



July 20, 2017

Robert W. Errett  
Deputy Secretary  
Securities and Exchange Commission  
100 F Street NE.  
Washington, DC 20549-1090

Re: **SR-FINRA-2017-021,**  
**Proposed Rule Change to Amend FINRA Rule 7730 to Make Available a New**  
**Trade Reporting and Compliance Engine ("TRACE") Security Activity Report**

Dear Mr. Errett:

The Securities Industry and Financial Markets Association ("SIFMA")<sup>1</sup> appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA's") Rule Filing SR-FINRA-2017-021 (the "Proposal"). The Proposal would make available a new TRACE Security Activity Report (the "Report"), which would provide aggregated statistics by security for TRACE-Eligible Securities that are corporate or agency bonds.

SIFMA generally supports FINRA's efforts to design the Report to be useful to interested parties for business as well as regulatory purposes, including liquidity risk obligations pursuant to Rule 22e-4 under the Investment Company Act.<sup>2</sup> Additionally, we appreciate the fact that FINRA acknowledges the potential for reverse engineering of the information contained in the Report and has attempted to mitigate those concerns. In general, FINRA's proposed measures such as the 90-day dissemination delay, displaying information in buckets, and the fact that aggregate volume would reflect actual volume only where there are six or more total disseminated capped transactions during the calendar month, will surely assist in mitigating any potential concerns over information leakage.

---

<sup>1</sup> 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 \$18.5 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>.

<sup>2</sup> See SEC Press Release (October 13, 2016) (SEC Adopts Rules to Modernize Information Reported by Funds, Require Liquidity Risk Management Programs, and Permit Swing Pricing). See also 17 CFR 270.22e-4.

Mr. Brent J. Fields  
Deputy Secretary  
Securities and Exchange Commission  
July 20, 2017  
Page 2 of 4

While we are generally supportive of the policy goals underlying the Proposal and the overall structure of the requirements, we note the following comments for your consideration.

The Proposal states that FINRA believes the Report could benefit market participants and others interested in corporate and agency bond transaction data, including information on actual transaction volume that currently would not be ascertainable for 18 months after the date of the transaction (as part of the Historic TRACE Data product). However, we note that FINRA recently published a rule proposal to reduce the delay period for the Historic TRACE data sets relating to corporate and agency debt securities from 18 months to six months. The proposal has since been approved by the SEC<sup>3</sup> and FINRA subsequently announced an effective date of October 2, 2017.<sup>4</sup> As a result, information on unmasked transaction volumes will be disseminated into the marketplace after six months and have the potential to more significantly impact market participant behavior. Accordingly, SIFMA recommends that FINRA allow market participants time to adapt to the reduction of the delay period for the Historical Data Product by staging the implementation of the Report at least six months after the October 2, 2017 effective date. The staging of the releases would appropriately allow for the market to digest and adapt incrementally given historical concerns over information leakage. We believe that the proposed staging would still provide sufficient time for market participants to benefit from the Report in advance of the applicable compliance dates for the requirements under Rule 22e-4.

The Proposal states that the Report would also provide information regarding the number of unique reporting MPIDs and statistics for the aggregate activity of the firm most active MPIDs in each corporate and agency bond. Furthermore, with respect to the proposed concentration statistics, the Report would provide the percentage of the total number of transaction traded by the top five MPIDs for each CUSIP and the percentage of total par value traded by the top five MPIDs for each CUSIP. In both cases, it is our understanding that these percentages will be expressed as aggregate figures for the top five MPIDs rather than individually for each of the MPIDs. We would have significant concerns over the potential for reverse engineering of dealer identities if FINRA did not intend to express such percentages as aggregate figures.

Finally, to the extent that FINRA has finalized a draft template of the Report, SIFMA believes it would be beneficial to share the template publicly as part of the Adopting

---

<sup>3</sup> See SEC Press Release (June 23, 2016) (Order Granting Approval of Proposed Rule Change to Reduce the Delay Period for Transactions Included in the Historic TRACE Data Sets Relating to Corporate and Agency Debt Securities).

<sup>4</sup> See FINRA Regulatory Notice 17-23

Mr. Brent J. Fields  
Deputy Secretary  
Securities and Exchange Commission  
July 20, 2017  
Page 3 of 4

Release or sooner if feasible. This would allow market participants an appropriate amount of time to educate themselves on the format of the Report as well as the types of information that will be included.

SIFMA appreciates the opportunity to comment on FINRA's Proposal and would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Sean Davy", with a stylized flourish at the end.

Sean Davy  
Managing Director  
Capital Markets Division  
SIFMA  
(212) 313-1118  
[sdavy@sifma.org](mailto:sdavy@sifma.org)

Mr. Brent J. Fields  
Deputy Secretary  
Securities and Exchange Commission  
July 20, 2017  
Page 4 of 4

cc: ***Financial Industry Regulatory Authority***  
Robert Colby, Chief Legal Officer  
Steve Joachim, Executive Vice President, Transparency Services