![sifma logo - Invested in America]

July 27, 2016

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE.
Washington, DC 20549-1090

Re: **SR-FINRA-2016-024,**
        Proposed Rule Change to Amend FINRA Rule 7730
        (Trade Reporting and Compliance Engine (TRACE))

        SR-MSRB-2016-09,
        Proposed Rule Change to Establish the MSRB
        Academic Historical Trade Data Product

Dear Mr. Fields:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA's") Rule Filing SR-FINRA-2016-024 and the Municipal Securities Rulemaking Board's ("MSRB's") Rule Filing SR-MSRB-2016-09 (together, the "Revised Proposals" or the "Proposals"). SIFMA submits this letter as a supplement to its submission on September 11, 2015[2] regarding FINRA's Regulatory Notice 15-26 and the MSRB's Regulatory Notice 2015-10 (together, the "Initial Proposals").

In response to requests from certain parties, the MSRB and FINRA are proposing to create new Real-time Transaction Reporting System ("RTRS") and Trade Reporting and Compliance Engine ("TRACE") academic historical trade data products (together, the

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[1] SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over $2.4 trillion for businesses and municipalities in the U.S., serving clients with over $16 trillion in assets and managing more than $62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. 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*, SIFMA Submits Comments to FINRA and MSRB on Academic Data Proposals, *available at:* http://www.sifma.org/comment-letters/2015/sifma-submits-comments-to-finra-and-msrb-on-academic-data-proposals/

"Academic Data Products") that would include anonymized dealer identifiers. The RTRS and TRACE Academic Data Products would be made available only to institutions of higher education.

SIFMA continues to support the MSRB's and FINRA's efforts to improve market transparency to investors and promote regulatory efficiency. Both FINRA and the MSRB have made a number of modifications to the Revised Proposals to address our concerns and we have provided comments on those modifications below. While we appreciate FINRA's and the MSRB's responsiveness on a number of aspects, we believe that the Proposals, in some cases, could provide additional protections without impeding the goals of promoting academic access and research.

I. Scope of Data Available

SIFMA believes it is important to note in the context of the Proposals that regulators have real time access to RTRS data and TRACE Data, including dealer identifiers, for market surveillance and enforcement purposes. We agree with the MSRB and FINRA that not all information or transactions reported to RTRS and TRACE are necessary to serve the transparency objective of the system and therefore do not qualify for public dissemination. Among other things, information that provides the identity of each dealer that executed a transaction reported to RTRS and TRACE is not publicly disseminated. Additionally, SIFMA supports the FINRA modification to limit the data to be included in the scope of the Revised Proposal to transactions in corporate bonds, including Rule 144A transactions in corporate bonds. As FINRA highlights in the Revised Proposal, "Trading may be more concentrated among a smaller number of dealers for other types of TRACE-eligible securities." SIFMA believes that limiting the data to transactions in corporate bonds, including Rule 144A transactions, will help mitigate some concerns of market participants over potential reverse engineering.

Additionally, we are particularly supportive that both FINRA and the MSRB have explicitly excluded information on List or Fixed Offering Price Transactions and Takedown Transactions from scope in the Revised Proposals. As SIFMA previously stated, we believe that making primary markets (P1) data available in the Academic Data Products would lead to the ready ability to reverse engineer dealer identities from public information.

II. Data Aging Requirements

SIFMA appreciates that the MSRB and FINRA have modified the aging period of data from no less than 24 months in the Initial Proposals to no less than 36 months in the Revised Proposals. However, we continue to believe that an aging period of no less than 48 months appropriately balances information leakage and reverse engineering concerns with researchers' desire to have access to the data with anonymized dealer identifiers.

III.   Anonymizing Dealer Identities and Potential for Reverse Engineering

The MSRB and FINRA propose to take measures to allay concerns regarding the potential for reverse engineering of anonymized dealer identifiers to determine dealer identities by: (1) explicitly requiring subscribers to agree that they will not attempt to reverse engineer the identity of any dealer; (2) prohibiting the redistribution of the data in the RTRS Academic Data Product and TRACE Academic Data Product; (3) requiring users to disclose each intended use of the data (including a description of each study being performed and the names of each individual who will have access to the data for the study); and (4) requiring that the data be returned or destroyed if the agreement is terminated.

However, we remain concerned that anonymized dealer identifiers made available with the RTRS data and TRACE data do not effectively protect dealers' identities. Given the unique trading structure of certain firms, (i.e., some firms will always demonstrate back-to-back trades followed by a trade with a customer), it likely will not be difficult to reverse engineer to determine certain dealer identities. SIFMA continues to believe that a preferable approach would be to make available the RTRS data and TRACE data through groupings of comparable dealers. SIFMA suggests that the MSRB and FINRA adopt the peer group criteria used in MSRB and FINRA report cards to aggregate dealers into reportable groups. This would allow academics to track trading patterns and pricing in the secondary market, while alleviating concerns over reverse engineering.

The potential impact of reverse engineering could be significant. Dealer trading strategies may be deciphered through reverse engineering of market participant identifiers ("MPIDs") and reviewing trading patterns and practices. SIFMA continues to underscore that if dealer trading strategies are publicly known, they may significantly impact a dealer's ability to provide the market with liquidity. Additionally, reverse engineering of dealer MPIDs may also lead to the potential reverse engineering of specific client transactions. The disclosure of any client specific information may reveal confidential business information and the confidentiality of such information isn't necessarily removed by the passage of time.

IV.   Terms of Use/User Agreements

SIFMA supports FINRA and the MSRB efforts to strengthen certain requirements on subscribers regarding the terms of use of the Academic Data Products. The Revised Proposals state that in the written agreement with Academic Data Products, both FINRA and the MSRB will:

- Explicitly require subscribers to agree that they will not attempt to reverse engineer the identity of any market participant;

- Prohibit the redistribution of data in the Academic Data Products;
- Require users to disclose each intended use of the data (including a description of each study being performed and the names of each individual who will have access to the data for the study);
- Require users to ensure that any data presented in work product be sufficiently aggregated so as to prevent reverse engineering of any dealer or transaction; and
- Require that the data be returned or destroyed if the agreement is terminated.

Notwithstanding the above requirements, SIFMA recommends that both FINRA and the MSRB develop robust operational frameworks around the execution and ongoing oversight of user agreements. Ensuring subscriber adherence to their written user agreements would further mitigate concerns of reverse engineering and information leakage which have the potential to negatively impact market liquidity.

IV.   Limitations on Users of Data

SIFMA believes the Proposals' limitation on providing the RTRS and TRACE Academic Data Products to "academics currently associated with an institution of higher education in connection with their research activities" may be too limiting and unnecessarily restrictive. While we would like to see further protections incorporated, SIFMA believes there is value in providing the RTRS and TRACE Academic Data Products to a wider, yet controlled, group of users in connection with their research activities, and thus would support an expanded user group accordingly under the Revised Proposals. There are many organizations engaged in research activities not associated with an institution of higher learning.[3] Any not-for-profit that has a separately identifiable research department and regularly publishes research reports should have access to the RTRS and TRACE Academic

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[3] For example, "think tanks" such as The Brookings Institution (http://www.brookings.edu/research#trade/topics/), Cato Institute (http://www.cato.org/research), Pew Research Center (http://www.pewresearch.org/), Urban Institution's Housing Finance Policy Center (http://www.urban.org/policy-centers/housing-finance-policy-center). Additionally, certain trade associations (both finance and non-finance-related) regulatory publish research reports. Examples include, Aerospace Industries Association (http://www.aia-aerospace.org/research_reports/), American Public Transportation Association (http://www.apta.com/resources/reportsandpublications/Pages/default.aspx), American Bankers Association (http://www.aba.com/Tools/Research/Pages/default.aspx), American Council of Life Insurers (https://www.acli.com/Tools/Pages/Publications%20Guest.aspx), Investment Company Institute (https://www.ici.org/research), International Swaps and Derivatives Association, Inc. (https://www2.isda.org/functional-areas/research/), and SIFMA (http://www.sifma.org/research/).

Data Products on the same terms as academics currently associated with an institution of higher education in connection with their research activities.

V. Conclusion

SIFMA sincerely appreciates this opportunity to comment on the Proposals. SIFMA believes that by implementing the above modifications, the Proposals will provide investors with additional informative market information.
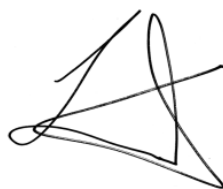
If you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,

Sean Davy   Leslie M. Norwood
Managing Director   Managing Director & Associate General Counsel
Capital Markets Division   Municipal Securities Division
SIFMA   SIFMA

cc: *Municipal Securities Rulemaking Board*
        Lynnette Kelly, Executive Director
        Robert Fippinger, Chief Legal Officer
        Michael Post, General Counsel, Regulatory Affairs

        Financial Industry Regulatory Authority
        Robert Colby, Chief Legal Officer
        Steve Joachim, Executive Vice President, Transparency Services