



THOMSON REUTERS

Via Electronic Delivery

August 15, 2016

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

Re: SR-FINRA-2016-027: Notice of Filing of a Proposed Rule Change Relating to the Reporting of U.S. Treasury Securities to the Trade Reporting and Compliance Engine

Dear Mr. Errett:

Thomson Reuters appreciates the opportunity to comment on SR-FINRA-2016-027 which expands TRACE reporting requirements to U.S. Treasuries (“the proposal”). Thomson Reuters¹ through our Financial & Risk business unit provides buy-side, sell-side and corporate customers with information, analytics, workflow, transaction and technology solutions and services that enable effective price discovery and support efficiency, liquidity and compliance. In particular, our wealth management offerings² include a complete suite of products that enable retail and institutional brokers to manage the daily tasks of their front, middle and back office operations. We facilitate TRACE reporting for our clients and are directly impacted by this proposal.

We have reviewed the proposal with our clients and believe that we have an opportunity to learn from previous enhancements to TRACE in order to facilitate an efficient implementation of the proposal.

Improve the Technical Specification Development Process

We appreciate FINRA’s willingness to provide technical specifications as soon as possible after the proposal is approved but believe that the specification development process should be concurrent with the proposal development process. As part of the specification development process, we would like to make the following recommendations:

- Work directly with the FIX protocol organization to create industry standard tags for use in reporting new indicators and modifiers. This will allow for a standardized methodology of passing TRACE-related information avoiding the use of a FINRA-specific tag and an additional industry standard tag. Past changes to TRACE specifications have resulted in

¹ Thomson Reuters is the world’s leading source of news and information for professional markets. Our customers rely on us to deliver the intelligence, technology and expertise they need to find trusted answers. The business has operated in more than 100 countries for more than 100 years. Thomson Reuters shares are listed on the Toronto and New York Stock Exchanges (symbol: TRI). For more information, visit www.thomsonreuters.com.

² For more information on Thomson Reuters Wealth Management offerings, see [here](#).

multiple methodologies for passing TRACE-related information which increases development effort and complexity. It is worth noting that other regulators like the OCC and CFTC have successfully worked with FIX Protocol to meet their regulatory reporting needs.

Working with the FIX Protocol and industry participants prior to proposal approval would allow for a more thorough discussion of implementation issues and required time frame.

- Release a technical specification with expected changes for all phases of implementation in order to avoid multiple code releases. We would expect that fields required in later phases could be populated to default values.
- Provide connectivity details that allow TRACE reporting for Treasuries via an existing line – either the CA (corporate/agency) or SP (securitized product) line should be used. This will eliminate both initial and ongoing costs. Requiring new network connectivity is a significantly larger build.
- Clarify if Treasury Inflation-Protected Securities (“TIPS”) are in scope. We are unclear as to whether TIPS are in scope for the proposal given that TIPS have factors and operate differently from other Treasury products. If TIPS are required for this implementation, additional details on how they will be processed should be published in an amendment to the proposal to allow for further comment.

Enhance Cost/Benefit Analysis


We believe that a more thorough implementation discussion prior to proposal approval would allow for a more robust cost/benefit analysis. FINRA acknowledges the implementation issues associated with the new indicator and modifiers but it is unclear that the costs of implementation were weighed against the benefits of the new fields. With a more thorough understanding of how the new fields will be applied, FINRA could work with the industry to determine if the new fields are justified.

Address Fee Uncertainty

Firms will have increased ongoing costs to support TRACE for Treasuries. We expect the specification to evolve over time with ongoing enhancements in a manner similar to the other TRACE specifications. Additionally, it is worth noting that revenues associated with Treasuries are at much lower rates than for other fixed income products and that often Treasury transactions are conducted at no charge to accommodate clients. We believe that in light of the ongoing costs and lower margins, FINRA should not assess any additional fees with respect to the expansion into Treasuries for a minimum of five years. We are concerned that the ambiguity in the filing regarding charging of fees makes it difficult to understand the true cost of the proposal. After the five year period, any fee-related rule filing should include a robust cost/benefit analysis taking into account the factors outlined above.

We believe the implementation effort associated with the proposal will be complex and require significant coordination across the industry. We believe up-front planning before the implementation time is established will ensure the most efficient implementation.

Regards,

A handwritten signature in black ink that reads "Manisha Kimmel". The signature is written in a cursive, flowing style.

Manisha Kimmel
Chief Regulatory Officer, Wealth Management
Thomson Reuters