June 24, 2022

Secretary
Securities and Exchange Commission
100 F St. NE
Washington, D.C., 20549-1090

Re: FINRA's Rule Proposal SR-FINRA-2022-013

SIFMA and its members appreciate the opportunity to respond to FINRA's Rule Proposal SR-FINRA-2022-013, "Notice of Filing a Proposed Rule Change to Amend FINRA Rule 6730 to Enhance TRACE Reporting Obligations for US Treasury securities."[1] SIFMA would like to raise our concerns associated with both elements of the Rule Proposal - the proposed changes to the granularity and consistency of execution timestamps as well as the proposal for a reduction in reporting timeframes.

At a high level, we encourage FINRA to review the proposed 60-minute reporting time requirement within the broader context of policymaking in this area, and to hold off on any rule changes until after the upcoming broader analysis of the Treasury market and its reporting requirements has been conducted. Additionally, we believe the proposed change in execution timestamps presents a range of technical and operational challenges due to the range of platforms and venues used by firms which are engaged in Treasury market activities.

Reporting Time Frame Reduction

We understand and appreciate FINRA's interest in shorter reporting timeframes, however we urge FINRA to be conscious of the broader policymaking environment associated with Treasury markets and their reporting requirements, and in light of the discussions and pending Treasury analysis underway on these issues, to hold off on rule changes on reporting timeframes at this time.

For example, the US Treasury has announced that, in consultation other members of the Inter-Agency Working Group on Treasury Market Surveillance (IAWG), it is exploring the possibility for greater transparency for secondary

[1] https://www.finra.org/sites/default/files/2022-06/sr-finra-2022-013-federal-register-notice.pdf

New York 140 Broadway, 35th Floor | New York, NY 10005
Washington 1099 New York Avenue, NW, 6th Floor | Washington, DC 20001
www.sifma.org

market transactions of Treasury securities.[2] The US Treasury also recently released a Request for Information (RFI) where a broad range of market actors will be called upon to provide feedback on additional post-trade transparency of data regarding secondary market transactions of Treasury securities.[3] Similarly, SEC Chair Gensler in April 2022 discussed the prospects for reviewing changes to reporting time frameworks.[4]

We recommend FINRA to wait on any changes to reporting timeframes at this time, and once the structure of any broader policy changes in this area have been determined, to revisit the question of reporting timeframes and develop a solution which aligns with changes in the broader markets and the objectives and information sources of FINRA and its regulatory partners who will use the data provided through TRACE. In contrast, making technology and operational changes now, followed by subsequent changes later following any future recommendations from the Treasury would result in throw-away work.

Changes to the broader regulatory environment of the Treasury market could result in additional information being made available to the regulatory community through new reporting requirements, as well as potential changes to the scope of how FINRA's regulatory partners would use the information provided by TRACE.

Implementing a new reporting timeframe now could result in a data collection model which is not fit for purpose following future changes and would need to be modified shortly after implementation in complete, or it may be unnecessary in light of new sources or uses of the information collected.

Additionally, many depository institutions are currently in a build phase for the expansion for reporting of Treasuries under FR 2956, coming into effect this fall.[5] Under this requirement, a broad range of institutions will have TRACE reporting requirements which previously did not have them, and they are currently in the build phase to meet this requirement. The proposed change to reporting timeframes would come in the middle of that implementation process, at a time when these new TRACE reporters may have already developed implementation plans based on the original reporting timeframes. Delaying any changes in reporting timeframes as proposed above would allow the completion of that implementation as originally planned.

Additionally, in its rule proposal discussing the economic impacts of the proposed changes, FINRA noted that "members reported approximately 96% of transactions within 60 minutes of the Time of Execution."[6] However, these statistics are based on the experiences of current TRACE reporters and may not be reflective of the capabilities of depository institutions which will start TRACE reporting from the fall, particularly as many are developing TRACE reporting requirements *de novo* based on current reporting time requirements.

We also encourage FINRA to review the benefits of a shortened reporting time frame requirements in light of how they and their regulatory partners are currently using TRACE data. For example, are there areas where oversight of

---

[2] "Quarterly Refunding Statement of Deputy Assistant Secretary for Federal Finance Brian Smith," May 4, 2022, https://home.treasury.gov/news/press-releases/jy0762#_ftn1
[3] Notice Seeking Public Comment on Additional Transparency for Secondary Market Transactions of Treasury Securities, June 23, 2022, https://home.treasury.gov/system/files/136/RFI-on-Treasury-Transparency-6.23.2022.pdf
[4] ""The Name's Bond:" SEC Chair Gensler Remarks at City Week, April 26,2022 https://www.sec.gov/news/speech/gensler-names-bond-042622
[5] 86 Fed. Reg. 6329 (January 21, 2021)
[6] https://www.finra.org/sites/default/files/2022-06/sr-finra-2022-013-federal-register-notice.pdf

Treasury markets is impeded by having TRACE reports provided at current reporting timeframes? Additionally, what incremental benefits would come from having 60-minute reporting as opposed to some intermediate interval which is shorter than current requirements but longer than 60 minutes, such as a 2-hour increment, as SIFMA recommended in our 2021 letter?

Harmonization of Execution Timestamps

As SIFMA noted in our 2021 comment letter in response to FINRA's proposals for enhancements for TRACE reporting for Treasury securities (FINRA Regulatory Notice 20-43), changing reporting time frame requirements to the finest increment of time captured by the execution system presents a range of operational and technological challenges.[7] It also creates challenges for alignment of data across venues, and will create fragmentation among reporting standards across Treasuries products (between electronic and voice trades) and with other products, and introduce inconsistent application risk.

Creation of a unified reporting time frame requirement will create a range of operational challenges for broker dealers, given that firm execution systems are in many cases a combination of different components, which often have different time standards. Treasury trading activities also occur across a range of different business lines, each of which may have different levels of granularity depending on the broader market and the platforms they interact with. Additionally, firms in many cases receive time stamps at different levels of granularity from execution venues, making it difficult to create the level of industry uniformity needed to replicate and align these within a firm's systems as well. Sourcing the finest increment for execution time is challenging, as without uniformity among platforms, the increments will vary going from one platform to the other.

Additionally, due to the legacy nature of the systems supporting these processes, updating them to accommodate finest granularity in the timestamps is not feasible for many firms. These challenges are particularly acute if there is an expectation to harmonize to nanoseconds. More broadly, major changes to post execution trade flow and reporting systems would be needed to accommodate these proposed changes. The precision of reported data may also be lost when translating these fine increments across systems, particularly when they were not designed to accommodate these levels of precision.

There are additional challenges posed by the lack of clarity on what types of transactions could be considered to have been "executed electronically" and so would fall in scope for this requirement. As we noted in our 2021 letter, this is a nebulous term which covering a range of different ways of executing trades. Greater specificity on what types of transactions would be covered by this definition would be needed before final rulemaking, otherwise there would be confusion and likely inconsistent interpretations across firms. SIFMA and its members would be pleased to discuss in detail the complications in interpreting what "executed electronically" means for market participants.

We also note that voice trading cannot meet these levels of granularity, creating a divergence within the reporting frameworks within the Treasury product; there are further differences from the standards in timestamp granularity

[7] SIFMA Comments to FINRA regarding Regulatory Notice 20-43, February 22, 2021 https://www.sifma.org/resources/submissions/finra-proposed-enhancements-to-trace-reporting-for-u-s-treasury-securities/

across other products with TRACE reporting requirements. We encourage FINRA to review SIFMA's 2021 comment letter, which explored these challenges in greater depth.

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.

Sincerely,

Rob Toomey
Managing Director & Associate General Counsel

Charles De Simone
Managing Director, Technology and Operations