



Harborside 5
185 Hudson Street, Suite 1200
Jersey City, New Jersey 07311

Tel: +1 201 406 1100
www.tpicap.com

July 21, 2017

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

Re: File Number SR-FINRA-2017-023

Dear Mr. Errett:

ICAP Securities USA LLC and ICAP Corporates LLC (collectively "ICAP") welcome the opportunity to offer their comments on the Financial Industry Regulatory Authority's ("FINRA") Rule Filing SR-FINRA-2017-23 (the "Proposed Rule Change"), which would amend Rule 6730 by providing "a temporary exception to permit member alternative trading systems ("ATs") and member subscribers to report aggregate trade information to TRACE for certain transactions in U.S. Treasury Securities."

ICAP believes that the regulatory reporting of transactions involving US Treasury securities provides FINRA and other regulators greater transparency into the US Treasury market, and broadly supports the policy goals underlying the Proposed Rule Change. Although ICAP recognizes the importance of regulatory reporting in the US Treasury markets, it nevertheless respectfully believes that FINRA should reconsider its application of the TRACE reporting rules to 'individual' transactions in U.S. Treasury securities that occur as part of an ATS "trading session" or "work-up", and except such individual transactions from the reporting requirements. ICAP views the perceived increased transparency sought by the reporting of each individual transaction to be minimal given the average length of work-ups, and strongly feels that the reporting requirement should be considered against the potential burdens and the vast effort the industry, including ICAP, will have to undergo in order to comply with a requirement to report each such transaction to TRACE. Accordingly, we note the following comments and concerns for your consideration.

A. The Requirement to Report Individual Transactions in U.S. Treasury Securities Decreases Transparency In Certain Common Circumstances

Although the intent of reporting to TRACE individual transactions in U.S. Treasury securities that are part of an ATS “trading session” or “work-up” is to increase transparency into transactions done in the US Treasury markets, it would achieve the opposite result in certain circumstances that occur commonly in the market.

Currently, ICAP’s US Treasury ATS conducts both “trading sessions” and “work-ups” where buyers and sellers “work up” the size of a trade from the quantity traded as a result of an initial hit or take. These trading sessions and work-ups are treated as single deals extended in time at a ***single price point***. Accordingly, ICAP aggregates the trading activity each participant engages in during the trading session/work-up and reports the aggregate information to TRACE. The Proposed Rule Change indicates that U.S. Treasury ATSs must report each individual transaction within a trading session/work-up as a separate transaction, and is seeking an extension of time for the industry to meet this requirement. ICAP agrees that an extension of time is necessary to meet FINRA’s application of the TRACE reporting requirements, but, as a threshold matter, believes that the requirement to report such individual transactions is flawed, and should be reconsidered, because the reporting of each separate transaction will make it harder to discern the total number of non-FINRA members involved in each trading session/work-up.

Suppose a FINRA member (“MPID A”) is the only seller involved in a member ATSs U.S. Treasury trading session/work-up and that two non-FINRA members (“C’s”) are involved as buyers:

- MPID A sells \$5 million through the ATS to Customer A at 10:00:00 a.m.
- MPID A sells an additional \$10 million through the ATS to customer A at 10:00:10 a.m.
- MPID A sells \$25 million through the ATS to Customer B at 10:00:20 a.m.
- MPID A sells an additional \$50 million through the ATS to Customer A at 10:00:30 a.m.

Under current reporting practices, the member ATS would report that:

- ATS bought \$90 million from one FINRA member;
- ATS sold \$65 million to one Customer; and
- ATS sold another \$25 million to a second customer.

If the ATS member were to report each separate transaction as discussed in the Proposed Rule Change, it would make it impossible to determine how many non-members were involved in the trading session/work-up:

- ATS bought \$90 million from one FINRA member;
- ATS sold \$5 million to a Customer;
- ATS sold \$10 million to a Customer;
- ATS sold \$25 million to a Customer; and
- ATS sold \$50 million to a Customer.

Thus, under FINRA's application of the TRACE rules, it appears as if up to four Customers could have been involved in the trading session/work-up when, in fact, only two Customers were involved.

B. The Requirement to Report Individual Transactions in U.S. Treasury Securities Would Require Significant Technological Work

In order for ICAP to report individual transactions in the manner described in the Proposed Rule Change, it will need to complete significant technology and messaging development.

Currently, ICAP sends aggregated transaction messages to participants and to FICC as part of the settlement process. If ICAP is required to report each individual transaction, ICAP will have to develop new binary messaging broadcasts while its FINRA member participants will have to develop and implement technology to read, process and report the binary broadcasts while continuing to ingest and process the current aggregated messaging as required by the FICC settlement process.¹ Changing FIX messages to convey individual transactions as well as aggregated information deviates from the industry FIX standard and has the potential to cause unintended issues such as duplicating positions.

If it is required to make the above technological enhancements, ICAP believes July 10, 2018 is not a realistic deadline and requests additional time to make the changes and coordinate with its participants. ICAP estimates that its participants will need at least six additional months beyond what is proposed in the Proposed Rule Change to modify their existing processes to consume the new messaging.

C. Conclusion

For the foregoing reasons, ICAP requests that FINRA provide an exception to the TRACE reporting rules for 'individual' transactions in U.S. Treasury Securities that occur as part of an ATS "trading session" or "work-up", or, if the Commission feels that the policy goals underlying the reporting requirements of the Proposed Rule Change can only be achieved by reporting each individual transaction within a trading session/work-up as a separate transaction, that the Commission extend the effective date of the Proposed Rule Change until January 10, 2019 (an additional six months beyond what is currently proposed).

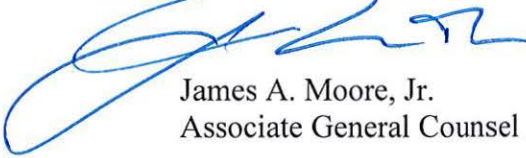
ICAP appreciates the opportunity to submit this comment, and would be pleased to meet with the Commission and/or provide additional information to assist the Commission at arriving to a

¹ FINRA should also be aware that reconciliation between FICC settlement and TRACE reports would not be possible under this methodology.

Mr. Robert W. Errett
July 21, 2017

conclusion that would not put undue burden on the marketplace while still providing the appropriate level of transparency and detail to TRACE.

On behalf of ICAP,

A handwritten signature in blue ink, appearing to read "J. Moore, Jr.", is written over the typed name.

James A. Moore, Jr.
Associate General Counsel