



Invested in America

May 21, 2019

Via Email to rule-comments@sec.gov

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

Re: File No. SR-FINRA-2019-014

Dear Mr. Erret:

The Securities Industry and Financial Markets Association (“SIFMA”) appreciates the opportunity to comment on the proposal from the Financial Industry Regulatory Authority, Inc. (“FINRA”) to amend Rule 6730 (Transaction Reporting) to provide members additional time to report to the Transaction Reporting and Compliance Engine (“TRACE”) transactions in U.S. Treasury Securities executed to hedge a primary market transaction, and to adopt a modifier to identify such transactions.

SIFMA continues to support FINRA’s efforts to create a database of Treasury market transactions that is available to the official sector and it is important that the official sector has access to a database that contains clear and valuable information in order to get greater clarity into the nature of activity in the market, the changing profile of market participants and Treasury market trading practices.

I. Divergent timelines for linked transactions

As we noted to FINRA in 2018,¹ SIFMA and its member firms identified a divergence between the reporting timelines for Treasury hedges linked to List or Fixed Offering Price and Takedown Transactions (together “P1 transactions”) and the P1 transaction. FINRA Rule 6730(a)(2)(A) states that:

List or Fixed Offering Price Transactions or a Takedown Transaction that is executed on a business day at or after 12:00:00 A.M. Eastern Time through 11:59:59 p.m. Eastern Time must be reported no later than the next business day (T+1) during TRACE System Hours and if reported on T+1, designated “as/of” and include the date of execution.

It is our understanding that the underwriting syndicate, at the request of its clients, will provide Treasury hedging services in connections with the client’s P1 transactions

¹ E-mail from Robert Toomey, Managing Director and Associate General Counsel, SIFMA, to Chris Stone & Justin Tubiolo, FINRA, dated June 13, 2018, 1:24 PM.

New York | Washington

120 Broadway, 35th Floor | New York, NY 10271-0080 | P: 212.313.1200 | F: 212.313.1301

www.sifma.org | www.investedinamerica.org

executed with the firm. In general, the underwriting syndicate will determine the aggregate size of the Treasury hedge requested across all customers indicating interest in the P1 transaction and place a single order to buy the corresponding Treasury securities with the firm's Treasury desk. Subsequently, the Treasury desk will enter into a transaction to sell the aggregate size of the Treasury hedge to the syndication desk which would not be reportable event under FINRA Rule 6730(a)(4). The syndicate desk will then allocate the Treasury hedge to customers based upon the final P1 transaction allocations. Any offsetting trades that the trading desk executed with external counterparties would be reported to TRACE in accordance with FINRA Rule 6730(a)(4).

We noted further that in circumstances where the P1 transactions are priced prior to 5:00 p.m., the Treasury hedge allocations to customers would need to be reported on T+0 while the P1 transactions would be reported on T+1. Since the paired Treasury hedge allocations necessarily depend on the client's final allocation in the P1 transaction (which can create hundreds of trade entries), the divergent reporting timeline both creates significant operational burden given the linked nature of the transactions as well as reduces the regulatory value of the data by failing to synchronize or link the reporting requirements.

II. FINRA Proposal

FINRA proposes to make two changes to Rule 6730 to address these concerns. The proposal would: 1. add a new paragraph to Rule 6730(a)(4)(B) which would require Treasury transactions executed to hedge a List or Fixed Offering Price Transaction or a Takedown Transaction be reported no later than the next business day (T+1) during TRACE business hours, designated "as/of" and include the date of execution; and 2. If reporting such a Treasury hedge transaction, include the appropriate modifier.

SIFMA supports the proposal and believes that it will ease the operational burden on member firms, provide a better characterization of the transaction for market surveillance purposes through the linkage that will be reported, and result in fewer late Treasury transaction filings to the TRACE system.

SIFMA appreciates FINRA's attention to this matter and supports finalization of the change. We also believe that this proposal will ease unnecessary burden on member firms and will provide better information to Treasury market supervisors. If you have any questions, please contact the undersigned at

██████████ or ██████████.

Sincerely,



Robert Toomey
Managing Director and Associate General Counsel
Capital Markets