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Invested in America

May 27, 2026

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: [Release No. 34-105352; File No. SR-FINRA-2026-009] Notice of Filing of a Proposed Rule Change to Amend the FINRA Rule 6700 Series (Trade Reporting and Compliance Engine) (TRACE) To Expand the Scope of the Non-Member Affiliate-Principal Transaction Indicator to Also Include Member Affiliates

Dear Ms. Countryman,

SIFMA[1] is pleased to provide comments on FINRA's recent proposal to expand the usage of the non-member affiliate—principal transaction indicator ("PT indicator") to also include member affiliates.[2]

1. Summary

SIFMA supports FINRA's proposal to expand the use of the PT indicator to member-affiliate transactions. This will make TRACE data more useful as it will allow for the suppression of duplicative trade reports that add noise to the data feed but do not provide additional transparency information. This letter addresses the following topics:

a. SIFMA supports this proposal to expand the scope of the PT indicator
b. SIFMA supports the "reasonable belief" standard
c. FINRA should not penalize good-faith errors with respect to the PT indicator in a situation where a member trades same price, same day with both a member affiliate and a non-member affiliate.
d. FINRA should provide at least 12 months for member firms to implement this rule change but should also allow for early adoption once the amendment is effective.

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[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

[2] 91 FR 24625

2. Discussion

a. SIFMA supports the expansion of the scope of the PT indicator

FINRA's proposal is sensible. The PT indicator is currently used for trades with non-member affiliates where there is both a back-to-back affiliate trade and a corresponding trade with another party on the same day at the same price. Trades reported with this indicator – the back-to-back leg – are suppressed from dissemination. Thus, duplicative trades between affiliates which merely facilitate a market trade with another party, which do not provide any transparency value, do not clutter the TRACE data feed and potentially mislead users of that data about the level of activity in a certain bond. As footnote 5 notes, *"FINRA determined that dissemination of these trades does not provide investors with useful information for pricing, valuation or risk evaluation purposes, and may in fact be distortive."* SIFMA agrees.

FINRA's proposal recognizes that the same scenario occurs with broker-dealers' member affiliates. If a broker-dealer executes a back-to-back, same day, same price trade with a member affiliate, pricing information is the same as in the non-member affiliate context – meaningless, duplicative information that could cause confusion or misperception of the true market for a bond.

Accordingly, it is sensible for FINRA to allow for the use of the PT indicator for both member and non-member affiliate trades to suppress duplicative trades information.

b. SIFMA supports the "reasonable belief" standard

SIFMA supports FINRA's formulation of a "reasonable belief" standard for usage of the PT modifier. This standard appropriately recognizes that broker-dealers will not always know the intentions or activities of their member affiliates. Indeed, information barriers and need-to-know policies may be put in place to specifically limit disclosure of this sort of information. SIFMA members believe that, because of this, usage of the PT indicator may not be as common as one might expect if they compared the actual amount of affiliate trades to the number of PT indicators on trade reports.

Here footnote 10 is important and should be highlighted. It states: *"… a firm is not required to append the indicator to a transaction unless both members share a reasonable belief that it or its member affiliate will engage (or has already engaged) in a transaction in the same security within the same day and at the same price, as a transaction with another contra-party. This expectation is not altered after the fact, even if, in retrospect, a very significant portion of member affiliates' trades with each other ultimately occur on the same day, at the same price and in the same security as a transaction with another counterparty."* SIFMA strongly agrees that the requirement to apply the PT indicator can only be based on a member's knowledge (or lack thereof) of its affiliate counterparty's trading at a point in time and should not be subject to retroactive review and penalization.

c. FINRA should not penalize good-faith errors with respect to the PT indicator in a situation where a member trades same price, same day with both a member affiliate and a non-member affiliate.

The proposal states that *"if a member has engaged in a same-day, same-price transaction in the same security with both a member affiliate and a non-member affiliate, and neither member affiliate engages in a same-security, same-day, same-price transaction with an unaffiliated contra-party, the member must only append the*

Affiliate—Principal Transaction indicator to either: the trade report with its member affiliate; or to the trade report for its transaction with its non-member affiliate."[3] Scenario 4 provides a transactional example.[4]

We appreciate FINRA's provision of optionality with such transactions that occur within a corporate family, as it may be more efficient for some firms to append the modifier to a particular side of a linked trade, and other firms may prefer to do it differently due to the nature of their workflows (or for other reasons).

However, there may be instances where errors occur, and trades do not match and require correction. FINRA should not penalize good-faith errors with respect to such unintentional mismatches and instead should focus on pattern-and-practice issues and instances of intentionally misleading actions.

d. FINRA should provide at least 12 months for member firms to implement this rule change but should also allow for early adoption once the amendment is effective.

FINRA should not mandate compliance with this rule change for at least 12 months from the finalization of this proposal. This will provide time for FINRA members to update their TRACE reporting systems. However, given that the usage of this modifier does not require coordination across unrelated member firms and improves price transparency by reducing noise in the TRACE data feed, FINRA should allow the firms to implement these changes once the rule is effective, on an as-ready basis.

3. Conclusion

We support FINRA's proposal, subject to the comments in this letter, and believe the SEC should approve it in such modified form.

We welcome the opportunity to discuss our comments or provide any assistance that would be helpful. If you have any questions, please do not hesitate to contact Chris Killian at 212-313-1126 or ckillian@sifma.org.

Respectfully submitted,

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[3] 91 FR 24626.
[4] 91 FR 24627-24628.