August 21, 2024

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

RE: Release No. 34-100594; File No. SR-FINRA-2024-004; Notice of Partial Amendment No. 1 to Proposed Rule Change to Amend FINRA Rule 6730 to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute

Release No. 34-100589; File No. SR-MSRB-2024-01; Notice of Filing of Amendment No. 1 to Proposed Rule Change Consisting of Amendments to MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB

Dear Ms. Countryman:

SIFMA[1] jointly with its Asset Management Group[2] reiterates the comments made in our previous letters of February 14, 2024[3] and May 17, 2024,[4] and provides additional comments related to FINRA's and the MSRB's first amendments of their proposals to shorten trade reporting timelines for many fixed-income securities (the "Amended Proposals").

Executive Summary

As we discussed in our previous letters, the Commission, FINRA, and the MSRB should reconsider if a one-minute trade reporting requirement is appropriate for fixed income markets in the first place. If a decision is made to proceed with this proposal, then FINRA and the MSRB should allow for an appropriate implementation period (e.g., two years) and:

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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 one million employees, we advocate on 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] SIFMA's Asset Management Group (SIFMA AMG) brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined assets under management exceed $45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit http://www.sifma.org/amg.

[3] Available here: https://www.sifma.org/resources/news/sifma-and-sifma-amg-comment-on-one-minute-trade-reporting-proposals/.

[4] Available here: https://www.sifma.org/resources/submissions/sec-instituting-proceedings-on-finra-and-the-mrsbs-proposals-to-shorten-trade-reporting-timelines-in-fixed-income-markets-sifma-and-sifma-amg/.

- Include a broad exception for manual trades;[5]
- Examine impacts to liquidity, depth, concentration, and transparency prior to decreasing reporting times to shorter intervals to ensure markets are not harmed;
- Provide relief for certain electronic trades where system processing limitations prevent one-minute reporting, including post-trade allocations; and
- Implement the proposed de minimis exception.

The original proposals included manual trade and de minimis exceptions, which protect smaller broker-dealers and are critical to allowing broker-dealers to achieve compliance. However, the proposed manual trade exception is not a panacea since a mandatory one-minute requirement remains unworkable even for certain fully-electronic trades.[6]

Within the context of our previous comments, the proposed changes to the length of the ten-minute reporting of the step down in the manual trade exception timeframe outlined by FINRA and MSRB in the Amended Proposals appear sensible. Additionally, FINRA's and MSRB's commitments to perform impact assessments are an important improvement to the Amended Proposals. Finally, we appreciate the recognition of market participants' concerns regarding allocation trades and continue to request relief for these transactions. We encourage further engagement with industry participants prior to the implementation of any revised trade reporting requirements.

Specific Comments on the Amended Proposals

A. Step down in Manual Trade Reporting Timelines

The original proposals envisioned stepping down reporting requirements for manual trades over three years, from 15 minutes, then to 10 minutes in year two, and finally to five minutes in year three. In our previous comments we expressed concern, stating that:

> *"The technology to report all transactions with a post-time of trade or time of execution manual component within five minutes does not currently exist. Because of the evolutionary nature of faster reporting, the SROs should implement a pause at ten minutes to give the industry and the SROs a meaningful opportunity to examine and discuss the results of the shorter reporting time, considering the effects on trading costs, bid/ask spreads, concentration of trading activity, and market liquidity, and then decide on the best pathway to shorter reporting periods. Hard coding of two annual five-minute reductions oversimplifies the task at hand."*[7]

In the Amended Proposals, FINRA and MSRB have adjusted the step down timeline to include a two-year period of 10-minute reporting, and analysis after the shift to 10-minute reporting to allow for study and calibration of further changes to reporting timelines.

[5] Like FINRA and the MSRB, we use the term "manual exception" as a shorthand to reference the exception which applies to trades with a manual component or otherwise are not fully automated.
[6] Furthermore, certain manual trades may simply not comport with a materially shortened timeline. For example, dealers must access multiple FINRA systems to set up and then report new bonds (TRAQS and the New Issue Portal). It is unclear that any technological change on the dealer's part could ever speed up this process, absent FINRA merging these systems to streamline the new issue setup process.
[7] See SIFMA letter to Commission, May 17, 2024, at 6.

FINRA states:

> *"FINRA will assess members' trade reporting times in connection with manual trades to determine whether the five-minute trade reporting timeframe…is feasible and appropriate, and will be prepared to make adjustments, as necessary…Moreover, within nine to 12 months of the effectiveness of the 10-minute outer-limit reporting timeframe for manual trades, FINRA intends to publish a Regulatory Notice soliciting comment from members regarding the operation and impact of the reduced reporting timeframe for these manual trades."*[8]

The MSRB provides similar commentary on the change:

> *"Amendment No. 1 would provide for a modified phase-in of the shortened reporting timeframe…that the MSRB believes would foster a more orderly transition to more rapid reporting of manual trades… Amendment No. 1 would allow the MSRB to undertake a more meaningful and timely analysis of potential impacts of the intermediate 10-minute reporting stage in the phase-in process…so that the MSRB can determine whether it should undertake additional rulemaking to modify implementation or phase-in of the final step to a five-minute timeframe."*[9]

These changes to the original proposals and commitments by FINRA and the MSRB to seek further comment is encouraging. Regulators should strive to ensure that their actions have their intended effect on the markets they oversee, and to ensure that careful consideration of data and analysis are a part of that oversight. A two-year pause at 10 minutes, and the solicitation of further comment from market participants as to the effects of the shift from 15 minutes to 10 minutes, will help allow for this important review. As we noted in our previous letters, voice trading and other manual methods are critical to the liquidity of fixed income markets, and five-minute reporting will simply not be possible for all trades. We urge the MSRB and FINRA to coordinate on such market consultations and in ongoing administration of any finalized rules.[10]

B. MSRB's Adjustment to its Exception for Dealers with Limited Trading Activity

The MSRB proposes to increase the threshold that exempts dealers with limited trading activity from accelerated reporting requirements from a dealer with less than 1800 trades during at least one of the last two calendar years to a dealer with less than 2500 trades over a similar period.

This de-minimis exception is particularly important to smaller firms that cannot feasibly purchase or develop systems to enable faster reporting, including minority, veteran, and women-owned firms. Small firms like these are critical to the fixed income markets, and the Commission must ensure that they can continue to be viable in the face of ever-increasing regulatory burdens. FINRA and the MSRB should ensure that their exceptions for smaller-volume firms continue to be appropriately calibrated over time.

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[8] See FINRA's Response to Comments, July 18, 2024 at 11, available here: https://www.finra.org/sites/default/files/2024-07/SR-FINRA-2024-004-response-to-comments.pdf.

[9] See MSRB 2024-01-A1, available here: https://www.msrb.org/sites/default/files/2024-07/MSRB-2024-01-A-1.pdf, at 10.

[10] Other areas where FINRA/MSRB coordination would be beneficial include coordination of testing environments at low/no cost to users, as well as confirmation that examples of manual trades from both FINRA and MSRB proposing releases and the comment response remain effective, in an explicitly non-exhaustive fashion. We further support each regulator confirming in guidance or regulatory notice a non-exhaustive list of scenarios that fit under each exception, including confirmation of the scenarios each regulator discussed in the statements accompanying their proposed rule changes.

C. Allocation Trades

We are pleased that FINRA has recognized market participants' concerns with trades, including fully electronic trades, that include large numbers of allocations. As we have discussed previously, despite a dealer's best efforts and development of state-of-the-art reporting systems, there are times where processing limitations will not allow for reporting of many thousands of account allocations within one minute. We continue to encourage FINRA to reconsider why reporting is required in the first place for firms registered as both broker-dealers and investment advisors, and to provide relief from one minute reporting requirments for allocation trades, given that the associated dealer-to-dealer block trade is also reported and it is the block trade that contains relevant information for other market participants.

Conclusion

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 the undersigned at 202-962-7300, or with respect to municipal securities, Leslie Norwood at 212-313-1130, or with respect to TRACE-eligible Securities, Chris Killian at 212-313-1126, or with respect to the SIFMA AMG, William Thum at 202-962-7381.

Respectfully submitted,

Kenneth E. Bentsen, Jr.
President and CEO

cc:

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