



January 13, 2016

By *Electronic Mail* to ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))

Robert W. Errett  
Deputy Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

**Re: SR-FINRA-2015-055: Proposed Rule Change to Adopt New FINRA Rule 6732 (Exemption from Trade Reporting Obligation for Certain Transactions on an Alternative Trading System)**

Dear Mr. Errett:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> appreciates the opportunity to respond to the Securities and Exchange Commission (“SEC”) in connection with the request for comment on SR-FINRA-2015-055, a proposal by the Financial Industry Regulatory Authority (“FINRA”) to adopt new FINRA Rule 6732 to provide FINRA with the authority to exempt certain transactions on an Alternative Trading System (“ATS”) from trade reporting obligations (the “Proposal”). SIFMA acknowledges and appreciates FINRA’s ongoing discussions with market participants to obtain input regarding trade reporting obligations related to certain ATS transactions. The Proposal’s methodology is a significant improvement over previously suggested alternatives; however, SIFMA and its members continue to have concerns about the current formulation of the Proposal and the underlying exemption. In that regard, we question whether immediate effectiveness is appropriate given our outstanding concerns.

The Proposal unfortunately introduces operational risks. Under the current Proposal, an ATS would be required to provide notice to subscribers of its intention to rely on new FINRA Rule 6732 in a manner consistent with the contacts negotiated among its subscribers. Individual ATS subscribers should be motivated to assume and adopt the modified trade reporting obligation to avoid the cost of building a new reporting capability for ATS trades but the papering of such obligation will be cumbersome and at a minimum, negative consent notifications should clearly be permitted to reduce the administrative complexity. Several ATSS will need to notify hundreds of clients and residual risk remains if all market

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<sup>1</sup> SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. 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 <http://www.sifma.org>.

participants do not accept full responsibility for the modified reporting obligation at the same time. Should subscribers not consent uniformly, there is significant risk of disruption to market access, market liquidity, and post trade reporting generally.

Additionally, the Proposal allows for use of the proposed exemption only in instances where both parties to a transaction are FINRA members. With the evolving fixed income market structure, some ATSs have incorporated all-to-all electronic trading protocols with the goal of promoting liquidity and increasing the ease of connectivity among a diverse universe of subscribers. As you well know, it may not be the case that every subscriber to an all-to-all trading platform is a FINRA member. Accordingly, dealer trades with non-FINRA members would have to be intermediated with another dealer to permit use of the exemption. While intermediation may be common at present, the narrow construction of the exemption could increase the costs of all-to-all trading over an ATS for non-FINRA members if the non-FINRA members are forced to seek intermediation even when they have existing relationships with dealer counterparties. FINRA should anticipate such developments and justify why the exemption does not include dealer to customer transactions.

For these reasons, SIFMA believes that FINRA should reconsider the current construction of the Proposal in favor of an approach that would impose the full modified trade reporting obligations directly upon dealers in a similar manner to that created under MSRB Rule G-14. The MSRB imposed an obligation for dealers to add an indicator to identify transactions executed using the services of an ATS. FINRA could simply modify existing dealer reporting obligations in a similar manner but include a requirement that the specific ATS be identified in the relevant reporting field – for both FINRA member to FINRA member and FINRA member to non-FINRA member transactions. A permanent exemption for qualifying transactions can then be provided to ATSs together with an obligation for ATSs to submit trade data in bulk either monthly or quarterly to FINRA. We believe that this alternative approach would alleviate many of the concerns that the Proposal, as currently constructed, could impose avoidable costs and bring unintended consequences that could prove detrimental to the fixed income market.

SIFMA hopes that FINRA will reconsider their Proposal and would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions or require further information, please contact Sean Davy at [REDACTED] or [REDACTED]. Thank you again for your consideration of our comments.

Regards,

A handwritten signature in cursive script that reads "Sean C. Davy". The signature is written in dark ink and is positioned above the typed name.

Sean C. Davy

Managing Director, Capital Markets