

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-87232; File No. SR-FINRA-2019-008)

October 4, 2019

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Amendment No. 2 to a Proposed Rule Change to Establish a Corporate Bond New Issue Reference Data Service and Designation of a Longer Period for Commission Action on Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to Establish a Corporate Bond New Issue Reference Data Service

I. Introduction

On March 27, 2019, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to establish a new issue reference data service for corporate bonds. The Commission published notice of filing of the proposed rule change in the Federal Register on April 8, 2019.³ On May 22, 2019, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved.⁴ On July 1, 2019, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act⁵ to determine whether to approve or

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 85488 (April 2, 2019), 84 FR 13977 (“Notice”).

⁴ See Securities Exchange Act Release No. 85911, 83 FR 24839 (May 29, 2019). The Commission designated July 7, 2019, as the date by which it should approve, disapprove, or institute proceedings to determine whether to disapprove the proposed rule change.

⁵ 15 U.S.C. 78s(b)(2)(B).

disapprove the proposed rule change.⁶ On October 3, 2019, the Exchange filed partial Amendment No. 2 to the proposed rule change.⁷ The Commission received twenty comment letters on the proposal from fourteen commenters.⁸ The Commission is publishing this notice to

⁶ See Securities Exchange Act Release No. 86256, 84 FR 32506 (July 8, 2019).

⁷ Partial Amendment No. 1 was also filed on October 3, 2019 and subsequently withdrawn on the same day due to a non-substantive administrative error and replaced with Amendment No. 2. In Amendment No. 2, the Exchange: (i) withdrew the proposed fees for receipt of corporate new issue reference data in the current proposal and stated that a separate proposed rule change would be filed to establish fees related to the corporate bond new issue reference data service at a future date prior to implementing the service; (ii) revised the list of data fields to be collected under the proposal to clarify certain proposed data fields and to add six new data fields; and (iii) included additional rationale for the data fields proposed to be collected. Amendment No. 2 is available at: <https://www.sec.gov/comments/sr-finra-2019-008/srfinra2019008.htm>.

⁸ See Letters from: (1) Cathy Scott, Director, Fixed Income Forum, on behalf of The Credit Roundtable, dated April 29, 2019 (“Credit Roundtable Letter”); (2) Salman Banaei, Executive Director, IHS Markit, dated April 29, 2019 (“IHS Markit Letter”); (3) David R. Burton, Senior Fellow in Economic Policy, The Heritage Foundation, dated April 29, 2019 (“Heritage Letter”); (4) Tom Quaadman, Executive Vice President, U.S. Chamber of Commerce, dated April 29, 2019 (“Chamber Letter”); (5) Lynn Martin, President and COO, ICE Data Services, dated April 29, 2019 (“ICE Data Letter”); (6) Tyler Gellasch, Executive Director, Healthy Markets Association, dated April 29, 2019 (“Healthy Markets Letter”); (7) Greg Babyak, Global Head of Regulatory Affairs, Bloomberg L.P., dated April 29, 2019 (“Bloomberg Letter”); (8) Marshall Nicholson and Thomas S. Vales, ICE Bonds dated April 29, 2019 (“ICE Bonds Letter”); (9) Christopher B. Killian, Managing Director, SIFMA, dated April 29, 2019 (“SIFMA Letter”); (10) Larry Tabb, TABB Group, dated May 15, 2019 (“Tabb Letter”); (11) Larry Harris, Fred V. Keenan Chair in Finance, USC Marshall School of Business, dated May 17, 2019 (“Harris Letter”); (12) John Plansky, Executive Vice President and Chief Executive Officer, Charles River Development, dated May 24, 2019 (“Charles River Letter”); (13) SEC Fixed Income Market Structure Advisory Committee, dated June 11, 2019 (“FIMSAC Letter”); (14) Greg Babyak, Global Head of Regulatory Affairs, Bloomberg L.P., dated July 1, 2019 (“Bloomberg Letter II”); (15) John Thornton, Co-Chair, et al., Committee on Capital Markets Regulation, dated July 27, 2019 (“Committee Letter”); (16) Greg Babyak, Global Head of Regulatory Affairs, Bloomberg L.P., dated July 29, 2019 (“Bloomberg Letter III”); (17) Christopher B. Killian, Managing Director, SIFMA, dated July 29, 2019 (“SIFMA Letter II”); (18) Tyler Gellasch, Executive Director, Healthy Markets Association, dated July 29, 2019 (“Healthy Markets Letter II”); (19) David R. Burton, Senior Fellow in Economic Policy, The Heritage Foundation, dated July 29, 2019 (“Heritage Letter II”); and (20) Tom Quaadman, Executive Vice President, U.S. Chamber of Commerce, dated July 29, 2019 (“Chamber Letter II”). All comments on the

solicit comments on the proposed rule change, as modified by Amendment No. 2, from interested persons and is designating a longer period within which to approve or disapprove the proposed rule change, as modified by Amendment No. 2.

II. Summary of the Proposed Rule Change, as Modified by Amendment No. 2

As described in more detail in the Notice and Amendment No. 2,⁹ FINRA proposes to establish a new issue reference data service for corporate bonds. FINRA states that its proposal is in line with a recommendation from the SEC Fixed Income Market Structure Advisory Committee, which recommended that FINRA establish a new issue data service which would contain specified data elements on TRACE-eligible corporate bond new issues.¹⁰

Specifically, FINRA is proposing to amend Rule 6760 (Obligation to Provide Notice)¹¹ to require that underwriters subject to Rule 6760¹² report to FINRA a number of data elements, including some already specified by the rule, for new issues in Corporate Debt Securities.¹³

proposed rule change are available at: <https://www.sec.gov/comments/sr-finra-2019-008/srfinra2019008.htm>.

⁹ See supra notes 3 and 7.

¹⁰ See Fixed Income Market Structure Advisory Committee Recommendation (October 29, 2018) available at: <https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-corporate-bond-new-issue-reference-data-recommendation.pdf>.

¹¹ As part of the proposal, FINRA would amend the title of the Rule to “Obligation to Provide Notice and Dissemination of Corporate Debt Security New Issue Reference Data.”

¹² As part of the proposal, FINRA would amend Rule 6760(a)(1) to clarify that underwriters subject to the rule must report required information for the purpose of providing market participants in the corporate debt security markets with reliable and timely new issue reference data to facilitate the trading and settling of these securities, in addition to the current purpose of facilitating trade reporting and dissemination in TRACE-Eligible Securities.

¹³ In connection with the proposal, FINRA proposes to move the definition of “Corporate Debt Security,” which is currently located in FINRA Rule 2232 (Customer Confirmations), into the TRACE Rule Series (specifically Rule 6710 (Definitions)) and

Proposed Rule 6760(b)(2) would require that, in addition to the information required by Rule 6760(b)(1),¹⁴ for a new issue in a Corporate Debt Security, excluding bonds issued by religious organizations or for religious purposes, the following information must be reported, if applicable: (A) the International Securities Identification Number (ISIN); (B) the currency; (C) the issue date; (D) the first settle date; (E) the interest accrual date; (F) the day count description; (G) the coupon frequency; (H) the first coupon payment date; (I) a Regulation S indicator; (J) the security type; (K) the bond type; (L) the first coupon period type; (M) a convertible indicator; (N) a call indicator; (O) the first call date; (P) a put indicator; (Q) the first put date; (R) the minimum increment; (S) the minimum piece/denomination; (T) the issuance amount; (U) the first call price; (V) the first put price; (W) the coupon type; (X) rating (TRACE Grade); (Y) a perpetual maturity indicator; (Z) a Payment-In-Kind (PIK) indicator; (AA) first conversion date;

to make corresponding technical edits to Rule 2232 to refer to the relocated definition in Rule 6710. In addition, FINRA proposes to make two changes to the definition of “Corporate Debt Security” which FINRA states are technical, non-substantive edits that reflect the original intent of the definition and are consistent with current FINRA guidance. See Notice, at 13978, n.6. Specifically, FINRA proposes to revise the current definition of Corporate Debt Security to (i) clarify that the definition is limited to TRACE-Eligible Securities, and (ii) update the definition to exclude Securitized Products (in Rule 6710(m)), rather than Asset-Backed Securities (defined in Rule 6710(cc)).

¹⁴ Rule 6760(b), proposed to be renumbered as Rule 6760(b)(1), currently requires the following information to be reported to FINRA: (A) the CUSIP number or if a CUSIP number is not available, a similar numeric identifier (e.g., a mortgage pool number); (B) the issuer name, or, for a Securitized Product, the names of the Securitizers; (C) the coupon rate; (D) the maturity; (E) whether Securities Act Rule 144A applies; (F) the time that the new issue is priced, and, if different, the time that the first transaction in the offering is executed; (G) a brief description of the issue (e.g., senior subordinated note, senior note); and (H) such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-Eligible Security, or if any of items (B) through (H) has not been determined or a CUSIP number (or a similar numeric identifier) is not assigned or is not available when notice must be given, such other information that FINRA deems necessary and is sufficient to identify the security accurately.

(BB) first conversion ratio; (CC) spread; (DD) reference rate; (EE) floor; and (FF) underlying entity ticker.¹⁵

FINRA proposes to require underwriters to report all data fields for Corporate Debt Securities prior to the first transaction in the security. FINRA would disseminate the corporate bond new issue reference data collected under Rule 6760 upon receipt.¹⁶ FINRA states that it will submit a separate filing to establish fees related to the new issue reference data service at a future date and will implement the service after those fees are adopted.¹⁷

If the Commission approves the filing, FINRA proposes to announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 90 days following publication of the Regulatory Notice. The effective date will be no later than 270 days following Commission approval.

III. Solicitation of Comments on Amendment No. 2 to the Proposed Rule Change

Interested persons are invited to submit written views, data, and arguments concerning whether Amendment No. 2 is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

¹⁵ In Amendment No. 2, FINRA included its rationale for each data field proposed to be collected for new issue Corporate Debt Securities. See Amendment No. 2, supra note 7, at Exhibit 3.

¹⁶ FINRA states that under proposed Rule 6760(d), there may be some information collected under the rule for security classification or other purposes that would not be disseminated. This may include, for example, information about ratings that is restricted by agreement. In addition, CUSIP Global Services' ("CGS") information would not be disseminated to subscribers that do not have a valid license regarding use of CGS data.

¹⁷ See Amendment No. 2, supra note 7, at 4.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2019-008 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-FINRA-2019-008. This file number should be included on the subject line if e-mail 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 (<http://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 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2019-008 and should be submitted on or before [insert date 14 days from publication in the Federal Register].

IV. Notice of Designation of a Longer Period for Commission Action on Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 2, to Establish a Corporate Bond New Issue Reference Data Service

Section 19(b)(2) of the Act¹⁸ provides that, after initiating proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of filing of the proposed rule change. The Commission may, however, extend the period for issuing an order approving or disapproving the proposed rule change by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposed rule change was published for notice and comment in the Federal Register on April 8, 2019. October 5, 2019 is 180 days from that date, and December 4, 2019 is 240 days from that date.

The Commission finds it appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider this proposed rule change, as modified by Amendment No. 2, and the comments received. Accordingly, the

¹⁸ 15 U.S.C. 78s(b)(2).

Commission, pursuant to Section 19(b)(2) of the Act,¹⁹ designates December 4, 2019, as the date by which the Commission shall either approve or disapprove the proposed rule change (File No. SR-FINRA-2019-008).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Jill M. Peterson
Assistant Secretary

¹⁹ Id.

²⁰ 17 CFR 200.30-3(a)(12).