



October 27, 2011

**VIA ELECTRONIC MAIL (rule-comments@sec.gov)**

U.S. Securities and Exchange Commission  
100 F. Street, NE  
Washington, DC 20549-1090  
Attn: Elizabeth M. Murphy, Secretary

**Re: SIMFA Comments on Release No. 34-65459; File No. SR-FINRA-2011-053,  
Proposed Rule Change to Amend Certain Trade Reporting and Compliance Rules**

Ladies and Gentlemen:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> is pleased to respond to the request for comment by the Securities and Exchange Commission the Financial Industry Regulatory Authority (“FINRA”) on Release No. 34-65459, *Proposed Rule Change to Amend Certain Trade Reporting and Compliance Rules* (“Proposed Rule”). The Proposed Rule would amend FINRA Rule 6730 regarding the consolidation of all FINRA TRACE-Eligible Securities transaction processing and management to a single technology platform, the Multi Product Platform (“MPP”).

We wish to extend our thanks to the FINRA for its obvious efforts to get the important new regulations right in this instance and in other recent regulatory actions related to TRACE reporting implementation. As a general matter, SIFMA broadly supports the consolidation of TRACE reporting to the MPP. In this letter we endeavor to offer constructive recommendations that will make the conversion to the MPP more stable and more efficient. We appreciate your consideration of our views. Our most significant comment regards the effective date.

### **MPP Implementation Date**

SIFMA members have expressed significant concern regarding the proposed February 6<sup>th</sup>, 2012 implementation date for the MPP conversion. SIFMA members do not believe the February 6<sup>th</sup> implementation provides adequate time to properly develop and test systems, processes, and procedures to handle the conversion to the MPP. The primary reason for this concern is the proximity of February 6, 2012 to 2011 year-end code freezes. Most large organizations, such as broker-dealers who are required to report trades through TRACE, have

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<sup>1</sup> The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit [www.sifma.org](http://www.sifma.org).

internal information technology policies that include a year-end “code freeze” to some degree. This makes extensive (and sometimes any) development or testing difficult (if not impossible) for some portion of December and/or January. December and January, therefore, are not ideal periods in which to implement significant systems changes, especially those that are as meaningful and potentially consequential if not thoroughly tested as TRACE reporting.

Additionally, February 2012 presents resource conflicts with a number of other previously announced regulatory and market implementations, including for example the implementation of systems to handle the Treasury Market Practices Group (“TMPG”) Agency Debt and Agency MBS Fails Charge Trading Practice (effective February 1<sup>st</sup>), various Fixed Income Clearing Corporation Mortgage-Backed Securities Division projects and the SEC’s Large Trader initiative. While these other implementations present the same concerns around proximity to year end, they were announced far earlier than final rules will be available for the MPP conversion (which would appear to be November, at earliest), and are already in progress.

SIFMA requests that the implementation of the MPP conversion be adjusted to at least the end of the first quarter of 2012. This adjustment would provide adequate time to build and test systems, policies, and procedures to ensure that the conversion to MPP is successful from launch day, and would not impact price transparency as trades will still be reported and disseminated as usual. We note that if the implementation date is changed, FINRA should coordinate the wind-down of reporting through DTC’s RTTM service with the implementation of MPP.<sup>2</sup>

## **Final Specifications**

The availability of final BTDS, ATDS, TRAQS, and API specifications for corporate and agency securities, as soon as possible, will enhance the ability of firms to properly test and build their systems. Publication of final revised versions of TRACE FIX and TRACE CTCI specs and the TRAQs user guide will also be conducive to a successful conversion period.

## **Limited Parallel Support of Existing CTCI Interface**

The effectiveness of the MPP conversion will be contingent upon the ability of members to properly identify and address system issues. If the conversion is to take place on February 6<sup>th</sup>, then the ability to run the current version of CTCI in parallel with the FIX/revised CTCI protocols for a brief period of time could help firms better address unforeseen issues as they arise.

## **Clarification on Reporting Sinking Bonds**

Sinking bond trades must be reported to TRACE under the corporate regime. These securities will have outstanding amounts that change over time, and they are reported as a number of bonds. However, for securitized products, factored securities are reported as original

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<sup>2</sup> Reporting through RTTM should end upon conversion, and not before. If RTTM reporting ends before the MPP conversion, users of RTTM will need to develop an infrastructure to report to the existing specifications, and then shortly change their infrastructure to report according to the new (i.e., MPP) specifications.

face and a factor (if the factor used for trading is not the most current factor), from which one may derive the current outstanding amount. SIFMA members will need clarification concerning how sinking bonds should be reported after the MPP conversion.

### **Cancellation of Trades Submitted Before MPP Implementation**

SIFMA members have expressed a need for clarity regarding how an amendment or cancel of a trade initially reported prior to MPP go-live date through CTCI should be reported.

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SIFMA appreciates the efforts of FINRA that underlie this proposed conversion to one platform and we hope that our comments are helpful. We would be please to provide any further comments and clarifications as needed. Please do not hesitate to contact Chris Killian at 212-313-1126 or [ckillian@sifma.org](mailto:ckillian@sifma.org) or Joe Cox at 212-313-1321 or [jcox@sifma.org](mailto:jcox@sifma.org) with any questions.

Sincerely,

A handwritten signature in blue ink that reads "Chris Killian". The signature is fluid and cursive, with a long horizontal stroke at the end.

Christopher Killian  
Vice President