



SUBMITTED ELECTRONICALLY

October 3, 2022

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Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street, NW, Suite 1000  
Washington, DC 20005

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
Financial Industry Regulatory Authority  
1735 K Street, NW  
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**Re: MSRB Notice 2022-07 and FINRA Regulatory Notice 22-17 – Requests for Comment on Proposals to Shorten Fixed Income Trade Reporting Timeframes**

Dear Mr. Smith and Ms. Mitchell:

The Securities Industry and Financial Markets Association,<sup>1</sup> jointly with its Asset Management Group<sup>2</sup> (collectively, “SIFMA”), appreciates this opportunity to respond to Notice 2022-07<sup>3</sup> (the “MSRB Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) and Regulatory Notice 22-17<sup>4</sup> (the “FINRA Notice” and, together with the MSRB Notice, the “Notices”) issued by the Financial Industry Regulatory Authority (“FINRA” and, together with the MSRB, the “SROs”). The Notices request comment on shortening the trade reporting

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<sup>1</sup> 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).

<sup>2</sup> 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>.

<sup>3</sup> MSRB Notice 2022-07 (August 2, 2022).

<sup>4</sup> FINRA Regulatory Notice 22-17 (August 2, 2022).

timeframe for transactions in covered fixed income securities required to be reported to each of the SRO's respective trade reporting system (together, the "Proposals"). The MSRB's Real-Time Transaction Reporting System ("RTRS") is the system operated by the MSRB for the reporting of trades in most municipal securities,<sup>5</sup> and the Trade Reporting and Compliance Engine ("TRACE" and, together with RTRS, the "Reporting Systems") is the system operated by FINRA for the reporting of trades in most dollar-denominated debt securities of corporate issuers, federal agencies, government-sponsored enterprises and the US Treasury (collectively, TRACE-Eligible Securities").<sup>6</sup> Except where otherwise specifically provided, our comments in this letter apply to both Proposals and with respect to both Reporting Systems.

## **I. Executive Summary**

SIFMA and its various members have considered the Notices on the SROs' Proposals with respect to fixed income trade reporting timing. For the convenience of the SROs, we have summarized below the key points discussed in more detail in the remainder of this letter:

- SIFMA and its members continue to support decreasing fixed income securities reporting times as much as is practicable, but only following a comprehensive study by the SROs, in consultation with market participants, of the impacts and costs arising from any such changes.
- SIFMA and its members do not believe that the Notices put forth an adequate rationale or cost benefit analysis to support an instantaneous conversion to a universal one-minute standard.
- The efficacy of a conversion to a one-minute standard remains unclear and the costs certainly remain understated.
- SIFMA members strongly believe that an abrupt forced conversion to a one-minute reporting standard would materially impact the traditional negotiated trade markets (phone and e-communication) and materially and negatively impact the broader fixed income markets for both retail and institutional investors.
- Instead, SIFMA suggests certain useful improvements that the SROs should consider within the existing 15-minute paradigm.
- Only after undertaking such enhancements should the SROs consider a stepwise approach which gradually reduces reporting time requirements in an effort to develop technological advances which have heretofore been unavailable.
- SIFMA members are willing and able to work with the SROs and each other towards exploring whether faster reporting is achievable in some market segments without causing significant market disruption.

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<sup>5</sup> Reporting of trades in municipal securities to RTRS is governed by MSRB Rule G-14, on Reports of Sales or Purchases.

<sup>6</sup> TRACE-Eligible Securities are defined in, and the reporting of trades in TRACE-Eligible Securities to TRACE is governed by, the FINRA Rule 6700 Series, on Trade Reporting and Compliance Engine (TRACE).

## **II. Introduction**

SIFMA and its members support improvements to transparency in fixed-income markets and have consistently been supportive of actions by both SROs to enhance transparency to market participants, when such transparency is appropriately balanced with the impacts on liquidity and the reasonableness of compliance burdens that any particular proposal creates.<sup>7</sup> While we recognize the desire to provide trade information to the market at an earlier time, enhancements must be undertaken with a detailed, realistic and data-informed balancing of the costs to be borne and benefits to be realized by individual market participants, distinct market segments and separate fixed income markets as a whole. Furthermore, because changes that may benefit some market participants may simultaneously harm other participants, both the direct and indirect impacts of such changes need to be studied carefully to avoid market-distorting unintended consequences. Finally, the SROs must recognize that systems and/or process changes to implement expedited trade reporting would need to be undertaken not just by broker-dealers reporting trades to the Reporting Systems, but also by their trading counterparties, by the SROs themselves whose Reporting Systems would need to be optimized to allow more rapid reporting and by industry data and operational utilities that provide the necessary data and conduits for the reporting of trades.

In short, moving directly to a significantly shortened trade reporting timeframe in a single undifferentiated stroke is destined to be rife with problems and sub-optimal workarounds, and we strongly oppose the Proposals outlined by the SROs for this reason. The move to shorter reporting requirements, if undertaken, should entail a systematic, clear-eyed and step-by-step cooperative effort between the SROs and market participants with the goal of prioritizing changes to what is practicable under existing standards. We hope that these Notices represent a first step to begin this type of cooperative discussion and that the SROs do not instead see them as a precursor to a pre-ordained rapid transition that would inevitably be followed by many years of costly redesign, back-filling, disruption of liquidity and access to markets, confusion and unavoidable fines.

In that vein, we provide our comments below, representing our initial set of inputs at the outset of the more deliberative approach we advocate and hope that the SROs undertake. SIFMA first discusses the critical factors that the SROs, together with the Securities and Exchange Commission (the “SEC”), would need to fully analyze and address in a meaningful collaboration with all relevant groups of market participants in each of the affected market segments. This collaborative analysis must occur before any concrete steps are taken to potentially shorten trade reporting timeframes. The following section then outlines certain improvements to the SROs’ existing trade reporting paradigms that we believe would be beneficial and, with an opportunity

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<sup>7</sup> In fact, starting on January 31, 2005, the former InvestingInBonds.com website, operated by SIFMA’s predecessor The Bond Market Association, served as the first free public venue for dissemination of RTRS real-time trade data, together with TRACE real-time trade data, prior to the MSRB’s launch of its Electronic Municipal Market Access (EMMA) website on March 31, 2008.

to review and comment on the specific details of how the SROs would implement them, SIFMA would expect to support.

**III. SIFMA Members Have Significant Concerns with the Proposals to Shorten Trade Reporting Timeframes and Believe the SROs Should Engage in a Comprehensive Review of Fixed-Income Market Structure and the Associated Costs and Benefits of the Proposals**

SIFMA fully supports the suggestion in the MSRB Notice that MSRB trade reporting rules be amended to include a requirement that trades must be reported “as soon as practicable,” and SIFMA makes additional recommendations to improve the current Reporting Systems as described in section IV below. However, SIFMA has a number of significant concerns about the feasibility and benefits of the Proposals relative to the fair and efficient operation of the fixed income markets and the costs and burdens they will impose upon not just broker-dealers reporting to the Reporting Systems but also to investors in and issuers of fixed income securities more generally.

The limited data provided by the SROs in the Notices on current trade reporting performance appear to suggest that it would be a relatively small matter for broker-dealers to simply redouble their efforts to further speed up their already quite rapid reporting to meet tightened mandatory deadlines. Simply reducing the reporting window from 15 minutes to one minute would ignore the significant market structure, systems and process changes that would need to occur to achieve the timing reductions sought by the Proposals. Even after such necessary changes were put in place, there would be a significant risk of heightened levels of errors and corrections and lingering incidences of late reporting, only now subject to fines and remedial actions.

SIFMA strongly believes that, before any further action is taken, the SROs must fully consider what would be entailed in making those current trades that generally take longer to report compliant with a radically shorter reporting mandate, and must prepare and publish for public scrutiny detailed implementation plans addressing these concerns that do not create unjustified costs, burdens and marketplace distortions. Thus, until the SROs have undertaken these essential steps, the SROs should refrain from filing their Proposals with the SEC, from mandating significant market participant systems development and process changes, and from undertaking any of the SROs’ own systems development activities that would expend SRO funds or commit SRO or marketplace technology systems to a particular course of action. Our concerns and recommendations are described below.

***A. Review of market structure and development of stepwise process required***

As we discuss below, the Notices are deficient in their analysis of the current fixed income market structure, the reasons for this market structure and the most effective and efficient manner to address any underlying market structure issues that may be creating undesirable delays in trade reporting.

While there are multiple factors that have an impact on the timing of trade reporting, one of the most significant contributors is the fact that many fixed income trades currently are executed entirely or partially through means other than automated execution with straight-through processing of trade data to the Reporting Systems. An approach that seeks to impose significantly shortened trade reporting timeframes – but otherwise leaves market participants to meet impracticable deadlines without addressing underlying market structure issues – is likely to disrupt liquidity, threaten the viability of personalized negotiation through voice or electronic communications, disproportionately harm smaller market participants, and result in new and costly systems architecture that will have an important impact on how the industry trades for years to come.

SIFMA notes that many of the most successful market-wide systems or practice changes driven by regulatory mandates have sought to ensure a fulsome conversation with the market participants who would be tasked with carrying out such mandates, often launched through the publication of a concept proposal setting the table for more informed detailed rulemaking and systems development to implement well-understood goals. However, the SROs avoid describing the Notices as concept proposals, raising the significant concern that the SROs may move directly to filing proposals with the SEC rather than engaging in meaningful analysis along with the marketplace on addressing the initial reactions of market participants to the Proposals. SIFMA believes moving directly to the formal rulemaking process with the SEC would be a serious mistake and would likely lead to defective and mis-informed proposals with a significantly heightened risk of unintended consequences.

If the SROs continue to seek a radically shortened trade reporting timeframe or other significant modification in the trade reporting process after undertaking the improvements to the current trade reporting regimes we suggest in section IV below, SIFMA recommends that the SROs create a working group to study and develop potential pathways for a stepwise move to faster reporting timeframes, or for alternative approaches to achieving the results that the SROs believe can be achieved through this initiative. In this process, the SROs would need to review the current market structures (including the significant differences in how different types of cash fixed income products are executed), identify impediments to greater use of electronic trading venues, address these impediments, and only then carefully weigh the benefits of the tightened reporting timeframes against the development and ongoing costs to the industry. The SEC's Fixed Income Market Structure Advisory Committee, which no longer functions, took steps in this direction.

It is critical that the SROs approach this initiative understanding that there are segments of the fixed income market that may not be able to achieve the same speed of reporting as other segments, or that achieving comparable speeds would come at unacceptable and disruptive costs. The nuances of each market matter, and the SROs cannot hope to craft a non-disruptive reporting paradigm for the fixed income markets through simply a notice and comment process. Rather, the SROs need to undertake active discussions with representatives of each segment to arrive at workable solutions. SIFMA and its members would gladly participate in such an effort to improve trade reporting in an efficient manner that follows the principles of straight through

processing and increasing transparency of decision-useful data for investors and other market participants while recognizing the rich diversity of the nation's fixed income markets.

Historically, both Reporting Systems owe their origins to stepwise processes undertaken by the respective SROs to successfully introduce and enhance trade reporting in fixed income securities. For example, trade reports were originally submitted by end-of-day and later evolved to the current 15-minute paradigm. Public dissemination of trade data originated as a next-day process, moving to real-time dissemination by steps beginning with more frequently traded securities to eventually include virtually all trades, with each step allowing market participants to adapt their practices and systems and regulators to assess any potential impacts to the market. Similarly, after instituting certain reforms to existing trade reporting standards as recommended by SIFMA in section IV of this letter, it might then be possible to adjust trade reporting deadlines in measured steps, or for specific types of trades, or for specific segments of the fixed income market, in each case with the opportunity to expand the reach of tightened deadlines as appropriate. Each step would allow for orderly implementation of new requirements, appropriate assessment of market impacts, and the leveraging of lessons learned and technology or process innovations for use at the next step.

***B. Material benefits have not been demonstrated***

The Notices enunciate only the barest of descriptions of the perceived benefits of shortening the timeframe for trade reporting and seem to rely mostly on the argument that because so many trades are already reported within one minute, the requirement can be tightened with little effort or impact.

In addition, the Notices state that past improvements in trade price transparency have been shown through academic research to improve price discovery and reduce trading costs, without evidence to demonstrate that this particular radical modification is likely to result in measurable improvements to the market. A more accurate benefit analysis would focus on the positive impact, if any, of faster reporting of the approximately 20 percent of trades that are not currently reported in one minute, specifically laying out why and how the more rapid reporting of this subset of trades would result in actionable and more decision-useful information for market participants. Identifying the existence of a cohort of trades that are reported more slowly than others does not serve to demonstrate that shortening the timing of reports for that cohort will achieve a benefit. Unfortunately, meaningful analyses to support the notion of concrete benefits by shortening reporting timeframes were not included in the Notices and, of course, such benefits must be weighed against the burdens, including those described herein.

The MSRB Notice includes a discussion of 251,635 municipal securities trades during 2021 that were preceded by other trades in the same security for which trade reports did not occur until after the subsequent trade, seeking to demonstrate that shortening the reporting timeframe to one minute would have made such prior trade data available in time for the subsequent trade in approximately a quarter of such trades (27.9% or 70,255 trades). While this data may support the notion that a subset of trades would have additional information publicly available relevant to the

particular security, SIFMA believes that adding a requirement to Rule G-14 that reports be made as soon as practicable, and the SROs providing guidance to broker-dealers on how they might best make improvements to their reporting practices in a practicable manner, would materially improve the timing of such trade reports without having to impose a radical one-minute mandate.

Further, SIFMA observes that the 70,255 trades in 2021 that the MSRB theorizes might have benefitted from a one-minute timeframe constituted a mere 0.92% of the 7,630,216 trades reported to RTRS last year.<sup>8</sup> This estimate overstates the universe of potentially benefitted trades since it likely captures many situations where the two reported trades simply represent two sides of a single financial transaction where the parties already understand the terms of each trade. That is, accelerated trade reporting would simply result in the party to the later transaction gaining access to information from the earlier transaction that it already knows. In addition, promptly following a trade with another market participant, some broker-dealers engage in reportable transactions that effectively involve movements of securities to affiliated broker-dealers or to separate proprietary or other accounts, which would by their nature likely result in so-called “matched trades” as described in the MSRB Notice. However, the trade report for this second follow-on trade would merely reflect this type of movement of the bonds and normally would reflect information that is effectively duplicative of the data reported for the first trade, providing no real additional benefit at a high cost of compliance.

While the FINRA Notice includes several snapshots of existing trade reporting performance in various categories of Trace-Eligible Securities as well as by trade size, reporting mechanism and level of market participation of reporting broker-dealers, the FINRA Notice does not provide data intended to demonstrate that the market will benefit from faster reporting of the later reported trades.<sup>9</sup>

Thus, the more rapid reporting of trades resulting from the improvements to the current trade reporting paradigm recommended by SIFMA in section IV of this letter, together with the very limited scope of potential benefits from a significant tightening of mandatory timeframes for reporting, make clear that no such reduction in the trade reporting timeframe requirements is currently adequately justified.

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<sup>8</sup> See MSRB, *Municipal Securities Market: Trade Activity 2007-2021* (May 2022) at 3.

<sup>9</sup> SIFMA suggests that the SROs look more closely at the data they included in the Notices with an eye to certain ambiguities regarding the precision with which the data should be considered. Tolerances in the data that are not problematic within a 15-minute timeframe could very well undermine reliability of any analysis when the timeframe is narrowed to one minute. For example, current fixed income trade matching processes are not keyed off of time of execution, which would naturally have an impact on the degree of precision of the time of trade execution data when looking at finer time gradations, such as within a single minute.

***C. Significant burdens have not been identified or assessed, and impacts on market structure and liquidity have not been adequately assessed or considered***

As with the lack of adequate consideration of benefits noted above, neither Notice provides more than the barest sketch of consideration of the costs and other burdens of the Proposals. SIFMA expects that the SROs would, prior to filing any proposals with the SEC, undertake further notice and comment processes including a rigorous economic analysis that identifies the perceived need for action, evaluates the available reasonable alternative approaches, and assesses the costs, benefits and distributional impacts, as required by their respective economic analysis governance documents.<sup>10</sup> Such analysis must fully support the statutory mandates that their rulemaking not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).<sup>11</sup> The SEC, in turn, would itself be subject to required economic analysis consistent with SEC policy,<sup>12</sup> its statutory mandate under the Exchange Act<sup>13</sup> and recent judicial decisions addressing such analyses.

SIFMA members have identified a number of specific concerns with the Proposals:

- 1. The SROs do not appear to account for the significant role of personalized negotiation in fixed income markets and how that relates to trade reporting** – We note with concern that each Notice only refers to voice trades once, in a question at the end of each. This is noteworthy given that personalized negotiation – sometimes characterized as “voice” trading but including more broadly the process by which many retail and institutional customers engage in a back-and-forth interaction with their broker-dealer to arrive at an agreed-upon trade, whether by voice negotiation or through electronic communications – remains a very important characteristic of significant portions of the fixed income markets. As described below, non-automated trading involves numerous necessary components that by their nature require more time to complete than for automated trading, and therefore most non-automated trading requires a longer reporting window than for automated trading. To abruptly implement a one-minute reporting deadline could adversely impact or potentially halt much of the trading driven by personalized negotiation, which SIFMA does not believe is the SROs’ intent.

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<sup>10</sup> See FINRA, Framework Regarding FINRA’s Approach to Economic Impact Assessment for Proposed Rulemaking (September 2013), available at [www.finra.org/sites/default/files/Economic%20Impact%20Assessment\\_0\\_0.pdf](http://www.finra.org/sites/default/files/Economic%20Impact%20Assessment_0_0.pdf), and MSRB, Policy on the Use of Economic Analysis in MSRB Rulemaking (undated), available at [www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking](http://www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking).

<sup>11</sup> See Exchange Act Sections 15A(b)(9) and 15B(b)(2)(C).

<sup>12</sup> See SEC, Current Guidance on Economic Analysis in SEC Rulemakings (March 16, 2012), available at [www.sec.gov/divisions/riskfin/rsfi\\_guidance\\_econ\\_analy\\_secrulemaking.pdf](http://www.sec.gov/divisions/riskfin/rsfi_guidance_econ_analy_secrulemaking.pdf).

<sup>13</sup> See Exchange Act Section 3(f).



Reduction in the reporting timeframes would come with a high risk of forcing broker-dealers to significantly curtail or largely abandon personalized negotiation in order to remain in compliance with their trade reporting obligations. To avoid this, the SROs would need to enunciate how broker-dealers could remain in compliance with the tightened deadlines while continuing to engage in personalized negotiation or how they could adequately meet the needs and preferences of clients who have previously relied on personalized negotiation but would be forced to change the manner in which they interact and invest with their broker-dealers.

Large segments of the market, including investors from both ends of the range of sophistication, depend on personalized negotiation. A substantial portion of the retail market continues to rely on personalized brokerage services, and institutional investors (notably those with large blocks and/or engaged in complex trading arrangements) also require services that routinely may only be provided through personalized interactions and negotiation.

**a. Personalized Negotiation for Retail Customers Would Be Severely Harmed With No Demonstrated Benefits to Retail Customers.** As the SROs and the SEC have repeatedly emphasized in connection with their focus on the needs of elder investors, many of these and other retail investors may not be accustomed to using, may not have access to, or may simply prefer not to use the electronic means of trading that the Proposals seem poised to make effectively obligatory. Other than self-directed investors, retail investors typically need to have a conversation with their broker-dealer to arrive at an investment decision that ultimately results in an agreement to make a trade that starts the clock for trade reporting purposes. In fact, that conversation is at the center of broker-dealers' compliance with any number of disclosure, best interest and other customer-focused regulatory obligations. In addition, the conversation is often an iterative process with potential refinements, adjustments or clarification of terms that would create challenges in ensuring that the terms are finalized and the trade is reported within the confines of one minute. Further, some firms require best execution or fair pricing reviews to occur on retail trades before the trades are placed into the execution stream. These would need to occur nearly instantaneously or may need to be eliminated, left exclusively to post-trade retrospective review, or moved to a much earlier part of the process that might not be as effective at ensuring executions are as advantageous to the customer as the then-current and potentially moving market will allow. While the personalized negotiation effectively occurs prior to the formal time of execution that marks the beginning of the trade reporting process, the two stages are inextricably linked. Mandating one-minute trade reporting across the board would require a de-linking of these two processes, which could introduce artificiality into the broker-client relationship and hinder execution until adequate technological advances are developed.

It may be helpful for the SROs to visualize a typical office visit or phone call by a retail investor – which still occurs, even if less frequently than before online brokerage became available – and how that conversation would flow under a one-minute trade reporting

scenario. Do broker-dealers have to structure those conversations in a way so that they can immediately act on their customers' directions to meet regulatory timeframes, with potentially multiple pauses during the course of the conversation to do so? Getting a fuller picture of how customer transactions with retail investors are negotiated and executed, and a clearer understanding of how regulators may expect such process to change, would be critical for a successful tightening of reporting timeframes.

It is also important that the SROs understand that the small "retail size" trades they observe through electronic venues do not all represent trades with a retail customer. A significant proportion of trades with a retail customer have one or more interdealer trades associated with it, representing the movement of the security from the selling retail customer of one broker-dealer to the ultimate purchasing retail customer of another broker-dealer. While these interdealer trades may be executed electronically or may not otherwise entail the additional complications of personalized negotiation, the execution of trades directly between the retail customers and their broker-dealers would typically arise through personalized negotiation. The manner in which these two different types of trades of the same retail-sized block of securities are executed would have a critical impact on the ability to timely report the trades under a one-minute reporting mandate. This distinction is important to properly assess the burdens on retail customers and the professionals servicing them and must not be obscured by focusing on aggregate data for small trades.

**b. Many Institutional Investors Would Be Harmed If Personalized Negotiation Becomes Difficult or Unavailable.** Institutional investors also frequently seek execution through personalized negotiation, which may involve direct engagement with their broker-dealer or through their broker-dealer working with intermediaries such as interdealer brokers or brokers' brokers. They may seek to trade a large block position that needs to be worked to obtain the best prices possible, or they may be trading in a security that is not well-known or is infrequently traded and so may not attract sufficient interest through passive listing on an electronic venue, or they may otherwise engage in a trading strategy that would benefit from individualized interactions with potential counterparties. With respect to trades of large blocks, Figure 2 of the FINRA Notice illustrates the sharp difference in trade reporting timing for corporate fixed income securities between trades above and below \$5 million; a similar break is shown for municipal securities, but at a lower block size of \$1 million, in Table 1 of the MSRB Notice.<sup>14</sup> Further, certain product types, such as asset-backed securities, are highly reliant on personalized negotiation, which is reflected in the longer reporting timeframes seen for that market as compared to other product types in Figure 1 of the FINRA Notice.

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<sup>14</sup> The precise breakpoint between larger and smaller blocks for corporate and municipal fixed income securities is not clear from the data provided in the Notices, which are broken down differently between the two Notices. If the SROs proceed with further steps in shortening the trade reporting timeframe, it would be important for the SROs to coordinate with one another to produce and disseminate to the market data that allows for consistent analysis across all segments of the fixed income markets that would be subject to the shortened timeframe.

Institutional clients also frequently engage in multiple simultaneous trades, with the number of such simultaneous trades potentially increasing dramatically for clients engaged in portfolio trading. To the extent that these trades occur through personalized negotiation, or where steps in the process include manual processing even where much of the rest of the process is electronic, timely reporting under a shortened timeframe would become increasingly problematic, or broker-dealers and their clients would need to rework how they undertake these transactions for the sole purpose of speeding the trade reporting timing.

Further, institutional clients and/or broker-dealers trading blocks often need to simultaneously take action to hedge their risk on such trades, particularly during periods of volatility. The need for broker-dealers to attend to trade reporting on their fixed income trades (towards meeting a 60-second deadline) in lieu of immediately focusing on hedging or assisting institutional clients with their own hedging would certainly have an adverse impact on such efforts, which could dampen liquidity and effective transaction execution.

**c. Story Bonds and Other Difficult-to-Trade Fixed Income Securities Require Personalized Negotiation.** Personalized negotiation is often necessary when trading in securities that may have features that make them less fungible than most other securities. For example, high yield, distressed bonds or securities with unusual or complicated features (sometimes called “story bonds”) are often not well suited for trading in electronic venues due to the need to engage in discussion of the nature of the investment in order to arrive at a fairly priced trade. This is especially true when investors are seeking to execute a series of transactions in these securities simultaneously. In addition, securities sold in an odd lot can often be difficult to trade in many electronic venues. Story bonds, odd lots and other securities that face barriers to full fungibility often require active marketing by broker-dealers to find appropriate counterparties and to optimize trade terms on behalf of the customer.

In summary, any significant curtailment of personalized negotiation could result in retail investors, in particular, losing access to the market altogether or could relegate them to engaging in the market in ways with which they are unfamiliar, uncomfortable or may otherwise not prefer. Institutional investors may need to seek less efficient or effective ways to meet their investment objectives, some of which may involve more opaque means of trading. Investors in story bonds or other less liquid fixed income securities may experience negative liquidity impacts. Broker-dealers that engage predominantly in voice trading may face steep and disproportionate costs in meeting new trade reporting requirements or switching over to electronic brokerage, and many may instead choose to exit the market. Much of the 20% of trades noted in the Proposals as being reported after the first minute consist of these types of trades, which are reported more slowly for many of the reasons described above. The SROs should undertake a rigorous analysis of the

impact that an abrupt and significant reduction in reporting timeframes would have on these trades.

- 2. Instituting one-minute reporting would have a significant disparate impact on smaller, MWVBD or specialized firms and also would create a serious burden on competition** – The impacts noted above would, understandably, fall hardest on smaller or specialized firms, including many minority-, women-, and veteran-owned broker-dealers (“MWVBDs”) active in the fixed income markets, that may have a higher relative share of the types of trades that would be most affected by the change in the trade reporting timeframe and likely have fewer resources to make the needed technology and other changes to meet the new timeframe. This could raise pressure on these firms to leave the market.

Many of these firms are likely among the 345 “Less Active Reporters” or 266 “Modestly Active Reporters” (together constituting 611 of the total 968 reporting FINRA member firms, or 63.1% of all TRACE reporters), as shown in Table 3 of the FINRA Notice, or among the 407 “Group 4” broker-dealers or 148 “Group 3” broker-dealers (together constituting 555 of the total 653 reporting MSRB-registered broker-dealers, or 85.0% of all RTRS reporters), as shown in Table 2 of the MSRB Notice.<sup>15</sup> Both SROs found that such firms generally experienced the lowest rate of one-minute reporting under the current trade reporting requirements.

SIFMA reminds the SROs of the critical role that smaller, specialized or MWVBD firms play in the fixed income markets, particularly in connection with serving retail investors and communities that have been historically underserved by the financial markets, and also are important for maintaining competitive markets serving such communities. The size of firms’ market share should not dictate whether the burdens such firms bear are acceptable or not, and failure to engage in a fulsome cost-benefit analysis that incorporates the needs and barriers such firms face would be inconsistent with recent initiatives undertaken by regulators in support of MWVBDs and small enterprises.

The Proposals could impose a significant burden on competition in the fixed income markets. It is incumbent on the SROs and the SEC to demonstrate that this burden is necessary and appropriate in furtherance of the Exchange Act. The SROs must undertake and publish for public scrutiny in advance of any rulemaking detailed analyses of data available only to the regulators that can assess which segments of the broker-dealer community engage in various types of fixed income trading that would be subject to the shortened trade reporting window. In particular, the publicly available trade data feeds, for good reasons, mask the identity of the parties to the trade. However, this masking

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<sup>15</sup> See also MSRB, Supplemental Data with respect to MSRB Notice 2022-07 Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14 (September 12, 2022), available at [www.msrb.org/sites/default/files/2022-09/2022-07-MSRB.pdf](http://www.msrb.org/sites/default/files/2022-09/2022-07-MSRB.pdf).

means that only the regulators can assess with any level of precision which firms trade predominantly in types of securities where personalized negotiation is a critical feature, or where other features exist that might make rapid reporting either easy or difficult. Given that the regulators are the sole parties in possession of a vital data element (the dealer identifiers for trades across the fixed income market) needed to fully understand the impacts of the Proposals, including any disparate impact to smaller, specialized or other subsets of broker-dealers trading particular products (and, likely, to distinct segments of the investing public serviced by such broker-dealers), the SROs and the SEC must be transparent as to those potential impacts and provide a more exacting analysis of their balancing of the costs and benefits supported by their quantitative and qualitative findings. The analyses provided in the Notices fall far short of what is needed.

3. **A one-minute reporting timeframe would significantly heighten the frequency and severity of liquidity queueing** – Because many fixed income trades are not executed instantaneously but instead take some degree of processing to execute, the need to report trades on an accelerated basis could result in broker-dealers having to stack up their trades to execute them sequentially on a one-by-one or small batch basis so that they can meet their reporting obligation for executed trades before moving on to execute the next trade or batch of trades, as described elsewhere in this letter. This queueing can have a negative impact on liquidity during heavier periods of trading. Avoiding this liquidity queueing may require significant and potentially costly changes in systems or processes at many broker-dealers.
  
4. **Instituting one-minute reporting likely would disproportionately benefit algorithmic trading entities over retail and traditional institutional investors** – It is unclear whether the few minutes of improved timing in the subset of fixed income trades that currently experience reporting more than one minute after the time of execution would translate into material benefits to investors, given the lack of evidence supporting the benefits of the Proposals as we observe above (*i.e.*, would the added increment of information translate into beneficial changes in pricing or liquidity characteristics associated with the trades theoretically benefiting from such information?). Some SIFMA members are concerned, instead, that the shortening of the reporting timeframe might most benefit algorithmic trading firms or other market participants positioned to take advantage of information arbitrage, to the potential detriment of retail investors and more traditional institutional investors. Thus, although a narrow segment of the investment community may be able to point to benefits they themselves could derive through their quantitatively-focused business models, it would be at the likely substantial cost to the rest of the investor base, particularly retail investors reliant on traditional retail sales and trading professionals who do not have comparable resources or customized analytic tools to compete with algorithmic/quantitative traders. The retail market therefore is unlikely to observe a positive liquidity effect from automated trading methodologies that could leverage the immediacy of trade data under the Proposals.

5. **Counterparties to broker-dealers would realize potentially severe impacts from the disruptions created by one-minute reporting** – The cooperation of and information provided by counterparties is crucial to effective trade reporting. The need by broker-dealers to accelerate their trade reporting under the Proposals would create unintended burdens on their counterparties. In the case of personalized negotiation, the changes in behavior needed to meet an accelerated reporting paradigm would create pressure on the counterparty in its decision-making as the broker-dealer seeks to get a clear agreement that it can act on immediately to report to the Reporting Systems. Some counterparties might experience an appreciable deterioration in the process of reaching final agreement to all terms of their trades and in the overall broker-customer relationship. By way of example, many counterparties require additional time to confirm or adjust the ultimate identity of each corporate entity that is a party to a trade (such as where allocating among related parties or advised accounts). These types of adjusting changes, including adjustments in trade sizes as among them, occur frequently in the minutes immediately following finalization of key trade terms. If the accelerated reporting times suggested in the Proposals were adopted, because the broker-dealer would need to immediately turn to reporting the trade, they would lose flexibility in their interactions with the customer regarding any clarifications or adjustments once the initial trade terms are identified. In addition, a one-minute deadline would create an environment in which the discussion of investment decisions with the counterparty may need to be repeatedly interrupted to allow the broker-dealer to immediately report each trade. In essence, counterparties would be forced into a trading environment where immediacy is prioritized, regardless of the counterparties' preferences. This, in turn may cause many counterparties to reconsider their practices when investing in fixed income securities.
  
6. **One-minute reporting of trades would be impracticable or impossible when multiple securities are traded at the same time** – It would be extremely difficult, and in many cases may be impossible, for a broker-dealer to make multiple trade reports in the event that they enter into (either simultaneously or sequentially) a series of transactions involving multiple CUSIPs such as a portfolio trade or other package of securities. Portfolio trades have become an increasingly important element supporting separately managed accounts and other advisory relationships, many of these servicing retail investors. Many customers engaging in portfolio trades seek to do so through personalized negotiation rather than through electronic venues, due in part to the complexity of counterparties assessing potentially thousands of different securities without the targeted interactions that occur in personalized negotiation. In addition, the use of electronic venues may expose a considerable amount of pre-execution information unrelated to the pricing of the portfolio assets, including in particular information regarding the nature of the investor's positions and trading strategies. The leakage of this pre-execution information can be problematic as other market participants may be able to take advantage of this leakage to enter into trades that could impair the most effective execution of the portfolio trade, with consequent impacts to the ultimate investors in the case of separately managed and other advisory accounts.

Also, many broker-dealers that engage in mortgage-backed securities transactions (including most small and many medium sized firms) must execute numerous trades at the same time tied to mortgage originations, generally by voice through personalized negotiation. The need to execute and report such trades on an individual or small batch basis would not only represent another example of liquidity queueing in such securities, as described above, but would create the risk of a concomitant increased friction in the efficiency of the underlying affordable housing mortgage origination process and the GNMA sector as a whole. Further, broker's brokers and other interdealer brokers often are tasked by their broker-dealer clients to facilitate trades in numerous different credits as part of the clients' trading needs on behalf of their own customers, requiring reports of a large number of trades executed at the same time. Additionally, it may be the case that a transaction involves the simultaneous purchase of a security and a hedge or other corresponding security. To the extent that all of these securities have a one-minute reporting requirement (such as buying the FN 5% TBA and selling the GN 5% TBA in a single transaction where the time of trade would be expected to be the same or just seconds apart), both trades would need to be reported within the same minute, which may be functionally impossible.

7. **Instituting one-minute reporting would present significant challenges for dually-registered broker-dealers/investment advisers and impact their retail and other advisory customers** – When a dually-registered broker-dealer/investment adviser purchases a large block from the street it must report the block trade to the Reporting Systems. It must also report each allocation to the sub-accounts held in its investment adviser capacity, including managed retail customer accounts. The reporting issues presented by such allocations are similar to those for the reporting of portfolio trades, particularly the need under a one-minute reporting paradigm to immediately report potentially thousands of allocations. These allocations are at the same price as the block trade and therefore do not provide the market with information that is relevant to a trading decision. Yet, these sub-account reports to the Reporting Systems, which sometimes number in the thousands, would all have to be made within the same one-minute reporting window, which would be effectively impossible for trades involving more than just a small number of allocations. The overwhelming task of reporting these largely duplicative trade reports could cause dual registrants to curtail the use of large block trades to source advisory customer investments, which would reduce the opportunity for their retail customers to achieve the pricing benefits that can often be derived when trading in larger blocks.
8. **The SROs should develop a better understanding of the important reasons for differences in trade reporting timing for small vs. large trades** – The Notices seek comment on the factors that may have resulted in the more rapid trade reporting of small trades as compared to large trades. There are similar characteristics to many small trades. Many small trades are executed on electronic platforms, and require minimal, if any, manual intervention. This fact allows many smaller trades to be executed and reported almost instantly. Larger trades, by contrast, typically require traders to negotiate and

confirm with a client and manually enter trade details into risk and reporting systems. Further, large trades generally require increased trader focus on risk management – notably the need to promptly source and accurately hedge the transaction in question. Any perceived inability for firms to manage their risk (while resources are diverted to one-minute trade reporting) will hamper firms' willingness to incur risk, which will in turn naturally dampen liquidity. This, in turn, may ultimately increase systemic risk if broker-dealers become less capable of hedging on a timely basis and could reduce execution quality for the institutional investor.

Bottlenecks can happen given the higher level of review required for large trades, landing trades in error queues or other queues for such manual review as margin or credit issues. It would be extraordinarily difficult to engage in these types of reviews in an effectively instantaneous manner as would be required under a one-minute reporting regime. As mentioned above, the Proposals, if adopted, could have the effect of significantly curtailing the ability to engage in manual handling of trades and would have negative impacts on risk management and liquidity, with at best little to no actual benefit to the overall quality of market data. Ensuring that large trades are executed accurately is critically important not only because of the higher financial stakes inherent in large trades but also because the larger trades are often viewed by the market as the most informative as to current price levels, have the greatest influence on market indices and generally set market tone. The SROs fail to show any appreciable benefit derived from faster reporting of such large trades that could outweigh the heightened risk of erroneous reporting that can drive market prices in the wrong direction.

9. **One-minute reporting would substantially increase reporting errors, corrections and late reporting rates** – SIFMA has been supportive of initiatives to increase efficiencies in the marketplace, including in particular promoting straight-through processing and removing barriers to electronic trading whenever reasonably feasible and beneficial to the operations of the market and the protection of investors. Many such improvements have the additional benefit of ultimately decreasing settlement fails and the costs associated with them. However, the significant reduction in the reporting timeframe envisioned in the Proposals would create the greatest pressure for those trades that currently face the greatest barriers to rapid reporting such as those executed through personal negotiation, thus likely increasing significantly the frequency of trade reporting amendments and errors as broker-dealers seek to achieve compliant reporting.

For example, a salesperson executing even a small number of trades at approximately the same time could easily make errors as he or she attempts to ensure that all of the trades are reported in one minute. Portfolio trades with potentially thousands of unique securities might well overwhelm the error and correction process, or result in a surge of late trade reports, if placed under a one-minute reporting standard. Depending on the nature of an adjustment or other small change in terms in the context of a portfolio trade, that single adjustment might result in the need for trade reporting correction for all the reported trades for the basket of securities within the portfolio.



The increased frequency of errors would cause the dissemination of a greater volume of erroneous information to the market than currently occurs. Broker-dealers would, as now, be required to correct such erroneous information, but the higher volume of uncorrected information would remain public pending such correction precisely during the period of time (immediately after the trade) that the SROs view as generating the greatest benefit of a tightened timeframe.

The higher volume of corrections, and the likely increase in enforcement inquiries and related activities by FINRA and the SEC resulting in responsive action by broker-dealers, would entail levels of costs that the SROs, and ultimately the SEC, would need to include in their cost-benefit analyses of the Proposals. Existing report cards and other metrics created and used by the regulators in connection with their examination and enforcement activities or designed to assist broker-dealers in their self-monitoring and compliance improvement efforts would become seriously off-balanced due to the many circumstances under which compliance with a one-minute reporting standard would become significantly more challenging or impossible. The regulators would need to reset the expectations that such report cards and metrics would establish for broker-dealer performance.

The likely step-up in information gathering by the regulators to monitor trade reporting performance during and after implementation of the changed deadline would create additional substantial drains on broker-dealer and regulator resources. These increased costs may be particularly onerous for smaller firms to bear. The market would be better served if the MSRB were to adopt the “as soon as practicable” reporting requirement to harmonize with the FINRA trade reporting requirement. In addition, the SROs and the SEC could most beneficially allocate their resources to providing meaningful guidance on what additional trade reporting processes they view are practicable under the current paradigm and in working with broker-dealers during FINRA and SEC compliance examinations in exploring any cases where the examiners believe that the examined firm may not be reporting as soon as practicable and arriving at steps the firm can take to fully meet the existing standard.

10. **SROs should maintain current end-of-day and other non-immediate reporting standards and potentially broaden such exemptions if they institute one-minute trade reporting** – The MSRB Notice asks whether existing end-of-day trade reporting exceptions are still necessary or appropriate. SIFMA observes that the end-of-day trade reporting exceptions all have something in common. These types of transactions, namely list offering price transactions, takedown transactions, trades in short-term instruments, and “away from market” trades (including customer repurchase agreement transactions, unit investment trust related transactions, and tender option bond related transactions), do not add relevant price information to the marketplace since the prices for these transactions are either known to the market or are off-market. These trades are required to be reported to ensure completeness for regulatory audit trail purposes, but the prices

reported are of limited to no value to market participants, particularly where the prices do not reflect the current market as of the time of reporting. Moving such trade reports to a mandatory real-time, and potentially one-minute, reporting paradigm would only serve to increase the likelihood that investors – particularly retail investors who may not understand why these trades do not reflect the current market – could be ill served with more rapid reporting and potentially more rapid dissemination of these trades.

If the end-of-day-reporting exceptions are eliminated, then large transactions with up to 100 syndicate members and thousands of trades would need to be pushed through a firm's systems much faster than in today's environment. Swing trades and accounting for sales credit can further complicate the process. It should also be noted that list offering price trades and takedown trades are specific to new issues, and these new issue trades may be making as many as 4 "hops" before the information can be sent to the Reporting Systems. For instance, information may be created in an underwriter's "book running" system, then get sent to a clearing firm, then to the correspondent firm's middle office system, then to its back office system, and finally to the clearing agency. Speeding up the reporting deadline for these transactions likely would include redesigning systems to report from their front end, which would be a very costly task for little to no perceived benefit.

In addition, SIFMA recommends that the MSRB harmonize its RTRS end-of-day reporting requirements for municipal securities with the requirements for similar transactions in TRACE-Eligible Securities reported to TRACE. Thus, the MSRB should, consistent with FINRA, not require the reporting of customer repurchase agreement transactions, for which price information has little to no value to market participants. Also, pursuant to FINRA Rule 6730, list offering price transactions and takedown transactions for TRACE-Eligible Securities only need to be reported on the next business day (T+1), instead of the end of day on trade day, as is required under the MSRB rules. We encourage the MSRB to adopt these same standards to promote consistency and harmonization with TRACE in trade reporting paradigms.

SIFMA also notes that the FINRA Notice proposes requiring trades executed when the TRACE system is not open to be reported within one minute, rather than the current 15 minutes, after the TRACE system re-opens the next trading day. Given the lapse of time between execution and reopening inherent in this situation, SIFMA believes there is absolutely no value in changing this deadline. Even for NMS stocks and OTC equity securities, which have been subject to a 10-second trade reporting timeframe for many years, trades occurring after normal trading hours are required to be reported within the first 15 minutes after the applicable FINRA equity trade reporting facility re-opens the next trading day.

More generally, the telescoping of activities tied to the reporting of trades within one minute would generate extraordinary pressure to find ways to alleviate the level of activities that broker-dealers would have to undertake within the constraints of that

minute. For example, in addition to the types of trades that have existing end-of-day reporting timeframes, the SROs may need to omit from the one-minute mandate any trades that will not be used for dissemination purposes (for example, only the sell-side, not the buy-side, trade report in an interdealer transaction is generally used in the Reporting Systems for dissemination purposes), although the effectiveness of any such exclusions would need to take into account the potential impacts on other aspects of the trade, particularly in view of straight-through processes currently in use.

- 11. More rapid dissemination of trade data for block trades would raise the risk of significant negative liquidity impacts** – Current real-time dissemination of trade data for larger blocks already creates regulator-recognized concerns over negative impacts to liquidity, and the acceleration of trade reporting to a one-minute timeframe with the resultant acceleration of trade data dissemination would only exacerbate such concerns and would require further action by the SROs to prevent the increased liquidity problems.

The Reporting Systems currently disseminate to the public on a real-time basis the exact par value on all reported transactions with a par value below certain defined dissemination caps. For trades in investment grade corporate bonds with a par value greater than \$5 million, and trades in municipal bonds and non-investment grade corporate bonds with a par value greater than \$1million, the Reporting Systems disseminate a generic trade size indicator (5MM+ or 1MM+, as appropriate) when initially disseminating the trade data for such block trades, then disseminate the exact par value five business days later. Dissemination caps also exist for block trades of other types of TRACE-Eligible Securities with different caps and mechanisms. These dissemination caps were instituted to address significant concerns that liquidity would be adversely affected by the immediate availability of trade sizes for larger positions through the Reporting Systems, which other market participants could use as a position discovery rather than a price discovery tool. Because of concerns that the existing dissemination caps and trade size masking for corporate debt had not succeeded in limiting adverse liquidity effects, and based in part on recommendations made by the SEC's Fixed Income Market Structure Advisory Committee, FINRA sought comment in 2019 on potentially piloting an increase in the size of the dissemination caps and delaying dissemination of all trade information for trades above the caps for 48 hours.

As noted, immediate dissemination of trade data reported to the Reporting Systems on a one-minute basis would significantly exacerbate these already existing liquidity concerns. The SROs would need to take action to address the heightened ability that one-minute dissemination would provide opportunistic market participants to use such data on larger trades to further advantage themselves and reduce the ability of such blocks to achieve levels of liquidity that are healthy for the marketplace. It may well be that the current dissemination caps would need to be lowered, or the delay of the full trade report dissemination similar to the delay contemplated in the FINRA pilot proposal would need to be instituted for all fixed income trades above the dissemination caps, or other

compensating changes to how trade reports for block trades are disseminated would need to be developed and instituted.

12. **FINRA would need to consider how to harmonize the Federal Reserve’s depository institution TRACE reporting requirements with the FINRA Proposal’s accelerated reporting timeframe** – The FINRA Notice does not address the potential to extend the FINRA Proposal to trades in certain TRACE-Eligible Securities by covered depository institutions under the Treasury Securities and Agency Debt and Mortgage-Backed Securities Reporting Requirements (FR 2956; OMB No. 7100-NEW) of the Board of Governors of the Federal Reserve System, under which reports to TRACE began September 1, 2022. Such trade reports currently occur under a 15-minute timeframe. SIFMA believes that any move to change the baseline reporting requirements should be viewed within the full context of all market participants that are tasked with reporting or that may be affected by the need for broker-dealers and other firms to generate such reports under any new timeframe.
13. **Re-architecting post-trade workflows to implement an accelerated trade reporting timeframe would be extremely costly** – Narrowing the window for trade reporting below 15 minutes would impose substantial costs and burdens on broker-dealers that ultimately may have a meaningful impact on investors and issuers. In order for broker-dealers to move to a materially shorter reporting deadline than currently exists, much less a one-minute timeframe, they would need to examine their systems and consider reporting out of their “front-end” systems (the earliest data location where all required trade data is present) instead of back office systems in order to meet such tighter deadlines for the types of trades that currently take longer to report. This would be a dramatic, time-consuming and costly reformulation of workflows.

For TRACE-Eligible Securities already subject to the “as soon as practicable” standard of FINRA Rule 6730(a), any tightening of mandatory reporting timeframes that cause broker-dealers to report their trades more rapidly than they currently do would effectively require that broker-dealers undertake processes or systems changes that are not, in fact, currently practicable and therefore would almost certainly be quite costly and time-consuming. Any abrupt material reduction in time for trade reporting will cost broker-dealers significant amounts of money to make changes to their systems, likely requiring that they redesign systems to report from their front end and potentially hire additional staff (for example, to shadow traders and manually input data as trades are executed during personalized negotiated), both of which would be very costly and neither of which is addressed by the SROs in their limited cost-benefit analyses.

Maintaining personalized negotiation under a dramatically reduced reporting timeframe may require universal use by all broker-dealers of systems specifically designed to facilitate rapid trade reporting, and also may depend on technological innovations that have not yet emerged to allow for automating what can effectively be unstructured and sometimes oral data into properly tagged data for consumption by systems involved in

trade reporting. While it is not possible to foresee all potential changes that would be required to meet a one-minute deadline without the type of thorough analysis by the SROs in coordination with market participants that we describe above, other changes may very well include potentially broader re-architecting and expanding internal or cloud-based infrastructure; expanded reliance on third-party data and technology providers with associated costly licensing arrangements; materially modifying processes to maximize automation to the greatest extent feasible; expansion, to a degree far greater than the SROs likely anticipate, of the workforce dedicated to trade execution and reporting, and undertaking the associated training and supervision, to adequately address remaining manual processes subject to dramatically tightened deadlines; and expansion of internal systems capacity and externally-provided telecommunication, computing and other services, among other material changes.

The high costs entailed in the need to re-imagine and re-engineer the trade reporting process across the fixed income asset classes are additive to the numerous other costs arising from the many other burdens we describe above. It is incumbent on the SROs to undertake and publish for public scrutiny in advance of any rulemaking detailed analyses of these costs in light of our comments and the input received from other commenters on the Notices, as further informed by data available only to the regulators. While these costs will fall directly on all reporting broker-dealers, the costs of the Proposals will spread to investors and other market participants, as we have described above. The SROs and the SEC must be held to a high standard for making transparent their calculations of costs and their exacting analysis of the balance of the costs and benefits supported by quantitative and qualitative findings.

#### **IV. Suggestions for Improvements to Current Trade Reporting Requirements**

SIFMA members believe that there are several improvements to the current FINRA and MSRB reporting requirements that can be made in the near term. These improvements would make trade reporting more harmonized, more efficient and would likely materially improve the speed of trade reporting without creating a shorter reporting mandate.

##### ***A. SIFMA recommends the harmonization of the SROs' baseline reporting requirements***

The MSRB Notice seeks comment on whether the current transaction reporting timeframe for the reporting of trades in municipal securities to RTRS should be amended to include a requirement that, absent an exception, such trades must be reported “as soon as practicable.” Section (a)(ii) of the Rule G-14 RTRS Procedures set forth the baseline 15-minute trade reporting timeframe for most municipal securities trades, which do not currently include a requirement for reporting such trades as soon as practicable. Adding this requirement would harmonize this provision with FINRA Rule 6730(a), which currently requires that, with certain exceptions, trades in TRACE-Eligible Securities be reported as soon as practicable. SIFMA supports amending MSRB Rule G-14 RTRS Procedures to include this conforming language to the trade reporting requirement, as

well as to provide supervisory guidance that parallels the provisions of Supplementary Material .03 of FINRA Rule 6730.

To be clear, SIFMA believes that all reporting firms must consistently and faithfully comply with the applicable “as soon as practicable” requirements under the trade reporting rules. SIFMA further believes that FINRA and SEC examination staff should take the opportunity, when they are at their closest interaction with broker-dealer personnel during the examination process, to provide appropriate feedback to firms they believe are not reporting trades as soon as practicable to assist in achieving more fully compliant trade reporting. SIFMA is not aware of any publicly announced enforcement actions finding that a broker-dealer, while meeting existing 15-minute reporting requirements, has failed to report its trades under the current FINRA Rule 6730(a) requirement that such trades be reported as soon as practicable. This demonstrates that broker-dealers are in fact systematically reporting their trades as soon as practicable, seriously posing the question as to whether mandating shortened trade reporting timeframes would result in an impracticable requirement that would be facially unreasonable and unacceptably burdensome. We believe that the high number of trades that are currently reported within one minute is ample evidence that, with the actions described above, the SROs could substantially achieve the goals of the Proposals.

***B. SIFMA recommends that the SROs jointly establish a Reporting System-hosted securities master***

A complete, accurate and immediately accessible securities master is a core necessity in order to effectively report trades to the Reporting Systems. Because of the large number of unique securities in certain segments of the fixed income market and the nature of the information and the manner of providing and updating such information through private sector data products, most broker-dealers face significant technological burdens and costs in maintaining securities masters that are able to provide the information necessary for trade reporting on a timely basis for certain trades. For example, a trade in a security that has not previously traded for a significant period of time (*e.g.*, during the past year) may require that the broker-dealer update its active securities master to ensure that the necessary indicative data is available for all required processing. Broker-dealers have reported that it takes almost all of the allotted 15 minutes to query an information service provider to upload the missing CUSIP and indicative data to refresh their securities master, then submit the trade report. At one minute, any form of human processing may in many cases become effectively impossible.

SIFMA suggests that the SROs establish a joint purpose-built global securities master housed within the Reporting Systems for use by the SROs and broker-dealers exclusively in connection with the timely reporting of trades. Providing for a centralized, fully updated securities master that includes all fixed income securities subject to trade reporting requirements would, SIFMA believes, significantly speed the reporting of many of the trades that today require the most time to report under existing trade reporting standards without the necessity of changing such timeframes. Furthermore, if the SROs were to shorten the reporting timeframes, SIFMA believes

that it would be even more critical to implement this or some other solution to existing limitations and barriers faced by broker-dealers in connection with their securities masters.

FINRA currently maintains an issue master for many categories of TRACE-Eligible Securities which could serve as a foundation for establishing this global securities master, with enhancements to include all remaining TRACE-Eligible Securities not currently covered and to ensure that all reporting broker-dealers have effective means to use the data for TRACE trade reporting in the most efficient manner possible. The MSRB should work with FINRA to extend its existing securities master to also include municipal securities, and the MSRB should institute any necessary RTRS and trade reporting portal enhancements necessary to allow broker-dealers to use the data for RTRS trade reporting in the most efficient manner possible.<sup>16</sup> Of course, the development and implementation of a global securities master for this purpose would need to be undertaken under the existing notice and comment process incorporating a rigorous economic analysis of the costs and benefits.

***C. SIFMA recommends that the SROs improve the efficiency of their existing web-based reporting interfaces***

Both Notices observe that trades currently are reported to the Reporting Systems by means of automated interactive messaging protocols more rapidly than trades reported manually using web interfaces, such as RTRS Web and TRAQS. The FINRA Notice includes statistics in Table 4 that clearly demonstrate that the current manual trade reporting processes would face overwhelming obstacles in meeting a significantly shortened trade reporting timeframe. The MSRB Notice merely acknowledges that manual reporting appears to be slower than automated reporting without offering any data and leaves it to market participants to generate their own information on the timing of manual web reporting. This failure to provide data on such timing comparable to the data provided by FINRA is rather alarming given that the data is uniquely within the MSRB's possession and that the private sector is unable to generate this type of data from publicly available sources, including the RTRS data feeds.

At least until alternative methods of reporting trades are developed to allow broker-dealers to efficiently and effectively report the types of trades that they current report manually, SIFMA believes that retaining but considerably improving the existing web interfaces is necessary. Manual trade reporting, in most cases, occurs because the trade is executed outside of a straight-through processing environment, as may be the case with trades resulting from personalized negotiation, or if issues arise with respect to a particular trade in such an electronic process.

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<sup>16</sup> It would be incumbent upon the SROs to leverage existing data available to them and to negotiate appropriate use agreements with private vendors required to implement the global securities master. Such agreements should, at a minimum, guarantee use by broker-dealers of securities identifiers relevant to all of the fixed income segments subject to trade reporting and other data from the global securities master solely to meet regulatory requirements with respect to their reporting of trade information to the Reporting Systems, while retaining the vendors' commercial interests in other usages of their products associated with or derivative of their data used by the securities master.

Examples of situations or types of trades for which SIFMA members currently may sometimes use manual trade reporting include large trades, trades in some high yield or distressed bonds, trades with securities having unusual features, trades in securities of issuers that rarely trade (including securities for which the securities master must be updated to include applicable indicative data for the security), and other situations where a broker-dealer may effect a trade by personalized negotiation through voice brokerage, electronic chat function or other electronic communications platform, among others.<sup>17</sup> More generally, manual trade reporting remains a key capability in connection with voice brokerage, as well as in other scenarios where the communications between broker-dealers and their clients to reach agreement on a trade –whether by voice, through an order management system or other electronic communication system – occur outside of a straight-through processing environment that automates the translation of such communication directly into the execution and trade reporting stream. Any regulatory changes that make manual reporting ineffectual or that penalizes broker-dealers for using such process would materially impair the ability of personalized negotiation to continue to exist, to the detriment of the many investors that choose to trade in such manner.

SIFMA members report a number of different inefficiencies they experience using the currently available web interfaces for manual trade reporting. Some of these issues reside in the SROs' own systems, which the SROs should address – unrelated to any shortening of the trade reporting timeframe – through system enhancements and/or redesign,<sup>18</sup> greater adherence to heightened service level agreements, and incorporation of the global securities master described above. In addition, particularly if the SROs were to shorten trade reporting timeframes, the SROs would need to provide to the marketplace, on a more consistent basis, considerably more granular transparency on SRO systems outages that include specific instances of system accessibility and performance degradations that fall short of what are currently viewed by the SROs as systems outages, and records of these outages/degradations should be automatically appended to any SRO trade reporting statistics and report cards generated for individual broker-dealers to ensure that such broker-dealers are not penalized for SRO system issues. Other issues may be external to the SROs' own systems, including internet and other types of broad-based or localized outages/degradations outside of the control of broker-dealers that may sometimes interfere with their ability to make timely reports through the SRO web interfaces, with such situations becoming increasingly problematic with any potential shortening of the trade reporting window.

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<sup>17</sup> Broker-dealers that are not SIFMA members, particularly those that are smaller, more specialized, or only trade in fixed income securities infrequently may experience additional scenarios where manual reporting is important.

<sup>18</sup> For example, the SROs should ensure that their web interfaces are optimized so that they are made instantly available on an always on/always signed in basis for input without users experiencing system time-outs or latency issues, having to repeatedly sign in, or being required to undertake more keystrokes, navigate more pages, and await system processing when selecting or otherwise inputting data than is minimally necessary for the single purpose of reporting a trade to the Reporting Systems.



In summary, SIFMA and its members are supportive of achieving faster trade reporting but want to ensure that additional costs and burdens are not imposed on the industry without commensurate benefits. The Notices garnered significant interest by SIFMA members who strongly believe that the “as soon as practicable” standard should be uniformly applied across all fixed income securities, and that promoting the ability of broker-dealers to meet this standard should be the guiding principal for improving reporting times. We have the specific concerns listed above regarding the Proposals and believe the recommendations we have made regarding potential enhancements to existing trade reporting processes would provide much of the benefits sought by the Proposals at significantly lower costs.

SIFMA and its members would welcome the opportunity to join working groups, provide demonstrations of current processes and otherwise assist in considering means of enhancing reporting times in a more deliberative and corroborative fashion. Abruptly moving to a one-minute deadline would harm the markets and our members. It would also create significant new technology and operational burdens for broker-dealers that are preparing to transition to a T+1 settlement cycle and expecting a variety of significant SEC rules to be adopted over the next year. We believe that the SROs should first make our recommended improvements to existing trade reporting, and only then should the SROs potentially consider whether shortening reporting timeframes would provide any additional benefits that clearly outweigh the attendant burdens. Careful study of the issues we raise would be necessary before the SROs seek to implement a tighter mandatory reporting timeframe, and any such tightening of the trade reporting mandate must be done in a stepwise manner in partnership with the marketplace.

We 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 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: ***Securities and Exchange Commission***

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Yue Tang, Senior Economist, Office of the Chief Economist

***Municipal Securities Rulemaking Board***

Gail Marshall, Chief Regulatory Officer  
John Bagley, Chief Market Structure Officer  
David Hodapp, Director, Market Regulation