

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103262; File No. SR-MSRB-2025-01]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of a Proposed Rule Change to Amend Rule G-14 RTRS Procedures under MSRB Rule G-14 Regarding the Timing of Reporting Transactions in Municipal Securities to the MSRB and to Make a Related Amendment to Rule G-12

June 16, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 10, 2025, the Municipal Securities Rulemaking Board (“MSRB” or “Board”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The MSRB filed with the Commission a proposed rule change to (i) amend Rule G-14 RTRS Procedures under MSRB Rule G-14, on reports of sales or purchases, to rescind a previously approved but not yet effective shortening of the amount of time within which brokers, dealers and municipal securities dealers (“dealers”) must report most transactions to the MSRB, reverting such timeframe to the currently effective 15-minute reporting timeframe, (ii) amend the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Rule G-14 RTRS Procedures to eliminate two previously approved but not yet effective reporting exceptions and a manual trade indicator relating to the rescinded shortened timeframes, and (iii) make a related conforming amendment to MSRB Rule G-12, on uniform practice (“Rule G-12”), as described herein (the “proposed rule change”).

The provisions that would be rescinded by the proposed rule change were previously approved by the Commission on September 20, 2024 as part of a broader set of amendments which have not yet become effective (the “2024 Amendments”).³ A portion of the 2024 Amendments would not be modified by this proposed rule change, as described below. If the Commission approves the proposed rule change, the MSRB will announce the effective date of the proposed rule change in a regulatory notice to be published on the MSRB website. The effective date(s) of the portions of the 2024 Amendments not modified by this proposed rule change will also be announced in such regulatory notice.

The text of the proposed rule change is available on the MSRB’s website at <https://msrb.org/2025-SEC-Filings>, at the MSRB’s principal office, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose

³ See Exchange Act Release No. 101118 (Sept. 20, 2024), 89 FR 78955 (Sept. 26, 2024), File No. SR-MSRB-2024-01 (the “2024 Approval Order”). The MSRB has not announced the effective date of the 2024 Amendments. The text of the approved but not yet effective 2024 Amendments is set forth in Exhibit 5 of Amendment No. 1 of File No. SR-MSRB-2024-01, available at <https://www.msrb.org/sites/default/files/2024-07/MSRB-2024-01-A-1.pdf>. See also MSRB Notice 2024-12 (SEC Approves Amendments to MSRB Rule G-14 to Shorten Timeframe for Reporting Transactions in Municipal Securities) (Sept. 20, 2024) (the “2024 MSRB Notice”). Unless otherwise specifically noted, references to rule text are to the text as amended by the 2024 Amendments.

of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

Dealers currently are required to report their transactions to the MSRB’s Real-Time Transaction Reporting System (“RTRS”) within 15 minutes of the Time of Trade,⁴ absent an exception,⁵ in accordance with Rule G-14, the Rule G-14 RTRS Procedures, and the RTRS Users Manual.⁶ On September 20, 2024, the Commission approved the 2024 Amendments, which modified, among other things, the baseline 15-minute reporting requirement for reporting trades to RTRS in two ways: (i) reducing the deadline for reporting such trades to no later than one minute after the Time of Trade (the “one-minute reporting requirement”) and (ii) requiring that trades be reported as soon as practicable, regardless of the amended deadline (the “as soon as practicable requirement”). The 2024 Amendments added two new exceptions to the new one-

⁴ Rule G-14 RTRS Procedures paragraph (d)(iii) defines “Time of Trade” as the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.

⁵ Transactions in securities without CUSIP numbers, transactions in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are currently exempt from the reporting requirements under Rule G-14(b)(v). Other transactions, while subject to the reporting requirements of Rule G-14, currently have certain exceptions from the baseline 15-minute timeframe as described in Rule G-14 RTRS Procedures paragraph (a)(ii).

⁶ The RTRS Users Manual is available at <https://www.msrb.org/RTRS-Users-Manual>.

minute reporting requirement for trades with a manual component⁷ and for trades by dealers with limited trading activity.⁸ The 2024 Amendments also included a requirement that dealers append a new manual trade indicator to identify all manual trades.⁹ As noted above, these provisions, while adopted by the MSRB and approved by the Commission, have not gone into effect.

Following the approval of the 2024 Amendments, the MSRB continued to engage with market participants and received further feedback expressing various concerns regarding aspects of the one-minute reporting requirement. These concerns emerged as dealers began considering the specific steps they would need to undertake to come into compliance with the 2024 Amendments that related both to additional scenarios involving potential trades with a manual component beyond those discussed in the 2024 Amendments, and to issues that could arise in the case of certain fully automated trades. Some of these scenarios raised the prospect that a potentially broader array of circumstances than previously anticipated during the course of the rulemaking for the 2024 Amendments may exist where, at this time, the adjustment of dealer systems and workflows, including those dependent on third party vendors or market utilities,

⁷ The 2024 Amendments added a definition of a trade with a manual component in paragraph (d)(xii) of Rule G-14 RTRS Procedures, an exception from the one-minute reporting timeframe for trades with a manual component in paragraph (a)(ii)(C)(2) of Rule G-14 RTRS Procedures, and requirements with respect to the timing and related matters for such reporting in Supplementary Material .02 of Rule G-14.

⁸ The 2024 Amendments added a definition of a dealer with limited trading activity in paragraph (d)(xi) of Rule G-14 RTRS Procedures, an exception from the one-minute reporting timeframe for trades by a dealer with limited trading activity in paragraph (a)(ii)(C)(1) of Rule G-14 RTRS Procedures, and requirements with respect to the timing and related matters for such reporting in Supplementary Material .01 of Rule G-14.

⁹ The 2024 Amendments added a requirement in paragraph (b)(iv)(B)(4) of Rule G-14 RTRS Procedures that dealers report any trade with a manual component with a new special condition indicator.

associated with achieving and complying with the shortened reporting timeframes under the 2024 Amendments might not be feasible in the near-term.

In reviewing trade reporting data through the end of 2024 that reflected market practices since the 2022 trade reporting data used in connection with the 2024 Amendments, the MSRB has observed that trades that were likely reported electronically were being reported more rapidly in 2024 as compared to 2022.¹⁰ The MSRB previously noted that, to the extent dealers are not already reporting trades as soon as practicable, the inclusion of the requirement for reporting as soon as practicable would have the effect of increasing the proportion of trades being reported within shorter timeframes than they currently are, without regard to a one-minute, five-minute or 15-minute deadline, potentially translating into significant improvement in market-wide average reporting times and in turn reduce market-wide lags in pricing information being made more widely available and reduce information arbitrage.¹¹ The MSRB believes, as noted by at least one commenter on the 2024 Amendments, that the inclusion of the as soon as practicable requirement may, by itself, result in improvements in the timing of trade reporting, with the greatest improvements likely to occur for those trades currently being reported nearer to the 15-minute deadline.¹²

¹⁰ See infra Self-Regulatory Organization’s Statement on Burden on Competition – Benefits, Costs, and Effect on Competition – Trade Reporting Analysis, Table 2 and accompanying text.

¹¹ See letter from Ernesto A. Lanza, Chief Regulatory and Policy Officer, MSRB, to Vanessa Countryman, Secretary, Commission, dated July 18, 2024, at 17–18, available at <https://www.msrb.org/sites/default/files/2024-07/Response-to-Comments-SR-MSRB-2024-01.pdf>.

¹² See, e.g., letter to Ronald W. Smith, MSRB, and Jennifer Piorko Mitchell, Financial Industry Regulatory Authority (“FINRA”), from Kenneth E. Bentsen, Jr., President and CEO, Securities Industry and Financial Markets Association (“SIFMA”), dated October

The MSRB believes that the 2024 Amendments, as modified by the proposed rule change, would serve to continue to enhance market transparency without the potential compliance burdens and costs associated with the one-minute reporting requirement and the use of a special condition indicator for trades with a manual component. The MSRB intends to continue monitoring for further improvements in trade reporting timing and to publish its findings for market participants and the general public.

As a result, the MSRB has determined that it is appropriate at this time to rescind the one-minute reporting requirement and related provisions of the 2024 Amendments and revert the rule language to maintain the currently-effective 15-minute RTRS reporting standard. The MSRB has also determined to retain the as soon as practicable requirement and related provisions, as well as certain other clarifying amendments, of the 2024 Amendments. The proposed rule change, and the retained provisions of the 2024 Amendments, are described below.

Proposed Rule Change

The proposed rule change would rescind certain provisions adopted in the 2024 Amendments. Specifically, the proposed rule change would:

- Revert the one-minute deadline for reporting trades to the existing 15-minute timeframe, so that all types of trades required to be reported within 15 minutes under the rule

3, 2022, at 7 (“SIFMA believes that adding a requirement to Rule G-14 that reports be made as soon as practicable, and the SROs providing guidance to broker-dealers on how they might best make improvements to their reporting practices in a practicable manner, would materially improve the timing of such trade reports without having to impose a radical one-minute mandate.”).

language prior to the 2024 Amendments would continue to be subject to the 15-minute reporting requirement under paragraph (a)(ii) of Rule G-14 RTRS Procedures;¹³

- Eliminate the two new intra-day exceptions for dealers with limited trading activity and trades with a manual component by deleting paragraph (a)(ii)(C) of Rule G-14 RTRS Procedures and Supplementary Material .01 and .02 of Rule G-14, as well as deleting the definitions of dealer with limited trading activity in paragraph (d)(xi) of Rule G-14 RTRS Procedures and trade with a manual component in paragraph (d)(xii) of Rule G-14 RTRS Procedures, as such exceptions and related provisions are no longer relevant due to the rescinding of the one-minute reporting requirement; and
- Eliminate the new special condition indicator requirement for trades with a manual component by deleting paragraph (b)(iv)(B)(4) of Rule G-14 RTRS Procedures, as under the reverted rule there is no necessity for distinguishing between trades with a manual component and other trades.¹⁴

In addition to the changes described above, the 2024 Amendments included certain changes that would, as a matter of substance, be retained and not be affected by this proposed rule change except with respect to certain non-substantive changes described below. The addition by the 2024 Amendments to paragraph (a)(ii) of Rule G-14 RTRS Procedures of the requirement that transactions effected with a Time of Trade during the hours of the RTRS

¹³ The proposed rule change would also partially revert the change made by the 2024 Amendments to Rule G-12(f)(i), relating to the timing for submission of trades to be compared, to reflect the reversion from one minute to 15 minutes under the proposed rule change.

¹⁴ Paragraphs (b)(iv)(B)(5)–(7) would be renumbered to reflect this deletion.

Business Day must be reported as soon as practicable would be retained without change.¹⁵ In addition, Supplementary Material .03 added by the 2024 Amendments would be retained and renumbered as Supplementary Material .01, with minor non-substantive grammatical and clarifying changes.¹⁶ During the rulemaking process in connection with the 2024 Amendments, the MSRB received general industry support for inclusion of these provisions,¹⁷ which harmonize the Rule G-14 RTRS Procedures with FINRA Rule 6730(a) and Supplementary Material .03 thereof in connection with Trade Reporting and Compliance Engine (“TRACE”) requirements for reporting TRACE-eligible securities. Retention of the as soon as practicable requirement in particular constitutes a key component of the basis for reverting the one-minute reporting requirement pursuant to this proposed rule change, as the MSRB believes that the as

¹⁵ See Exchange Act Release No. 99402 (Jan. 19, 2024), 89 FR 5384, 5386 (Jan. 26, 2024), File No. SR-MSRB-2024-01 (the “2024 Filing Notice”), at Section II.A.1, discussion under heading New Requirement To Report Trades “as Soon as Practicable,” for a full discussion of these provisions. See also 2024 MSRB Notice, Section B. New Requirement to Report Trades as Soon as Practicable, at 3–4. While the proposed rule change would revert a portion of the changes made by the 2024 Amendments to Rule G-12(f)(i) to reflect the reversion of the one-minute reporting timeframe back to 15 minutes, as described in supra note 13, the portion of such changes to Rule G-12(f)(i) reflecting the addition of the “as soon as practicable” language would be retained so that such trades must be submitted for comparison as soon as practicable. Another minor language change made to Information Facility 1 by the 2024 Amendments would also be retained without change.

¹⁶ The word “reporting” would be added to the phrase “trades with a manual reporting component” to provide greater clarity in light of the deletion of the substantive provisions and definition relating to the exception for trades with a manual component.

¹⁷ See 2024 Filing Notice, 89 FR at 5403, Section II.C, discussion under heading As Soon as Practicable Requirement. See also letters to Vanessa A. Countryman, Secretary, Commission, from: Michael Decker, Senior Vice President, Bond Dealers of America, dated August 21, 2024, at 3; Melissa P. Hoots, Chief Executive Officer and Chief Operating Officer, Falcon Square Capital, LLC, dated August 21, 2024, at 4; and Matt Dalton, Chief Executive Officer, Belle Haven Investments, LP, dated August 21, 2024, at 5.

soon as practicable requirement would strengthen the existing trend since 2022 of faster trade reporting in a manner that minimizes the burden on dealers.¹⁸

Another change included in the 2024 Amendments that would not be affected by this proposed rule change and would be retained consists of language added to paragraph (a)(iv) of Rule G-14 RTRS Procedures regarding designation of late trades and patterns or practices of late reporting without exceptional circumstances or reasonable justification.¹⁹ In line with these provisions, the MSRB expects that the regulatory authorities that examine dealers and enforce compliance with the reporting timeframes established under Rule G-14 RTRS Procedures will focus their examination for and enforcement of the rule's timing requirements on the consistency of timely reporting and the existence of effective controls to limit late reporting to exceptional circumstances or where reasonable justification exists for a late trade report, rather than on individual late trade report outliers. Notwithstanding such expectation, where facts and circumstances indicate that an individual late report was intentional or otherwise egregious, or could reasonably be viewed as potentially giving rise to an associated fair practice, fair pricing, best execution or other material regulatory concern under MSRB or Commission rules with respect to that or a related transaction, the regulatory authorities could reasonably determine to take action with respect to such late trade in the examination or enforcement context.²⁰

¹⁸ See infra Self-Regulatory Organization's Statement on Burden on Competition – Benefits, Costs, and Effect on Competition – Benefits.

¹⁹ See 2024 Filing Notice, 89 FR at 5391, Section II.A.1, discussion under heading Pattern or Practice of Late Trade Reporting, for a full discussion of these provisions. See also 2024 MSRB Notice, Section F. Pattern or Practice of Late Trade Reporting; Exceptional Circumstances or Reasonable Justification, at 18–20.

²⁰ Dealers that seek to document system outages that might factor into whether exceptional circumstances or reasonable justification may exist for a late trade report can use the

Additional clarifying amendments from the 2024 Amendments that reorganize certain existing materials into more logical groupings, such as previously established special condition indicators, and clarifying the reporting timeframe for trades on an invalid RTTM trade date, would also be retained.²¹

2. Statutory Basis

Section 15B(b)(2) of the Exchange Act²² provides that the MSRB shall propose and adopt rules to effect the purposes of the Exchange Act with respect to, among other matters, transactions in municipal securities effected by dealers. Section 15B(b)(2)(C) of the Exchange Act²³ further provides, among other things, that the MSRB's rules shall be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

MSRB's Dealer System Outage Report process in MSRB Gateway to document system outages or other technology-related problems that affect their ability to comply with MSRB rules. Such reports are provided to authorities charged with enforcing MSRB rules.

²¹ See 2024 Filing Notice, 89 FR at 5392, Section II.A.1, discussion under heading Technical Amendments, for a full discussion of these provisions.

²² 15 U.S.C. 78o-4(b)(2).

²³ 15 U.S.C. 78o-4(b)(2)(C).

The MSRB believes the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act²⁴ because it would promote just and equitable principles of trade, foster cooperation and coordination with personnel engaged in regulating and facilitating transactions in municipal securities, remove impediments to a free and open market in municipal securities and generally protect investors and the public interest. As discussed above, the MSRB believes that the proposed rule change is appropriate at this time, given the additional information obtained since the approval of the 2024 Amendments. The additional information suggests that both the burdens of the shortened reporting timeframe (together with the associated exceptions and manual trade flag) in the 2024 Amendments may be higher than initially estimated and the net positive impact of the tightened timeframe, as compared to not changing the timeframe, may not be as large as originally estimated in light of observed improvements in actual reporting performance by dealers between 2022 and 2024 under the current 15-minute standard. The proposed rule change represents a responsive adjustment to the 2024 Amendments to address market participants' feasibility and compliance concerns that could have impeded the achievement of the expected benefits thereof.

The proposed rule change is intended to alleviate compliance challenges and avoid potential unintended consequences—particularly given the broad prevalence of manual and hybrid trading workflows for municipal securities. Therefore, the MSRB believes the proposed rule change would help achieve the purposes of the Exchange Act to remove impediments to and perfect the mechanism of a free and open market in municipal securities and to protect investors by enhancing and facilitating dealer compliance without imposing undue costs and burdens that are not necessary or appropriate at this time, thereby making it more likely that the goal of

²⁴

Id.

greater transparency for market participants would occur in a more cost-efficient manner. The MSRB believes that the proposed rule change would continue to promote the reduction in information asymmetry between market professionals and retail investors sought by the 2024 Amendments through the retention of the as soon as practicable requirement without creating the additional process burdens resulting from the classification and flagging of trades as having or not having a manual trade component or being effected by dealers with differing levels of trade activity, which had the potential to create different treatment by dealers for trades fitting one or another of such categories.

The MSRB further believes that the proposed rule change would remove impediments to and enhance the operation of a free and open market in municipal securities by enabling dealers to better comply with applicable reporting timeframes by promoting further enhancements to participants' systems and processes for reporting trades in a manner best suited to their respective business models. Thus, under the as soon as practicable requirement, dealers would be able to make appropriate enhancements consistent with their own business practices without needing to adapt their systems and processes to the heightened complexities of, and without the imposition of the added costs associated with, a significantly shortened reporting timeframe and associated provisions that would be rescinded by the proposed rule change.

The proposed rule change would promote just and equitable principles of trade because it would reduce information asymmetry between market professionals (such as dealers and institutional investors) and retail investors by ensuring increased access to more timely information about executed municipal securities transactions for all investors. Currently, market professionals may in some circumstances have better or more rapid access to information about trade prices through market venues to which retail investors do not have access, and the

reduction in the timeframe for trade reporting would shorten or eliminate the period during which any such asymmetry in access to such information may exist.

The proposed rule change would foster cooperation and coordination with persons engaged in regulating and processing information, facilitating a consistent standard for trade reporting across many fixed income products, including municipal securities. The 2024 Amendments were developed in close coordination with FINRA, which adopted a similar shortened trade reporting requirement for many TRACE-eligible securities, and the MSRB and FINRA continue to work in coordination on issues that have presented since such adoption.²⁵ Fostering a consistent approach across classes of securities would facilitate greater and more efficient compliance among MSRB-registered dealers, the majority of which also transact in other fixed income securities that are subject to FINRA's regulatory authority. Consistent trade reporting requirements tend to reduce the risk of potential confusion and may reduce compliance burdens resulting from inconsistent obligations and standards for different classes of securities. The proposed rule change would continue to promote regulatory consistency, reducing potential errors caused by market participants' imperfect application of differing standards when executing and reporting transactions in municipal securities.

Therefore, the MSRB believes that the proposed rule change satisfies the applicable requirements of Section 15B(b)(2)(C) of the Exchange Act.²⁶

²⁵ See FINRA, Updating TRACE Reporting Timeframes (Feb. 5, 2025), available at <https://www.finra.org/media-center/blog/updating-trace-reporting-timeframes>; MSRB, MSRB Board Authorizes Further Amendments to Rule G-14, Withdraws Pre-Trade Concept Release (Mar. 7, 2025), available at <https://www.msrb.org/Press-Releases/MSRB-Board-Authorizes-Further-Amendments-Rule-G-14-Withdraws-Pre-Trade-Concept>.

²⁶ 15 U.S.C. 78o-4(b)(2)(C).

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 15B(b)(2)(C) of the Exchange Act requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act.²⁷ The proposed rule change would (i) eliminate the reduction in timeframe within which dealers must report trades to RTRS previously adopted by the MSRB but not yet made effective, (ii) eliminate two previously approved but not yet effective reporting exceptions and a manual trade indicator, and (iii) make a conforming amendment to Rule G-12. The MSRB believes the proposed rule change would not impose any burden on competition, as the proposed rule change would likely further accelerate the trade reporting process without adding significant costs to dealers and would be applicable to all dealers equally. Therefore, the MSRB does not believe the proposed rule change would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

In making this determination, MSRB staff was guided by the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking.²⁸ In accordance with this policy, the MSRB evaluated the potential impacts on competition of not only the provisions of the proposed rule change but also of the retained provisions of the 2024 Amendments intended to encourage dealers to further accelerate the trade reporting process. The one-minute reporting requirement, which would be amended by the proposed rule change, and the as soon as practicable requirement, which would be retained, were distinct but overlapping provisions of the 2024

²⁷ Id.

²⁸ The Policy on the Use of Economic Analysis in MSRB Rulemaking is available at <https://www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking>. In evaluating whether there was a burden on competition, the MSRB was guided by its principles that require the MSRB to consider costs and benefits of a rule change, its impact on capital formation and the main reasonable alternative regulatory approaches.

Amendments both of which were designed to achieve more timely reporting of trades. While the one-minute reporting requirement represented a prescriptive approach to this goal, the as soon as practicable requirement represented a principles-based approach that would serve to enhance post-trade market transparency, particularly for individual (retail) investors, without the additional compliance burdens associated with a significantly shortened reporting timeframe for dealers. Historically, when compared to other securities markets, the municipal securities market has been considered to trade less frequently, with only about one percent of all municipal securities trading on a given trading day. In addition, pre-trade quotes are not widely available to all investors, especially retail investors who may not purchase vendor pricing tools and may be more reliant on post trade data.²⁹ Therefore, post trade data is important information available to these investors, and the reporting of more contemporaneous transactions sooner would benefit investors for the relevant security as well as other comparable securities. In addition, analogous trade reporting rules for other fixed income securities markets already contain the as soon as practicable requirement;³⁰ consequently, the proposed rule change is also intended to make trade

²⁹ See Wu, Simon Z., John Bagley and Marcelo Vieira, “Analysis of Municipal Securities Pre-Trade Data from Alternative Trading Systems,” Research Paper, Municipal Securities Rulemaking Board, October 2018; Government Accountability Office (“GAO”), “Municipal Securities: Overview of Market Structure, Pricing, and Regulation,” Report to Congressional Committees, January 2012, at p. 6; Green, Richard C., Burton Hollifield, and Norman Schürhoff. "Financial intermediation and the costs of trading in an opaque market." *The Review of Financial Studies* 20.2 (2007), at pp. 275–314.

³⁰ FINRA Rule 6730(a) states that “[a] member must report a transaction in a TRACE-Eligible Security as soon as practicable, but no later than within 15 minutes of the Time of Execution, except as otherwise specifically provided below.”

reporting requirements for municipal securities consistent with analogous reporting requirements for other fixed income securities.³¹

Relevant Baselines

The MSRB's Policy on the Use of Economic Analysis outlines that rulemaking will articulate a baseline against which to measure the likely economic impact of the proposed rule change,³² which is essential in considering the likely costs and benefits of a proposed rule change when the proposal is fully implemented (future state).

For this proposed rule change, the baseline is Rule G-14 RTRS Procedures (a)(ii) currently in effect that require transactions to be reported within 15 minutes after the Time of Trade with limited exceptions, but does not require that trades be reported as soon as practicable. This is because the 2024 Amendments, while approved by the SEC, have not yet gone into effect and therefore have never been implemented. In fact, the MSRB has never established an effective date for the 2024 Amendments, so presumably dealers are still abiding by the current practice, with no effective date expected to become effective in the foreseeable future.³³ Therefore, the future state for this analysis would consist of the proposed rule change maintaining the currently-effective 15-minute reporting requirement while retaining and

³¹ See supra note 25 and accompanying text.

³² See supra note 28. The policy identifies the baseline as “an assessment of the status of the markets and participants potentially affected directly or indirectly by a proposed rule change (collectively, the “affected parties”) in the absence of the proposed rule change being implemented.”

³³ The MSRB had previously suggested that it would provide an extended effective date for the one-minute reporting requirement, with further extended periods for effectiveness for trades with a manual component, due to the complexity of the one-minute reporting requirement and the related exceptions and trade flagging requirements. See 2024 Filing Notice, 89 FR at 5392, at Section II.A.1, discussion under heading Effective Date and Implementation.

implementing the as soon as practicable requirement of the 2024 Amendments, as a comparison to the current baseline state without the as soon as practicable requirement.

Separately, the MSRB is also assessing the impact of implementing all of the requirements of the 2024 Amendments as a comparison to the current proposed rule change as one of the regulatory alternatives (Alternative 1) in the section below. The 2024 Amendments, if they were to become effective, would shorten the reporting timeframe for most transactions from 15 minutes to one minute after the time of trade, would require dealers to report certain transactions with a new trade indicator, would introduce two new intra-day exceptions to the one-minute reporting requirement and would require that trades be reported as soon as practicable.

Benefits, Costs, and Effect on Competition

Trade Reporting Analysis

The MSRB's updated analysis shows that most trades are indeed reported much sooner than the currently operative 15-minute trade reporting deadline in 2024,³⁴ potentially due at least in part to the advancement in technology. Specifically, as illustrated in Table 1 below, in 2024, out of all reportable municipal securities trades required to be reported within 15 minutes that are not subject to another end of day reporting exception or a post-trade day reporting exception,³⁵ approximately 80.8 percent of trades were already reported within one minute after the Time of

³⁴ In 2024, while the speed of trade reporting increased, RTRS also had the highest number of trades on record since its implementation in 2005, although the amount of par value traded was not a record high.

³⁵ See Rule G-14 RTRS Procedures paragraphs (a)(ii)(A) and (B) (as such provisions were redesignated by the 2024 Amendments) for end of trade day reporting exceptions and post-trade day reporting exceptions.

Trade.³⁶ In addition, approximately 17.3 percent of trades were reported between one minute and five minutes after the Time of Trade, for a combined total of 98.1 percent that were reported within five minutes. Therefore, most trades already satisfy a shorter than 15-minute reporting requirement. In addition, the MSRB observed a noticeable difference in the speed of trade reporting by different trade size groups, with the reporting time increasing with trade size. While 82.6 percent of trades with trade size of \$100,000 par value or less (approximately 83.7 percent of all trades) were reported within one minute in 2024, only 42.8 percent of trades with trade size between \$1,000,000 and \$5,000,000 par value and 28.8 percent of trades with trade size above \$5,000,000 par value were reported within one minute. A possible explanation is that larger institutional-sized trades are more likely to be executed via non-electronic means and may rely upon more manual processing steps.³⁷ On the other hand, smaller-sized trades are more likely to be executed and processed electronically, which could facilitate faster trade reporting.

³⁶ The analysis in this rule filing only includes trades reportable within 15 minutes by dealers and excludes trades that are exempt from the current 15-minute reporting time including, for example, trades flagged as being executed at the List Offering or Takedown Transactions, trades in short-term instruments maturing in nine months or less, Auction Rate Securities, Variable Rate Demand Obligations, trades in commercial paper, as well as trades “away from market,” among other exceptions. See Rule G-14 RTRS Procedures paragraphs (a)(ii)(A) and (B) (as such provisions were redesignated by the 2024 Amendments). For purposes of the analysis in this section, if an initially reported trade was corrected later, the later timestamp was used for calculating the trade reporting time more conservatively. All figures are approximate.

³⁷ MSRB staff conducted oral interviews with dealers and data providers in the fall of 2022 and the winter and spring of 2023 and was informed that larger institutional-sized trades are more likely to be executed via negotiations and involve manual processes.

Table 1. Trade Report Time by Trade Size – Cumulative Percentages
January 2024 to December 2024

| Difference Between Execution and Reported Time | All Eligible Trades | \$100,000 or Less | > \$100,000 - \$999,999 | >= \$1,000,000 - \$5,000,000 | >\$5,000,000 |
|------------------------------------------------|---------------------|-------------------|-------------------------|------------------------------|--------------|
| 15 Seconds | 34.2% | 35.7% | 28.5% | 13.1% | 7.8% |
| 30 Seconds | 56.7% | 58.6% | 49.7% | 24.9% | 15.3% |
| 1 Minute | 80.8% | 82.6% | 74.4% | 42.8% | 28.8% |
| 2 Minutes | 93.4% | 94.7% | 89.1% | 67.4% | 54.0% |
| 3 Minutes | 96.5% | 97.3% | 93.9% | 79.8% | 70.1% |
| 5 Minutes | 98.1% | 98.5% | 96.7% | 89.4% | 84.4% |
| 10 Minutes | 99.2% | 99.4% | 98.6% | 96.1% | 94.1% |
| 15 Minutes | 99.5% | 99.6% | 99.1% | 97.7% | 96.1% |
| 30 Minutes | 99.7% | 99.8% | 99.4% | 98.8% | 97.7% |
| 1 Hour | 99.9% | 99.9% | 99.8% | 99.6% | 99.4% |
| > 1 Hour | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Share of Eligible Trades | 100.0% | 83.7% | 14.7% | 1.4% | 0.3% |

In addition, the MSRB observed noticeable decreases in the time it took to report trades in 2024 compared to 2022, where approximately 78.1 percent were reported within one minute in 2022 and a combined total of 97.9 percent were reported within five minutes, compared to 80.8 percent reported within one minute in 2024 and 98.1 percent within five minutes (Table 2). The MSRB is also encouraged to observe that the improvements in timely trade reporting were even more significant for trades reporting within 15 seconds and 30 seconds, from 24.8% in 2022 to 34.2% in 2024 for 15 seconds, and from 52.7% in 2022 to 56.7% in 2024 for 30 seconds (see Table 2).

Table 2. Trade Report Time Comparison: 2022 and 2024

| Difference Between Execution and Reported Time | 2022 Data | 2024 Data |
|-------------------------------------------------------|------------------|------------------|
| | | |
| 15 Seconds | 24.8% | 34.2% |
| 30 Seconds | 52.7% | 56.7% |
| 1 Minute | 78.1% | 80.8% |
| 5 Minutes | 97.9% | 98.1% |
| 10 Minutes | 99.3% | 99.2% |
| 15 Minutes | 99.6% | 99.5% |

Benefits

The primary benefit of retaining and implementing the as soon as practicable requirement is that it would encourage dealers to continue to reduce trade reporting times due to the provision’s obligation and thereby increase overall price transparency. Between 2022 and 2024, the municipal securities market not only experienced greater trading activity but also faster trade reporting, especially for the number of trades reported within one minute. The MSRB believes the proposed rule change may further accelerate trade reporting, particularly for some trades that are currently being reported closer to the 15-minute deadline. Hence, by retaining and implementing the as soon as practicable requirement, the MSRB believes investors could benefit from enhanced price transparency because of potentially faster trade reporting.

With limited trading volume on a particular day, municipal securities information on trades in the same security as well as in other comparable municipal securities would both be valuable in pricing a security.³⁸ Furthermore, with far fewer trades in municipal securities when

³⁸ See GAO, “Municipal Securities: Overview of Market Structure, Pricing, and Regulation,” Report to Congressional Committees, January 2012, at p. 12 (“Broker-dealers we spoke with said that the price of a recently reported interdealer trade for a security was a particularly good indication of its value for that segment of the market.

compared to treasury and corporate bonds, the MSRB also expects that each additional timely data point from post trade reporting in municipal securities would potentially be more valuable to investors and other market participants than a data point from these other markets. In addition to investors, issuers, underwriters and other market participants such as data vendors would also experience some additional benefit from faster data transmission. Finally, retaining and aligning the as soon as practicable requirement for municipal securities with other fixed income securities would reduce any confusion for dealers who trade all these fixed-income securities, bringing regulatory consistency across fixed-income markets.³⁹

Given the improvement in trade reporting time between 2022 and 2024, the MSRB is planning to continue analyzing trade data and monitoring for reporting patterns that emerge with respect to timing of reporting.

Costs

The MSRB acknowledges that dealers would likely incur minor additional costs, relative to the current state, to implement changes from the proposed rule change along with the retained portions of the 2024 Amendments. These additional costs would likely include one time or upfront costs (e.g., setting up and/or revising policies and procedures, education and training), and ongoing compliance costs to ensure changes from the proposed rule change are followed. Firms that also trade other fixed-income securities in addition to municipal securities, and therefore are already subject to the as soon as practicable standard for other fixed income

However, if a security has not traded recently, they said they instead look for recent trades in comparable securities.”).

³⁹ A few of the commenters who responded to the original request for comment mentioned that many dealers are already adhering to the “as soon as practicable” language as it is already part of FINRA rules on trade reporting. See supra note 17.

products, may experience lower costs to implement this aspect of the retained 2024 Amendments than the MSRB's estimates because those firms can adapt their existing compliance program for municipal securities.

Upfront Costs

The MSRB expects that dealers would expend resources to implement a thoughtful supervisory and compliance regime in order to satisfy the as soon as practicable requirement of the retained portions of the 2024 Amendments. It is possible that dealers may need to seek appropriate advice from in-house and/or outside legal and compliance professionals to revise policies and procedures in compliance with the proposed rule change. The MSRB anticipates firms would devote approximately 11 hours to developing new policies and procedures to address the as soon as practicable requirement. This process is estimated to cost each dealer \$5,068.⁴⁰ Additionally, before the proposed rule change and the retained portions of the 2024 Amendments become effective, the MSRB expects that a compliance professional would devote time to training and educating registered representatives and others to ensure compliance with the as soon as practicable requirement. The total cost of training and education is estimated to be \$1,179. The MSRB therefore estimates the total upfront costs to be \$6,246 (see Table 3).

⁴⁰ The hourly rate data was gathered from the Commission's Amendments to Exchange Act Rule 3b-16. See Exchange Act Release No. 94062 (Sep. 20, 2022), 17 CFR Parts 232, 240, 242, 249 (Jan. 26, 2022) (File No. S7-02-22), p. 477 n.1102 (citing the original source of the data from SIFMA Management & Professional Earnings in the Securities Industry 2013). The data reflects the 2024 hourly rate level after adjusting for the annual wage inflation between 2013 and 2024, using the Federal Reserve Bank of St. Louis Employment Cost Index: Wages and Salaries Private Industry, available at: <https://fred.stlouisfed.org/series/ECIWAG>. The MSRB uses a blended hourly rate of \$286 for a Registered Representative, \$379 for a Compliance Manager, \$448 for an In-House Compliance Attorney, \$497 for Outside Legal Counsel, \$589 for a Director of Compliance and \$670 for the Chief Compliance Officer, and estimates a total of 17 hours for dealers to update policies.

Table 3: Estimated Upfront Costs for Each Dealer⁴¹

| Cost Components | Hourly Rate | Number of Hours | Cost per Firm |
|----------------------------------------|-------------|-----------------|-----------------|
| Upfront Costs | | | |
| a) Revision of Policies and Procedures | | | |
| Registered representative | \$ 286 | 2 | \$ 571 |
| Compliance Manager | \$ 379 | 2 | \$ 759 |
| In-House Compliance Counsel | \$ 448 | 2 | \$ 895 |
| Outside Legal Counsel | \$ 497 | 2 | \$ 994 |
| Director of Compliance | \$ 589 | 2 | \$ 1,179 |
| Chief Compliance Officer (CCO) | \$ 670 | 1 | \$ 670 |
| <i>Subtotal</i> | | | \$ 5,068 |
| b) Training and Education | | | |
| Director of Compliance | \$ 589 | 2 | \$ 1,179 |
| <i>Subtotal</i> | | | \$ 1,179 |
| Total Upfront Costs | | | \$ 6,246 |

Ongoing Compliance Costs

The MSRB anticipates relatively minor annual ongoing costs of promoting compliance with the as soon as practicable requirement. To do so, firms would develop compliance training and supervisory procedures to review trades on a periodic basis. The total cost of compliance personnel to monitor, review and educate trading desks is estimated to be \$1,179 per year (see Table 4). Comparatively speaking, these ongoing compliance costs may not significantly exceed the costs in the current baseline, as the MSRB believes that all dealers should already have compliance programs in place ensuring fidelity to the current trade reporting requirement, and the vast majority of dealers that trade other fixed-income securities in addition to municipal securities can adapt their existing compliance programs for municipal securities.

⁴¹ Numbers in the table have been rounded to the dollar; therefore, totals may not exactly match.

Table 4: Estimated Ongoing Annual Training and Education Costs for Each Dealer⁴²

| Cost Components | Hourly Rate | Number of Hours | Cost per Firm |
|---------------------------------------------------|-------------|-----------------|-----------------|
| Ongoing Annual Costs | | | |
| a) Training, Education and Supervisory Procedures | | | |
| Director of Compliance | \$ 589 | 2 | \$ 1,179 |
| | | | \$ 1,179 |

Effect on Competition, Efficiency and Capital Formation

The MSRB believes the proposed rule change would improve market efficiency by encouraging the industry's continued movement towards speedy trade reporting. Investors would likely benefit from a further reduction in trade reporting time, which would generate additional benefits for investors from more immediate post-trade transparency and potentially lower transaction costs. Thus, it is possible that the proposed rule change would lead to greater investor participation and further stimulate market activity by encouraging more trading by existing investors and/or bring in new investors to the municipal securities market over the long term and contribute to an overall increase in capital formation. Finally, the harmonization of reporting requirements for municipal securities with other fixed-income markets would create consistency for dealers who have trading operations in all these markets and would thus increase efficiency in terms of their compliance burdens. Therefore, the MSRB believes that the proposed rule change would facilitate capital formation.

Dealers may be impacted by the proposed rule change through any upfront costs of revising policies and procedures and ongoing compliance costs; however, the broader impact on competition in the municipal securities market is expected to be minor, as the requirement

⁴² The MSRB estimates a total of two hours per year for Director of Compliance (\$589 per hour) to conduct training, education and to engage in supervisory activities under their policies and procedures for each dealer.

applies to all dealers equally. The MSRB acknowledges that smaller dealers may bear proportionately higher upfront costs than larger dealers, but the relatively modest upfront costs borne by dealers overall are necessary to ensure a uniform standard across all dealers and to bring the municipal securities market in alignment with other securities markets. Therefore, the MSRB does not believe the “as soon as practicable” requirement would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

Identifying and Evaluating Reasonable Alternative Regulatory Approaches

Alternative 1

The MSRB has considered and evaluated reasonable regulatory alternatives. One alternative the MSRB analyzed was to fully retain the 2024 Amendments as approved. This alternative would require all trades reported within one minute after the Time of Trade for active dealers that report annually, 2,500 trades or more in one of the past two years, except for manual trades which would be required to follow a three-year phased-in schedule from 15 minutes to five minutes trade reporting. In addition, this alternative would require all dealers to report certain transactions with a new trade indicator. Finally, this alternative would also require that trades be reported as soon as practicable. While this alternative would likely further accelerate the trade reporting process when compared to the current state, it would also impose substantial technology subscription or upgrade expenses for active dealers who are currently not close to reporting all fully automated trades within one minute,⁴³ and additional compliance and system costs for all dealers to provide a new trade indicator.

⁴³ See 2024 Approval Order, 89 FR at 78961–62 (discussing the MSRB’s consideration of potential technological costs).

Per MSRB’s prior estimate, it would be at least \$6.8 million total for the annual ongoing technology subscription costs for the industry based on the 2022 data, in addition to the estimated \$5.2 million for the upfront costs to revise policy and procedures and to conduct training and education.⁴⁴ Furthermore, there would be additional costs for system development to flag manual trades, and to ensure that manual trades’ reporting time to be within five minutes after the Time of Trade eventually. While the MSRB did not have sufficient data to provide an estimate on the costs of reporting the trade indicator by dealers, based on further information received from dealers since approval of the 2024 Amendments,⁴⁵ defining the manual trades may not be straightforward, which would further amplify the time and costs to implement the approved amendments to Rule G-14.⁴⁶

Therefore, the MSRB believes the proposed rule change is, on balance, superior to the 2024 Amendments because of the significantly reduced cost estimate on implementation. While eliminating the one-minute reporting requirement would likely yield lower transparency benefits, based on the trend observed with 2024 data, the MSRB is cautiously optimistic that the industry would continue the trend of gradually moving towards faster trade reporting by its own volition, further propelled by the addition of the as soon as practicable requirement that would be retained from the 2024 Amendments, and greater electronification. As previously mentioned, the MSRB is encouraged to see an improvement in the trade reporting times between 2022 and 2024. The

⁴⁴ See Amendment No. 1 to File No. SR-MSRB-2024-01, Revised Table 4, p. 15, available at <https://www.msrb.org/sites/default/files/2024-07/MSRB-2024-01-A-1.pdf>.

⁴⁵ See supra Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change – Purpose – Background.

⁴⁶ See 2024 Approval Order, 89 FR at 78960–62 (summarizing stakeholder concerns and MSRB considerations of potential costs).

number of trades reported within 15 seconds increased from 24.8% to 34.2% while trades reported within 30 seconds increased from 52.7% to 56.7% between 2022 and 2024. One possible explanation for this improvement is the continued electrification of municipal securities trading, and the MSRB would like to monitor future progress with the proposed rule change.

Alternative 2

Another alternative the MSRB considered was to rescind the 2024 Amendments entirely, including the as soon as practicable requirement. Essentially, this alternative would revert Rule G-14 to the currently operative version which was last amended in 2015. While this alternative certainly would not impose any additional costs to dealers, trade reporting requirements for municipal securities would continue to not align with analogous trade reporting requirements for other fixed income securities that already contain the as soon as practicable requirement. The MSRB believes that such an alignment would provide greater regulatory consistency in the trade reporting and compliance process, and reduce confusion for dealers that trade both municipal securities and other fixed income securities. In addition, the proposed rule change would likely result in a further shortening of trade reporting time and hence increase market transparency, without imposing a significant cost on the industry.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period of up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-

regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-MSRB-2025-01 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2025-01. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

available for website viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-MSRB-2025-01 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, pursuant to delegated authority.⁴⁷

Sherry R. Haywood,
Assistant Secretary.

⁴⁷ 17 CFR 200.30-3(a)(12).