



**Via Electronic Delivery**

September 19, 2016

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

Re: File Number SR-FINRA-2016-032: Notice of Filing of a Proposed Rule Change Relating to FINRA Rule 2232 (Customer Confirmations) to Require Members to Disclose Additional Pricing Information on Retail Customer Confirmations Relating to Transactions in Fixed Income Securities; File Number SR-MSRB-2016-12: Notice of Filing of a Proposed Rule Change to MSRB Rules G-15 and G-30 to Require Disclosure of Mark-Ups and Mark-Downs to Retail Customers on Certain Principal Transactions and to Provide Guidance on Prevailing Market Price

Dear Mr. Fields:

Thomson Reuters appreciates the opportunity to comment on MSRB and FINRA’s confirm disclosure proposals. Thomson Reuters<sup>1</sup> through our Financial & Risk business unit provides buy-side, sell-side and corporate customers with information, analytics, workflow, transaction and technology solutions and services that enable effective price discovery and support efficiency, liquidity and compliance. In particular, our wealth management offerings<sup>2</sup> include a complete suite of products that enable retail and institutional brokers to manage the daily tasks of their front, middle and back office operations. We work with trading systems and confirm vendors to facilitate confirm processing reporting for our clients. We respectfully request that the MSRB and FINRA consider the following changes to their proposals.

**Align MSRB and FINRA Proposals**

As mentioned in our prior comment letters on the regulatory notices issued by MSRB and FINRA, we believe it is imperative that the two regulatory bodies work together to completely align implementation of their confirm disclosure proposals. Common requirements and implementation dates allow us to rationalize resources for development, testing and deployment of changes.

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<sup>1</sup> Thomson Reuters is the world’s leading source of news and information for professional markets. Our customers rely on us to deliver the intelligence, technology and expertise they need to find trusted answers. The business has operated in more than 100 countries for more than 100 years. Thomson Reuters shares are listed on the Toronto and New York Stock Exchanges (symbol: TRI). For more information, visit [www.thomsonreuters.com](http://www.thomsonreuters.com).

<sup>2</sup> For more information on Thomson Reuters Wealth Management offerings, see [here](#).



In addition to consistency as it relates to mark-up/mark-down, we would expect consistency with respect to the proposals in requirements for hyperlinks as well as execution time.

### **Clarify That Modifications to the DTCC ID Confirm Process Are Out of Scope**

As we discussed in our December 2015 comment letter to the revised MSRB and FINRA Regulatory Notices, while we applaud the MSRB and FINRA for establishing consistent definitions of retail accounts,<sup>3</sup> we are aware that certain small institutions may not meet the institutional account definition even though they trade via DVP/RVP accounts and rely on institutional confirm processes.<sup>4</sup> DVP/RVP account holders that do not meet the institutional account definitions are typically small investment managers and hedge funds with total assets under \$50 million. Since it is possible for those firms to receive confirms outside of the ID process, we respectfully request that MSRB and FINRA clarify that no modifications to the DTCC ID system are required by their proposals. Alternately, FINRA and MSRB could exempt DVP/DVP accounts from this requirement which would be consistent with their focus on the retail segment of the market.

### **Incorporate an Understanding of the Confirm Process**

The way the confirm process works for the firms we support is as follows:

- In real-time, we receive relevant data for confirms from trading systems and pass this information electronically to clients
- At the end of the day, we compile this information and pass it to confirm vendors via files for further processing.

MSRB acknowledges the potential disruption to real-time processes in their proposal and states: “The requirement under the proposed amendments to Rule G-15 to disclose a mark-up or mark-down calculated “in compliance with” Rule G-30 (including the proposed prevailing market price guidance) need not delay the confirmation process.”<sup>5</sup> However, they do not make the distinction between processes that issue disclosures in real-time and processes that capture the relevant data in real-time. We respectfully request that the MSRB proposal allow determination of the prevailing market price at the time of trade for all processes including for those that capture confirm-related data in real-time even if the actual issuance of the confirm is not until the end of the day. We believe the FINRA proposal already anticipates firms determining the prevailing market price at the time of the trade due to their comments regarding supplying mark-up/down on all trades as part of an intra-day confirm process.<sup>6</sup>

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<sup>3</sup> FINRA and MSRB have defined retail accounts as those falling outside of the definition of institutional accounts as established by MSRB Rule G-8(a)(xi) and FINRA Rule 4512(c)

<sup>4</sup> Typically, firms use Omgeo’s TradeSuite ID confirm process for meeting institutional confirm obligations.

<sup>5</sup> SR-MSRB-2016-12 on SEC website at 31

<sup>6</sup> SR-FINRA-2016-032 on SEC website at 24, “FINRA again notes that firms that voluntarily choose to provide disclosure on all retail trades could continue to provide confirmations intra-day, as the forward-looking aspect of the proposal would no longer be relevant.”



### **Address Impact of Forward-Looking Requirement**

Even if the prevailing market price is determined at the time of the trade, both the MSRB and FINRA proposals would require firms to not only look at preceding transactions within the same day but also look forward to transactions occurring after a trade is executed in order to determine whether the trade requires a mark-up disclosure. FINRA addresses the operational burden of performing this look forward by suggesting that firms include the mark-up/mark-down on all transactions. We are concerned that the firms we support may not want to provide the mark-up/mark-down on all confirms without the ability to include disclosure text indicating that the mark-up/mark-down provided may not reflect the profit to the firm. Absent such disclosure text, firms have indicated concerns with possible misinterpretation of the mark-up/mark-down in cases where there is no offsetting transaction. Satisfying this requirement would require additional logic as part of the confirmation process to determine if the disclosure is required. Such logic would impact critical systems related to the creation of the confirm file and require significant testing to ensure there is no disruption to the confirm process.

Ideally, FINRA and MSRB would eliminate the look forward requirement such that firms could determine the need for the disclosure at the time of the trade. Short of that, we recommend allowing disclosure text to put the mark-up/mark-down in context.

### **Eliminate Security-Specific Hyperlink Requirement**

The MSRB has stated that based on investor research they believe a security-specific hyperlink on all retail confirmations adds value over a link to the EMMA home page. However, they have not addressed our prior recommendation that the link provided be to a search page that would allow an individual to enter a CUSIP to get more detailed information on a security. This could be accomplished by linking to a search page or redesigning the EMMA homepage to facilitate a search-oriented user experience. For customers that receive paper confirms, we believe it is unlikely they will type a long URL into a browser. Consistent with current internet conventions, individuals are accustomed to going to a site and entering in search criteria. We believe that having MSRB offer a single search-oriented page that could be identified on a confirm would be easy to use for individuals and minimize costs for broker dealers and their vendors. In addition to resources to support this change, we are also concerned about introducing potential errors into the process that are likely to occur if a security-specific link is required.

We recognize that FINRA did not address the issue of adding a hyperlink in their proposal, indicating that future proposals would address this issue. In earlier proposals, they have indicated that a single link ensuring awareness of TRACE data would be sufficient. We believe that the proposals should be harmonized and that both firms require a link to a single search-oriented page.

### **Extend Implementation Time**

We are concerned with the one year implementation time currently recommended by both MSRB and FINRA. Implementation of these changes is a multi-step process impacting all elements of the trading lifecycle. We are dependent on trading systems passing us mark-up/mark-down on trades sent to our system for back office



processing. Our firms will have to rely on their confirm vendors for some elements of these requirements, e.g., the addition of hyperlinks. We believe other commenters have raised interpretative questions that will likely not be addressed until after the proposals are approved. We respectfully request a two year implementation period if the issues raised in this comment letter are addressed. If the impact of the look forward requirement is not addressed, we request three years in order to re-engineer our confirm process to include logic to filter data sent to confirm vendors appropriately.

We do not think this timeframe is excessive, especially in light of the regulatory/industry initiatives currently under implementation including the DOL Fiduciary Rule, T+2, TBA Margining, FinCen Customer Due Diligence. Additionally, we anticipate Consolidated Audit Trail and the SEC's proposed Liquidity Risk Management proposal will be finalized shortly.

We urge the Commission to support amendments to the FINRA and MSRB proposals such that they are in alignment and address the implementation concerns outlined above. Specifically, we are advocating that prevailing market price be determined at the time of the trade and that explanatory disclosure text be permissible. This would allow firms to include the mark-up/mark-down on all retail transactions and avoid development of filtering logic at the end of confirm processing which would be a material system impact. Additionally, eliminate the requirement for security-specific links and allow sufficient time to implement the revised requirements.

Regards,

Manisha Kimmel  
Chief Regulatory Officer, Wealth Management  
Thomson Reuters