

Exhibit 2c

Yesenia Alvarez Comment On Regulatory Notice 20-43

Yesenia Alvarez

N/A

Well done 👍

February 22, 2021

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006–1506

Re: Regulatory Notice 20-43: Enhancements to TRACE Reporting for U.S. Treasury Securities

Citadel appreciates the opportunity to provide comments to the Financial Industry Regulatory Authority (“FINRA”) on its proposal to enhance the regulatory reporting regime for U.S. Treasury securities (the “Proposal”).¹

Citadel has consistently supported increasing the quality of U.S. Treasury market data that is made available to the official sector in order to improve monitoring, surveillance, and analytical capabilities. In addition, with comprehensive data, regulators and policymakers are better equipped to evaluate additional policy proposals to modernize the regulatory framework applicable to Treasuries.

This Proposal would enhance the current regulatory reporting regime by improving the timeliness of reported data and by specifically identifying, among others, whether a transaction (a) is executed on a multilateral trading venue that is not registered as an alternative trading system (“ATS”) and/or (b) is intended to centrally clear. These aspects of the Proposal, in particular, directly support the ongoing consideration of policy proposals designed to enhance transparency and resiliency in the U.S. Treasury market, including introducing real-time public reporting, rationalizing the oversight of multilateral trading venues, and expanding central clearing in both the cash and repo markets. Therefore, we recommend that FINRA prioritize the implementation of these specific aspects of the Proposal and further improve the timeliness of reported data by harmonizing with reporting requirements for other fixed income instruments.

I. Improving the Timeliness of Reported Data

The Proposal would require secondary market Treasury transactions to be reported to FINRA within 60 minutes after execution, in contrast to the current end-of-day reporting requirements. We agree that this proposed reduction in reporting timeframes would provide the official sector with access to more timely data regarding intraday pricing and liquidity dynamics. However, we recommend that FINRA take this opportunity to further improve the timeliness of reported data by harmonizing with reporting requirements for other fixed income instruments. In particular:

- Corporate bonds and agency debt securities generally must be reported to FINRA within 15 minutes of execution;²

¹ <https://www.finra.org/rules-guidance/notices/20-43>.

² See FINRA Rule 6730.

- Interest rate swaps must be reported to a swap data repository “as soon as technologically practicable” after execution;³ and
- Treasury futures are generally reported in real-time.

Given these existing requirements for other fixed income instruments, market participants should be well-situated to comply with similar requirements in the Treasury market. Notably, Treasury market participants commonly trade other fixed income instruments, and therefore have already established the infrastructure necessary to comply with real-time reporting requirements. These existing operational and technological capabilities are evidenced by the fact that FINRA members already report approximately 95% of Treasury transactions within an hour after execution, despite not being required to report until end-of-day.⁴ The U.S. Treasury market is the deepest and most liquid government securities market in the world, and market participants should be reporting data to the official sector in accordance with timeliness standards that are at least on par with requirements for other fixed income instruments.

In addition, adopting reporting timeframes that are harmonized with those of other fixed income instruments is warranted given the ongoing consideration of whether to publicly report secondary market Treasury transactions. The responses to the 2016 Treasury RFI⁵ demonstrate that a diverse group of market participants support increasing post-trade transparency in the Treasury market, including buy-side firms,⁶ agency brokers,⁷ trading venues,⁸ clearing venues,⁹ electronic market makers,¹⁰ and academics.¹¹ While there are details to resolve regarding the implementation of a public reporting regime, it is clear that a decision to require the real-time public reporting of any Treasury transactions (*e.g.* on-the-runs) will require that trading activity be reported to FINRA as soon as possible following execution. As a result, it would be preferable if the new reporting timeframes established by the Proposal accommodated the potential for public reporting without requiring yet further amendment (particularly if an extended implementation timeline is contemplated). Harmonizing the reporting timeframes with those of other fixed income instruments, where public reporting has already been implemented, would therefore yield this additional benefit.

³ See CFTC Reg. §43.3(a).

⁴ Proposal at page 10.

⁵ Available at: <https://www.regulations.gov/docket?D=TREAS-DO-2015-0013>.

⁶ See Letters from the Managed Funds Association and Citadel LLC.

⁷ See Letter from Convergex.

⁸ See Letter from Nasdaq, Inc.

⁹ See Letter from DTCC.

¹⁰ See Letters from Virtu Financial, FIA PTG, and the Modern Markets Initiative.

¹¹ See Letters from Joel Hasbrouck and Eric Budish.

II. Identifying Trading Activity on Multilateral Venues

Trading venue oversight is an important area of focus in the ongoing review of the regulatory framework applicable to U.S. Treasuries. Therefore, it is important for the official sector to have comprehensive data regarding the trading activity that is occurring on multilateral trading venues, regardless of whether the venue is currently registered as an ATS.

At the moment, an ATS that solely trades government securities and is registered as a broker-dealer or is a bank is exempt from the requirement to register as an exchange or an ATS with the Securities and Exchange Commission (“SEC”).¹² The SEC has recently proposed to remove this exemption, which would increase the number of multilateral Treasury trading venues registered as an ATS.¹³ However, even if this proposal is finalized, it is unclear whether the SEC will extend the ATS registration requirement to multilateral request-for-quote (“RFQ”) venues that operate in the dealer-to-customer segment of the market.¹⁴ Data shows that the dealer-to-customer segment of the market accounts for approximately 50% of total market volume,¹⁵ and that multilateral RFQ venues have significant market share.¹⁶

By requiring market participants to report the identity of non-ATS electronic trading platforms on which Treasury transactions are executed, the FINRA Proposal ensures that the official sector will have comprehensive data regarding trading volumes on multilateral venues operating in both the dealer-to-dealer and dealer-to-customer segments of the market. The definition of a “non-ATS trading platform” should clearly refer to multilateral trading venues that are not registered as an ATS,¹⁷ including platforms that facilitate multilateral execution by allowing participants to exchange information regarding the essential terms of a transaction, negotiate the terms of a trade, or to respond to actionable indications of interest.

III. Identifying Whether a Transaction is Centrally Cleared

Another important area of focus in the ongoing review of the regulatory framework applicable to U.S. Treasuries involves central clearing, and efforts to expand access in both the cash and repo

¹² See 17 CFR 242.301(a)(4)(i) and (ii)(A).

¹³ 85 FR 87106, available at: <https://www.govinfo.gov/content/pkg/FR-2020-12-31/pdf/2020-21781.pdf>.

¹⁴ See *id.* at 87156. See also U.S. Securities and Exchange Commission, Fixed Income Market Structure Advisory Committee, Preliminary Recommendation Regarding Defining “Electronic Trading” for Regulatory Purposes (October 2020) at FN 2, available at: <https://www.sec.gov/spotlight/fix-income-advisory-committee/fimsac-preliminary-recommendation-re-definition-of-electronic-trading.pdf> and Remarks at U.S. Treasury Market Conference, Commissioner Elad L. Roisman (Sept. 29, 2020), available at: <https://www.sec.gov/news/speech/roisman-us-treasury-conference-2020-09-29>.

¹⁵ See <https://www.finra.org/filing-reporting/trace/data/trace-treasury-aggregates>.

¹⁶ “The Bond-Trading Revolution Is Real This Time,” Feb. 10, 2021, available at: <https://www.bloombergquint.com/gadfly/the-bond-trading-revolution-is-real-this-time>.

¹⁷ This formulation avoids needing to determine whether a platform meets the current definition of an ATS, a determination which can be subject to some uncertainty.

We appreciate the opportunity to provide comments to FINRA on further enhancing the reporting regime for U.S. Treasuries. Please feel free to call the undersigned at (646) 403-8200 with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger

Managing Director

Global Head of Government & Regulatory Policy

February 16, 2021

Via Email Only

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA 1735 K Street, NW
Washington, DC 20006-1506
pubcom@finra.org

Re: *Regulatory Notice 20-43 Trace Proposal*

Dear Ms. Piorko Mitchell:

Execution Access LLC (EA) respectfully submits this letter to FINRA to comment on the above referenced proposal regarding potential enhancements to the information reported to FINRA's TRACE facility regarding transactions in U.S. Treasury securities. Specifically, potential changes to TRACE reporting for U.S. Treasury securities that would require: (1) more granular execution timestamps; (2) a shortened trade reporting timeframe; (3) new indicators to identify non-alternative trading system (ATS) trading venues and method of execution, the trading unit within a firm executing a trade, and the method used to clear and settle a transaction; (4) new modifiers to identify additional multi-leg transactions and whether a transaction is priced at the current market; (5) standardized price reporting; (6) separate reporting of per-transaction ATS fees; and (7) whether the proposed changes should apply to all TRACE-eligible securities uniformly, if applicable..

EA generally supports the proposal. Increased operational efficiencies related to fixed income and government securities Trace Reporting would benefit the industry. Our comments to each proposal section are detailed below:

I. Execution Timestamps

We understand that FINRA is considering revising the existing rule to require that members report transactions executed electronically in U.S. Treasury securities to TRACE in the finest increment of time captured by the firm's execution system, but at a minimum, in increments of a second. Where a firm executes transactions in U.S. Treasury securities through an external system, FINRA is considering requiring that firms report such transactions to TRACE consistent with the Time of Execution communicated by the execution venue.

EA supports FINRA's efforts to normalize Time of Execution information received.

We also support the general language in Proposed Changes of the Execution Timestamp section . However, the issue with this language is that it states worse case but not best case. It should indicate best and worst boundaries. The worst being 1 second, and best 1 microsecond as currently supported by TRACE facility.

II. Reporting Timeframe Reduction

We understand that FINRA is considering amending the current rules to provide that:

- for transactions executed on a business day at or after 12:00:00 a.m. through 7:59:59 a.m., firms would be required to report the trade the same day no later than 60 minutes after the TRACE system opens.
- for transactions executed on a business day at or after 8:00:00 a.m. through 6:29:59 p.m., firms would be required to report the trade within 60 minutes of the Time of Execution, except that, for transactions executed on a business day less than 60 minutes before 6:30:00 p.m., firms would be required to report the trade no later than 60 minutes after the TRACE system opens on T+1 (and, if reported on T+1, designated “as/of” with the date of execution).
- for transactions executed on a business day at or after 6:30:00 p.m. through 11:59:59 p.m., or for trades executed on a Saturday, a Sunday, a federal or religious holiday, or other day on which the TRACE system is not open at any time during that day, firms would be required to report the trade on T+1 no later than 60 minutes after the TRACE system opens (and must designate the trade “as/of” and include the date of execution).

EA supports FINRA’s proposal to normalize TRACE reporting. NFI already applies this timeframe. 60 minutes is significant step forward and yet still allows time to resolve any system issues without exceeding the required parameters. For transactions executed at or after 6:30:00 p.m. through 7:59:59 a.m., EA already reports trades no later than 60 minutes after the TRACE system opens. For transactions executed at or after 8:00:00 a.m. through 6:29:59 p.m., EA reports as soon as availability of reporting facility will allow.

III. Platform Information and Trading Method

We understand that FINRA is considering changes to require members to report information regarding the identity of any non-ATS electronic trading platform through which a transaction in a U.S. Treasury security occurs as well as the method of execution (i.e., voice or electronic) of a transaction in a U.S. Treasury security. In addition, to capture additional information about the trading that occurs through these platforms, FINRA is considering requiring members, when reporting transactions in U.S. Treasury securities to TRACE, to populate a separate field to identify the non-ATS platform on or through which it transacted. FINRA is considering requiring members, when reporting transactions in U.S. Treasury

securities to TRACE, to populate a separate field to identify the non-ATS platform on or through which it transacted.

For purposes of the proposal, a “non-ATS trading platform” would include any electronic system that does not meet the definition of an ATS under SEC Regulation ATS, through which multiple parties facilitate orders, request-for-quotes (RFQs), or negotiate the terms of a trade in a U.S. Treasury security. These platforms currently do not have a separate MPID and are not otherwise identifiable in TRACE reports. Under the proposal, members would be required to identify the non-ATS trading platform for those transactions that originated or occurred through the platform. To provide consistent identification of these platforms across TRACE reports, FINRA would provide to reporters a list of non-ATS trading platform identifiers for use in populating the new field. If a member trades in a U.S. Treasury security through a platform not yet included in the TRACE list, the member would be required to notify FINRA so that the platform can be added to the list of identifiers.

EA supports FINRA’s proposal requiring members, when reporting in to TRACE, to populate a separate TRACE field to identify U.S. Treasury securities transactions effected on, or through, a non-ATS platform. EA obtained a separate MPID to distinguish U.S. Treasury securities transactions effected on, or through, the non-ATS platform vs those effected on the ATS platform and supports FINRA’s proposal to use a unique identifier for each non-ATS trading platform used for transactions in U.S. Treasury Securities. Such a requirement only seems logical.

EA supports the SEC proposed amendments to SEC Regulation ATS that would eliminate the existing exemption for an ATS that trades only government securities, including U.S. Treasury securities provided that all market participants that effect transactions in Treasuries be required to report those transactions. Increased diversity in the government securities market means that platforms are no longer strictly dealer-to-dealer and the exemption for Treasury-only platforms may have little to no relevance today. Transparency regarding pricing, market activity and market quality promotes healthy competition in the market place.

IV. Desk Identifiers

We understand that FINRA is considering adding a new trading desk or unit identifier field for U.S. Treasury securities reporting to identify the specific desk or unit within a member firm executing the transaction. Member counterparties currently are identified in TRACE by the MPID submitted in the transaction report. Specifically, FINRA would require members to assign and enter an additional identifier for each desk or unit at the firm that executes transactions in U.S. Treasury securities. Firms would provide FINRA with a list of all desks/units within the firm that may trade a U.S. Treasury security, along with the firm-generated identifier for each (within the alpha or numeric parameters specified by FINRA). Members also would be required to keep FINRA informed of any change to the member’s desk or unit identification assignments by providing FINRA with the updated assignments by the next business day following the implementation of such change. FINRA would not require that each trading desk or unit have a separate MPID, nor would firms be required to modify their existing organization in any way.

Allowing each firm to specify the relevant desks and units and assign identifiers provides firms with flexibility and, therefore, accounts for varying structures across different member firms.

EA is concerned that trading desk identifiers could cause reconciliation issues if an ATS would be required to report as such. We are fine with member firms separately providing that to the regulator but we do not believe this is applicable for the ATS.

V. Clearing Arrangement Indicator

We understand that FINRA is considering requiring members to append a new indicator that would identify whether a transaction in a U.S. Treasury security will be cleared centrally or bilaterally. We understand that it is FINRA's view that the method by which a transaction is cleared and settled—specifically whether the parties to the transaction use a central clearing counterparty—affects the degree and type of risk the parties bear (e.g., counterparty financial exposure). Although recent efforts have been made to expand the scope of transactions that are centrally cleared through FICC, market developments in recent years have prompted calls for greater study of the clearing practices and counterparty risk in this market.

EA supports FINRA's proposal to append a new indicator that would identify whether a transaction in a U.S. Treasury security is cleared centrally or bilaterally. This would be a positive for venues and the overall market structure. Of note, we already have the indicator if the client is clearing FICC, FedWire or PairOff.

VI. Multi-leg Transaction Modifiers

We understand that FINRA is considering whether additional modifiers to identify specific categories of multi-leg transactions involving a U.S Treasury security are appropriate, as well as an additional modifier to indicate whether the U.S. Treasury security transaction is priced at or off market. Currently, members are required, among other things, to identify a transaction in a U.S. Treasury security that is: (a) part of a series of transactions where at least one of the transactions involves a futures contract with the .B modifier; and (b) part of a series of transactions where one or more legs may not be priced based on the current market with the .S modifier.

Further, FINRA is considering adding modifiers to further distinguish various strategies, as well as to provide information as to whether the transaction in the U.S. Treasury security is priced at the current market.

EA supports FINRA's proposal as we understand that it is FINRA's intention to group strategies in broad categories as detailed in the proposal. Further, we understand that with respect to swaps and similar strategies FINRA understands that certain legs of the transaction will not be sensitive to market price and may be off market.

VII. Standardized Price Reporting

We understand that FINRA is considering whether it is appropriate to require that firms report the discount rate for transactions in Treasury bills and the discount margin for transactions in FRNs, rather than also being permitted to report the dollar price in these instances. Currently, members are required to report the price of a transaction or the elements necessary to calculate the price. Certain U.S. Treasury securities are traded and quoted using different price conventions, including Treasury bills (which use a discount rate) and floating rate notes (FRNs) (which use a discount margin). FINRA has issued guidance to members that, in such cases, members may report the price of a transaction as either the discount rate or discount margin, but members are still permitted to report the dollar price. As a result, FINRA is considering changes to require further standardization of the measure used to report price in these types of U.S. Treasury securities.

EA supports FINRA's proposal to standardize price reporting such that firms report the discount rate for transactions in Treasury bills and the discount margin for transactions in FRNs, rather than also being permitted to report the dollar price in these instances.

VIII. Report ATS Fees Separately

We understand that FINRA is considering requiring that members report per-transaction ATS fees separately from the price when reporting transactions in U.S. Treasury securities to TRACE. Thus, under the proposal, instead of reflecting any per-transaction fee in the price, members would report the price (exclusive of such fees) and include these fees in a new, separate, per-transaction, ATS fee field. We appreciate that FINRA understands that ATSs may assess fees to subscribers in a variety of ways—e.g., an ATS may bill subscribers on a monthly basis or may charge a per transaction fee. Further, per-transaction fee arrangements may differ among subscribers, resulting in different fees being assessed to each counterparty to a trade.

EA would support separating the fee (mark up/ mark down) if it was only intended for a simplification of matching more trades efficiently. We do not support if FINRA intends to use this data to understand the economics of trading as "in price" fees are only a subset of potential revenues. In addition we expect FINRA to alert member firms of this change. We are concerned that member firms only pass along our execution messages. We do provide member firms with all the information that would possibly be required if a change was going to be made.

IX. Preliminary Economic Impact Analysis and Request for Comments

We understand that FINRA requests comment on all aspects of this Notice, including the costs and burdens associated with these potential enhancements, as well as whether changes described in the proposal would apply only to TRACE reporting of transactions in U.S. Treasury securities. Specifically, FINRA has asked:

- What, if any, impacts might the above changes have in the aggregate on competition for execution services in U.S. Treasury securities, such as between member and non-member firms and between ATSS and other execution venues?
- Should the changes described above be implemented at the same time or should implementation be staggered? If the latter, in what order should the changes be implemented and why? Should some subset of the above changes be implemented together (e.g., to take advantage of technological efficiencies)? If so, which ones and why?
- What, if any, other costs or economic impacts might be associated with the changes outlined here? Are any of these costs quantifiable? If so, please quantify.
- Are there any other issues specific to TRACE reporting of U.S. Treasury securities transactions that FINRA should consider?

EA suggests that the proposed rule changes be subdivided into at least 2 groups and phased in at differing intervals to mitigate the economic and operational burden on industry participants.

Respectfully,

Ted Bragg

Ted Bragg- CEO Execution Access, LLC

cc: Racquel Russell
Office of General Counsel
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Patrick Geraghty
Vice President, Market Regulation
FINRA
1735 K Street, NW
Washington, DC 20006-1506

February 22, 2021

Via Electronic Mail: pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1500

Re: Regulatory Notice 20-43; Enhancements to TRACE Reporting for U.S. Treasury Securities

Dear Ms. Mitchell:

Managed Funds Association¹ (“MFA”) appreciates the opportunity to submit comments in response to FINRA’s request for comment on proposed enhancements to the information reported in FINRA’s TRACE reporting for U.S. Treasury Securities (the “**Proposal**”).² We are pleased to see that the proposed reporting enhancements, based on recommendations from the Treasury Department, are designed to improve the quality of the data available, thereby making it more useful for regulatory purposes. We support this general objective and urge FINRA to go further in requiring market participants to report Treasury market transactions within 15 minutes. We are of the view that higher quality data will improve regulators’ oversight of the Treasury markets and allow regulators to better understand market events in as close to real-time as possible.

I. MFA Supports Enhancements to TRACE Treasury Reporting

MFA supports efforts to improve the quality of TRACE Treasury data reporting. Specifically, we believe that shortening the trade reporting timeframe³ and adding a clearing arrangement indicator to mark the method by which a transaction is cleared⁴ will enhance regulators’ understanding of the Treasury markets and move towards harmonizing the data regime on Treasuries with other fixed income markets.

FINRA began receiving TRACE Treasury data in 2017, and it has already proven to be a valuable source of information. TRACE data has helped improve regulators’ and the public’s understanding of Treasury

¹ Managed Funds Association (“MFA”) represents the global alternative investment industry and its investors by advocating for public policies that foster efficient, transparent, fair capital markets, and competitive tax and regulatory structures. MFA supports member business strategy and growth via proprietary access to subject matter experts, peer-to-peer networking, and best practices. MFA’s more than 140 member firms collectively manage nearly \$1.6 trillion across a diverse group of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors to diversify their investments, manage risk, and generate attractive returns over time. MFA has a global presence and is active in Washington, London, Brussels, and Asia, supporting a global policy environment that fosters growth in the alternative investment industry.

² See FINRA Regulatory Notice 20-43, (December 23, 2020), <https://www.finra.org/sites/default/files/2020-12/Regulatory-Notice-20-43.pdf>.

³ See *id.* at p. 4.

⁴ See *id.* at p. 6.

market structure⁵ and trading in Treasury markets.⁶ In particular, it was lauded by the Treasury department as being “a critically important resource” during the most acute stages of the COVID-19 induced market crisis in March of 2020.⁷ However, regulators have consistently noted limitations in the data that could be addressed with the reporting enhancements in the Proposal.⁸

MFA believes it is important to shorten the delay in TRACE reporting. In fact, FINRA should mandate that transactions be reported within fifteen minutes. Corporate bonds must be reported within fifteen minutes and regulators should have the same timely data with respect to the Treasury markets. Timely data is critical for regulators to perform their supervisory functions, especially in times of extreme market volatility. MFA would welcome the opportunity to comment on potential further use of the data, such as public dissemination, once the regulatory community has assessed the use of more timely data.

MFA also supports enhancing TRACE data by adding a clearing arrangement indicator to TRACE transaction reports. The benefits of central clearing are well documented, such as leading to greater market transparency, liquidity, and resiliency, and decreased credit and operational risks.⁹ For a variety of reasons, central clearing for dealer-to-customer trading in the U.S. Treasury markets has not evolved. While clearing and operational risks related to bilateral clearing can be effectively managed, we believe it is important for regulators and the industry to work together to develop an effective dealer-to-customer clearing model for both cash and repo transactions. Adding a clearing indicator to TRACE reporting would also facilitate monitoring the development of various clearing arrangements in the market.

II. Federal Reserve Should Authorize Bank TRACE Data Collection

MFA supports the Federal Reserve’s parallel effort to bring banks into the TRACE Treasury reporting system. Currently only FINRA member firms report Treasury market activity to TRACE. Federal Reserve officials have repeatedly raised the prospects of requiring the banks they supervise to report as well.¹⁰ Currently, the Federal Reserve has a Request for Comment on the implementation of this proposal.¹¹ MFA

⁵ Brainard, Lael, “The Structure of the Treasury Market: What Are We Learning?” (“Lael Brainard Speech”), The Evolving Structure of the U.S. Treasury Market Conference, 3 December 2018, <https://www.federalreserve.gov/newsevents/speech/brainard20181203a.htm>. “FINRA’s collections are limited only to its members. The Federal Reserve is close to finalizing an agreement with FINRA to act as our agent in expanding the collection of Treasury transactions to key banks that are also active in this market.”

⁶ See Brain, Doug, et al. “Breaking Down TRACE Volumes Further.” Liberty Street Economics, 29 Nov. 2018., <https://libertystreeteconomics.newyorkfed.org/2018/11/breaking-down-trace-volumes-further.html>.

⁷ Muzinich, Justin, “Remarks of Deputy Secretary Justin Muzinich at the 2020 U.S. Treasury Market Conference.”, 29 September 2020, <https://home.treasury.gov/news/press-releases/sm1138>.

⁸ See *id.*

⁹ See Liang, Nellie and Pat Parkinson, “Enhancing Liquidity of the U.S. Treasury Market Under Stress.” Hutchins Center Working Paper #72, 16 December 2020, https://www.brookings.edu/wp-content/uploads/2020/12/WP72_Liang-Parkinson.pdf.

¹⁰ Lael Brainard Speech, *supra* n. 5. As far back as December 2018, Federal Reserve Governor Brainard noted “FINRA’s collections are limited only to its members. The Federal Reserve is close to finalizing an agreement with FINRA to act as our agent in expanding the collection of Treasury transactions to key banks that are also active in this market.”

¹¹ See 86 Fed. Reg. 6329 (January 21, 2021), <https://www.federalreserve.gov/boarddocs/press/foiadocs/2021/20210121/foia20210121.pdf>.

believes that requiring depository institutions to report Treasury market transactions into TRACE, coupled with the Proposal, would further improve the reliability of the data for both regulatory and public dissemination purposes. Otherwise, regulators will be relying on incomplete market data as they oversee the Treasury markets and try to analyze market events.

* * * * *

MFA would be pleased to discuss further the Proposal and the issues raised in this letter with FINRA staff. Please do not hesitate to contact me at (202) 730-2600.

Respectfully submitted,

/s/ Jennifer W. Han

Jennifer W. Han

Chief Counsel & Head of Regulatory Affairs

CC: Bob Colby, Chief Legal Officer, FINRA

VIA EMAIL

February 22, 2021

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506
pubcom@finra.org

Re: FINRA Regulatory Notice 20-43 - Request for Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities

Dear Ms. Mitchell:

ICE Bonds Securities Corporation (CRD# 123635)(“**ICE Bonds**”)¹ appreciates the opportunity to respond to FINRA Notice 20-43 (the “**Request**”) issued by the Financial Industry Regulatory Authority (“**FINRA**”) to request comment on enhancements to FINRA’s Trade Reporting and Compliance Engine (“**TRACE**”) reporting for U.S. Treasury Securities.

ICE Bonds supports FINRA’s efforts to (i) enhance the information reported to TRACE regarding transactions in U.S. Treasury securities and (ii) expand the number of parties required to report such data to TRACE. ICE Bonds believes that including non-FINRA members, such as banks, will provide a more comprehensive and substantially complete set of data in U.S. Treasury securities that will further enhance the analysis and monitoring that is currently being performed.

While ICE Bonds is generally supportive of the policy goals and intentions behind the enhancements in the Request, we raise the following issues to your attention for consideration.

Platform Information and Trading Method

ICE Bonds supports FINRA’s proposal to require members to report information regarding the identity of any non-ATS electronic trading platform through which a transaction in a U.S. Treasury security occurs as well as the method of execution (i.e., voice or electronic). ICE Bonds is encouraged that FINRA intends to apply this requirement to not only non-ATS electronic trading platforms that rely on the exchange registration exemption provided by Rule 301(a)(4) of Regulation ATS,² but also to other electronic trading platforms that don’t meet the

¹ICE Bonds is the operator of three (3) alternative trading systems (ICE BondPoint, ICE Credit Trade and ICE TMC) for the trading of fixed income products and a broker-dealer registered with the US Securities and Exchange Commission, pursuant to Section 15 of the Securities Exchange Act of 1934, is a member of FINRA, the Municipal Securities Rulemaking Board and is registered with the National Futures Association as an introducing broker pursuant to the provisions of the Commodity Exchange Act.

² See CFR 17 242.301(a)(4).

definition of an exchange.³ ICE Bonds believes that as the market stands today, much of the volume in U.S. Treasury securities is being traded on electronic trading platforms regulated only as either broker-dealers or banks or on electronic trading platforms that are not regulated in any capacity. This lack of transparency should be concerning to regulators and as such, adopting the proposal as written in the Request should provide regulators with a more substantially complete set of data that will aid them in gaining a better understanding of the U.S. Treasury securities marketplace.

Report ATS Fees Separately

ICE Bonds believes that reporting ATS fees separately may require both FINRA members that are subscribers to an ATS and ATS operators (also FINRA members) to incur unnecessary implementation costs, technology burdens, and complicate existing subscriber billing structures. As FINRA highlights in the Request, ATSs charge fees to subscribers in a number of different ways, and most subscribers will have fee structures that differ between ATSs. As such, the requirement, as written in the Request, may require both the member user and the ATS operator to develop several different types of reports to address varying fee arrangements.

Further, ICE Bonds is concerned that the requirement to separately disclose ATS related fees may lead to the exposure of competitive and confidential information to the market generally. ATS subscribers generally consist of other broker-dealers, banks, investment advisors, and other sophisticated market participants that in turn do not need FINRA to protect their interests through the implementation of a separate field for ATS fees. ATS operators frequently negotiate fee arrangements that are unique to a specific subscriber. Fee arrangements may differ from subscriber to subscriber based on various factors, such as the level of support a subscriber is willing to provide to the ATS, or the number of other services that the subscriber takes from the ATS operator. ICE Bonds is concerned that information relating to individual fee structures may eventually be required to be publicly disclosed without effectively further enhancing FINRA's oversight of U.S. Treasury securities markets.

More specifically, ICE Bonds would like to highlight that from a development standpoint, the implementation will be substantial, and the monetary cost associated with the development and ongoing support of the additional field will not be insignificant. ICE Bonds has estimated that it will need at least eight technology professionals and approximately six to eight weeks to build and implement this proposed enhancement. These costs will be borne directly by all members reporting to TRACE and indirectly by subscribers, as ATS operators will in turn pass its development and maintenance costs on to its own subscribers. ICE Bonds requests that FINRA undertake a more thorough cost benefit analysis prior to implementing any of the enhancements proposed in the Request.

* * * * *

³ See 17 CFR 240.3b-16.

We hope these comments are constructive to FINRA as it considers further enhancements to TRACE reporting in U.S. Treasury securities. In considering any change, we encourage FINRA to consider whether such change directly enhances the transparency into the U.S. Treasury securities markets as well as the associated costs and development burdens related to such implementations.

Sincerely,

A handwritten signature in black ink, appearing to read 'RL', with a long horizontal flourish extending to the right.

Robert Laorno
General Counsel, ICE Bonds Securities Corporation

cc: Peter Borstelmann, President, ICE Bonds Securities Corporation
Patrick Geraghty, Vice President, Market Regulation, FINRA
Chris Stone, Vice President, Transparency Services, FINRA
Racquel Russell, Associate General Counsel, OGC, FINRA



2001 K Street NW, Suite 725, Washington, DC 20006 | Tel +1 202.466.5460

February 22, 2021

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 20-43: FINRA Requests Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities

Dear Ms. Mitchell:

The FIA Principal Traders Group (“FIA PTG”)¹ appreciates the opportunity to comment on the FINRA Request for Comments on Enhancements to TRACE Reporting for U.S. Treasury Securities (“Treasuries”). The growth of electronic trading in the U.S. Treasury market over the past decade has contributed to the growing presence of principal trading firms (“PTFs”) in the space. As an association of PTFs, FIA PTG members are keen to contribute to general discussions of market structure and especially efforts to increase transparency.

FIA PTG believes that the current transaction reporting timeline requirements for Treasuries should be significantly reduced. In a market where more and more transactions are occurring electronically there is no justification for the lengthy reporting window that exists today. Accordingly, at a minimum, we support the reductions proposed by FINRA, but would generally recommend going a step further and reducing reporting times to no greater than 15 minutes congruent with current reporting requirements for corporate bonds. Additionally, with respect to on-the-run Treasuries, even 15 minutes is too long considering the liquidity profile of that market; here we would suggest a 10-second reporting window to mirror U.S. equity markets. We recommend that FINRA prioritize the implementation of this aspect of the proposal.

¹ FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy.

FIA PTG strongly supports efforts to increase transparency for market participants. FIA PTG believes real-time public reporting should be required for Treasury transactions executed in the secondary market. The current lack of comprehensive post-trade public reporting is in stark contrast to the transparency provided in many other asset classes, such as equities, futures, swaps and corporate bonds, some of which are less liquid and have a lower percentage of electronic trading than the U.S. Treasury market. Reducing the allowable reporting window and requiring Treasury transaction data be reported in a timely manner are necessary first steps in moving towards real-time public reporting.

FIA PTG is not opposed to any of the proposed enhancements to TRACE data. We are particularly supportive of the requirements to identify any non-ATS electronic trading platforms through which a Treasury transaction occurs as well as an indicator as to whether the transaction was centrally or bilaterally cleared. At present, many electronically executed transactions are occurring on non-ATS electronic platforms and it is important to gather data regarding trading volumes on these venues. FIA PTG also agrees with FINRA that the clearing and settlement methods of a transaction are important information for regulators.

In conclusion, FIA PTG urges FINRA to move forward with the enhancements proposed, especially the reduction in the reporting window. Additionally, we continue to advocate for increased transparency into the U.S. Treasury market through public transaction reporting.

If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group



Joanna Mallers
Secretary

FINANCIAL INFORMATION FORUM

February 19, 2021

By electronic mail to pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 20-43: FINRA Requests Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities

Dear Ms. Mitchell,

The Financial Information Forum (FIF)¹ appreciates the opportunity to comment on Regulatory Notice 20-43 (the Regulatory Notice) published by the Financial Industry Regulatory Authority (FINRA).² The Regulatory Notice solicits comment on potential enhancements to the information reported to FINRA's Trade Reporting and Compliance Engine (TRACE) facility regarding transactions in U.S. Treasury securities. In this comment letter, we refer to U.S. Treasury securities as "Treasuries". FIF members appreciate the detailed and thoughtful questions from FINRA that are included in the Regulatory Notice.

A. General recommendations

Prior to commenting on the specific proposals in the Regulatory Notice, we discuss the following recommendations from FIF members that relate more generally to the proposed changes in the Regulatory Notice:

- Describe more specifically the objective for each proposal in the Regulatory Notice
- Provide guidance on the potential impact of the concurrent TRACE proposal by the Federal Reserve
- Provide for reporting of certain data through an end-of-day reporting process

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² FINRA Regulatory Notice 20-43 (December 23, 2020), available at <https://www.finra.org/sites/default/files/2020-12/Regulatory-Notice-20-43.pdf>.

- Provide greater transparency to industry members on the current criteria for rejections and unmatched as well as how the proposals would change these criteria
- Provide additional guidance on the distinction between manual and electronic executions
- Take into account challenges with implementing new fields and values
- Set the implementation timeline based on publication of technical specifications

1. Describe more specifically the objective for each proposal in the Regulatory Notice

FIF members request that FINRA describe more specifically the objective for each proposal in the Regulatory Notice. This will assist FIF members in evaluating and providing comments on these proposals. In particular, if FINRA is seeking additional data to surveil an area of concern, spelling out that concern would assist the industry in providing feedback on how that data could be provided. As an example, in the Regulatory Notice, FINRA is considering whether to require firms to report desk identifiers.³ Understanding FINRA's objective in proposing this requirement would assist industry members in providing meaningful input on how that objective could be achieved.

2. Provide guidance on the potential impact of the concurrent TRACE proposal by the Federal Reserve

FINRA notes in the Regulatory Notice that TRACE reporting currently does not apply to banks. FINRA indicates "that the Board of Governors of the Federal Reserve System (Federal Reserve) has announced that it plans to collect data on secondary market transactions in U.S. Treasury securities from banks and will enter into negotiations with FINRA to potentially act as the Federal Reserve's collection agent for the data."⁴ Subsequent to FINRA's issuance of the Regulatory Notice, the Federal Reserve issued a notice and request for comment on a proposal to implement TRACE reporting for Treasuries and agency securities by certain depository institutions.⁵

FIF members request guidance on whether the Federal Reserve proposal will have any impact on broker-dealers who report Treasury trades to TRACE. In particular, will FINRA assign MPIDs or other identifiers to the depository institutions that become subject to TRACE reporting? Will FINRA conduct validations and generate rejections and unmatched based on TRACE reports submitted by broker-dealers not matching with reports submitted by these depository institutions? Further, as discussed in more detail below, some of the proposals in the Regulatory Notice would impact the types of TRACE validations that are performed, and the expansion of TRACE reporting to certain depository institutions as proposed also could impact these validations. FIF members request clarification on the expected implementation timing of the FINRA and Federal Reserve rule proposals in relation to each other and how the Federal Reserve proposal to expand TRACE reporting to certain depository institutions would impact the proposals in the Regulatory Notice.

³ Regulatory Notice 20-43, p. 6.

⁴ Regulatory Notice 20-43, p. 2.

⁵ "Proposed Agency Information Collection Activities; Comment Request", 86 Federal Register 6329 (January 21, 2021).

3. Provide for reporting of certain data through an end-of-day reporting process

TRACE is a real-time reporting system and ongoing connectivity with TRACE is required throughout the trading day to ensure public dissemination of corporate and agency bond trades, which are publicly disseminated.

Other data is not publicly disseminated, including execution data for Treasury trades. FINRA should clarify which categories of data that are not publicly disseminated are important for FINRA for intra-day surveillance. Data that is not important for FINRA for intra-day surveillance should be reported through an end-of-day reporting system rather than a real-time reporting system like TRACE. As an example, in the Regulatory Notice, FINRA is considering whether to require the reporting of certain new data categories, such as new fields reflecting whether an execution is manual or electronic or a trade is being cleared centrally or bilaterally. These fields would be more appropriate for an end-of-day, rather than a real-time, reporting regime.

TRACE is better suited for transaction reporting bound for dissemination. Publishing price, size, and time of executed transactions for many years is an important FINRA accomplishment. FIF recognizes that, at this time, TRACE is the only mechanism allowing regulators to see US Treasuries transactional data. However, based on the questions raised in the notice, FIF encourages FINRA to look at different ways of reporting and to continue to use TRACE for price and time information subject to dissemination. Other types of information described below can be collected through end-of-day reporting to FINRA.

4. Provide greater transparency to industry members on the current criteria for rejections and unmatches as well as how the proposals would change these criteria

The TRACE system rejects reports submitted by reporting parties based on TRACE system validations. The TRACE system similarly generates unmatched trade reports (unmatches) if the reports submitted by the parties to a transaction are inconsistent, as determined by TRACE system validations.

In evaluating the proposed changes to TRACE set forth in the Regulatory Notice, it would be helpful for firms to have a more detailed understanding of the current criteria that result in a rejection or unmatch in TRACE and how each of the new proposals will impact the rejection and unmatch validations applied by FINRA.

Certain proposals in the Regulatory Notice could lead to new types of rejections and unmatches. Because of the significant overhead involved in addressing rejections and unmatches, FIF members support proposals that can reduce the number and type of rejections and unmatches and would be concerned about proposals that could result in new types of rejections and unmatches.

5. Provide additional guidance on the distinction between manual and electronic executions

In the Regulatory Notice, FINRA is considering changes to require that members indicate whether a transaction is executed via voice or electronically. FINRA also requests feedback on the appropriate

timestamp granularity for reporting manual trades.⁶ To assist firms in providing feedback on these proposals and subsequent compliance with any reporting changes that are adopted, FIF members request that FINRA provide additional guidance on what constitutes a manual or electronic execution.

There are various scenarios where an execution could be considered manual or electronic. For example, assume that a trader agrees to a trade with another trader by phone or through an exchange of chat messages. One of the traders (the executing trader) then enters the trade into an order management system, which sends acknowledgment of the trade to the other trader. One way to determine whether the trade is manual or electronic would be to consider the timestamp for the execution: if the timestamp is based on when agreement was reached between the two traders (whether by phone or exchange of chat messages), the execution could be considered manual; conversely, if the timestamp is based on when the executing firm recorded the execution in its system, the execution could be considered electronic. This is one possible approach for distinguishing between manual and electronic executions, and other approaches also could be considered provided that there is clear guidance for industry members.⁷

FIF members also recommend that if firms are required to report the method of execution, this requirement should only apply to the executing firm since the reporting of this field would be determined by the operations of the executing firm, and the contra firm would not necessarily have access to this information.

6. Take into account challenges with implementing new fields and values

Based on the detailed and thoughtful questions from FINRA, it is clear that FINRA understands that many of the proposed changes will require system changes that could involve significant costs for industry members. FIF members appreciate FINRA's requests for feedback relating to these costs. Ongoing dialogue between FINRA and industry members, through this comment process and subsequent discussions, is important to ensure that FINRA's regulatory objectives can be achieved without imposing an undue burden on industry members.

Certain proposals being considered by FINRA will require firms to add new fields and report new values for TRACE reporting. Implementing new fields and values can require changes to trading desk, back-office and reporting systems, including user interface changes to the various systems. New fields and values also can require database changes. Because TRACE is a real-time reporting system, firms will be required to implement changes to real-time trading, back-office, reporting and database systems. Certain of the proposed changes also will require changes in trading workflows and trader behavior. The potential benefits of changes to TRACE should be balanced against these costs. If FINRA intends to introduce new required fields and values to TRACE, it is most efficient to require the introduction of

⁶ Regulatory Notice 20-43, pp. 5 and 10.

⁷ The Order Audit Trail System (OATS) Frequently Asked Questions (FAQs) issued by FINRA provide that "an electronic order is an order captured by a member firm in an internal or external electronic order routing or execution system." See <https://www.finra.org/filing-reporting/market-transparency-reporting/oats/fag/definitions>, FAQ D1.

these new fields and values on a uniform date. In addition, providing for end-of-day submission of certain data will reduce the burden on firms.

7. Set the implementation timeline based on publication of technical specifications

Based on the significant technical work that will be required to implement the proposed changes and various issues where the industry will require interpretive guidance from FINRA, FIF members request that the implementation timeline for any changes commence upon the publication of updated technical specifications and the issuance of FAQs by FINRA. In other words, if firms will have a period of “n” days to implement changes required by the rule, the commencement of this period of “n” days should be the day that FINRA publishes updated technical specifications and issues FAQs in response to industry member requests for guidance.

B. Comments on the specific proposals in the Regulatory Notice

1. Execution timestamps

In the Regulatory Notice, FINRA is considering a requirement that firms report transactions “to TRACE in the finest increment of time captured by the firm’s execution system, but at a minimum, in increments of a second.”⁸ In addition, “where a firm executes transactions in U.S. Treasury securities through an external system, FINRA is considering requiring that firms report such transactions to TRACE consistent with the Time of Execution communicated by the execution venue.”⁹

FIF members note that this proposal, if adopted, would require significant changes to certain firm reporting systems to match the granularity of internal and third-party execution systems. In light of these required system changes, FIF members request that FINRA communicate in greater detail the objective for this proposed change.

FIF members further request that FINRA communicate additional detail regarding timestamp validations that the TRACE system currently performs, including when validations can result in rejected and unmatched trade reports, and how the validation process would be impacted by the proposed changes. As one example, consider a scenario where Firm A executes a trade with Firm B where Firm B is the executing party, and both firms agree on the same execution time. However, Firm B reports to TRACE in a format with a lesser precision in the execution time than Firm A (for example, Firm B could report fewer zeroes after the decimal or truncate certain values at the end after the decimal). Will either of these scenarios result in an unmatched?

FINRA also requests comment on whether FINRA should “continue to permit manual trades to effectively be reported in minutes, or should reporting to at least seconds be required?”¹⁰ To assist FIF members in responding to this question, FIF members request that FINRA communicate additional detail regarding timestamp validations that the TRACE system currently performs. FIF members also request

⁸ Regulatory Notice 20-43, p. 3.

⁹ Regulatory Notice 20-43, p. 3.

¹⁰ Regulatory Notice 20-43, p. 10.

additional guidance on what constitutes a manual versus an electronic trade, as discussed in detail in Part A above. Based on this additional information FIF members will be in a better position to comment on this question.

2. Reporting timeframe reduction

In the Regulatory Notice, “FINRA is considering reducing the trade reporting timeframe for U.S. Treasury securities to facilitate more timely availability to regulators of intraday pricing and liquidity information on U.S. Treasury securities.”¹¹ FIF members do not object to the proposal to reduce the reporting timeframe. Some FIF members recommend a general reporting time period of two hours in place of the one-hour reporting period proposed in the Regulatory Notice. Other FIF members recommend a shorter timeframe that is harmonized with requirements in other asset classes (i.e., 15 minutes for corporate bonds).

3. Identifiers for non-ATS trading platforms

In the Regulatory Notice, “FINRA is considering changes to require members to report information regarding the identity of any non-ATS electronic trading platform through which a transaction in a U.S. Treasury security occurs...”¹² Under the proposal, “a non-ATS trading platform would include any electronic system that does not meet the definition of an ATS under SEC Regulation ATS, through which multiple parties facilitate orders, request-for-quotes (RFQs), or negotiate the terms of a trade in a U.S. Treasury security.”¹³ “FINRA would provide to reporters a list of non-ATS trading platform identifiers for use in populating the new field.”¹⁴

FIF members request that FINRA provide additional detail on the objective for this proposal. If this proposal is adopted, FIF members recommend that FINRA assign MPIDs to non-ATS trading platforms. Creating a new identifier type would require additional development work and additional ongoing operational overhead for firms.

4. Trading method

In the Rule Proposal, FINRA “is considering changes to require for all transactions in U.S. Treasury securities (whether or not an electronic component to the transaction exists), that members indicate whether the transaction was executed via voice or electronically.”¹⁵ FIF member firms request FINRA to explain its objective in requiring the reporting of this information.

As discussed in detail in Part A above, FIF member firms are concerned that the distinction between manual and electronic execution is not clear. In many cases, orders and resulting executions involve a combination of voice and electronic chat communications along with electronic transmission of order,

¹¹ Regulatory Notice 20-43, p. 4.

¹² Regulatory Notice 20-43, p. 4.

¹³ Regulatory Notice 20-43, p. 5.

¹⁴ Regulatory Notice 20-43, p. 5.

¹⁵ Regulatory Notice 20-43, p. 5.

acknowledgment and execution messages, such as through FIX. FIF member firms further note that this proposal, if adopted, would require firms to make significant system changes and also require changes to trader behavior to record whether an execution has been agreed by voice or electronically. Accordingly, FIF member firms do not support this proposal.

If FINRA proceeds with this requirement, it is important for FINRA to provide clear guidance as to the distinction between manual and electronic executions, as discussed in detail in Part A above. FIF members further propose that the reference to “voice” be changed to “manual” because trades can be executed manually through electronic chat messages.

5. Desk identifiers

In the Regulatory Notice, “FINRA is considering adding a new trading desk or unit identifier field for U.S. Treasury securities reporting to identify the specific desk or unit within a member firm executing the transaction.”¹⁶

FIF members note that this proposal would require firms to make significant system changes. FIF members request that FINRA provide additional detail regarding the objective for this proposed change since, at present, FIF members expect this change to be costly and time consuming but do not understand the intent.

FIF members are concerned that different firms will have different interpretations of what constitutes a trading desk or unit. An additional complexity is introduced when firms move a trade to a different desk after execution; in other words, a trade is executed by Desk 1 at a firm, and a cancel, reversal or correction is handled by Desk 2 (or by an operations group at the firm). FIF members request guidance on how this would be reported.

The Regulatory Notice provides that firms would be required to notify FINRA of updates to desk identifiers on a next-day basis. FIF members request clarification on whether TRACE will accept an execution report filed with a new desk identifier if TRACE does not receive the identifier until the following day. FIF members also request clarification on whether TRACE will validate whether a desk identifier reported by a firm for an execution matches a desk identifier previously filed by the firm with TRACE.

If firms are required to report desk identifiers for individual trades, FIF member firms propose that firms have the ability to report these identifiers on an end-of-day basis. If desk identifiers are required, FIF members further recommend that FINRA consider using the existing series of fields in the TRACE reporting message that are currently used for reporting the branch sequence number (Tags 802, 523 and 803).¹⁷ This could depend on how FINRA defines desk identifiers.

¹⁶ Regulatory Notice 20-43, p. 6.

¹⁷ See “FIX Specifications for the Trade Reporting and Compliance Engine system (TRACE®), Trade Reporting for Treasury Securities”, p. 27, available at https://www.finra.org/sites/default/files/2019-12/FIX_Specification_Treasuries_v1.5.pdf.

6. Clearing arrangement indicator

In the Regulatory Notice, “FINRA is considering requiring members to append a new indicator that would identify whether a transaction in a U.S. Treasury security will be cleared centrally or bilaterally.”¹⁸ FIF members do not understand why this information is relevant for trade surveillance purposes. If FINRA and other regulators are interested in macro information relating to trade settlement, it is more efficient for regulators to obtain this data from other third-party sources.

Reporting this field will involve a significant technical challenge because execution reporting systems often are disconnected from the settlement process. In certain cases, the settlement process may be handled at a different firm from the one that handles the execution or on subsequent days.

If this field is required, it should be reportable on an end-of-day basis because the settlement method can change after a trade has been executed based on market conditions, counter-party needs, customer requests or other factors. In addition, the settlement method should not be relevant for real-time trade surveillance.

FIF members request clarification on how firms would report this field for trades where they use the Fixed Income Clearing Corporation (FICC) for trade comparison but not for netting.

7. Multi-leg transaction modifiers

In the Regulatory Notice, “FINRA is considering whether additional modifiers to identify specific categories of multi-leg transactions involving a U.S. Treasury security are appropriate, as well as an additional modifier to indicate whether the U.S. Treasury security transaction is priced at or off market.”¹⁹ FINRA is considering proposing modifiers to identify:

- Trades involving a series of nominals
- Breakeven trades
- Trades against an interest rate swap
- Trades hedging other security types
- Any other multi-leg transaction not specified in the above categories.²⁰

The proposed changes to transaction modifiers will require changes to trading workflows, as traders will need to input these values into trading desk systems.

FIF members are concerned about the challenges that firms will face in correctly identifying the type of transaction, as proposed in the Regulatory Notice. In particular, FIF members propose that FINRA amend its proposal to remove references to “hedging” in the reporting requirements. Many firms think about their transactions in terms of modifying the firm’s existing exposure therefore many transactions a firm engages in reduce the firm’s risk (i.e., hedge) along some dimension.

¹⁸ Regulatory Notice 20-43, p. 6.

¹⁹ Regulatory Notice 20-43, p. 7.

²⁰ Regulatory Notice 20-43, pp. 7-8.

As opposed to a focus on hedging, it is preferable to focus on whether trades are part of the same series of transactions. Even here, it is often unclear when trades are part of the same series of transactions. For example, are orders in a basket order by definition considered to be part of the same series of transactions? To be part of the same series of transactions, is it necessary that the orders be submitted at the same time and, if so, what time parameters should be applied? Alternatively, is it necessary that the orders be grouped by the customer (or a firm, in the case of a principal order) through a single group identifier? FIF members believe that further discussions among FINRA and industry members would be required to obtain greater clarity on what guidelines firms should use to determine when orders are considered part of the same series of transactions.

FIF members also have a concern that the reporting of specific types of multi-leg transactions will require firms to reveal proprietary trading strategies.

8. Price at or off the current market

In the Regulatory Notice, “FINRA is considering, for each strategy ... that members further specify whether the U.S. Treasury securities transaction is executed at a price that is at or off the current market.”²¹ FIF members are concerned that it is not possible to have an objective market price for many bond trades, especially less-liquid ones. The problem is compounded by the nature of public reporting in the Treasury market. There are no public reports of Treasury trades and, unlike the equity markets, there are no publicly disseminated exchange books with multiple market makers providing continuous firm two-sided quotes that collectively represent the market. Even assuming a firm is somehow aware of a simultaneous trade in the security, (a) how does the firm know whether this reported trade is “on” or “off” the market? and (b) how far away from the market would the firm's trade need to be to be considered “off”? Would this distance from the market vary based on product? Given these challenges, FIF members recommend that FINRA remove this requirement.

FIF members also request clarification on the distinction between this proposed reporting requirement and the current requirement to report the “SpecialPriceIndicator” field.²²

9. Standardized price reporting

In the Regulatory Notice, “FINRA is considering changes to require further standardization of the measure used to report price” based on the category of Treasury.²³ FIF members support a requirement to report all trades based on the dollar price. Some firms only report based on price and would need to implement system changes to report based on a discount rate or discount margin. Having a standardized price reporting requirement also would likely reduce the number of unmatched based on price.

²¹ Regulatory Notice 20-43, p. 8.

²² See “FIX Specifications for the Trade Reporting and Compliance Engine system (TRACE®), Trade Reporting for Treasury Securities”, p. 20, available at https://www.finra.org/sites/default/files/2019-12/FIX_Specification_Treasuries_v1.5.pdf.

²³ Regulatory Notice 20-43, p. 8.

10. Report ATS fees separately

In the Regulatory Notice, “FINRA is considering requiring that members report per-transaction ATS fees separately from the price when reporting transactions in U.S. Treasury securities to TRACE.”²⁴

FIF members note that in many cases the per-transaction fee for a Treasury trade on an ATS is not known until after the end of the month, at which time a volume discount is applied to the trades that a firm executed during the prior month. FIF members believe that TRACE should be used for reporting the execution price on an ATS and that a separate process, not related to TRACE, should be considered for reporting ATS fees.

FIF appreciates the opportunity to comment on Regulatory Notice 20-43. If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at howard.meyerson@fif.com.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

²⁴ Regulatory Notice 20-43, p. 9.

February 22, 2021

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006-1506

Re: FINRA Request for Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities (Regulatory Notice 20-43)

Dear Ms. Mitchell:

Dimensional Fund Advisors LP (“Dimensional”)¹ appreciates the opportunity to provide the Financial Industry Regulatory Authority (“FINRA”) with our reviews on Regulatory Notice 20-43.² At Dimensional, we believe that expanding TRACE reporting requirements and increasing public transparency of data is very beneficial to fostering a fair and efficient market for all participants.

We support the proposed enhancements to TRACE reporting requirements relating to U.S. Treasury securities, as we believe enhanced reporting will be particularly useful for regulators and therefore very beneficial to the market in general.

In addition, we strongly encourage FINRA to publicly disseminate the TRACE data that it collects on U.S. Treasury securities as soon as practicable. As we wrote in a letter to FINRA on September 23, 2019,³ we believe that increased price transparency always benefits investors. Since 2002, the price transparency and improved oversight made possible by TRACE has directly contributed to narrower bid-ask spreads and fueled capital markets growth. In our view, publicly disseminating TRACE data on U.S Treasury securities would support and improve these benefits.

Please do not hesitate to contact us if we could be of further assistance. We would welcome the opportunity to present an expanded discussion of our thoughts on these issues.

Sincerely,

/s/ Gerard O'Reilly

Gerard O'Reilly
Co-CEO and Chief Investment Officer

¹ Dimensional Fund Advisors LP is an investment adviser registered with the Securities and Exchange Commission.

² FINRA Regulatory Notice 20-43 (December 23, 2020), available online at: <https://www.finra.org/rules-guidance/notices/19-25>.

³ See Letter to Marcia E. Asquith from Gerard O'Reilly dated September 23, 2019, attached as Appendix A.

Appendix A

**Letter to Marcia E. Asquith, Office of the Corporate Secretary, FINRA, from Gerard O'Reilly,
Co-CEO and Chief Investment Officer, Dimensional Fund Advisors LP, dated
September 23, 2019**

September 23, 2019

Ms. Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Request for Comment on a Proposal to Require Reporting of Transactions in U.S. Dollar-Denominated Foreign Sovereign Debt Securities to TRACE (FINRA Regulatory Notice 19-25)

Dear Ms. Asquith:

Dimensional Fund Advisors LP (“Dimensional”) appreciates the opportunity to provide the Financial Industry Regulatory Authority (“FINRA”) with our views on the Regulatory Notice 19-25 proposal.¹ As a registered investment adviser that provides investment management services to mutual funds, institutional and financial adviser clients, Dimensional believes that an expansion of TRACE reporting requirements and increased transparency is beneficial to fostering a fair market for all market participants.

We support the proposed expansion of TRACE reporting requirements to collect information on trades in foreign sovereign debt securities that are U.S. dollar-denominated. In this increasingly active segment of the market, we believe this additional reporting will be useful from a regulatory standpoint and therefore beneficial to the market more generally.

Furthermore, we strongly advocate for this proposal to be expanded in the future to publicly disseminate this information in a timely manner, as is currently required for almost all other U.S. dollar-denominated securities traded in the U.S., including that of foreign private issuers. We believe that increased price transparency is always beneficial for markets and will inherently boost investor confidence in this growing market segment.

Increased transparency benefits investors

Since the introduction of TRACE in 2002, the U.S. bond market has grown in size to all-time highs.² Secondary market trading volume continues to rise to all-time highs with each passing year.³ Bid-ask

¹ FINRA Regulatory Notice 19-25 (July 26, 2019) (“Notice”), available online at: <https://www.finra.org/rules-guidance/notices/19-25>.

² See SIFMA’s statistics on amounts outstanding in the U.S. bond market available at <https://www.sifma.org/resources/research/us-bond-market-issuance-and-outstanding/>.

³ See SIFMA’s statistics on U.S. bond market average trading volumes available at <https://www.sifma.org/resources/research/us-bond-market-trading-volume/>.

spreads have shrunk to all-time lows.⁴ We believe it is the transparency brought about by TRACE that helped create these conditions. In turn, we believe that this transparency has increased investor confidence, resulting in more robust capital markets.

We believe complete and immediate post-trade data dissemination for all securities in the market should be the ultimate objective of any program. This model has proven to be fair and effective in the equity markets for many decades. As a result, we are supportive of additional initiatives by FINRA to further increase transparency in the bond markets.

Scope of proposed reporting requirements

Foreign sovereign debt issuance denominated in U.S. dollars has increased substantially since 2013.⁵ Both sovereign governments and supranational organizations have contributed to this growth by issuing a greater number of U.S. dollar-denominated bonds with a larger aggregated par value amount. As such, we agree that FINRA's inclusion of both groups in the scope of the proposed reporting requirements is appropriate.

However, we believe that the reporting timeframe and the dissemination of information could be improved. The growth of this burgeoning market segment has resulted in a total amount outstanding of \$2.3 trillion in U.S. dollar-denominated foreign sovereign debt (as of December 31, 2018). This represents approximately the same amount outstanding as the U.S. agency debt market.⁶ We believe that the foreign sovereign debt market should be held to the same reporting standards as the similarly sized U.S. agency debt market. While the same-day reporting proposed by FINRA would certainly be a step in the right direction, we believe that the 15-minute reporting deadline currently enforced for U.S. agency and corporate bonds denominated in the U.S. dollar, should be consistently implemented across market segments. The transparency brought about by current TRACE reporting standards has increased investor confidence, leading to improved capital market conditions. We believe that the foreign sovereign debt market is no different and investors will similarly benefit from a higher degree of price transparency.

Increased transparency benefits investors

Without the public dissemination of the proposed information, though, none of the transparency benefits can be realized. FINRA recognized this when it stated in the Notice that since "the transactions will initially not be publicly disseminated, no additional . . . benefits from increased transparency will be" realized.⁷ While Dimensional appreciates that FINRA is seeking to take a measured, incremental approach by first analyzing the new regulatory data before determining if a transparency regime would be appropriate, we

⁴ See Bruce Mizrach *Analysis of Corporate Bond Liquidity*, FINRA Office of the Chief Economist Research Note (2015).

⁵ See the Notice, pages 4-7.

⁶ See the Notice, page 4.

⁷ See the Notice, page 8.

would encourage FINRA to take the next step of publicly disseminating the transaction information as soon as possible.

We strongly advocate for the dissemination of this reported information to best serve all investors, including asset managers, institutions, and Main Street investors.

Economic costs should be minimal

FINRA stated in the Notice that the proposal will not “impose significant burdens and costs on firms”.⁸ Dimensional trades with a large number of broker-dealers across a wide range of market segments, including both 1) currently TRACE-eligible securities and 2) the proposed U.S. dollar-denominated foreign debt securities. As FINRA suggests, it is also our understanding that many broker-dealers already have TRACE reporting workflows in place. We believe that the benefits to investors of improving FINRA’s market surveillance program will be significant and therefore support this proposal.

Impacts on trading behavior and competition

Since 2002, the price transparency and improved oversight made possible by TRACE has been overwhelmingly beneficial to investors, led to narrower bid-ask spreads, and fueled capital markets growth. We believe that an expansion of TRACE reporting to a new market segment (including non-U.S. dollar-denominated foreign sovereign debt) would support and increase these benefits.

We appreciate our regulators continuing to strive to improve the fairness of markets for all participants and are grateful for this opportunity to provide our comments. Please consider our suggestions to improve the constructive proposal for additional TRACE reporting.

Sincerely,

/s/ Gerard O’Reilly

Gerard O’Reilly
Co-CEO and Chief Investment Officer

⁸ See the Notice, page 2.

February 22, 2021

Via Electronic Submission

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 20-43; FINRA Requests Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities

Dear Ms. Mitchell,

SIFMA¹ and its members appreciate the opportunity to respond to Regulatory Notice 20-43 and share our recommendations and concerns on FINRA's proposed enhancements to TRACE reporting for US Treasury securities. We recognize the importance of regulators having access to the information they need to conduct systemic risk and market conduct oversight and understand FINRA's goals in exploring how the TRACE platform can be used to support the delivery of additional information on market activity and the behavior of market participants to FINRA and its regulatory partners. As the regulatory community reviews activity in the Treasury securities markets, we understand the importance of finding new ways for regulators to obtain information relating to the activity in these securities.

At the outset, we would like to share our views on high level considerations which we suggest FINRA bear in mind when designing any planned enhancements to TRACE reporting and the schedule and implementation process to support them, before moving into more detailed comments on specific elements of the proposal. There are a number of common considerations which we feel should shape the design and implementation of any potential enhancements to TRACE in the Treasury market space.

First, when considering the technical and operational challenges of making any enhancements for reporting firms, there are substantial differences among TRACE reporters. Different firms may be starting from different levels, depending on existing systems and infrastructure, and we recommend FINRA bear these differences in mind when developing implementation timelines. Similarly, we would like to stress the importance of staggered build times for any enhancements which FINRA moves forward with, discussed further below.

Additionally, some of the data envisioned for collection in this proposal is not readily available; other data is likely available but would require significant tech buildouts given that SIFMA members do not report that information for other asset classes. Similarly, we caution against the direct extension of reporting structures from other markets to Treasury markets (and vice versa). What makes sense for one market is not necessarily achievable for all markets, due to issues such as differences in market structure or

¹ SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$20 trillion in assets and managing more than \$67 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>.

timelines for trading. We point to a number of these challenges in our responses to specific elements of the proposal below.

Our response to these proposals is also based on the understanding that this information will be used for regulatory purposes only and would not be subject to public dissemination, consistent with past FINRA rule filings allowing for the release of only aggregate information on the Treasury markets collected via TRACE and Department of Treasury statements on the goals and scope of Treasury market information dissemination.^{2 3}

We also encourage FINRA and its regulatory partners to look at the basic nature of the TRACE platform when considering the most effective means to collect additional information on Treasury markets activity. Using TRACE to collect additional data is most effective when any new information requests closely align with the core features of TRACE as a trade reporting platform. The provision of information beyond that traditionally required by TRACE (i.e., CUSIP, price, direction, etc.) will be challenging for firms to comply with. Forcing these non-traditional data elements into the TRACE platform may result in data which is not as effective for regulatory purposes. Looking beyond TRACE to identify other alternatives for collecting some of these data elements may be more efficient for both firms and regulators.

As FINRA contemplates its plans for TRACE enhancements, we strongly urge any enhancements which are adopted to be implemented on an extended, or staggered, basis over the timeframe of a couple of years. As detailed below, with respect to those proposed enhancements that we believe are appropriate, they will require significant operational and technical changes within reporting firms, and in many cases each element of the proposal will require system work which is different and distinct from the work needed to support other elements of the proposal, given that they touch a broad range of firm systems.

The implementation schedule should also reflect that additional time will be required in order to modify trade feeds with counterparty trading venues. These proposed changes include many new data elements across firms' trading, trade capture, and reporting processes. Implementing these changes across a number of counterparty trading venues will take additional time. There is additional complexity because many of these venues are not the direct counterparty of reporting firms.

We also recommend FINRA review these proposals in light of other pending regulatory changes that may impact the availability of information on these markets and products. For example, the proposal by the Federal Reserve Board of Governors to implement Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements will increase the number of users and complexity of information provided by the banks which are in scope for its requirements, and FINRA should bear that in mind terms of 1) implementation complexity, 2) what information is available and what their needs will be, and 3) transparency implications of that rule proposal.⁴ Similarly, the Securities and Exchange Commission's (SEC) proposed expansion of Reg ATS in the Treasury securities market may have implications on the structure of ATS markets and the information available on them, which we discuss in greater detail below.

Comments on Specific Elements of the Proposal

Within the broad goals outlined by FINRA in this proposal, we feel there are significant differences between the specific proposals in terms of the ability of SIFMA members to deliver the information

² *Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Allow FINRA to Publish or Distribute Aggregated Transaction Information and Statistics on U.S. Treasury Securities*; Nov. 14, 2019 <https://www.sec.gov/rules/sro/finra/2019/34-87540.pdf>

³ Remarks of Deputy Secretary Justin Muzinich at the 2019 US Treasury Market Structure Conference; September 23, 2019, <https://home.treasury.gov/news/press-releases/sm782>

⁴ <https://www.federalreserve.gov/boarddocs/press/foiadocs/2021/20210121/foia20210121.pdf>

suggested, the technical and operational complexity involved in supporting them, and in some cases the feasibility of using TRACE to collect this information.

At a high level, SIFMA views the specific elements of the proposal in five broad categories: 1) Implementation will be challenging but is achievable with adequate time and appropriate definitions; 2) Recommend FINRA rework existing TRACE modifiers and reporting fields to capture the information; 3) Areas where we recommend FINRA delay any changes until pending regulatory proposals have been resolved; 4) proposals which SIFMA and its members strongly believe are not suited to collection through TRACE and where we recommend FINRA identify other means to collect this information; 5) proposals where the industry’s ability to successfully deliver additional information will depend on the details of how such enhancements are structured. The table below (Table A) summarizes our views on each of the proposed enhancements.

We feel that among the proposed enhancements, the clearing arrangement indicator and the separate reporting of ATS fees have serious challenges, and we recommend that FINRA not move forward with them. As discussed below, each of these proposals would be very difficult and in some cases next to impossible for SIFMA members to accurately and consistently report. These challenges would not be resolved with technical enhancements, but reflect the way information is shared among market participants. Additionally, they do not align with the scope and structure of TRACE as a trade reporting platform, and we recommend FINRA and its regulatory partners find alternative means of collecting any information on these issues needed for supervisory activity.

The proposed enhancements to the multi-leg transaction indicators also present major challenges given the structure of these types of trades; instead we recommend FINRA re-purpose existing modifiers to capture any additional information needed. We also recommend FINRA delay any enhancements around the identification of non-alternative trading system (ATS) trading venues until pending SEC rulemaking in this space is finalized.

The industry’s ability to execute two other proposed enhancements - the proposed desk identifier and the move to greater granularity in execution time stamps – will depend on the details of how any new requirements are structured. The proposed desk identifier indicator will be very complex to execute in a way that would provide meaningful, comparable information. The proposed requirement for more granular execution timestamps will also present major challenges in reconciling information across venues and firm systems. The ability of the industry to successfully implement new requirements in these areas will vary substantially on how they are defined and scoped. With appropriate scoping, these requirements could at best be complex but ultimately achievable builds; however, if the details of their scope do not reflect the complexity of industry practice and interaction among market participants and systems, it may not be possible to deliver consistent, meaningful information. If FINRA moves forward with changes in these areas, close engagement and dialogue with the industry will be necessary to develop the details of any new requirements prior to implementation.

SIFMA and its members believe that the other enhancements are achievable (at times, in part), given the right implementation timeframes as discussed above, and provided that any changes are supported by appropriate definitions and conditions reflecting industry market practice, the unique features of the US Treasury market, and the constraints on firm systems

Table A: Categorization of SIFMA Responses to Proposed Enhancements

<i>Proposed Enhancement</i>	<i>Implementation challenging but achievable</i>	<i>Recommend adapt existing modifiers</i>	<i>Delay until other regulatory change is complete</i>	<i>Major challenges, recommend use alternatives instead</i>	<i>Details of proposal will determine ability to implement</i>

More granular execution timestamps					X
Shortened trade reporting timeframe	X				
Non-ATS Indicator			X		
Desk identifier					X
Platform information and trading method	X				
Clearing Arrangement Indicator				X	
Multi-leg Transaction Indicator		X			
Standardized Price Reporting	X				
Separate Reporting of ATS Fees			X	X	

We feel it is valuable to provide specific comments on individual elements of the proposal in greater detail below:

(1) *More granular execution timestamps;*

FINRA's proposal considers revisions to the current execution timestamp requirements for U.S. Treasury securities to require that members report transactions executed electronically in U.S. Treasury securities to TRACE in the finest increment of time captured by the firm's execution system, but at a minimum, in increments of a second, as well as reporting in the most granular increment which is provided by any external execution venue used by the firm in trades.

This change will likely present a range of challenges for many broker dealers, given that systems have been built based on current requirements. Although some firms already provide information at this level of granularity, it is not standard across firms. Execution systems often have various components, many of which are at differing time standards. If FINRA's proposal would require firms to use the most granular time component contained within any element of their larger systems, this would create substantial operational challenges.

There are additional challenges because even though an incremental time stamp is provided by a venue, this does not mean that time stamp is easily replicated within a firm's systems for reporting purposes. Also, it is likely that firms receive time stamps at differing increments across venues (or potentially even products) and it will not be easy or straightforward to create the level of uniformity needed for this modified requirement.

Reporting capabilities also vary across the platforms used by firms for different business lines; not all firms have a single system which provides execution timestamps in a consistent format. These differences across the multiple platforms used by many firms to handle Treasury market trading activity will create substantial work to allow for a new execution timestamp (at the most granular level which might be digested or used within any element of a firm's execution system infrastructure) which would meet the requirements proposed by FINRA. Put another way, simply because one element of a firm's system

receives, contains or stores a granular timestamp, this does not mean that the system as a whole can be adjusted to recognize this time for TRACE reporting purposes. This will be a significant build as firms have to pull together execution data from a number of different sources, which would need to then be formatted in a consistent way to send downstream to reporting engines.

We would also note that while this information is at times available for electronic trading (even if it would require system changes to report at a new level of detail), it is not possible for voice trading activity to be reported at the same level of timestamp granularity as for electronic trades. Members firmly believe that the proposal's recommendation to create different standards for voice and electronic trading will create confusion.

Additionally, the proposal refers to transactions "executed electronically" – which is a nebulous term covering a range of different ways of executing trades. Any rule change would need to provide clear definitions of what would be in scope, and also reflect the fact that within the broad category of "electronic" transactions there may be differences in the level of timestamp granularity that are available, even after technical upgrades, based on the characteristics of those markets.

As the proposed changes would require firms to standardize information across platforms, it would be most effective from a technological perspective to have timestamps for all TRACE reporting consistent across products, not just Treasuries. As a result, FINRA's thinking on the level of timestamp granularity for Treasuries should be informed by the limitations and structural constraints that shape reporting timestamps for other TRACE eligible products.

There is additional complexity for both reporting firms and regulatory users of the data as reporting moves to capture increasingly granular levels of detail. These challenges can be seen in the challenges associated with clock synchronization and harmonizing information from different reporters as seen in equities space for the implementation of the Consolidated Audit Trail (CAT).

In light of these complexities, we would like to stress that changing the granularity of execution timestamps would not be a simple exercise of aligning broader reporting standards with a more granular data point that may be presently available. If FINRA moves forward with enhancements in this area, it would be necessary to work with the industry to understand how their objectives for greater granularity in execution time information can be structured in a way which reflects the complexities of market practice, firm systems, and the interaction among market participants.

(2) A shortened trade reporting timeframe;

The proposal also discusses a potential reduction in the reporting timeframe for trades in US Treasury securities, with the goal of providing regulators with more timely information on intraday pricing and liquidity information. The proposal suggests a move to a 60-minute reporting timeframe for trades carried out during the majority of the regular trading day, with modifications for early morning and late day trades. This would be a substantial change from the current reporting timeframes.

SIFMA and its members feel that some shortening of the reporting timeframe requirement from the current window would be feasible for firm systems, provided that any change includes sufficient time for implementation and testing. However, we recommend that FINRA not move to a 60-minute timeframe as outlined in the proposal. We recommend moving to at most a two-hour timeframe, built around the periods of reporting during the trading day as outlined in the proposal. This could be reviewed in the future based on the industry's experiences providing this data and the end user regulators' experiences in working with more rapidly available data.

There are operational challenges inherent in a more dramatic move from the current timeframe to a 60-minute timeframe. For example, there are inconsistencies in the way firms report today which would need to be modified, as well as the impact of moving more data through systems on an intraday basis. There

are also tradeoffs between shortened time for reporting and an uptick in late reports with cancels and corrects. This tradeoff becomes more acute the shorter the standard reporting time becomes.

Additionally, the reporting timeframe for Treasury trading should reflect the unique operational and market responsibilities of many firms active in this market. For example, primary dealers do have an obligation to focus on defined responsibilities of supporting auctions and open market activity in line with Treasury market best practices; a wider reporting window would give firms more flexibility to meet these time sensitive requirements and provide TRACE reporting. These responsibilities impact not just the process of booking trades, but associated responsibilities for correct reporting, which draws on staff across the middle office. This would create challenges at shorter timeframes such as a 60-minute window, and especially were reporting to eventually move to the 15-minute timeframe seen in corporate fixed income markets.

(3) new indicators to identify non-alternative trading system (ATS) trading venues and method of execution, the trading unit within a firm executing a trade, and the method used to clear and settle a transaction

General Comments on these Indicators

The proposal outlines a number of potential new indicators which would be attached to trades where appropriate, including new indicators to identify non-alternative trading system (ATS) trading venues and method of execution, the trading unit within a firm executing a trade, and the method used to clear and settle a transaction. While we have specific comments related to each of these proposed indicators, at the outset we would like to provide some general comments on the challenges around adding additional indicators to TRACE trade reports.

Each of the proposed new indicators would require significant IT upgrades and build cost for firms to comply with new reporting requirements. In addition, some proposed indicators would be very difficult to provide, as they are not extensions of existing reporting systems but would require bridging with entirely different firm systems. A clear definition of requirement and purpose for any additional indicators will be needed in order for firms to implement them and to for information to be reported in a consistent way across market participants.

These proposed indicators also largely collect information which is not connected with the scope of traditional trade reporting, but which provide surveillance and supervisory information. As a result, FINRA and its regulatory partners who use this information should consider whether TRACE's design as a trade reporting platform makes it fit for purpose in incorporating these elements divergent from its original purpose.

We also encourage FINRA to consider whether there are alternate means to obtain the information provided by these indicators more directly from other sources, such as directly from trading venues or clearing agencies. Although there would likely be challenges in matching up information from other sources to the trade date reported to TRACE, they could provide an efficient solution, depending on how FINRA and other regulators plan to use the information provided.

Specific Comments on Individual Proposed Indicators

3.a) Identify non-alternative trading system (ATS) trading venues

The proposal considers requiring TRACE reporters to append a unique identifier for each non-ATS trading platform used for transactions in U.S. Treasury Securities. We recommend that FINRA postpone any new enhancements related to identifying non-ATS venues at this time. Given that the SEC recently proposed rules to extend Regulations ATS and SCI to Treasuries and other government securities

markets, we believe it would be most effective for FINRA to delay any requirements in this area until this rulemaking moves forward.⁵

If rulemaking moves forward in this area, it could substantially change the landscape of regulation of trading venues for these securities. We recommend that any FINRA enhancements to TRACE in this area be revisited once SEC rulemaking in this area is complete, so they can reflect any changes in market structure going forward. This would allow both the most effective design of any reporting requirements based on any changes in market structure and avoid throwaway work by building mechanisms now that could be made obsolete following new rulemaking in the near future.

Additionally, the proposed SEC rules may potentially provide additional transparency on activities in these markets and venues which FINRA and other regulators are looking to obtain through the current TRACE enhancements proposal. If FINRA delays enhancements in this area until rulemaking is complete, it can then assess what information is available following rulemaking, and what enhancements are further needed to fill any remaining information gaps at that point.

Participants would also need to understand clearly what is classified as a non-ATS venue. Given the various means to execute these transactions, including single dealer platforms, APIs and other communication methods, it is not clear how this category would be delineated, and reporting firms would need clear and detailed guidance reflecting the nuances of the range of venues and transaction models in this market.

3.b) Desk Identifiers

The proposal also notes that FINRA is considering requiring firms to assign and use a unique identifier for each desk or unit at the firm that executes transactions in a U.S. Treasury security. Adding Desk IDs on TRACE for Treasury trade reports would be a significant lift for many firms. It has not been required previously by FINRA and is not an expansion of any existing TRACE reporting functionality, and so would have to be designed and built from scratch for many firms. This is a novel request and arguably beyond the traditional scope of TRACE and its core trade reporting functions. The proposal would also create substantial complexity to develop a system for consistently and accurately identifying desks. We recommend FINRA assess other means to collect information on desk level activity.

Although some firms have desk level reporting identifier capabilities in place as part of reporting requirements associated with the Volcker Rule and Fundamental Review of the Trading Book, many TRACE reporters in the Treasury markets are not in scope for these regulations, and so this would represent a major new technical implementation project for them.

Establishing clear definitions for desks and trading units would be critical for the success of any changes in this area, yet there are major challenges in developing a framework that would reflect the diversity of firm approaches and systems in this area. Delineating these businesses is not always obvious - for example, firms divide their desks in a range of ways and frequently change them (i.e. by tenor or trading strategy, etc.). There will be additional complexity given how Treasuries are used across so many trading types and products. There is additional complexity in that firms use both front and back-end systems to support TRACE reporting, and these will also need to be aligned to clearly and consistently identify desks. For example, firms also work with a range of third-party systems and vendors which have reporting obligations. Each of these systems would need to have the ability to identify one another with a modifier based on desks. It is not clear if these systems could support the addition of these desk modifiers.

This complexity will drive substantial operational and technical lift to consistently and accurately identify a range of desks. It is also not clear whether this requirement would be applied to non-broker dealers who

⁵ SEC Proposes Rules to Extend Regulations ATS and SCI to Treasuries and Other Government Securities Markets, <https://www.sec.gov/rules/proposed/2020/34-90019.pdf>

also have desk structures, such as some ATSS. Close dialogue with reporting firms would be necessary to create clear and unambiguous definitions that reflect industry practices.

It is also not clear whether the desk identifier would be treated as a matching field and require population by counterparties on submissions for transactions with IDBs. If so, requiring the IDBs to mirror the variety of approaches to desk identifiers across their various counterparties would represent a substantial technical lift and add significant operational complexity to the reporting process.

At the outset of our letter, we noted that we are commenting based on our expectation that dissemination of any information reported to TRACE would only be in the aggregate, in line with prior statements by regulators and past FINRA rule changes. If FINRA were in the future to contemplate changes to this dissemination model, SIFMA and its members would have serious concerns around the dissemination of particular elements of information in these proposed enhancements. We feel that desk identifiers contain sensitive market information which would not be suitable for public dissemination, and any information collected with this modifier, if adopted, would need to be excluded from any public dissemination framework. These concerns apply to a number of other aspects of these proposed changes, including such as the enhancements around platform information and trading method discussed below.

We also encourage FINRA to consider further what purpose the information these additional identifiers would serve, and how they and their regulatory partners would use them. The industry may be able to suggest other ways of providing the information needed directly without working through complex enhancements to TRACE in this area. For example, if these modifiers are designed to decrease wash trading inquiries, there may be other ways for market participants to support regulators' inquiries. As in other elements of the proposed enhancements, data collection which is more closely aligned with supervision than on market transparency is best collected through other channels.

Additionally, FINRA should be mindful of the potential impacts of the pending regulatory proposal by the Board of Governors of the Federal Reserve System to implement Treasury securities and Agency debt and mortgage-backed securities reporting requirements for depository institutions, to be collected via TRACE.⁶ The expansion of reporting requirements to these institutions can create additional complexity in the identification and classification of desks via TRACE.

Given these issues, we caution that the ability of the industry to report consistent, meaningful information in this area will depend on the specific details of any new requirements. We encourage FINRA to review how they plan to use this information, assess alternate sources which could provide it, and in light of that work closely with the industry to develop appropriate scoping and definitions for any further reporting requirements which may be necessary.

3.c) Platform information and trading method

The proposal also considers changes to require members to report information regarding the identity of any non-ATS electronic trading platform through which a transaction in a U.S. Treasury security occurs as well as the method of execution (i.e., voice or electronic).

On the question of requiring reporters to distinguish between voice and electronic trades, SIFMA and its members would like stress the complexity of trade types and interactions between firms and trading platforms as part of the trading process, and the resulting challenges in clearing differentiating between trade execution methods. If any new reporting requirements are developed in this area, they will need to be built on the right definitions, and the dialogue with the industry will be needed to make sure they capture the broad range of market practice.

⁶ Board of Governors of the Federal Reserve System Notice and Request for Comment, *supra* Note 4

As a foundation for the any future definition of voice vs. electronic trades, the SEC Fixed Income Market Structure Advisory Committee (FIMSAC) defined fully electronic trades are those for which all material interactions between the parties to the trade, including price discovery, occur through the functionality provided by the platform.⁷ While this captures many of the defining features of electronic trades, it relies on the ATS platform functionality and GUI, that maybe hard to represent as fully electronic. Instead, we encourage FINRA to examine definitions for electronic trading which focus on defining electronic trade as a trade, where communication takes place using standard trading protocol between trading parties (ex. FIX). While a modified version of this definition could be a workable foundation, it would still require extensive review to reflect the ways firms interact with customers, each other and trading venues, and the fact that there are a number of trading models which will be very challenging to clearly and consistently differentiate between voice and electronic.

There are additional challenges in clearly distinguishing between electronic and voice trades, when trading models offer hybrid functionality, which combine aspects of both trading methods. Walking through the lifecycle of a hypothetical trade executed on a venue which offers hybrid functionality highlights the challenges in distinguishing between these trade types.

For example, traders can either enter their orders at a platform with hybrid functionality fully electronically, or they can call or message their voice broker to place the order. The broker takes this “voice” order and then enters it into the platform electronically on behalf of the trader. Once input, the trader can electronically delete or modify it, as they could for any other trade they entered electronically. The trade could have any combination of electronic, voice, and hybrid interactions. For example, a different trader may execute electronically against that voice order, the trader who placed the voice order may then work up the trade himself electronically or speak with the broker to work the trade on their behalf. The broker may be working the trade on the desk with another broker or may be working it electronically with another trader. This hypothetical scenario highlights the serious challenges to consistently identify which aspects of the trade are electronic and which are voice.

On the question of reporting information regarding the identity of any non-ATS electronic trading platform, we would like to stress the importance of allowing for adequate implementation timing, given that trade reporting systems will need to be enhanced to read trade execution (destination) fields. Additionally, the potential ID mapping table suggested by FINRA in the proposal providing a list of non-ATS trading platform identifiers for use in populating the new field would be key for the successful implementation of any new requirements in this area.

3.d) Clearing Arrangement Indicator

As part of the proposal, FINRA is also considering requiring that members specify whether a trade in a Treasury security will be centrally or bilaterally cleared. This is among the most concerning elements of the proposal for SIFMA and its members. Adding this type of modifier would represent a major transformation of the type of information reported to TRACE and would require substantial amounts of technology and systems development to bring in information which currently has no close connections to the type of information used for trade reporting. Additionally, in many cases clearing arrangement information would not be available accurately within the reporting timeframes for TRACE, based on the timeframes for post-trade communication with clients. In light of these challenges, SIFMA and its members strongly recommend that FINRA look for other sources for this information and not implement this modifier.

Incorporating a clearing arrangement indicator in TRACE reporting would require a major build, spanning disparate firm systems which are not currently involved in TRACE reporting. Clearing instructions sit away

⁷ U.S. Securities and Exchange Commission Fixed Income Market Structure Advisory Committee Recommendation Regarding Defining “Electronic Trading” for Regulatory Purposes; October 2020, <https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-recommendation-definition-of-electronic-trading.pdf>

from firms' trade reporting systems and the systems which generate data to report to TRACE. Making information available from one system to another would be a major IT and technology lift.

Even if the technical issues are resolved and these links between clearing and trade reporting systems are completed, the information provided may not be accurate for the timeframes required for TRACE reports. In a client trade involving an Investment Advisor, firms may not know the underlying beneficial owner(s) at the time when the trade is executed and won't know it for hours. Obtaining and confirming this information occurs through a process which is downstream from the booking engine which handles TRACE reporting and relies on different systems, making it challenging to report this information in the timeframes required for TRACE. These differences in timeframes of when information is available will also create issues in the volume of corrections needed. An elevated level of corrections would likely be necessary even in steady state operations for this type of reporting.

If FINRA and its regulatory partners need additional information on the clearing arrangements for the Treasury market, we recommend they look to collect this information through different channels which are more closely suited for purpose. For example, FINRA could work directly with the Fixed Income Clearing Corporation (FICC), which would have the information directly on which trades were cleared against which counterparties. We recommend FINRA also look to the experiences of Dodd-Frank and MiFID reporting requirements which provided additional transparency on a post-trade basis. While these experiences are valuable in considering how to obtain this information, we would also caution about intrinsic differences between listed and derivatives markets when applying solutions from other reporting regimes.

(4) New modifiers to identify additional multi-leg transactions and whether a transaction is priced at the current market;

The proposal also discusses the potential introduction of additional modifiers to further distinguish various strategies and to indicate whether a transaction in a Treasury security is priced at the current market. The proposal suggests that modifiers could be applied for a range of different types of strategies, including trades involving a series of nominals, breakeven trades, trades against an interest rate swap, and trades hedging other security types.

While we support FINRA's efforts to understand the markets better by collecting information on multi-leg transactions, we strongly recommend that FINRA not introduce additional modifiers, but instead use the existing modifiers which are already in place with revised definitions. Adjusting these existing modifiers would provide the information needed much more directly for both FINRA and reporting firms, and avoid the substantial build cost and design complexity that would be incurred if a range of new modifiers were added.

Creating the additional modifiers outlined in the proposal would be a significant IT lift for firms. This work would impact firm systems more broadly than just the systems directly supporting Treasury markets, even if the reporting scope of these modifiers to TRACE was limited to Treasury trades. Further, it may not be possible to fully automate the application of each of these modifiers. In such cases, firms would be forced to rely on manual application, which is of course prone to inconsistent application and/or error.

Although firms are already providing some modifiers to TRACE on multi-leg transactions, it would not be a straightforward process to add additional modifiers. Modifiers are already required for spread trades and off market transactions, and the use of these modifiers and the technology that supports their accurate reporting would be further complicated with additional indicators. There would be substantial complexity in deciphering the trades that use the modifiers already in place versus those which would require the new modifiers, creating very convoluted system for identification. As additional types of multi-leg transactions are added to TRACE reporting, it becomes increasingly challenging to program these systems in a consistent way.

The more systems firms need to connect across asset classes to support this reporting, the more challenging it is. For example, some of the potential modifiers would also require firms to connect TRACE reporting with derivatives systems to match with listed securities systems when trades cover both products. Matching across these multiple systems is not a trivial build, whose complexity would be increased in the many cases where multiple derivatives systems are involved, such as when covering trading in different products or different derivative types.

Firms may also execute the legs of a trade on different entities, such as swap dealers even if they are connected within a larger trading strategy, which will create additional complexity. Firms will be expected to match all these trades against each other, making the build required even greater. Industry reliance on third party service providers is an issue as well when considering the challenges of build complexity and the necessary implementation timeframe. Given that many of these trades span multiple asset classes, the scope of third-party service providers supporting firm activities who would need to be connected in an integrated build is substantial.

In addition to the substantial technical and operational challenges, the effective implementation of any new modifiers requires specific, unambiguous guidance on strategy definitions to report, as well as ample time to program systems to accommodate such reporting. Even with clear definitions, SIFMA and its members caution that there are many cases where it will be challenging to identify transactions consistently in certain market conditions.

Additionally, determining the market price which the identification of the trades requiring modifiers for will not be clear cut, making identifying and accurately and consistently reporting what is on market and what is off market challenging. Unlike equity markets, this is not clear, and the definitions of on and off market will need to be laid out in a way to support reporting. FINRA will need to establish what time frame links these trades.

Ultimately, there are additional challenges in classifying these trades in that any multi-leg transaction could be potentially interpreted as off market, for the simple fact that these trade on spread and the price where the legs are struck is not part of the negotiation. As a result, any price that is not agreed by counterparties to trade for that specific security could be interpreted as not being a market price. The mechanics of trade execution can result in situations where unless one of the securities is currently trading when trading systems looks for a price, it is always grabbing a stale and potentially off market price. In this context, the use of the simple “.s” modifiers is the most accurate representation of the situation an indication that the price was not a negotiated price, but it would be very challenging to add further differentiation beyond that.

In light of these technical and definitional challenges, SIFMA and its members recommend FINRA reassess what additional benefits would these modifiers have on top of the existing spread modifier and off market indicators already required in TRACE. We believe the most effective solution to provide additional market transparency without substantial cost and complexity is for FINRA to review these potential new modifiers in light of the existing modifiers, and look to redesign the use of existing modifiers to capture the additional market information they require.

Revising and improving the existing “.s” “price modifier” already in place within TRACE would potentially obviate the need for additional modifiers. Adapting and improving the definition of what trades are in scope for the “.s” modifier would be substantially more efficient in terms of build for both the industry as reporters and for FINRA as the manager of the TRACE system.

For example, the FINRA rulebook around the “.s” modifier currently defines it only as transactions which “being reported is part of a series of transactions and may not be priced based on the current market,”

and is distinguished from the “.w” modifier.⁸ This definition could be modified to meet FINRA’s reporting objectives

Similarly, there is also an already existing but infrequently used modifier, distinct from the “.s” modifier, to be used when a member knows they are reporting a price that is “outside of the normal market range.”⁹ This modifier could also be revised, in connection with new definitions for the “.s” modifier to capture additional granularity.

(5) Standardized price reporting;

The proposal also discussed potential changes to require firms to standardize the method used for reporting the price of transactions in U.S. Treasury securities. While there would be substantial build cost involved in implementing this change, it is a more straightforward addition than some other proposed changes discussed in the proposed. However, communication on the exact requirements for any new reporting requirements will need to be clear.

Additionally, the level of expense will depend on the level of detail required. We recommend that FINRA aim to keep consistency across products, and not have Treasuries at a higher level of detail than other products.

We also recommend that FINRA continue to allow firms to report trades in either price or yield terms. We suggest that FINRA look to enhance its own systems to extend the functionality to match price and yield to front end information as well.

(6) Separate reporting of per-transaction ATS fees.

The proposal suggests potentially requiring members to exclude per-transaction ATS fees from the price reported to TRACE, and to instead require that members report these fees separately. SIFMA and its members have serious concerns about the ability to the industry to comply with this type of reporting requirement as proposed.

At the outset of our comments, we would like to note that our interpretation of the challenges associated with this proposal vary dramatically depending on whether it applies to all ATS transactions, or only to transactions where ATS fees are calculated on a per-transaction basis which is known at the time of trade. Our comments below are based on the first, more broad interpretation; if it were only the second, more narrow interpretation, then the implementation challenges would be substantially less.

Unlike some other elements of this proposal, where firms will have difficulties in implementing proposed enhancements due to technical or operational complexity, the issues with this proposed change stem from the fact that much of the ATS fees paid by SIFMA members are structured in a way which make them nearly impossible to accurately report via TRACE in the framework proposed, as this ATS fee data does not align with TRACE trade reporting in a way that would provide any meaningful information.

ATS fees are handled in a range of different ways, which vary across ATSS and among their customers as well. These different fee models include flat monthly fees, monthly fees which vary based on trading volume, as well as fees which are charged on a flat trade by trade basis. Many of these models – such

⁸ <https://www.finra.org/rules-guidance/rulebooks/finra-rules/6730>)

⁹ Use of this field is discussed in <https://www.finra.org/filing-reporting/trace/faq> Section 3.1.39, which notes: “Special.” A “Y” in this column indicates that a legitimate reason exists for the bond to be trading at a price outside of the normal market range. The reason must be documented in the field, “Special Memo,” on the trade report. FINRA has provided additional guidance on use of the “Special” column in a number of communications, including Notice to Members 02-76, Question 6, Security in Default section and Questions 9, 10, and 13 of Notice to Members 02-76 (<https://www.finra.org/rules-guidance/notices/02-76>)

as flat or variable monthly fees - cannot be cleanly lined up with trade-by-trade reporting in TRACE. Given the complexity of these models, attempts to provide work-around solutions or adjustments to convert these pricing models would be difficult to implement accurately and consistently across both ATSS and reporting brokers.

We encourage FINRA to review how they would use this information and look for alternate sources to obtain it, such as through broader firm audits or reporting requirements. There will likely be challenges in obtaining trade-by-trade fees even directly from the ATSS themselves.

As discussed above, the pending regulatory changes to the Treasury ATS market under consideration by the SEC may represent an opportunity for FINRA to better understand the pricing dynamics of these markets. We encourage FINRA to delay further enhancements in this area until these regulations are complete, as they may change the dynamics of these markets and also provide new opportunities for collection of data. FINRA revisiting this issue once the potential expansion of Reg ATS in these markets has been resolved may allow for more effective solutions that meet the needs of FINRA and its regulatory partners.

(7) Applicability Outside Treasuries to other TRACE products

The proposal also raises the question of whether any of these proposed enhancements for the Treasury securities markets should also be applied to other TRACE eligible securities. Independent of our comments on individual elements of the proposal, we strongly discourage FINRA from making expansions to Treasury trades apply to other products as part of the same rulemaking and implementation process.

At a technical level, there are already a very broad suite of technology involved already across multiple systems and functions for proposed enhancements to Treasuries alone, making further expansions across other products very challenging.

Additionally, any expansion beyond Treasuries should be based on reviewing the experiences of both FINRA and the reporting firms with the expanded requirements and the information they provide once reporting is established in steady state operations. Any expansion beyond Treasuries should also build on extensive consultation with market participants regarding the applicability of enhancements designed for the Treasury markets to other products, given specificities and unique features of each market with TRACE reporting obligations.

We appreciate the opportunity to respond to the proposal and your consideration as you review any potential enhancements to the functionality of the TRACE system and additional reporting requirements for firms. We would be happy to discuss any of the points raised in our letter in greater detail. Please contact either Rob Toomey (rtoomey@sifma.org) or Charles De Simone (cdesimone@sifma.org) with any questions or to further discuss our views.

Rob Toomey
Managing Director, Rates & Associate General Counsel

Charles De Simone
Vice President, Technology and Operations