Bond Dealers of America

1909 K Street NW, Ste 510
Washington, DC 20006
202.204.7900
www.bdamerica.org

Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549

August 21, 2024

Transmitted electronically

Comments on Release Nos. 34-100594 and 34-100589

Dear Madam Secretary,

The Bond Dealers of America is pleased to provide comments on Release Nos. 34-100594 (File No. SR-FINRA-2024-004), "Notice of Partial Amendment No. 1 to Proposed Rule Change To Amend FINRA Rule 6730 To Reduce the 15-Minute TRACE Reporting Timeframe to One Minute," and 34-100589 (File No. SR-MSRB-2024-01), "Notice of Filing of Amendment No. 1 to Proposed Rule Change Consisting of Amendments to MSRB Rule G-14 To Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB" (the "Proposals"). BDA is the only DC-based group exclusively representing the interests of securities dealers and banks focused on the US fixed income markets.

The Proposals would amend proposed changes to FINRA Rule 6730 and MSRB Rule G-14 (the "Original Proposals"), which would generally shorten the time for dealers to report relevant bond trades to FINRA's Transaction Reporting And Compliance Engine (TRACE) and the MSRB's Real-time Trade Reporting System (RTRS) from the current 15 minutes to one minute. Both Original Proposals include significant exceptions to the proposed one-minute reporting times, one for dealers with low trade counts in relevant securities and one for "trades with a manual component." BDA generally supports the two Proposals. However, that support is strictly contingent on the inclusion of the two exceptions in the final rule changes. Without those exceptions, the Proposals are unworkable. In addition, we are concerned that given limitations in current technology and market practice, dealers will be unable to report certain trades in less than 15 minutes even with the exceptions in place.

Current proposed amendments to the Proposals

The Proposals would amend the Original Proposals currently pending at the Commission. Under the Original Proposals, dealers would be required to report most TRACE and RTRS trades within one minute of execution. Both Original Proposals include two key exceptions. The first is for "manual trades" or "trades with a manual component." These include trades executed by telephone or any trades where, in the words of the MSRB "the dealer must manually enter any of the trade details or information necessary for reporting the trade directly into an RTRS Portal (for example, by manually entering trade data into the RTRS Web Portal) or into a system that facilitates trade reporting (for example, by transmitting the information manually entered into a dealer's in-house or third-party system) to an RTRS Portal."[1] Under the Original Proposals, manual trades would need to be reported within 15 minutes of

[1] 89 FR 32485, https://www.federalregister.gov/d/2024-08943

execution in the first year the rule changes are in effect, 10 minutes in the second year, and five minutes in the third year and thereafter. The second exception is for dealers with less than a *de minimis* number of TRACE- or RTRS-reportable trades annually, who would continue to report trades within 15 minutes.

The Proposals would amend the Original Proposals. Both Proposals would amend the manual trade exception. Under both Proposals, manual trades would be reportable within 15 minutes of execution in the first year the rule changes are effective, 10 minutes in the second and third years, and five minutes in the fourth year and thereafter. The MSRB Proposal would also amend the *de minimis* exception. Under the MSRB's Original Proposal, a firm would qualify for the *de minimis* exception if they executed 1800 or fewer RTRS-reportable trades in either of the last two years. The Proposal would raise that threshold to 2500 trades.

<u>Discussion</u>

We welcome the changes to the Original Proposals. Both the manual trade exception and the *de minimis* exception are made stronger by the changes in the Proposals. We support the Proposals as proposed to the Commission and we recommend their adoption.

However, as we have stated in previous communications on this issue, we remain concerned about the limitations imposed by the manual trades exception for advisory post-trade allocations reported on dually registered broker-dealers (BD) and investment advisors (RIA). It is common for firms to buy bonds in a large block trade, which would be subject to the one-minute reporting requirement (such that the market would receive timely information regarding the trade) and then allocate that trade among many of the RIA's customer accounts. Under FINRA rules, each of those allocations must be reported as individual trades to TRACE if the broker-dealer is dually registered as an investment advisor. Sometimes those allocations can number in the thousands, and reporting all within one minute is not feasible even in a fully automated environment. Based on these factors, we again urge FINRA to provide an exemption to post-trade advisory allocations.

Another example of trades which would be difficult or impossible to report in less than 15 minutes are when a firm trades a bond for the first time. If the firm has never traded a particular bond, its descriptive information, including the CUSIP number, likely would not be in the firm's trade processing system. A record for that CUSIP would have to be generated before the trade could be reported, necessitating more than one minute.

In terms of the implementation period the industry will have to become compliant after the effective date is established, both FINRA and the MSRB have suggested 18 months. This is not enough time. Given the extensive preparation that will be necessary to ensure compliance, we ask FINRA and the MSRB to establish 24-month implementation periods once the Commission has approved the amendment.

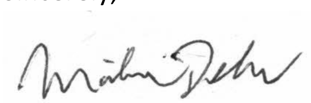
For the Proposals to be successfully implemented, it will be necessary for FINRA and the MSRB to maintain close contact with the industry as we implement the rule changes. We ask both agencies, as they have committed, to pay close attention to the industry's implementation of shortened trade reporting requirements and be prepared to provide guidance or even amend rules if it becomes apparent that despite a good faith effort, some members of the industry are unable to comply with some elements of the rules. We may even need a pause in the implementation of trade reporting rule changes if it becomes apparent that full compliance is not possible.

Conclusion

We are not convinced that shortened trade reporting times would materially contribute to market transparency. BDs are already explicitly or effectively required to report trades as soon as practicable, and we do not believe the rule changes addressed in the Proposals would significantly enhance information available to market participants. Nevertheless, we recognize that FINRA and the MSRB have been constructive and responsive in developing the Proposals. We generally believe the Proposals are workable if they retain robust *de minimis* and manual trade exceptions. We again urge a further exemption be provided to post-trade allocations where the street-side trade is timely reported within one minute.

As described above, we recommend that the Commission adopt the proposed rule changes as amended by the Proposals, with an exemption for post-trade allocations and an implementation timeframe of at least two years to ensure a sufficient timeline given the complexities of the various order scenarios, system analysis, design of a manual trade indicator as well as required testing and training for the various scenarios. We again appreciate the opportunity to comment. Please call or write if you have any questions.

Sincerely,



Michael Decker
Senior Vice President, Research and Public Policy