. 101118 (Sept. 20, 2024), 89 FR 78955 (Order Granting Approval of a Proposed Rule Change, as Modified by Amendment No. 1, to Amend MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB), at 89 FR 78964.

<sup>9</sup> See, for example, Securities Exchange Act Release No. 34-93699 (Dec. 1, 2021), 86 FR 69337 (Dec. 7, 2021) (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).