



Financial Industry Regulatory Authority

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Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File No. SR-FINRA-2017-021 (Proposed Rule Change to Amend FINRA Rule 7730 to Make Available a New TRACE Security Activity Report) – Response to Comments

Dear Mr. Fields:

This letter is being submitted by Financial Industry Regulatory Authority, Inc. (“FINRA”) in response to comments submitted to the U.S. Securities and Exchange Commission (“Commission”) regarding the above-referenced rule filing.¹ The Commission received two comment letters supporting the proposal.²

FINRA proposes to amend Rule 7730 (Trade Reporting and Compliance Engine (TRACE)) to make available a new TRACE Security Activity Report, which would provide aggregated statistics by security for TRACE-Eligible Securities that are corporate or agency bonds. BlackRock stated it believes the proposed Security Activity Report will be helpful in analyzing market liquidity and filling known data gaps in fixed income markets. BlackRock, among other things, also believes that the Proposal balances the need for additional data, while maintaining sufficient confidentiality so as not to impede market liquidity when only a small number of large transactions take place for a given CUSIP.

SIFMA states that it generally supports FINRA’s efforts to design the Security Activity Report to be useful to interested parties for business as well as regulatory purposes, including liquidity risk obligations pursuant to Rule 22e-4 under the

¹ See Securities Exchange Act Release No. 81007 (June 23, 2017), 82 FR 29602 (June 29, 2017) (Notice of Filing of File No. SR-FINRA-2017-021) (“Proposal”).

² See Letter to Robert W. Errett, Deputy Secretary, Commission, from Sean Davy, Managing Director, Securities Industry and Financial Markets Association, dated July 20, 2017 (“SIFMA”); and Letter to Brent J. Fields, Secretary, Commission, from Bennett Golub, Chief Risk Officer and Alexis Rosenblum, Director, BlackRock, Inc, dated July 20, 2017. (“BlackRock”).

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Investment Company Act. SIFMA also acknowledges that FINRA undertook efforts to design the report to mitigate concerns regarding the potential for reverse engineering, and believes that these measures will assist in mitigating potential concerns regarding information leakage.

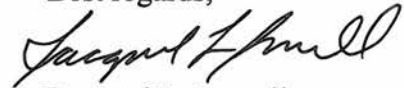
SIFMA recommends that, given historical concerns over information leakage, FINRA allow market participants time to adapt to the reduction of the delay period for the Historic TRACE Data product by staging the implementation of the Security Activity Report at least six months after the October 2, 2017 effective date of the Historic TRACE Data product.³ FINRA does not agree that a six-month implementation delay from October 2, 2017, is necessary. FINRA believes that the 90-day delay and other measures taken in the proposed Security Activity Report, such as displaying information in buckets, were appropriately designed to reduce information leakage risks and mitigate any potential impacts. FINRA intends that the effective date for the Security Activity Report would be no sooner than February 1, 2018, which would cover statistics for the month of October 2017.

With regard to the proposal to provide aggregate statistics in the Security Activity Report for the five most active MPIDs, SIFMA states that it would have significant concerns over the potential for reverse engineering of dealer identities if FINRA did not intend to express such percentages as aggregate figures. FINRA confirms that the statistics for the top five MPIDs will be expressed as aggregate figures (i.e., the percentage of the total number of transactions traded by the top five MPIDs for each CUSIP and the percentage of total par value traded by the top five MPIDs for each CUSIP).

Finally, SIFMA requests that FINRA provide a template of the report to allow market participants an appropriate amount of time to educate themselves on the format of the report as well as the types of information that will be included. FINRA intends to post a file layout for the Security Activity Report on the FINRA website at least 30 days prior to the effective date of the report.

FINRA continues to believe that the instant proposal strikes an appropriate balance in providing additional transparency on the overall trading activity in a particular corporate or agency bond, while remaining sensitive to confidentiality concerns. If you have any questions, please contact me at [REDACTED].

Best regards,


Racquel L. Russell

³ See Securities Exchange Act Release No. 81011 (June 23, 2017), 82 FR 29597 (June 29, 2017) (Order Approving File No. SR-FINRA-2017-012). See *Regulatory Notice* 17-23 (July 2017).