



November 11, 2013

Via Electronic Mail (rule-comments@sec.gov)

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: File No. SR-FINRA-2013-042: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to Require Alternative Trading Systems to Report Volume Information to FINRA and Use Unique Market Participant Identifiers

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the above-referenced rule proposal filed by the Financial Industry Regulatory Authority (“FINRA”) with the Securities and Exchange Commission (“Commission”). Under the proposal, FINRA would require every alternative trading system (“ATS”) to report to FINRA weekly volume information on the ATS’s securities transactions. In addition, FINRA would require every ATS to acquire and use a single, unique market participant identifier (“MPID”) when reporting information to FINRA.²

SIFMA supports FINRA’s proposal. The subject of market quality has recently been a topic of wide discussion, and a central point of this discussion has been the effect of off-exchange equity trading on overall market quality. SIFMA believes that an increase in transparency about trading volumes and characteristics will contribute to a thoughtful evaluation of market quality that is based on consistent and objective data and facts.

As the Commission is aware, SIFMA has previously expressed support for the idea of providing additional transparency about ATSs that trade NMS stocks.³ In the context of

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. 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>.

² See Securities Exchange Act Release No. 70676 (October 11, 2013), 78 FR 62862 (October 22, 2013).

³ See Letter from Ann Vlcek, Managing Director and Associate General Counsel, SIFMA to Elizabeth M. Murphy, Secretary, Commission dated February 18, 2010.

FINRA's proposal, SIFMA believes that providing consistent and standardized public disclosure of ATS trading volume will allow for accurate evaluation of market quality based on objective data.⁴ In addition, we urge FINRA to work with member firms and other market participants to develop similar public disclosure of trading volume for other off-exchange market centers that do not operate as ATSs. SIFMA also urges the Commission to work with exchanges to establish a reporting regime to provide consistent and standardized public disclosure of exchange execution volume carried out by displayed orders, partially displayed/partially undisplayed orders, and fully undisplayed orders.

SIFMA also believes that increased transparency can be accomplished without causing unnecessary operational friction. In this regard, we offer the following suggestions on the proposal to reduce potential frictions while maintaining the proposal's goal of increased transparency.

- **Reporting Timeframes.** SIFMA suggests that FINRA modify the proposed reporting timeframes to harmonize them with the timeframes set forth in Rule 605 of Regulation NMS. FINRA's proposal would require ATSs to report the required information within seven business days after the end of each week, while Rule 605(a)(3) requires ATSs to report execution information within one month after the end of each month. In addition, ATSs that report volume to third-party providers currently do so on a monthly basis. If FINRA were to adopt monthly reporting time frames, the reported information could be made public immediately, as is the case with Rule 605 data. Incorporating the Rule 605 timeframes would reduce the amount of systems changes necessary to implement the new reporting requirement with no material delay in making the information publicly available.⁵ Reducing implementation impact is particularly relevant in this case because FINRA has indicated willingness to sunset the self-reporting requirement after the new MPID requirement has taken effect.⁶

⁴ In its proposal, FINRA states that it "does not intend to begin publishing self-reported data for TRACE-Eligible Securities until it has had the opportunity to evaluate the data received from such ATSs and the differences between the existing trade reporting regimes applicable to equity and debt securities." SIFMA believes that any decision by FINRA to begin publishing self-reported data for debt securities should be addressed in a subsequent proposed rule change that is subject to public notice and comment before any such publication begins.

⁵ In its proposal, FINRA states that it "intends to establish a fee to recover costs that may be incurred in providing the information to professional users of the data; however, non-professional users could receive the data free of charge." SIFMA requests that FINRA provide additional detail about the types of fees it would charge for receiving the trading volume and clarify that the basic trading volume information would be made available to all users, professional and non-professional, on FINRA's website at no charge.

⁶ In this regard, SIFMA urges FINRA to make the format for weekly reporting as straightforward as possible to minimize the need for member firms to make systems changes to comply with the requirement while it is in effect.

- **Reporting Requirement.** SIFMA requests that FINRA commit to sunsetting the ATS reporting requirement as soon as possible after the MPID requirement has taken effect. We appreciate FINRA's recognition that some member firms will have to make systems changes to implement that MPID requirement, and we support FINRA's plan to allow 270 days before the MPID requirement becomes effective. In addition, we recognize FINRA's statement that, when "FINRA confirms the unique MPID requirement is functioning as intended, FINRA will determine whether to continue to require ATSs to self-report volume information." In the interest of providing certainty to member firms, SIFMA requests that FINRA state affirmatively that it will rescind the self-reporting requirement when FINRA confirms that the MPID requirement is functioning as intended. SIFMA believes that, when the MPID requirement is effective and functioning, the regulatory need for the self-reporting will be fully obviated.

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SIFMA greatly appreciates the Commission's consideration of the issues raised above in connection with FINRA's proposed rule. SIFMA would be pleased to discuss these comments in greater detail with the Commission and the Staff. If you have any questions, please contact either me (at 202-962-7383 or tlazo@sifma.org) or Timothy Cummings (at 212-313-1239 or tcummings@sifma.org).

Sincerely,



Theodore R. Lazo
Managing Director and
Associate General Counsel

cc: Mary Jo White, Chairman
Luis A. Aguilar, Commissioner
Daniel M. Gallagher, Commissioner
Michael S. Piwowar, Commissioner
Kara M. Stein, Commissioner
John Ramsay, Acting Director, Division of Trading and Markets
James R. Burns, Deputy Director, Division of Trading and Markets
David S. Shillman, Associate Director, Division of Trading and Markets