



January 2, 2015

Via: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Mr. Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: File Number SR-FINRA-2014-050; Proposed Rule Change to Amend FINRA Rule 6700 Series (Trade Reporting and Compliance Engine)**

Dear Mr. Fields:

Thomson Reuters appreciates the opportunity to comment on the rule proposal by the Financial Industry Regulatory Authority (“FINRA”) to revise the Trade Reporting and Compliance Engine (“TRACE”) rules, File Number SR-FINRA-2014-050 (“2014-050”). Through BETA Systems, Thomson Reuters<sup>1</sup> offers a complete suite of products that enable retail and institutional brokers to manage the daily tasks of their front, middle and back office operations. With more than 30 years of industry knowledge and hands-on experience, we partner with some nineteen clearing firms and over 300 introducing broker-dealers to address their unique business and regulatory requirements.

Thomson Reuters supports FINRA’s goal to improve the quality and value of information reported to TRACE by requiring additional information on the relationship between parties to a trade. However, Thomson Reuters believes FINRA’s proposed implementation timeframe of 90 days is insufficient and the proposed requirement to suppress duplicative trade information for a narrow subset of trades with affiliates that are not economically distinct is unduly burdensome. If the proposed rule change is adopted, for the reasons discussed below, Thomson Reuters urges that the implementation date be extended to not less than six months following the publication date of the Regulatory Notice announcing Commission approval and the requirement relating to the suppression of duplicative trade information be eliminated.

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<sup>1</sup> Thomson Reuters is the world’s leading source of intelligent information for businesses and professionals. Combining industry expertise with innovative technology, it delivers critical information to leading decision makers in the financial and risk, legal, tax and accounting, intellectual property and science and media markets powered by the world’s most trusted news organization. Headquartered in New York it employs approximately 57,800 people around the world and operates in over 100 countries. For more information about Thomson Reuters, please go to [www.thomsonreuters.com](http://www.thomsonreuters.com). For more information about BETA Systems, please go to [www.thomsonreuters.com/beta-systems](http://www.thomsonreuters.com/beta-systems).



**A Timeframe of Not Less Than Six Months is Necessary to Avoid Undue Burden and Ensure Successful Implementation.**

FINRA has not solicited, and does not intend to solicit, comments on its proposed implementation period nor any other aspect of this proposed rule change. Instead, it chose an alternative, less transparent, approach of discussing the proposal with advisory committees and certain member firms of their choosing. Then, without identifying them by name, FINRA states in its proposal that these member firms believed that the necessary technological changes their proposal requires would not be unduly burdensome “... *given an adequate implementation timeframe.*” Notably, FINRA does not represent that these member firms agreed that 90 days is adequate, nor does it provide any explanation for selecting this amount of time. Thomson Reuters does not believe that 90 days is adequate and urges the Commission to require at least a 6-month implementation period for the following reasons.

Thomson Reuters allows brokerage firms to customize its suite of products to suit their individual needs. This necessarily makes the assessment of the operational and technology impacts of proposed rulemaking more complex and the work effort to implement changes take longer than might be the case for service providers whose products are not customizable. Based on its experience with other recent rulemaking reporting initiatives, it believes the proposed timeframe is too aggressive, is potentially burdensome and should be extended to not less than six months to better accommodate FINRA member firms of all sizes and business models.<sup>2</sup>

Second, this proposal was published late in the year and was not previously published by FINRA for public comment. In all likelihood, by the date the proposal was published in the Federal Register, December 11, 2014, the technology budgets, plans and priorities for 2015 were already set by most firms and their service providers and they already reflect significant investments to support other rulemaking initiatives we understand to be higher priorities for FINRA and the Commission. To name a few, these initiatives include Consolidated Audit Trail, CBOE Tied to Stock, TRACE Reporting of Asset Backed Securities, ATS reporting, ORF migration, and the remaining work under SR-FINRA-2013-050 related to the ADF and TRF. They also include other recent rule proposals not yet approved that are of equal or greater benefit and impact including CARDS, and various other fixed income and equity trade reporting rule modifications. Allowing for a longer implementation timeframe would be less disruptive to other rulemaking budgets, plans and priorities.

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<sup>2</sup>, FINRA’s members continue to struggle with a wave of regulation the likes of which has not been seen before. By example, four years after the passage of Dodd-Frank, implementation is slightly more than halfway completed with only 220 (55.3%) of the 398 total rulemaking requirements having been met, while 95 (23.9%) of the requirements have not yet even been proposed.<sup>2</sup> A troubling consequence of this new age of regulation is the sharp decline in the number of brokerage firms and with it a sharp decline in the number of jobs in the securities industry. According to FINRA’s own statistics, as of September 2014, member firms numbered 4,126, down from 4,720 in 2009 and down from 5,222 just a decade ago. Thomson Reuters believes that compliance timeframes that are too aggressive could have the unintended consequence of reducing the number of FINRA members even further leaving investors with fewer choices and potentially more firms that are too big to fail.



Third, adequate implementation timeframes are essential to meeting rulemaking compliance dates and allowances must be made for finite bandwidth and resources available to commit to implementing multiple rulemaking initiatives in parallel. By example, FINRA found it necessary to grant the industry a 4-month extension for ATS reporting, a 6-month extension for OTC Equity Trade Reporting and OATS amendments and a 7-month extension for ORF migration. In addition, there was nearly a 12-month delay for TRACE dissemination of asset backed securities. An aggressive timeframe for implementing a refinement to TRACE reporting would unnecessarily add to what already is a collective strain on industry technology and compliance resources and subject matter expertise. Thomson Reuters believes nothing less than six months is needed to accommodate the required development, coordination and testing and to ensure successful, on time delivery.

### **Identifying and Suppressing Transactions with Non-Member Affiliates**

In addition to requiring member firms to identify transactions with non-member affiliates, the proposed rule changes require member firms to take the further step of identifying and suppressing a narrow subset of these transactions where both parties are trading for their own account and the trade occurs on the same day, same price and in the same security as a transaction by the member with another (unaffiliated) contraparty. While Thomson Reuters recognizes that the suppression of these transactions might eliminate duplicative information, it believes the requirement is unduly burdensome because the work effort and cost would be large relative to the benefit of eliminating what FINRA concedes is a narrow subset of transactions with affiliates. Absent an automated solution, member firms would have to manually identify and mark the trades that would need to be suppressed and the development of an automated solution could force changes to 2015 technology priorities, budget dollars and resources and cause additional implementation delays.

### **Conclusion**

Thomson Reuters urges the Commission to require FINRA to extend the proposed implementation timeframe from 90 days to six months and to eliminate the requirement that firms suppress the narrow subset of transactions with affiliates that are not economically distinct from transactions with non-affiliates.

Respectfully Yours,

Kyle C. Wootten  
Deputy Director – Compliance and Regulatory  
Thomson Reuters