

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-87837; File No. SR-FINRA-2019-028)

December 20, 2019

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change to Allow FINRA to Publish or Distribute Aggregated Transaction Information and Statistics on U.S. Treasury Securities

I. Introduction

On November 12, 2019, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend FINRA Rule 6750 to allow FINRA to publish or distribute aggregated transaction information and statistics on U.S. Treasury Securities. The proposed rule change was published for comment in the Federal Register on November 20, 2019.³ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

Existing FINRA Rule 6750(a) provides that FINRA will publicly disseminate information regarding a transaction in a TRACE-Eligible Security⁴ immediately upon receipt of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 87540 (November 14, 2019), 84 FR 64147 (November 20, 2019) (“Notice”).

⁴ FINRA Rule 6710(a) defines a “TRACE-Eligible Security” as a debt security that is U.S. dollar-denominated and is: (1) issued by a U.S. or foreign private issuer, and, if a “restricted security” as defined in Securities Act of 1933 Rule 144(a)(3), sold pursuant to Securities Act of 1933 Rule 144A; (2) issued or guaranteed by an Agency, as defined in FINRA Rule 6710(k) or a Government-Sponsored Enterprise as defined in FINRA Rule 6710(n); or (3) a U.S. Treasury Security, as defined in FINRA Rule 6710(p). “TRACE-

a transaction report, unless an exception applies. FINRA Rule 6750(c)(5) specifies that FINRA will not disseminate information on a transaction in a TRACE-Eligible Security that is a U.S. Treasury Security.⁵ Currently, Supplementary Material .01 to FINRA Rule 6750 provides that, notwithstanding FINRA Rule 6750(c), FINRA may publish or distribute aggregated transaction information and statistics on non-disseminated TRACE-Eligible Securities other than U.S. Treasury Securities at no charge, unless FINRA submits a rule filing to the Commission imposing a fee for such data.

FINRA has proposed to amend Supplementary Material .01 to FINRA Rule 6750 to provide that FINRA may publish or distribute weekly aggregated transaction information and statistics on non-disseminated TRACE-Eligible Securities that are U.S. Treasury Securities. Pursuant to the proposed rule change, the aggregated U.S. Treasury Securities data would not be published or distributed by individual security, except for aggregated data that includes on-the-run U.S. Treasury Securities that may have had only one on-the-run security during the aggregated period.⁶ In addition, the aggregated data would not identify individual market participants or transactions. FINRA has proposed to provide the aggregated data on U.S.

Eligible Security” does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument, as defined in FINRA Rule 6710(o).

⁵ “U.S. Treasury Security” means a security, other than a savings bond, issued by the U.S. Department of the Treasury (“Treasury Department”) to fund the operations of the federal government or to retire such outstanding securities. The term also includes separate principal and interest components of a U.S. Treasury Security that have been separated pursuant to the Separate Trading of Registered Interest and Principal of Securities (STRIPS) program operated by the Treasury Department. See FINRA Rule 6710(p).

⁶ In the Notice, FINRA stated that it intends to publish weekly volume information aggregated by U.S. Treasury Security subtype (e.g., Bills, Floating Rate Notes, Treasury Inflation-Protected Securities, and Nominal Coupons). FINRA further stated that the volume information may be grouped within dealer-to-customer, ATS and dealer-to-dealer, remaining years to maturity, or other categories. See Notice, 84 FR at 64148.

Treasury Securities at no charge, unless FINRA first establishes a fee for such data by submitting an appropriate rule filing, as is the case with the aggregated data for TRACE-Eligible Securities that are not U.S. Treasury Securities.

FINRA has stated that the proposed rule change will become effective on the date of Commission approval.⁷

III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association.⁸ In particular, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act,⁹ which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that the proposal will benefit investors and market participants by facilitating greater transparency in the U.S. Treasury Security market by making publicly available aggregate trading volume for transactions in U.S. Treasury Securities that are reported to TRACE. The Commission believes that the proposal is reasonably designed to preserve the confidentiality of individual market participants and transactions. The Commission also notes that the proposed rule change would not impose any new cost on FINRA members, because any

⁷ See id.

⁸ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78o-3(b)(6).

aggregate statistics that are published or distributed by FINRA pursuant to this rule change would be derived from information that members are already required to report to TRACE.

Pursuant to Section 19(b)(5) of the Act,¹⁰ the Commission consulted with and considered the views of the Treasury Department in determining to approve the proposed rule change. The Treasury Department indicated its support for the proposal.¹¹ Pursuant to Section 19(b)(6) of the Act,¹² the Commission has considered the sufficiency and appropriateness of existing laws and rules applicable to government securities brokers, government securities dealers, and their associated persons in approving the proposal. Currently there is not available, to the public or otherwise, a comprehensive source of aggregated volume data that reflects all major segments of the market for U.S. Treasury Securities.¹³ The proposed rule change would promote transparency in the market for U.S. Treasury Securities by enabling FINRA to publish or distribute certain aggregate information regarding transactions in U.S. Treasury Securities that are reported to TRACE.

¹⁰ 15 U.S.C. 78s(b)(5) (providing that the Commission “shall consult with and consider the views of the Secretary of the Treasury prior to approving a proposed rule filed by a registered securities association that primarily concerns conduct related to transactions in government securities, except where the Commission determines that an emergency exists requiring expeditious or summary action and publishes its reasons therefor”).

¹¹ E-mail from Treasury Department staff to Michael Gaw, Assistant Director, Division of Trading and Markets, Commission (December 18, 2019).

¹² 15 U.S.C. 78s(b)(6).

¹³ See Notice, 84 FR at 64149.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-FINRA-2019-028) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

J. Matthew DeLesDernier
Assistant Secretary

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).