FINANCIAL INFORMATION FORUM

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February 29, 2008

Nancy M. Morris
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Securities Exchange Act Release No. 34-57020 (File No. SR-FINRA-2007-12); Proposal to Amend Trade Reporting Rules to Require Related Market Center Indicator on Certain Non-Tape Reports Submitted to FINRA

Dear Ms. Morris:

The Financial Information Forum[1] (FIF) welcomes the opportunity to comment on the proposed changes to the Financial Industry Regulatory Authority, Inc. ("FINRA") trade reporting rules. This filing notes FINRA's belief "that the proposed rule change will promote a more complete and accurate audit trail," and that "the proposed rule change will help ensure that members are not using non-tape reports to circumvent FINRA or Commission rules (e.g., trade-through rules)."

The FIF Front Office Committee has reviewed FINRA-2007-012 and believes that including trade reporting venue on non-tape reports will increase the cost and complexity of trade reporting without realizing the intended benefits of a more complete audit trail and may not assist in ensuring that members are not improperly using non-tape reports to circumvent rules and regulations.

Riskless principal trades often involve executions and reports on multiple markets. In such transactions, firms accumulate a position through multiple street-side trades and then execute the accumulated position with a customer as riskless principal. Such transactions have increased since the introduction of order protection obligations as part of Regulation NMS. Additionally, it is often the case that when an order is routed to a market center, it may not be the market center which actually executes or reports the resulting trade. Adding that logic to systems is a significant effort for a number of reasons:

- Orders routed to an automated trading center for execution may be filled in part or entirely by another venue. Execution reports from exchanges will need to be parsed for their away market information. Given that each market center represents information regarding orders routed away in a different manner, there is a separate development effort for each market center. Additionally, not all market centers provide this level of detail on their execution reports. For instance, an order routed to NASDAQ that is routed out will be reported back with a Liquidity Flag set to "Router" but will not give the actual execution destination.

[1] FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. 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 and productive solutions to technology developments, regulatory initiatives, and other industry changes.

- The available list of exchanges, ATSs, ECNs and trading centers is very long and constantly changing through additions and consolidations. Maintaining and updating this list so that trade reports are generated correctly from day-to-day will be expensive for member firms to maintain and subject to error.
- Most firms report multiple executions as a single average priced trade and do not have the capability to list all of the execution venues associated with a trade on one execution or trade report.

One proposed solution to the multiple execution problem is to specify just one execution venue or introduce a “Multiple Venues” market center ID (MCID). Either approach is flawed in that if many trades are reported with the “Multiple Venues” identifier, or with a single execution venue that is not accurate because the executions reflect trades effected on multiple market centers, then there is little meaningful information derived from capturing this information. While we understand FINRA’s obligation to enforce trade reporting rules, we suggest relying on manual audits rather than automated trade reporting to identify non-compliant activities. If such identifying Market Center ID is found to be the only approach acceptable, we would recommend requiring MCID only in instances where there is a 1:1 relationship between a trade and market center. In all other cases, firms should be allowed to leave the MCID field blank thereby avoiding any programming to determine whether a trade was executed on multiple markets or simply the result of multiple executions on a single market.

Requiring the identification of market centers on non-media trade reports would seem contrary to the conclusions which led to FINRA’s recent rescission of NYSE Rule 409(f). As stated in Regulatory Notice 07-65:

> *Following the SEC’s adoption of Regulation NMS (Reg NMS), an increasing number of orders, or portions of orders, routed to a given market for execution are rerouted to other markets that, at that time, display a better quotation. This process, which often is necessary due to the requirements of the Order Protection Rule under Reg NMS, may lead to relatively small orders receiving executions in multiple market centers. This creates an operational challenge for Dual Members to capture the name of the market of execution on a timely basis for inclusion on the transaction confirmation as required by NYSE Rule 409(f).*

Finally, because the riskless report is optional, providing this additional information when a riskless trade is reported to FINRA, will not promote a more complete and accurate audit trail, or enhance FINRA’s ability to surveil the market. The filing notes that “where the initial leg of a riskless principal transaction is executed on and reported through an exchange (often referred to as the “street leg” or “street side”), a tape report is not submitted to FINRA to reflect the initial leg; however, members are permitted, but not required, to submit a non-tape report to FINRA for the offsetting, “riskless” leg of the transaction.” Members could simply opt to stop reporting these transactions. As a result the audit trail would be less complete and less accurate, and FINRA would be less able to surveil the market.

In summary, we respectfully recommend that FINRA not require market center ID on all non-tape reports.

Regards,

Manisha Kimmel

Manisha Kimmel
Executive Director, Financial Information Forum
on behalf of the FIF Front Office Committee