



July 29, 2019

Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE., Washington, DC 20549

Re: ***SIFMA Comment Letter on FINRA Proposed Rule Change to Establish a Corporate Bond New Issue Reference Data Service; File No. SR-FINRA-2019-008***

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to provide additional comments in response to the Securities and Exchange Commission (“Commission”) instituting proceedings pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934 (“Exchange Act”) to determine whether to approve or disapprove FINRA’s proposed rule change to establish a new issue reference data service for corporate bonds.² First, we wish to clarify that our initial comment letter merely supported “the goals and conceptual basis of the proposed service”³ because several complications and ambiguities in FINRA’s initial proposal⁴ prevented us from “expressly supporting the proposal.”⁵ In particular, SIFMA prefers the alternative approach considered by FINRA, recommends modernizing the current form and allowing use of an API, and needs clarification of several issues with specific data fields. Hence, in determining whether to approve or disapprove the proposal, the Commission should consider whether FINRA addresses the concerns raised in our initial letter and our additional concerns below.

In addition, with respect to the fees for the proposed service, FINRA still has not provided sufficient information upon which to base a determination that any proposed fees are

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. 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>.

² See Securities Exchange Act Release No. 86256, 84 FR 32506 (Jul. 1, 2019) (“Order”).

³ See Letter from Christopher B. Killian, Managing Director, SIFMA, dated April 29, 2019.

⁴ See Securities Exchange Act Release No. 85488, 84 FR 13977 (April 2, 2019).

⁵ See Order at 4.

consistent with the Sections 15A(b)(5), 15A(b)(6) and 15A(b)(9) of the Exchange Act.⁶ While FINRA continues to assert that the corporate bond new issue reference data service will be priced on a cost-plus margin basis, FINRA must provide quantitative data showing its anticipated revenues, costs and profitability—and describe its methodology for estimating the baseline and expected costs and revenues—to support that assertion. The Commission should consider the proposal carefully to assure that FINRA’s proposed fees satisfy the applicable statutory standards and that they are fair, reasonable and not unreasonably discriminatory, including analyzing the proposal under the recent Staff Guidance on SRO Rule Filings Relating to Fees,⁷ or another acceptable means.

Along with our initial comments, the Commission and FINRA should address the following additional concerns with the proposal. If the Commission approves the proposed rule, the Commission or FINRA ought to provide guidance or amend the rule so that providing reference data information to the data service will not constitute an offer, an offer to sell, or a solicitation of an offer to buy the referenced securities for purposes of the registration requirements of the Securities Act of 1933.

We also have certain additional observations on some of the reference data fields. The “Security Type” field provides nonessential information because distinguishing between a note, bond or debenture is meaningless. If FINRA intended to obtain other information in this field, the proposal needs clarification on what information is being requested. Also, the difference between the “Minimum Increment” and “Minimum Piece” data fields are unclear and should be clarified or one of the fields should be removed. Lastly, the “First Call Date” field can be difficult to enter for high-yield bonds as most high-yield bonds permit the issuer to redeem the bonds at a make-whole price any time after issuance.

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If you have any questions or need any additional information, please contact me (at [REDACTED] or [REDACTED]).

Sincerely,



Christopher B. Killian
Managing Director
Securitization and Corporate Credit

⁶ 15 U.S.C. 78o-3(b)(5), (6) and (9).

⁷ SEC’s Division of Trading and Markets, *Staff Guidance on SRO Rule Filings Relating to Fees* (“Staff Guidance”) (May 21, 2019).