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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2024 - * 01

Amendment No. (req. for Amendments *)

Filing by Municipal Securities Rulemaking Board

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Ernesto Last Name * Lanza

Title * Chief Regulatory and Policy Officer

E-mail * elanza@msrb.org

Telephone * (202) 838-1500 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Municipal Securities Rulemaking Board has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 01/12/2024 (Title *)

By Ronald W. Smith Corporate Secretary
(Name *)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

rsmith@msrb.org
rg

Digitally signed by
rsmith@msrb.org
Date: 2024.01.12 14:41:51
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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MSRB-2024-01 19b-4.docx

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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MSRB-2024-01 Exhibit 1.docx

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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MSRB-2024-01 Exhibit 2a.pdf
MSRB-2024-01 Exhibit 2b.pdf
MSRB-2024-01 Exhibit 2c.docx

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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MSRB-2024-01 Exhibit 5.docx

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Exchange Act”),¹ and Rule 19b-4 thereunder,² the Municipal Securities Rulemaking Board (the “MSRB”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to (i) amend Rule G-14 RTRS Procedures under MSRB Rule G-14, on reports of sales or purchases (“Rule G-14”), to shorten the amount of time within which brokers, dealers and municipal securities dealers (individually and collectively, “dealers”) must report most transactions to the MSRB, require dealers to report certain transactions with a new trade indicator, and make certain clarifying amendments, and (ii) make conforming amendments to MSRB Rule G-12, on uniform practice (“Rule G-12”), and the MSRB’s Real-Time Transaction Reporting System (“RTRS”) Information Facility (“IF-1”) to reflect the shortened reporting timeframe (collectively, the “proposed rule change”).

If the Commission approves the proposed rule change, the MSRB will announce the effective date of the proposed rule change in a regulatory notice to be published on the MSRB website.

(a) The text of the proposed rule change is attached as Exhibit 5. The text proposed to be added is underlined, and text proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The board of directors of the MSRB approved the proposed rule change at its meeting on July 26–27, 2023. Questions concerning this filing may be directed to Ernesto Lanza, Chief Regulatory and Policy Officer, John Bagley, Chief Market Structure Officer, or Thushara Perera, Director, Market Regulation, at 202-838-1500.

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

(i) Background

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Since 2005, the MSRB has collected and disseminated information from dealers about their municipal securities purchase and sale transactions.³ Dealers currently are required to report their transactions to RTRS within 15 minutes of the Time of Trade,⁴ absent an exception,⁵ in accordance with Rule G-14, the Rule G-14 RTRS Procedures, and the RTRS Users Manual.⁶

The transaction information collected by the MSRB in accordance with Rule G-14 serves the dual primary purposes of market transparency and market surveillance.⁷ To advance the goal of market transparency, the MSRB disseminates trade reporting information from RTRS to paid subscribers through certain data subscription feeds. These data subscription feeds serve as the core source of price-related information used by market participants, industry utilities and vendors that, among other things, operate pricing-related tools and services used throughout the municipal market to support execution of trades at fair and reasonable prices that reflect current market values. To further advance the goal of market transparency and to make such price-related information available to individual investors and other market participants contemporaneously with data flowing to market professionals through the RTRS subscription feeds, the MSRB disseminates trade reporting information free of charge to the general public through the MSRB's centralized Electronic Municipal Market Access ("EMMA[®]") website.⁸

³ See Exchange Act Release No. 50605 (Oct. 29, 2004), 69 FR 64346 (Nov. 4, 2004), File No. SR-MSRB-2004-06; see also MSRB Notice 2004-29 (Approval by the SEC of Real-Time Transaction Reporting and Price Dissemination: Rules G-12(f) and G-14) (September 2, 2004).

⁴ Rule G-14 RTRS Procedures Section (d)(iii) defines "Time of Trade" as the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.

⁵ Transactions in securities without CUSIP numbers, transactions in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are currently exempt from the reporting requirements under Rule G-14(b)(v).

⁶ The RTRS Users Manual is available at <https://www.msrb.org/RTRS-Users-Manual>. Prior to the creation of RTRS in 2005, the MSRB collected trade data on an end-of-day basis for next day dissemination and surveillance purposes through a predecessor transaction reporting system.

⁷ See Rule G-14(b)(i). Transaction information collected by RTRS is also used in connection with assessments under MSRB Rule A-13(d).

⁸ See MSRB Notice 2009-22 (MSRB Receives Approval to Launch Primary Market Disclosure Service of MSRB's Electronic Municipal Market Access System (EMMA) for Electronic Dissemination of Official Statements) (May 22, 2009).

To advance the goal of market surveillance, the MSRB maintains a comprehensive database of transaction information, which is made available to the examining authorities, including the Commission, the Financial Industry Regulatory Authority (“FINRA”), and other appropriate regulatory agencies. The availability of trade reporting data strengthens market transparency, promotes investor protection and reduces information asymmetry between institutional and retail investors.

Fixed income markets have changed dramatically since the current 15-minute requirement went into effect in 2005, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. The MSRB has continued to explore ways to modernize the rule and provide for more timely, granular and informative data to further enhance the value of disseminated transaction data. In doing so, the MSRB has taken a measured and data-driven approach, using available trade reporting data and the public comment process to help inform its policy objectives and actions. The MSRB has utilized a series of concept releases, requests for comments and extensive outreach to solicit input from market participants and stakeholders.⁹ As a result of these efforts and of RTRS re-engineering to ensure its on-going effectiveness as demands on the system were expected to rise over time, the MSRB has implemented various refinements to RTRS, RTRS Information Facility (IF-1), and the content and quality of trade-related information made available to investors and the public.¹⁰

The MSRB has found that, in 2022, approximately 73.7 percent of the trades in the municipal securities market that are currently subject to the 15-minute reporting timeframe were reported within one minute of execution, and approximately 97 percent of trades in the municipal securities market that are currently subject to the 15-minute reporting timeframe were reported within five minutes of execution.¹¹ In light of the technological advances and

⁹ See MSRB Notice 2013-02 (Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform) (Jan. 17, 2013); MSRB Notice 2013-14 (Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform) (July 31, 2013); MSRB Notice 2014-14 (Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform) (Aug. 13, 2014); MSRB Notice 2022-07 (Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14) (Aug. 2, 2022) (the “2022 Request for Comment”).

¹⁰ See, e.g., Exchange Act Release No. 75039 (May 22, 2015), 80 FR 31084 (June 1, 2015), File No. SR-MSRB-2015-02, and Exchange Act Release No. 77366 (Mar. 14, 2016), 81 FR 14919 (Mar. 18, 2016), File No. SR-MSRB-2016-05 (expanding and adding trade indicators); Exchange Act Release No. 83038 (Apr. 12, 2018), 83 FR 17200 (Apr. 18, 2018), File No. SR-MSRB-2018-02 (modernizing RTRS Information Facility (IF-1)).

¹¹ See *infra* “Self-Regulatory Organization’s Statement on Burden on Competition – Trade Reporting Analysis” in Section 4(a) Table 1. Trade Report Time by Trade Size – Cumulative Percentages. January to December 2022.

evolving market practices in the intervening 19 years since the MSRB first adopted the 15-minute reporting requirement, including the increase in electronic trading, and consistent with the MSRB's longstanding goals of increasing transparency and improving access to timely transaction data, the MSRB is proposing updates to modernize the reporting timeframes and provide timelier transparency. In this effort, the MSRB would continue to assess its RTRS reporting requirements in light of market developments, including reporting timeframes, and consider whether any further modifications are warranted.

(ii) Proposed Rule Change

The proposed rule change is intended to bring about greater market transparency through more timely disclosure and dissemination of information to market participants and market-supporting vendors so that the information better reflects current market conditions on a real-time basis, while carefully balancing the considerations raised by commenters throughout the rulemaking process.

The proposed amendments to Rule G-14 RTRS Procedures under Rule G-14 would:

- Establish a baseline one-minute trade reporting requirement;
- Establish a requirement that, with limited exceptions, trades be reported as soon as practicable and that dealers adopt policies and procedures in connection with this requirement;
- Create two new exceptions to the new one-minute reporting requirement, consisting of (1) a 15-minute exception for dealers with "limited trading activity," and (2) a phased-in approach for implementation from 15 minutes to an eventual five-minute reporting requirement for "trades with a manual component";
- Maintain and clarify all existing exceptions to the current 15-minute reporting requirement, as well as the 15-minute from start of next day reporting requirement for trades conducted outside the trading day, so that they would continue to apply under the new one-minute reporting requirement;
- Require that dealers reporting any trade with a manual component use a new special condition indicator when the trade is reported to the MSRB;
- Specify that dealers may not purposely delay the execution or reporting of a transaction, introduce any manual steps following the Time of Trade, or otherwise modify any steps to execute or report the trade for the purpose of utilizing the manual trade exception;
- Provide that a rule violation would be found where there is a "pattern or practice" of late trade reporting without "reasonable justification or exceptional circumstances"; and
- Clarify within Rule G-14 RTRS Procedures the usage of all existing and new special condition indicators.

The proposed rule change would also make certain conforming technical changes to Rule G-12(f)(i) and IF-1. A more detailed description of the proposed rule change follows.

If the proposed rule change is approved, the MSRB would review the available trade reporting information and data arising from implementation of the changes to trade reporting introduced by the proposed rule change, including but not limited to the two exceptions to the one-minute reporting requirement. Such monitoring would inform any further potential changes by the MSRB, through future rulemaking, to the trade reporting requirements due to increasing marketplace and technology efficiencies, process improvements, continuing or new barriers to accelerated reporting, unanticipated market impacts, or other factors.

(A) New Baseline Reporting Requirement: One Minute After the Time of Trade

Proposed amendments to Rule G-14 RTRS Procedures Section (a)(ii) generally would provide that transactions effected with a Time of Trade during the hours of an RTRS Business Day¹² must be reported to an RTRS Portal¹³ “as soon as practicable, but no later than one minute” (rather than within the current 15-minute standard) after the Time of Trade, subject to several existing reporting exceptions, which would be retained in the amended rule,¹⁴ and two new intra-day reporting exceptions relating to dealers with limited trading activity and trades

¹² Rule G-14 RTRS Procedures Section (d)(ii) defines “RTRS Business Day” as 7:30 a.m. to 6:30 p.m., Eastern Time, Monday through Friday, unless otherwise announced by the MSRB.

¹³ RTRS has three “Portals” for submission of transaction data, and aspects of RTRS are designed to function in coordination with the Real-Time Trade Matching (“RTTM”) system of the Depository Trust & Clearing Corporation (“DTCC”) in conjunction with its subsidiary National Securities Clearing Corporation. Rule G-14 RTRS Procedures Section (a)(i) describes the three RTRS Portals: Message Portal used for trade submission and trade modification as described in Section (A) thereof; RTRS Web Portal used for low-volume transaction submission and modification as described in Section (B) thereof; and RTTM Web Portal used only for inter-dealer transactions eligible for automated comparison as described in Section (C) thereof.

¹⁴ Three of these existing exceptions, consisting of List Offering Price/Takedown Transactions, trades in certain short-term or variable rate instruments, and away from market trades, require that trades be reported by the end of the day on which they are executed and do not rely on the Time of Trade. These three end-of-trade-date reporting exceptions would be retained without change and would be redesignated as Rule G-14 RTRS Procedures Section (a)(ii)(A)(1), (2) and (3), respectively. Two other existing exceptions for certain special circumstances would also be retained without change, consisting of dealers reporting inter-dealer “VRDO ineligible on trade date” transactions, which must be reported by the end of the day on which the trade becomes eligible for automated comparison, and of dealers reporting inter-dealer “resubmission of an RTTM cancel,” which must be reported by the end of the next RTRS Business Day following cancellation of the original trade. These two exceptions would be redesignated as Rule G-14 RTRS Procedures Sections (a)(ii)(B)(1) and (2), respectively.

with a manual component that would be added by the proposed rule change, as described below.¹⁵ Except for those trades that would qualify for a reporting exception, all trades currently required to be reported within 15 minutes after the Time of Trade would, under the proposed rule change, be required to be reported no later than one minute after the Time of Trade.

(B) New Requirement to Report Trades “as Soon as Practicable”

The proposed amendment to Rule G-14 RTRS Procedures Section (a)(ii) adds a new requirement that, absent an exception, trades must be reported as soon as practicable (but no later than one minute after the Time of Trade). In addition, this same “as soon as practicable” requirement would apply to trades subject to longer trade reporting deadlines under the two new exceptions for dealers with limited trading activity pursuant to Rule G-14 RTRS Procedures Section (a)(ii)(C)(1) and Supplementary Material .01,¹⁶ or trades with a manual component pursuant to Rule G-14 RTRS Procedures Section (a)(ii)(C)(2) and Supplementary Material .02,¹⁷ as described below.

The new “as soon as practicable” language, which does not currently appear in Rule G-14 RTRS Procedures, would harmonize this element of RTRS trade reporting requirements for municipal securities with FINRA’s trade reporting requirement for its Trade Reporting and Compliance Engine (“TRACE”) for TRACE-eligible securities.¹⁸ Thus, while Rule G-14 RTRS Procedures do not currently explicitly prohibit a dealer from waiting until the existing 15-minute deadline to report a trade notwithstanding the fact that the dealer could reasonably have reported such trade more rapidly, under the proposed rule change a dealer could not simply await the deadline to report a trade if it were practicable to report such trade more rapidly.

In connection with the new “as soon as practicable” requirement, the proposed rule change includes new Supplementary Material .03 relating to policies and procedures for complying with the “as soon as practicable” reporting requirement. Under proposed Supplementary Material .03(a), consistent with Supplementary Material .03(a) of FINRA Rule

¹⁵ The two new intra-day reporting exceptions, consisting of trades by dealers with limited trading activity and trades with a manual component, would be designated as Rule G-14 RTRS Procedures Sections (a)(ii)(C)(1) and (2), respectively.

¹⁶ See *infra* “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity” in Section 3(a)(ii)(D)(1).

¹⁷ See *infra* “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” in Section 3(a)(ii)(D)(2).

¹⁸ See *e.g.*, FINRA Rule 6730(a).

6730, dealers would be required to adopt policies and procedures reasonably designed to comply with the “as soon as practicable” standard and would be required to implement systems that commence the trade reporting process without delay upon execution. Where a dealer has reasonably designed policies, procedures and systems in place, the dealer generally would not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting due to extrinsic factors that are not reasonably predictable and where the dealer does not intend to delay the reporting of the trade (for example, due to a systems outage). Dealers must not purposely withhold trade reports, for example, by programming their systems to delay reporting until the last permissible minute or by otherwise delaying reports to a time just before the deadline if it would have been practicable to report such trades more rapidly.

For trades with a manual component, and consistent with Supplementary Material .03(b) of FINRA Rule 6730, the MSRB recognizes that the trade reporting process may not be completed as quickly as, for example, where an automated trade reporting system is used. In these cases, the MSRB expects that the regulatory authorities that examine dealers and enforce compliance with this requirement would take into consideration the manual nature of the dealer's trade reporting process in determining whether the dealer's policies and procedures are reasonably designed to report the trade “as soon as practicable” after execution.¹⁹

(C) Time of Trade Discussion

The “Time of Trade” is the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.²⁰ While the definition of Time of Trade would not be changed, the precision with which the establishment of the Time of Trade for a particular transaction would become more critical in the context of the proposed shorter, one-minute reporting requirement compared to the current 15-minute reporting requirement because, absent an exception, dealers would have less time to report the trade. The time taken to report the trade is measured by comparing the Time of Trade reported by the dealer with the timestamp assigned when the initial trade report is received by an RTRS Portal.²¹ For transaction reporting purposes, Time of Trade is considered to be the same as the time that a trade is “executed” and, generally, is consistent with the “time of execution” for recordkeeping

¹⁹ See Supplementary Material .03(b) of FINRA Rule 6730. See also *infra* “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” in Section 3(a)(ii)(D)(2) for a discussion of the new exception for trades with a manual component.

²⁰ See current Rule G-14 RTRS Procedures Section (d)(iii).

²¹ See Exchange Act Release No. 49902 (June 22, 2004), 69 FR 38925 (June 29, 2004), File No. SR-MSRB-2004-02; see also MSRB Notice 2004-13 (Real-Time Transaction Reporting: Notice of Filing of Proposed Rule Change to Rules G-14 and G-12(f)) (June 1, 2004); IF-1.

purposes.²² Importantly, the time that the trade is executed is not necessarily the time that the trade information is entered into the dealer's processing system. For example, if a trade is executed on a trading desk but not entered for processing until later, the time of execution (not the time of entering the record into the processing system) is required to be reported as the "Time of Trade."²³

While the principles of contract law are mostly governed by state statutory and common law, generally, in order to form a valid contract, there must be at least an offer and acceptance of that offer. As a result, dealers should consider the point in time at which an offer to buy or sell municipal securities was met with an acceptance of that offer. This offer and acceptance, or a "meeting of the minds,"²⁴ cannot occur before the final material terms, such as the exact security, price and quantity, have been agreed to and such terms are known by the parties to the transaction.²⁵ Further, dealers should be clear in their communications regarding

²² See Rule G-8(a)(vi) and (vii); see also RTRS G-14 Transaction Reporting Procedures (FAQs regarding Time of Trade Reporting) at question 8 (Aug. 1, 1996); MSRB Notice 2016-19 (MSRB Provides Guidance on MSRB Rule G-14, on Reports of Sales or Purchases of Municipal Securities) at question 1 (Aug. 9, 2016) (the "2016 RTRS FAQs"). Pursuant to Rule G-15(a)(vi)(A), the time of execution reflected on customer confirmations is required to be the same as the time of execution reflected in the dealer's records and thus should generally be consistent with the time of trade reported by the dealer.

²³ See RTRS Users Manual (Questions and Answers on Reporting Trades), at question 1 (Aug. 09, 2016), available at <https://www.msrb.org/Questions-and-Answers-Notice-Concerning-Real-Time-Reporting-Municipal-Securities-Transactions>. Similarly, transactions effected outside of the hours of an RTRS Business Day are required to be reported within 15 minutes after the start of the next RTRS Business Day. The time the trade was executed (rather than the time that the trade report is made) is the "Time of Trade" required to be reported.

²⁴ See FINRA Regulatory Notice 16-30 (Trade Reporting and Compliance Engine (TRACE): FINRA Reminds Firms of their Obligation to Report Accurately the Time of Execution for Transactions in TRACE-eligible Securities) (Aug. 2016) (describing this meeting of the minds that substantively parallels the guidance provided by the MSRB in the 2016 RTRS FAQs at questions 1 and 2).

²⁵ See MSRB Notice 2004-18 (Notice Requesting Comment on Draft Amendments to Rule G-34 to Facilitate Real-Time Transaction Reporting and Explaining Time of Trade for Reporting New Issue Trades) (June 18, 2004) ("Transaction reporting procedures define the 'time of trade' as the time when a contract is formed for a sale or purchase of municipal securities at a set price and set quantity. For purposes of transaction reporting, this is considered to be the same as the time that a trade is 'executed.'") (internal citations omitted); see also 2016 RTRS FAQs at question 1.

the final material terms of the trade and how such terms would be conveyed between the parties to ensure that such a valid trade contract has been formed.²⁶

In the context of new issue securities, the MSRB has previously stated that a transaction effected on a “when, as and if issued” basis cannot be executed, confirmed and reported until the municipal security has been formally awarded by the issuer.²⁷ Thus, while dealers may take orders for securities and make conditional trading commitments prior to the award, dealers cannot execute transactions, send confirmations or make a trade report prior to the time of formal award. The MSRB has previously characterized pre-sale orders as expressions of the purchasers’ firm intent to buy the new issue securities in accordance with the stated terms, which order may only be executed upon the award of the issue or the execution of a bond purchase agreement.²⁸ Importantly, such expressions of an intent to purchase municipal securities are subject to material conditions that negate execution of an agreed upon offer and acceptance until the issuer has committed to the issuance of the securities.

The MSRB believes that this same rationale applies to secondary market transactions where the commitment of the parties is subject to material conditions. When a sales representative of a dealer takes a customer order, but is unable to execute that order until their trader performs supervisory or other firm-mandated reviews or approvals of such order—for example, to determine that the customer order does not exceed internally-set risk and compliance parameters or to complete best-execution, suitability/best interest or fair pricing protocols that may result in a changed price or quantity to the customer or in not completing execution of the trade—the dealer reasonably may determine that the “meeting of the minds” has not yet occurred until such processes, procedures or protocols have been completed and the dealer has affirmatively “accepted” the order. In such circumstances, the dealer should be clear in its communications with its counterparty regarding the final terms of the trade and how such terms would be conveyed between the parties to ensure that such a valid trade contract has been formed, such as clearly communicating to the customer that the order should not be viewed as accepted until such processes, procedures or protocols are completed and the trade is finally executed. Such processes, procedures or protocols should be appropriately reflected in a dealer’s written policies and procedures. Because the Time of Trade is tied to the contractual agreement (that is, offer and acceptance, whether oral or written) between the parties to a

²⁶ See FINRA Regulatory Notice 16-30 (Trade Reporting and Compliance Engine (TRACE): FINRA Reminds Firms of their Obligation to Report Accurately the Time of Execution for Transactions in TRACE-eligible Securities) (Aug. 2016).

²⁷ 2016 RTRS FAQs at question 2.

²⁸ See MSRB Interpretive Guidance, Rule G-12 (Confirmation: Mailing of WAI Confirmation) (Apr. 30, 1982). In the same vein, retail orders submitted during a retail order period under MSRB Rule G-11 are viewed as conditional commitments. See MSRB Rule G-11(a)(vii) (defining the term “retail order period”). See also, e.g., MSRB Notice 2014-14 (Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform) (Aug. 13, 2014) (describing the conditional nature of conditional trading commitments).

transaction, a dealer and its counterparty may come to an express agreement as to the Time of Trade for a given transaction, as appropriate, that is consistent with the time at which the agreement becomes binding upon the parties under contract law.

(D) Exceptions to the Baseline Reporting Requirement

Proposed amendments to Rule G-14 RTRS Procedures Section (a)(ii) add two new exceptions to the proposed one-minute reporting requirement. New Section (C)(1) provides an exception for a dealer with “limited trading activity” and new Section (C)(2) provides an exception for a dealer reporting a “trade with a manual component.” These two new exceptions would have the narrowly-tailored purpose of addressing the timing of trade reporting for the dealers and transactions qualifying for one of the exceptions (either retaining the current 15-minute timeframe or taking a more stepwise approach to shortening the reporting timeframe). As with the existing exceptions, these two new exceptions would not alter or diminish any of the investor protections afforded by other MSRB rules or federal securities laws or regulations applicable to pricing, best execution, disclosure, suitability/best interest, and other aspects of the trades being reported.

(1) Exception for Dealers with Limited Trading Activity

A dealer with “limited trading activity” would be excepted from the one-minute reporting requirement pursuant to new Section (a)(ii)(C)(1) and would instead be required to report its trades as soon as practicable, but no later than 15 minutes after the Time of Trade for so long as the dealer remains qualified for the limited trading activity exception, as further specified in new Supplementary Material .01.²⁹

Proposed Section (d)(xi) of Rule G-14 RTRS Procedures defines a dealer with limited trading activity as a dealer that, during at least one of the prior two consecutive calendar years, reported to an RTRS Portal fewer than 1,800 transactions, excluding transactions exempted under Rule G-14(b)(v) and transactions specified in Rule G-14 RTRS Procedures Sections (a)(ii)(A) and (B) (i.e., transactions having an end-of-trade-day reporting exception).³⁰ A dealer

²⁹ Transactions effected by such a dealer with a Time of Trade outside the hours of an RTRS Business Day would be permitted to be reported no later than 15 minutes after the beginning of the next RTRS Business Day pursuant to Rule G-14 RTRS Procedures Section (a)(iii). As is the case today, transactions for which an end-of-trade-day or post-trade-day reporting exception is available under redesignated Sections (A) and (B) would continue to have that exception available.

³⁰ This number of transactions is expected to capture approximately 1.5 percent of the trades in the municipal securities markets in a given calendar year, based on transaction data from calendar year 2022, and generally aligns with FINRA’s proposal to similarly shorten trade reporting requirements for TRACE-eligible securities, in which FINRA would except dealers with similarly limited trading activity for the respective markets of TRACE-eligible securities. See File No. SR-FINRA-2024-004 (Jan. 11, 2024) (the “2024 FINRA Proposed Rule Change”).

relying on this exception to report trades within the 15-minute timeframe, rather than the new standard one-minute timeframe, must confirm that it meets the criteria for a dealer with limited trading activity for each year during which it continues to rely on the exception (e.g., the dealer could confirm its eligibility based on its internal trade records and by checking MSRB compliance tools, as described below, which would indicate a dealer's transaction volume for a given year).³¹ If a dealer does not meet the criteria for a given calendar year (that is, has 1,800 or more transactions not having an end-of-trade-day or post-trade-day reporting exception in both preceding calendar years), such dealer would not be eligible for the exception, after a three-month grace period at the beginning of such calendar year, for transactions reported on and after April 1 of such calendar year. Therefore, the dealer would be required to report transactions to RTRS no later than one minute after the Time of Trade for the remainder of that calendar year, unless another exception under the rule applies. A dealer that meets the criteria for a given calendar year may utilize the exception on or after January 1 of such calendar year.³²

For example, assume the following hypothetical trade counts for Dealer X for a given calendar year:³³

³¹ See *infra* "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity" in Section 3(a)(ii)(D)(1).

³² A previously active dealer that newly becomes eligible for the exception for dealers with limited trading activity following the first year of the implementation of the proposed rule change may continue to see their trades marked as late on RTRS report cards and related RTRS feedback based on the one-minute deadline for a short period of time at the beginning of a new calendar year until the MSRB is able to systematically update the dealer's status in the RTRS system. Any such late indicator would not, for examination or enforcement purposes, be viewed as a violation by a dealer that otherwise was qualified as a dealer with limited trading activity at the time of the report.

³³ While the first two years of data shown in the chart represent trades occurring in years prior to the likely effective date of the proposed rule change, such data would be used to determine whether a dealer would be eligible for the limited trading activity exception in the first years after the effective date. The chart assumes that the first calendar year in which the new reporting timeframes under the proposed rule change, including the exception for a dealer with limited trading activity, would be effective is calendar year 2026.

Calendar Year	Trade Count³⁴	Eligible for Exception During Calendar Year?
2024	1,900	N/A
2025	1,700	N/A
2026	2,000	Yes, based on 2025 trade count below the 1,800 threshold
2027	1,900	Yes, based on 2025 trade count below the 1,800 threshold
2028	1,700	No, based on 2026 and 2027 trade counts above the 1,800 threshold in both years (must transition reporting to one minute on and after April 1, 2028)
2029	2,000	Yes, based on 2028 trade count below the 1,800 threshold (may resume reporting in 15 minutes on January 1, 2029)

Based on the hypothetical data presented in the table above, Dealer X would be eligible for the exception as a dealer with limited trading activity for the calendar years 2026 and 2027 effective January 1 of each such year,³⁵ based on trade count for the year 2025. However, Dealer X would no longer qualify for such an exception for the calendar year 2028. As a result, for 2028, beginning on and after April 1, 2028, after the three-month grace period, Dealer X must begin reporting all of its trades (other than those subject to another exception) no later than one minute after the Time of Trade. However, Dealer X would again qualify for calendar year 2029 as a dealer with limited trading activity based upon its 2028 trade count and may resume reporting its trades no later than 15 minutes after the Time of Trade on January 1, 2029.

As shown above, this approach may cause some dealers' eligibility for the exception to change from year to year. However, based on substantial historical trade reporting data, the majority of dealers that are eligible for the exception are expected to stay within the exception. Similarly, the majority of dealers that are not eligible for the exception are expected to remain ineligible for the exception in subsequent years.³⁶

³⁴ The trade count is intended to reflect the number of transactions not subject to a reporting exception under proposed Section (a)(ii) of Rule G-14 RTRS Procedures. For purposes of illustration, the hypotheticals include manual trades subject to an intra-day exception as proposed.

³⁵ See supra n.32.

³⁶ Approximately 30 out of 647 dealers reporting trades, or less than five percent of such dealers, were within a 20 percent deviation of 1,800 trades in 2022.

Notwithstanding the foregoing, dealers with limited trading activity are reminded of the new overarching obligation to report trades as soon as practicable, as described above.³⁷

(2) Exception for Trades with a Manual Component

A “trade with a manual component” as defined in new Section (d)(xii) of Rule G-14 RTRS Procedures would be excepted from the one-minute reporting requirement pursuant to Rule G-14 RTRS Procedures Section (a)(ii)(C)(2). Instead, dealers with such trades would be required to report such trades as soon as practicable and within the time periods specified in new Supplementary Material .02, unless another exception from the one-minute reporting requirement applies under proposed Rule G-14 RTRS Procedures Sections (a)(ii)(A) and (B) (i.e., transactions having an end-of-trade-day or post-trade-day reporting exception) or (a)(ii)(C)(1) (i.e., transactions by dealers with limited trading activity).³⁸

(a) Trades Having a Manual Component

As proposed, Section (d)(xii) of Rule G-14 RTRS Procedures would define a “trade with a manual component” as a transaction that is manually executed or where the dealer must manually enter any of the trade details or information necessary for reporting the trade directly into an RTRS Portal (for example, by manually entering trade data into the RTRS Web Portal) or into a system that facilitates trade reporting (for example, by transmitting the information manually entered into a dealer’s in-house or third-party system) to an RTRS Portal. As described below, a dealer reporting to the MSRB a trade meeting the definition for a “trade with a manual component” would be required to append a new trade indicator so that the MSRB can identify manual trades.³⁹

This “manual” exception would apply narrowly, and would normally encompass any human participation, approval or other intervention necessary to complete the initial execution and reporting of trade information after execution, regardless of whether undertaken by electronic means (e.g., keyboard entry), physical signature or other physical action. To qualify as a trade with a manual component, the manual aspect(s) of the trade generally would occur after the relevant Time of Trade (i.e., the time at which a contract is formed for the transaction). Any manual aspects that precede the time of trade (e.g., phone calls to locate bonds to be sold

³⁷ See *infra* “Purpose – Proposed Rule Change – New Requirement to Report Trades ‘as Soon as Practicable’” in Section 3(a)(ii)(B).

³⁸ Transactions effected with a Time of Trade outside the hours of an RTRS Business Day would be permitted to be reported no later than 15 minutes after the beginning of the next RTRS Business Day pursuant to Rule G-14 RTRS Procedures Section (a)(iii).

³⁹ See *infra* “Purpose – Proposed Rule Change – Manual Trade Indicator” in Section 3(a)(ii)(E). As described therein, such new indicator would be required for any trade with a manual component, whether the dealer reports such trade within the new one-minute timeframe or the dealer seeks to take advantage of the longer timeframes permitted for trades with a manual component.

to a customer before the dealer agrees to sell such bonds to a purchasing customer) would normally not be relevant for purposes of the exception unless they have a direct impact on the activities that must be undertaken post-execution to enter information necessary to report the trade.⁴⁰

In that regard, while an exhaustive list cannot be provided here, the MSRB contemplates that the exception would often be appropriately applicable to the following situations, depending on the specific facts and circumstances, due to the manual nature of components of the trade execution or reporting process that would make reporting a transaction within one minute of the Time of Trade unfeasible, even where the dealer makes reasonable efforts to report the trade as soon as practicable after execution (as required):

- where a dealer executes a trade by manual or hybrid means, such as voice or negotiated trading by telephone, email, or through a chat/messaging function, and subsequently must manually enter into a system that facilitates trade reporting all or some of the information required to book the trade and report it to RTRS;
- where a dealer executes a trade (typically a larger-sized trade) that requires additional steps to negotiate and confirm details of the trade with a client and manually enters the trade into risk and reporting systems;
- where a dually-registered broker-dealer/investment adviser executes a block transaction that requires allocations of portions of the block trade to the individual accounts of the firm's advisory clients that must be manually inputted in connection with a trade;

⁴⁰ This manual exception applies to the reporting of a trade upon the trade being executed. If a report has been made and the dealer detects a mistake that requires cancellation or correction, any modification of an already submitted trade report must be performed as soon as possible pursuant to Rule G-14 RTRS Procedures Section (a)(iv). See MSRB Interpretive Guidance (Reminder Regarding Modification and Cancellation of Transaction Reports: Rule G-14) (Mar. 2, 2005), available at <https://www.msrb.org/Reminder-Regarding-Modification-and-Cancellation-Transaction-Reports-Rule-G-14>. While a trade modification to a previously reported automated trade may be manual in nature (for example, the trade is corrected through the RTRS Web Portal or is corrected through a dealer's system and not using a cancel and replace process), that manual modification process would not, by itself, result in the initial trade qualifying as a trade with a manual component. Where the trade correction is made through a cancel and replace process, the time of trade must reflect the time of execution of the initial trade report and not the time when the modification was reported to RTRS. While RTRS will continue to provide dealers with the option to either modify the trade or cancel and replace the trade, the MSRB has stated that modification is preferred when changes are necessary because a modification is counted as a single change to a trade report, whereas cancellation and resubmission are counted as a change and (unless the resubmission is done within the original deadline for reporting the trade) also as a late report of a trade. *Id.*; see also *infra* n.50.

- where an electronically or manually executed trade is subject to manual review by a second reviewer for risk management (e.g., transactions above a certain dollar or par amount or other transactions meriting heightened risk review) and, as part of or following the review, the trade must be manually approved, amended or released before the trade is reported to RTRS;
- where a dealer's trade execution processes may entail further diligence following the Time of Trade involving a manual step (e.g., manually checking another market to confirm that a better price is not available to the customer);⁴¹
- where a dealer trades a municipal security, whether for the first time or under other circumstances where the security master information may not already be populated (e.g., information has been removed or archived due to a long lapse in trading the security), and additional manual steps are necessary to set up the security and populate the associated indicative data in the dealer's systems prior to executing and reporting the trade;
- where a dealer receives a large order or a trade list resulting in a portfolio of trades with potentially numerous unique securities involving rapid execution and frequent communications on multiple transactions with multiple counterparties, and the dealer must then book and report those transactions manually, one by one;⁴²
- where a broker's broker engages in mediated transactions that involve multiple transactions with multiple counterparties; and
- where a dealer reports a trade manually through the RTRS Web Portal.

Dealers should review their trade flow and processes and consider which of their trades would be deemed a "trade with a manual component" under the proposed rule change.⁴³

The appropriateness of treating any step in the trade execution and reporting process as being manual must be assessed in light of the anti-circumvention provision included in the

⁴¹ Dealers experiencing significant levels of post-Time of Trade price adjustments due to such post-trade best execution processes should consider whether these processes are well suited to the dealer's obligations under MSRB Rule G-18 and whether the dealer is appropriately evaluating when a contract has in fact been formed with its customer.

⁴² In instances where a dealer trades a basket of securities at a single price for the full basket, rather than individual prices for each security based on its then-current market price, such price likely would be away from the market, requiring inclusion of the "away from market" special condition indicator and qualifying for an end-of-trade-day reporting exception under proposed Rule G-14 RTRS Procedures Section (a)(ii)(A)(3).

⁴³ Dealers should undertake this review regardless of whether they intend to take advantage of the longer timeframes permitted for trades with a manual component since all reports of trades meeting the definition of a trade with a manual component would be required to append the new manual trade indicator, as described infra "Purpose – Proposed Rule Change – Manual Trade Indicator" in Section 3(a)(ii)(E).

proposed rule change with regard to the delay in execution or insertion of manual tasks for the purpose of meeting this new exception.⁴⁴ New Supplementary Material .02(a) would require all trades with a manual component to be reported as soon as practicable and would specify that in no event may a dealer purposely delay the execution of an order, introduce any manual steps following the Time of Trade, or otherwise modify any steps prior to executing or reporting a trade for the purpose of utilizing the exception for manual trades.⁴⁵ New Supplementary Material .03 would require that dealers adopt policies and procedures for complying with the as soon as practicable reporting requirement, including by implementing systems that commence the trade reporting process without delay upon execution and provides for additional guidance for regulatory authorities that enforce and examine dealers for compliance with this requirement to take into consideration the manual nature of the dealer's trade reporting process.⁴⁶

In light of the overarching obligation to report trades as soon as practicable, dealers should consider the types of transactions in which they regularly engage and whether they can reasonably reduce the time between a transaction's Time of Trade and its reporting, and more generally should make a good faith effort to report their trades as soon as practicable.⁴⁷ Each dealer seeking to comply with the proposed rule change—including the one-minute reporting requirement and new or existing exceptions from such requirement—should consider the extent to which it can automate its trade reporting and related execution processes, consistent with its client's needs and the dealer's best execution and other regulatory obligations. Where automation is not feasible at a reasonable cost in light of the specific facts and circumstances with respect to the dealer's trading activity and overall business (e.g., the level, nature and economic viability of its activity in municipal securities), dealers should be implementing more efficient trade entry processes to meet the applicable reporting requirement, including the new requirement to report trades as soon as practicable, particularly with a view to the phased-in

⁴⁴ See *infra* "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component – Prohibition on Purposeful Insertion of Manual Steps in Trade Reporting Process" in Section 3(a)(ii)(D)(2)(c).

⁴⁵ *Id.*

⁴⁶ See *infra* "Purpose – Proposed Rule Change – New Requirement to Report Trades 'as Soon as Practicable'" in Section 3(a)(ii)(B).

⁴⁷ See *infra* "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component" in Section (a)(ii)(D)(2). For trades with a manual component, the MSRB recognizes that the trade reporting process may not be completed as quickly as, for example, where an automated trade reporting system is used. In these cases, the MSRB expects that the regulatory authorities that examine dealers and enforce compliance with this requirement would take into consideration the manual nature of the dealer's trade reporting process in determining whether the dealer's policies and procedures are reasonably designed to report the trade "as soon as practicable" after execution.

reduction in the reporting timeframe for trades with a manual component under the proposed rule change where a process that may provide sufficient time to report timely during the first year may not be sufficiently efficient to meet the further shortened timeframe in a subsequent year. The MSRB expects that dealers would periodically assess their systems and processes to ensure that they have implemented sufficiently efficient policies and procedures for timely trade reporting.

The MSRB currently collects and analyzes data regarding dealers' historic reporting of transactions to RTRS under various scenarios and such data will continue to be available to the regulators for analysis under the proposed one-minute standard. Subject to the Commission approval of the proposed rule change, the MSRB would be reviewing the use of the manual exception and would share with the examining authorities any analyses resulting from such reviews.

(b) Phase-In Period for Trades with a Manual Component

New Supplementary Material .02(b) would subject trades with a manual component to a phase-in period for timely reporting over three years ("phase-in period"). Specifically, during the first year of effectiveness of the exception, trades meeting this definition would be required to be reported as soon as practicable, but no later than 15 minutes after the Time of Trade.⁴⁸ During the second year, such trades would be required to be reported as soon as practicable, but no later than 10 minutes after the Time of Trade. After the second year and thereafter, such trades would be required to be reported as soon as practicable, but no later than five minutes after the Time of Trade.

In establishing the phase-in period, the MSRB intends to provide sufficient time for dealers to implement programming and/or other policy and process changes necessary to meet an eventual five-minute reporting requirement, as well as to provide regulators an opportunity to assess any potential market impact from the gradual reduction in reporting timeframe. However, dealers are also reminded that the "as soon as practicable" reporting obligation as described above may, depending on the facts and circumstances, require quicker reporting than the applicable outer reporting obligation during and after the phase-in period. For example, while dealers must report their trades with a manual component no later than 15 minutes from the Time of Trade during the first year that the rule is operational, dealers should be reviewing their policies, procedures and practices and considering whether they can report such trades more quickly. In general, the MSRB would expect a dealer's trade reporting statistics to show overall improvements in trade reporting speed without compromising data quality, due to the new "as soon as practicable" obligation and the two new intra-day exceptions.

⁴⁸ While the deadline for reporting during this first year would remain the same as the current 15-minute timeframe, such trade reports would also be subject to the new requirement that they be reported as soon as practicable. See supra "Purpose – Proposed Rule Change – New Requirement to Report Trades 'as Soon as Practicable'" in Section 3(a)(ii)(B).

If the proposed rule change is approved, the MSRB would be reviewing the available trade reporting information and data arising from implementation of the changes to trade reporting introduced by the proposed rule change, including but not limited to the two exceptions to the one-minute reporting requirement, as well as marketplace developments, feedback from market participants, and examination or enforcement findings from the Commission, FINRA and the other appropriate regulatory agencies. Such monitoring would inform any further potential changes by the MSRB to the trade reporting requirements.

**(c) Prohibition on Purposeful Insertion of Manual Steps
in Trade Reporting Process**

As noted above, new Supplementary Material .02(a) would specifically prohibit dealers from purposely delaying the execution of an order, introducing any manual steps following the Time of Trade, or otherwise purposefully modifying any steps to execute or report a trade to utilize the exception for manual trades. This would not prohibit reasonable manual steps that are taken for legitimate purposes (such as a manual review of trades that exceed certain risk thresholds or that meet certain criteria for regulatory purposes). Further, this prohibition would not apply to any steps that are taken prior to the time of trade that do not have the effect of delaying the subsequent reporting of such trade.

It is important to note that a manual step added to the trade execution or reporting process that may have only a nominal or pretextual purpose other than qualifying a trade for the exception for manual trades, particularly where such purpose can be effectively fulfilled in an alternative manner that does not introduce such manual step into the trade execution or reporting process, may be viewed as being made for the purpose of qualifying for this exception within the meaning of proposed Supplementary Material .02(a), depending on the facts and circumstances. This express prohibition is intended to facilitate movement in the direction of more timely reporting and increased transparency in circumstances where there is no reasonable justification for the delay in trade execution and related subsequent trade reporting or for insertion of manual steps after the Time of Trade.

(E) Manual Trade Indicator

Proposed amendments to Rule G-14 RTRS Procedures Section (b)(iv) would require the report of a trade meeting the MSRB's definition for a "trade with a manual component," as defined in proposed Section (d)(xii) of Rule G-14 RTRS Procedures,⁴⁹ to append a new trade indicator to such a trade report. This indicator would be mandatory for every trade that meets

⁴⁹ See supra "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component – Trades Having a Manual Component" in Section 3(a)(ii)(D)(2)(a).

the standard to append the indicator,⁵⁰ regardless of whether the trade is actually reported within one minute after the Time of Trade, is reported within the applicable timeframe under the manual trade exception or is otherwise subject to another reporting exception.

In addition to serving as a critical component of the manual trade exception, this trade indicator would allow the MSRB to collect additional data to help it better understand the extent to which the municipal securities market continues to operate manually.⁵¹ Such understanding would assist the MSRB in engaging with market participants regarding impediments to greater use of automation, and help determine the effectiveness and potential impediments to full compliance with the proposed phase-in period to determine whether adjustments should be made or other next steps should be taken.

(F) Pattern or Practice of Late Trade Reporting

Rule G-14 RTRS Procedures Section (a)(iv) currently requires that transaction data that is not submitted in a timely and accurate manner must be submitted or corrected as soon as possible—even when a dealer is late in reporting a trade, the dealer remains obligated to report such trade as soon as possible. Proposed amendments to this section would further provide that any transaction that is not reported within the applicable time period shall be designated as “late.”⁵² A pattern or practice of late reporting without exceptional circumstances or reasonable justification may be considered a violation of Rule G-14.

⁵⁰ Rule G-14 RTRS Procedures Section (a)(iv) currently requires that transaction data that is not submitted in a timely and accurate manner must be submitted or corrected as soon as possible. See also supra n.40. The manual trade indicator is not intended to be used to reflect the manual nature of any correction to a prior trade report; rather the use of the indicator is driven solely by whether or not the initial trade had a manual component.

⁵¹ The manual trade indicator would be used for regulatory purposes only and would not, under the proposed rule change, be included in the trade data disseminated to the public through the EMMA website and subscription feeds. This information would help inform the MSRB regarding broader trends in the marketplace beyond the specific provisions of the proposed rule change. For example, the use of the manual trade indicator would help identify changes in the prevalence of manual trades as market conditions change or in light of other events or trends having an impact on the municipal securities market.

⁵² Late trade designations are currently, and would continue to be, available to regulators and, through the MSRB compliance tool described below in “Purpose – Proposed Rule Change – Compliance Tools” in Section 3(a)(ii)(G), to the dealer submitting the late trade. See Section 2.9 of the Specifications for Real-Time Reporting of Municipal Securities Transactions in connection with error codes currently generated by RTRS

The determination of whether exceptional circumstances or reasonable justifications exist for late trade reporting is dependent on the particular facts and circumstances and whether such circumstances are addressed in the dealer's systems and procedures. For example, failures or latencies of MSRB, third-party or internal systems used to submit trade information generally would constitute exceptional circumstances or reasonable justifications, particularly where such incident is outside of the reasonable control of the dealer and could not be resolved by the dealer within the applicable reporting timeframe. However, dealers must have sufficiently robust systems with adequate capability and capacity to enable them to report in accordance with Rule G-14; thus, recurring systems issues in a dealer's or a vendor's systems would not be considered reasonable justification or exceptional circumstances to excuse a pattern or practice of late trade reporting. As another example, unusual market conditions, such as extreme volatility in a security or in the market as a whole, can constitute exceptional circumstances. In addition, a dealer may have reasonable justification for late trade reporting where it is executing a bid list that includes a large number of distinct securities that cannot reasonably be reported within the applicable timeframe. These three examples do not represent the only potential situations that could constitute exceptional circumstances or reasonable justification. Dealers would bear the burden of proof related to such exceptional circumstances or reasonable justification.

The pattern or practice approach to determining rule violations would take into consideration factors such as the complexity of the trade, differences in market segments, differences in the execution of trades of varying types of municipal securities products, impediments to use of straight through processing and electronic trading venues, the nature and purpose of any manual steps involved in the execution and reporting of transactions with a manual component, the existence of systems and procedures that provide for reporting timeliness and any other relevant factors to determine if a rule violation has occurred. While this approach recognizes that there may be legitimate situations involving exceptional circumstances or reasonable justification in which trades may not be reported within the required time limit, dealers are reminded of the overarching obligation to report trades as soon as practicable in light of the effects of such circumstances or justification. As a result, all dealers should consider the types of transactions in which they regularly engage and whether they can reasonably reduce the time between a transaction's Time of Trade and its reporting, and more generally should make a good faith effort to report their trades as soon as practicable.

The MSRB expects that the regulatory authorities that examine dealers and enforce compliance with the reporting timeframes established under Rule G-14 RTRS Procedures would focus their examination for and enforcement of the rule's timing requirements on the consistency of timely reporting and the existence of effective controls to limit late reporting to exceptional circumstances or where reasonable justifications exist for a late trade report, rather

with respect to late trade reports. The trade data disseminated to the public through the EMMA website and subscription feeds does not currently and would not have appended to it a late report indicator nor an indicator of which deadline was applicable (other than the indicators currently published).

than on individual late trade report outliers. Notwithstanding such expectation, where facts and circumstances indicate that an individual late report was intentional or otherwise egregious, or could reasonably be viewed as potentially giving rise to an associated fair practice, fair pricing, best execution or other material regulatory concern under MSRB or Commission rules with respect to that or a related transaction, the regulatory authorities could reasonably determine to take action with respect to such late trade in the examination or enforcement context.

(G) Compliance Tools

The MSRB would continue to provide various compliance tools to assist dealers with compliance and for examining authorities to monitor for compliance. For example, currently, if a trade is reported late, an error message indicating this fact is sent in real-time to the submitter through the Message Portal, through the RTRS Web Portal, and by means of electronic mail. Such error messages are designed to promote dealer awareness of the late report and provide an opportunity to evaluate the reason for lateness and make appropriate adjustments as needed. In addition, on a monthly basis, RTRS produces statistics on dealer performance related to the timely submission of transactions and correction of errors and provides these statistics to dealers as well as to regulators. The MSRB expects to create additional compliance tools in the form of new or modified reports for dealers and examining/enforcement authorities, allowing them to more easily monitor compliance.⁵³ Such tools would be expected to provide data that would permit a dealer to monitor compliance patterns as well as provide support for the dealer to determine and confirm its relevant trade count for the current and preceding calendar years, including for the purpose, among other things, of assisting dealers to determine whether the exception for dealers with limited trading activity is available.⁵⁴ Similarly, through a late trade indicator, data would be available for regulators to determine the applicable trade reporting obligation for each trade and analyze the data to assist in identifying a pattern or practice of

⁵³ For example, the MSRB currently produces a series of reports for dealers submitting trades to RTRS, including a Dealer Data Quality Report (commonly referred to as a “report card”). See MSRB Real-Time Transaction Reporting System (RTRS) Manual (Nov. 2022), available at <https://www.msrb.org/sites/default/files/RTRSWeb-Users-Manual.pdf>. This report describes a dealer’s transaction reporting data with regard to status, match rate, timeliness of reporting, and the number of changes or corrections to reported trade data. For most statistics, the industry rate is also provided for comparison. The Lateness Breakout portion of the report has a category for each type of reporting deadline, showing how many trades were reported timely and late relative to the applicable deadline. Such reports are available in both single-month and twelve-month formats.

⁵⁴ See proposed Supplementary Material .01(a), which would require a dealer relying on the exception for dealers with limited trading activity to confirm on an annual basis that it meets the criteria for a dealer with limited trading activity. Where a dealer resubmits an RTTM cancel under proposed redesignated Rule G-14 RTRS Procedures Sections (a)(ii)(B)(2), for purposes of avoiding double counting, only the original trade, if not otherwise excepted, would count for purposes of this exception and not the resubmitted trade.

late trade reporting, based on the specific facts and circumstances relevant to the particular trade reports.

(H) Technical Amendments

(1) Non-substantive Amendments

Non-substantive amendments to Rule G-14 RTRS Procedures Section (a)(ii) regroup and renumber its current Sections (A) through (C) to new Sections (A)(1) through (A)(3), renumber current Sections (D) and (E) to new Sections (B)(1) and B(2), and correct a cross-reference in Section (b)(iv) to certain of these Sections to be consistent with such renumbering. In addition, a technical amendment to Rule G-14 RTRS Procedures Section (a)(ii) changes the word “of” to “after” and omits the word “within” in the phrase “within 15 minutes of Time of Trade” for clarity and consistency of usage throughout the Rule G-14 RTRS Procedures as amended.

(2) Clarifying Amendments – Special Condition Indicators and Trades on an Invalid RTTM Trade Date

The proposed rule change would make certain clarifying amendments to Rule G-14 RTRS Procedures Section (b)(iv) relating to transactions with special conditions. That Section currently specifically sets forth information regarding certain existing special condition indicators while also referencing the existence of other special condition indicators in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions. The proposed clarifying amendments to Section (b)(iv) of Rule G-14 RTRS Procedures would incorporate into the language thereof reference to all applicable special condition indicators, including the new trade with a manual component indicator and existing special condition indicators previously adopted by the MSRB but that are currently only documented explicitly in the Specifications for Real-Time Reporting of Municipal Securities Transactions.⁵⁵ Other than the addition of the new trade with a manual component indicator, the proposed clarifying amendments to this provision would not make any changes to the types or usage of existing special condition indicators.

In addition, Rule G-14 RTRS Procedures Section (a)(iii) would be amended to reflect that, in addition to trades effected outside the hours of the RTRS Business Day, inter-dealer trades may be executed on certain holidays (other than those recognized as non-RTRS Business

⁵⁵ Each of these special condition indicators were formally adopted through MSRB rulemaking and also appear in various interpretive or other regulatory materials. See generally Section 4.3.2 and Appendix B.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions. See also Exchange Act Release No. 49902 (June 22, 2004), 69 FR 38925 (June 29, 2004), File No. SR-MSRB-2004-02; Exchange Act Release No. 55957 (June 26, 2007), 72 FR 36532 (July 3, 2007), File No. SR-MSRB-2007-01; Exchange Act Release No. 74564 (Mar. 23, 2015), 80 FR 16466 (Mar. 27, 2015), File No. SR-MSRB-2015-02.

Days) that are not valid RTTM trade dates (“invalid RTTM trade date”), and in either case such trades are to be reported no later than within 15 minutes after the beginning of the next RTRS Business Day. Such invalid RTTM trade date transactions are already subject to this same next RTRS Business Day reporting requirement.⁵⁶ The proposed clarifying amendment to this provision would not make any changes to the circumstances or timing of reporting of such trades.

(I) Proposed Conforming Amendments to Rule G-12 and RTRS Information Facility

Proposed amendments to Rule G-12, on uniform practice, would make conforming changes to Section (f)(i) thereof to require that each transaction effected during the RTRS Business Day shall be submitted for comparison as soon as practicable, but no later than one minute after the Time of Trade unless an exception applies. The proposed rule change would also modify the IF-1 to clarify lateness checking against the applicable reporting deadline(s) provided for in proposed amendments to Rule G-14 RTRS Procedures, as opposed to the current 15-minute requirement.

(iii) Effective Date and Implementation

The MSRB intends to provide time for dealers and the MSRB to undertake the programming, process changes and/or vendor arrangements needed to implement the proposed rule change, as well as to provide an adequate testing period for dealers and subscribers that interface with RTRS or third parties involved in the submission and/or subscription process (including but not limited to DTCC, its RTTM system, other dealers, or other key utilities or vendors). Thus, if the proposed rule change is approved by the Commission, the MSRB would announce an effective date (for example, approximately within 18 months from such Commission approval) in a notice published on the MSRB website. Such effective date would be intended to maintain implementation of the proposed rule change on substantially the same implementation timeframe as the 2024 FINRA Proposed Rule Change.

(b) Statutory Basis

Section 15B(b)(2) of the Exchange Act⁵⁷ provides that the MSRB shall propose and adopt rules to effect the purposes of the Exchange Act with respect to, among other matters, transactions in municipal securities effected by dealers. Section 15B(b)(2)(C) of the Exchange Act⁵⁸ further provides that the MSRB’s rules shall be designed to prevent fraudulent and

⁵⁶ See Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions; Exchange Act Release No. 55957 (June 26, 2007), 72 FR 36532 (July 3, 2007), File No. SR-MSRB-2007-01.

⁵⁷ 15 U.S.C. 78o-4(b)(2).

⁵⁸ 15 U.S.C. 78o-4(b)(2)(C).

manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products and, in general, to protect investors, municipal entities, obligated persons and the public interest.

The MSRB believes the proposed rule change, consisting of proposed amendments to Rule G-14 RTRS Procedures under Rule G-14 as well as conforming proposed amendments to Rule G-12(f)(i) and IF-1, is consistent with Section 15B(b)(2)(C) of the Exchange Act⁵⁹ because it would promote just and equitable principles of trade, foster cooperation and coordination with personnel engaged in regulating and facilitating transactions in municipal securities, remove impediments to a free and open market in municipal securities and generally protect investors and the public interest. The proposed rule change would promote just and equitable principles of trade because it would reduce information asymmetry between market professionals (such as dealers and institutional investors) and retail investors by ensuring increased access to more timely information about executed municipal securities transactions for all investors. Currently, market professionals may in some circumstances have better or more rapid access to information about trade prices through market venues to which retail investors do not have access, and the reduction in the timeframe for trade reporting would shorten or eliminate the period during which any such asymmetry in access to such information may exist.

The proposed rule change would foster cooperation and coordination with persons engaged in regulating and processing information, facilitating a consistent standard for trade reporting across many fixed income products, including municipal securities. As noted above, the proposed rule change was developed in close coordination with FINRA, which is proposing a similar shortened trade reporting requirement for many TRACE-eligible securities. Fostering a consistent standard across classes of securities would facilitate greater and more efficient compliance among MSRB-registered dealers, the majority of which also transact in other fixed income securities that are subject to FINRA's regulatory authority. Consistent trade reporting requirements reduce the risk of potential confusion and may reduce compliance burdens resulting from inconsistent obligations and standards for different classes of securities. A shortened trade reporting time, as facilitated by the proposed rule change, would promote regulatory consistency, reducing potential errors caused by market participants' imperfect application of differing standards when executing and reporting transactions in municipal securities.

The proposed rule change would remove impediments to a free and open market in municipal securities by making publicly available more timely information about the market for and the price at which municipal transactions are executed, which is central to fairly priced municipal securities and a dealer's ability to make informed quotations. The MSRB believes that the proposed rule change would promote investor protection and the public interest through increased market transparency by reducing the timeframe for trade reporting,

⁵⁹

Id.

providing the market with more efficient pricing information, which would enhance investor confidence in the market. At the same time, the exceptions balance potential burdens for dealers with limited trading activity in municipal securities by permitting such dealers to report trades as soon as practicable but not later than the currently applicable 15-minute reporting requirement. The proposed rule change also addresses potential burdens faced by dealers engaged in complex transactions, including voice/electronically negotiated transactions involving a manual post-transaction component, by permitting a phase-in period for a gradual implementation. This approach would enable market participants to achieve compliance with the shortened reporting target over a period of time while not adversely affecting their ability to execute such transactions consistent with applicable MSRB or Commission rules.

4. Self-Regulatory Organization’s Statement on Burden on Competition

Section 15B(b)(2)(C) of the Exchange Act⁶⁰ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. The MSRB does not believe the proposed rule change to amend Rule G-14 RTRS Procedures under Rule G-14, Rule G-12(f)(i) and IF-1 would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The proposed rule change would apply the new one-minute reporting timeframe to all transactions in municipal securities currently subject to the 15-minute reporting requirement and would provide two new exceptions designed to balance the benefits of timelier reporting with the potential costs of disrupting markets from transactions most likely to realize a negative impact by the shortening of the timeframe and disproportionately impacting less active and smaller dealers.⁶¹

The proposed rule change is intended to provide more immediate post-trade transparency in the municipal securities market and is consistent with the purposes of RTRS. In the past, the municipal securities market has sometimes been associated with information opacity and low trading volume for a majority of securities with relatively few securities that trade compared to the number of outstanding securities.⁶² Information opacity likely affects retail investors more than institutional investors and other market participants; for example, pre-trade quotes are not widely available in the municipal securities market, especially for retail investors who may not have the access and may be more reliant on trade data. Furthermore, with far fewer trades in municipal securities when compared to equity securities, Treasury and corporate bonds, each additional data point from post trade reporting in municipal securities would potentially be more valuable to investors and other market participants than a

⁶⁰ Id.

⁶¹ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement” in Section 3(a)(ii)(D) for a discussion of the proposed two new exceptions.

⁶² Based on MSRB’s trade data, approximately one percent of the outstanding municipal securities trade on a given day.

data point from these other markets. The reduction in this opacity resulting from the proposed rule change would make more timely information available to all market participants and help level the playing field among retail investors, institutional investors, and dealers, thereby potentially promoting competition in the market for municipal securities.

Therefore, the MSRB believes the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act for the following reasons. In making this determination, the MSRB staff was guided by the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking.⁶³ In accordance with this policy, the MSRB evaluated the potential impacts on competition of the proposed rule change. The proposed rule change in trade reporting time to one minute after Time of Trade is intended to better align with the actual time that it takes a dealer to report most transactions and provides more immediate transparency to the market by reducing the reporting time for the remaining transactions to as soon as practicable but no later than 15 minutes after the Time of Trade standard for trades by dealers with limited trading activity and to a deadline that would ultimately be shortened to five minutes after the Time of Trade for trades with a manual component.

The MSRB previously shortened the trade reporting timeframe from the end of day to 15 minutes from the Time of Trade in January 2005 with the creation of RTRS. Since the 2005 change, the MSRB's analysis shows that most trades are indeed reported much sooner than the current 15-minute trade reporting deadline, potentially due at least in part to the advancement in technology. Specifically, as illustrated in Table 1 below, approximately 73.7 percent of trades in 2022 were reported within one minute after a trade execution, with another approximately 23.3 percent of trades reported between one minute and five minutes after the Time of Trade.⁶⁴ As presently reported, due in part to technological advancements, most trades already satisfy a shorter than 15-minute reporting requirement. A shorter reporting timeframe is intended to provide more immediate transparency to a market that historically has been associated with low trading volume for a majority of Committee on Uniform Securities Identification

⁶³ Policy on the Use of Economic Analysis in MSRB Rulemaking is available at <https://www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking>. In evaluating whether there was a burden on competition, the MSRB was guided by its principles that require the MSRB to consider costs and benefits of a rule change, its impact on capital formation and the main reasonable alternative regulatory approaches.

⁶⁴ The analysis in this rule filing only includes trades reportable within 15 minutes and excludes trades that are exempt from the current 15-minute reporting time including, for example, trades flagged as being executed at the List Offering or Takedown Transactions, trades in short-term instruments maturing in nine months or less, Auction Rate Securities, Variable Rate Demand Obligations, trades in commercial paper, as well as trades "away from market," among other exceptions. See also Rule G-14 RTRS Procedures Sections (a)(ii)(A) and (B). For purposes of the analysis in this section, if an initially reported trade was corrected later, the later timestamp was used for calculating the trade reporting time more conservatively. All figures are approximate.

Procedures (“CUSIP”) numbers, relatively few securities that trade compared to the number of outstanding securities and sometimes has been associated with information opacity.

(a) Trade Reporting Analysis

Table 1 summarizes the MSRB’s analysis comparing Time of Trade to trade reporting time for all trades required to be reported within 15 minutes in 2022.⁶⁵ Out of all reportable municipal securities trades⁶⁶ that are not subject to another end of day reporting exception or a post-trade day reporting exception, approximately 73.7 percent were reported within one minute, while 97.0 percent were reported within five minutes and 98.9 percent were reported in 15 minutes or less.⁶⁷ The MSRB observed a noticeable difference in the speed of trade reporting by different trade size groups, with the reporting time increasing with trade size. While 76.2 percent of trades with trade size of \$100,000 par value or less (approximately 84.2 percent of all trades) were reported within one minute, only 38.4 percent of trades with trade size between \$1,000,000 and \$5,000,000 par value and 23.1 percent of trades with trade size above \$5,000,000 par value were reported within one minute. A possible explanation is that larger institutional-sized trades are more likely to be executed via non-electronic means and may rely upon more manual processing steps.⁶⁸ However, smaller-sized trades are more likely executed and processed electronically, which could facilitate faster trade reporting.

⁶⁵ In 2022, RTRS had the highest number of trades on record since its implementation in 2005. The record is likely attributable to interest rate rallying and volatility throughout the year, though the amount of par value traded was not a record high. The heightened level of trading persisted through 2023, with the number of trades reported to RTRS exceeding the previous record in 2022.

⁶⁶ See proposed Rule G-14 RTRS Procedures Sections (a)(ii)(A) and (B) for lists of existing end of trade day reporting exceptions and post-trade day reporting exceptions.

⁶⁷ By comparison, in 2021, a year with much lower overall trading volume than 2022, 76.7 percent of trades subject to the 15-minute standard were reported within one minute, 97.3 percent of such trades were reported within five minutes and 99.5 percent of trades were reported within 15 minutes.

⁶⁸ MSRB staff conducted oral interviews with dealers and data providers in the fall of 2022 and the winter and spring of 2023 and was informed that larger institutional-sized trades are more likely to be executed via negotiations and involve manual processes.

Table 1. Trade Report Time by Trade Size – Cumulative Percentages
January 2022 to December 2022

Difference Between Execution and Reported Time	All Trades	\$100,000 or Less	> \$100,000 - \$1,000,000	> \$1,000,000 - \$5,000,000	>\$5,000,000
15 Seconds	24.9%	26.5%	18.1%	7.9%	3.6%
30 Seconds	49.5%	51.8%	40.8%	21.6%	11.5%
1 Minute	73.7%	76.2%	65.5%	38.4%	23.1%
2 Minutes	88.5%	90.2%	83.6%	62.4%	46.7%
3 Minutes	91.9%	93.0%	89.1%	73.4%	60.7%
5 Minutes	97.0%	97.7%	95.4%	85.3%	76.0%
10 Minutes	98.6%	98.9%	97.8%	93.8%	89.0%
15 Minutes	98.9%	99.2%	98.3%	95.7%	91.9%
30 Minutes	99.5%	99.6%	99.1%	97.5%	94.0%
1 Hour	99.5%	99.6%	99.2%	97.7%	94.6%
> 1 Hour	100.0%	100.0%	100.0%	100.0%	100.0%
Market Share of Eligible Trades	100.0%	84.2%	13.1%	2.1%	0.6%

Table 2 illustrates a variation in trade reporting time in 2022 between dealers with 1,800 trades or more annually during both prior two calendar years (“Active Dealers”), and dealers with less than 1,800 trades annually during at least one of the prior two calendar years (“Dealers with Limited Trading Activity”).⁶⁹ A threshold of 1,800 trades a year was selected to demonstrate that Dealers with Limited Trading Activity as a whole had a relatively small impact on the entire market and transparency, with approximately 98.5 percent of trades in 2022 conducted by Active Dealers collectively and only 1.5 percent of trades conducted by all Dealers with Limited Trading Activity. When calculating the market share by par value traded, Active Dealers conducted 98.2 percent of par value traded in 2022 while Dealers with Limited Trading Activity conducted only 1.8 percent of par value traded.⁷⁰ In 2022, out of 647 dealers conducting at least one transaction in municipal securities 474 were Dealers with Limited Trading Activity and 173 were Active Dealers.⁷¹ This difference in trade reporting time was pronounced for the one-minute trade reporting percentages where Active Dealers had 77.2 percent of trades reported within one minute while only 47.5 percent of trades conducted by Dealers with Limited Trading Activity were reported within one minute.

⁶⁹ See *infra* “Self-Regulatory Organization’s Statement on Burden on Competition – Trade Reporting Analysis” in Section 4(a) Table 2.

⁷⁰ The proportion of trades in municipal securities conducted by Dealers with Limited Trading Activity is aligned with the proportion of aggregate trades conducted by dealers with limited trading volume in TRACE-eligible securities subject to the 2024 FINRA Proposed Rule Change when using FINRA’s annual transactions threshold. See *supra* n.30.

⁷¹ While low in terms of the trading volume, these Dealers with Limited Trading Activity may still serve many underserved investors, especially retail and institutional investors with a regional focus.

Table 2. Trade Reporting Time by Level of Dealer Activity
January 2022 to December 2022

	Percent of Trades Reported Within One Minute	Percent of Trades Reported Within Ten Minute	Market Share of Trades	Market Share of Par Value Traded
Firms that accounted for 1,800 trades or more (Active Dealers)	77.2%	99.3%	98.5%	98.2%
Firms that accounted for less than 1,800 trades (Dealers with Limited Trading Activity)	47.5%	96.8%	1.5%	1.8%

(b) Benefits, Costs, and Effect on Competition

The MSRB considers the likely costs and benefits of a proposed rule change when the proposal is fully implemented against the context of the economic baselines. The baseline is the current iteration of Rule G-14 RTRS Procedures (a)(ii) that requires transactions to be reported within 15 minutes after the Time of Trade with limited exceptions, while the future state would be following the conclusion of the second calendar year from the effective date of the proposed rule change, with the full implementation of the gradual reduction in reporting timeframe for trades with a manual component.

In performing this economic analysis and related cost-benefit estimates, the MSRB has made a number of assumptions based on 2022 RTRS data as explained in more detail below. For instance, there are few publicly available sources of information about revenue and expense data for relevant business lines of a dealer, especially in relation to potential spending on acquiring or upgrading technology and infrastructure for some dealers. The effort is further hampered by the fact that some dealers are privately-owned, who are not required to disclose business operation data in public filings. Therefore, the MSRB conducted interviews with select dealers and vendors who provide electronic trade reporting services as well as dealer subscribers of these services to gauge the likely impact from the proposed rule change.⁷² The MSRB believes the analysis provides a useful projection on the scale of benefits and costs relative to the current baseline irrespective of whether an assumption changes the absolute estimated costs and benefits.

(i) Benefits

The primary benefit of the proposed rule change on accelerated trade reporting would be improved transparency in the municipal securities market. Historically, the municipal securities market has been considered less liquid and more opaque when compared to other securities markets, with only about 1 percent of all municipal securities trading on a given trading day, and pre-trade quotes are not widely available to all market participants, especially retail investors who may not pay for vendor pricing tools and may be more reliant on trade

⁷² See supra n.68.

data.⁷³ Therefore, post trade data is important information available to all market participants, including particularly to retail investors and the market professionals that service retail accounts. By implementing the proposed rule change, investors would receive greater advantages on trade pricing information through the reporting of more contemporaneous transactions.⁷⁴ This emphasis on contemporaneous trades as opposed to distant trades would help ensure that the pricing information remains vital, potentially decreasing trading costs and increasing liquidity. In addition, since only about 1 percent of municipal securities trade on a given trading day, information on trades in other comparable municipal securities would also be valuable in pricing a security. Lowering the reporting time would make more contemporaneous trades in comparable securities transparent for other transactions.⁷⁵ Finally, with far fewer trades in municipal securities when compared to equity securities, Treasury and corporate bonds, each additional data point from post trade reporting in municipal securities would potentially be more valuable to investors and other market participants than a data point from these other markets. According to established economic literature, investors, especially retail investors, benefit from transparency (more and/or better information) by enhancing their negotiation power with dealers as well as reducing dealer's own search and intermediation costs, therefore reducing customer trades' transaction costs, also known as bid-ask spread or effective spread. The MSRB believes additional data points from more contemporaneous trades in the same and/or comparable securities would increase an investor's negotiating power.

⁷³ See Wu, Simon Z., John Bagley and Marcelo Vieira, "Analysis of Municipal Securities Pre-Trade Data from Alternative Trading Systems," Research Paper, Municipal Securities Rulemaking Board, October 2018; Government Accountability Office ("GAO"), "Municipal Securities: Overview of Market Structure, Pricing, and Regulation," Report to Congressional Committees, January 2012, page 6; Green, Richard C., Burton Hollifield, and Norman Schürhoff. "Financial intermediation and the costs of trading in an opaque market." *The Review of Financial Studies* 20.2 (2007): 275–314.

⁷⁴ As an illustration, in its 2022 Request for Comment, the MSRB's economic analysis showed that out of the universe of 251,635 "analyzed trades" with same-CUSIP-number-matched trades in 2021, where a matched trade was executed before the analyzed trade's execution but was reported after the analyzed trade's execution, approximately 27.9 percent of those analyzed trades had at least one matched trade executed more than a minute before the analyzed trade's execution. This suggests those analyzed trades would have benefited from the matched trades' execution information if matched trades were required to be reported no later than one minute after their execution times.

⁷⁵ A 2012 report issued by the GAO stated "Broker-dealers we spoke with said that the price of a recently reported interdealer trade for a security was a particularly good indication of its value for that segment of the market. However, if a security has not traded recently, they said they instead look for recent trades in comparable securities." See GAO, "Municipal Securities: Overview of Market Structure, Pricing, and Regulation," Report to Congressional Committees, January 2012, page 12.

Specifically, regarding trade reporting time, two research papers scrutinized the transition in 2005 from reporting trades at the end of a trading day to 15 minutes after trade execution. Both studies revealed a statistically significant decrease in the average effective spreads for customer trades. When comparing the period before and the period after January 2005, the reduction in average customer trade effective spread ranged between 11 to 28 basis points, all else being equal.⁷⁶ In addition, more timely reporting has also been shown to increase dealer market-making activities in the municipal markets, potentially enhancing market liquidity.⁷⁷

Recent MSRB analyses show that effective spreads for customer trades continued to decline in the last decade.⁷⁸ However, while the difference in effective spreads between smaller retail-sized customer trades and larger institutional-sized customer trades shrank over the past decade, the shrinkage has stopped, and the gap may have started to widen again since early

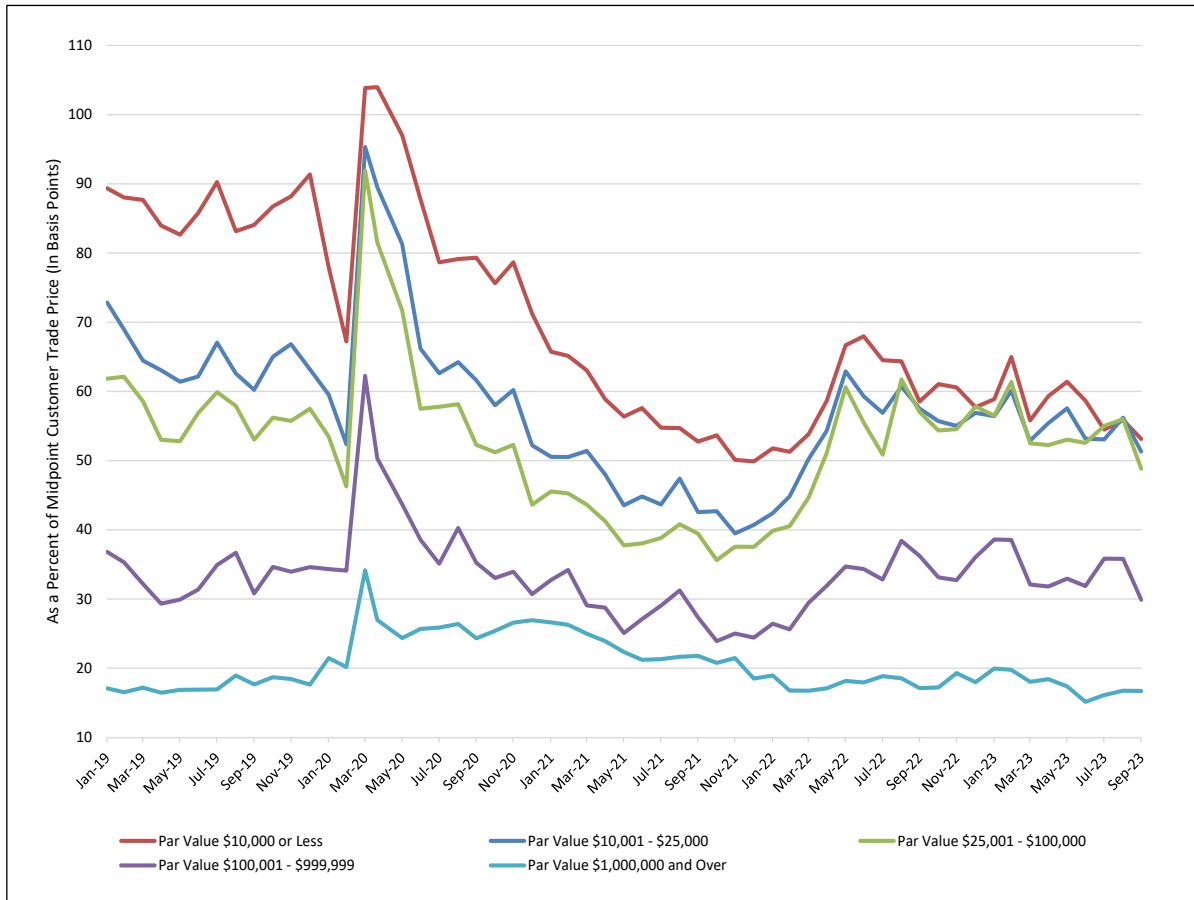
⁷⁶ See Sirri, Erik, “Report on Secondary Market Trading in the Municipal Securities Market,” Research Paper, Municipal Securities Rulemaking Board, July 2014, and Chalmers, John, Liu, Yu (Steve) and Wang, Z. Jay, “The Difference a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market,” *Journal of Financial Economics*, 2021. Sirri (2014) estimated that following the implementation of RTRS in January 2005, the average customer trade spread was reduced, all other relevant factors being equal, by 11 basis points within the first six-month period and up to 20 basis points within the one-year period. Chalmers, Wang and Liu (2021) found that dealer markups across all trade sizes declined by 28 basis points (14 percent reduction) in a ten-month period (March 2005 through December 2005). The authors concluded that the improved timeliness of the market resulted in large reductions in the costs of trading municipal bonds.

⁷⁷ As indicated by an increase in the overnight and over-the-week dealer capital committed to inventory, an increase in the number of dealers involved in completing a round-trip transaction, and more round-trip transactions that involve inventory taking. See Erik Sirri, Report on Secondary Market Trading in the Municipal Securities Market, July 2014 (Research Paper, Municipal Securities Rulemaking Board); John Chalmers, Yu (Steve) Liu, & Z. Jay Wang, The Difference a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market, 139(1) *Journal of Financial Economics*, 313–335 (2021).

⁷⁸ See Wu, Simon Z., “Transaction Costs for Customer Trades in the Municipal Bond Market: What is Driving the Decline?” Research Paper, Municipal Securities Rulemaking Board, July 2018, Page 15; and Wu, Simon Z., and Ostroy, Nicholas J., “What Has Driven the Surge in Transaction Costs for Municipal Securities Investors Since 2022?” Research Paper, Municipal Securities Rulemaking Board, August 2023.

2022.⁷⁹ Therefore, as of September 2023, retail-sized customer trades continue to have significantly higher effective spreads than institutional-sized customer trades as shown in Chart 1, about three times as large.⁸⁰

Chart 1. Effective Spread for Fixed-Rate Municipal Securities Customer Trades
January 2019 – September 2023



Based on available economic literature and the MSRB’s own analysis of trade data, the MSRB believes that the proposed rule change would further reduce customer trade effective spreads due to the benefit of more immediate transparency, especially for retail-sized trades. The MSRB acknowledges the difference in the potential impact, due to the different scale of the changes, between the launch of RTRS in January 2005 with the introduction of a 15-minute reporting window in place of end-of-day reporting, on the one hand, and the proposed shortening of the trade reporting requirement from 15 minutes to one minute, on the other

⁷⁹ Wu and Ostroy (2023). The reduction was mostly due to the steadily declining effective spreads for retail-sized customer trades, as institutional-sized customer trades (par value more than \$1,000,000) had a relatively stable level of effective spreads between 2005 and 2023.

⁸⁰ Id.

hand. Nevertheless, while the anticipated positive effect of the proposed one-minute trade reporting with two new exceptions may not match the magnitude of the 2005 RTRS transition, it is expected to yield valuable advantages for investors through the inclusion of more contemporaneous trade data points in the same and/or comparable securities. This holds particularly true for retail investors, who have historically paid higher effective spreads than institutional investors and derived greater benefits from post-trade transparency compared to institutional investors.⁸¹ For illustration purposes, hypothetically if a shortening of trade reporting time to one minute for Active Dealers (except for manual trades) would reduce the effective spread by an average of five basis points⁸² for customer trades with \$1 million or less par value, this would result in the annual savings (benefits) for investors of approximately \$126.2 million based on the 2022 trading volume (see Hypothetical Scenario 1 in Table 3).⁸³ Table 3 also shows a more conservative scenario when limiting the hypothetical effective spread reduction to a trade size of \$100,000 par value or less only, commonly known as a proxy for retail-sized trades. A reduction of five basis points in effective spreads from the proposed rule change applicable to these trades would result in the annual savings of approximately \$49 million to retail investors (see Hypothetical Scenario 2 in Table 3).⁸⁴ On the other hand, while the MSRB believes dealers would earn less from investors as a result of narrowing effective spreads, the shortfall would be partially offset by gains in market efficiency, potential reduction in dealer search and intermediation costs, and potentially increased revenue from higher customer trading activity as a result of lower transaction costs. This is in line with the economic theory on the law of demand that a reduction in price would

⁸¹ Id.

⁸² To be conservative, the MSRB uses five basis points as an illustration, where a five-basis point reduction in price value of a \$100 par value bond is equivalent to \$0.50 per bond. This estimate is less than half of the estimated lower-bound reduction from the 2005 changeover from end-of-day trade reporting to 15 minutes from Time of Trade reporting, and is only applicable to non-institutional-sized customer trades (either sub-\$1,000,000 par value or \$100,000 or lower par value customer trades). No change in effective spread for other customer trades is included in the analysis, as larger-size institutional customers are assumed to be sophisticated and already have pricing information.

⁸³ In 2022, \$504.8 billion annual par value traded from all customer purchase and sell trades with trade size below \$1,000,000 par value \times 0.05 percent / 2 = \$126.2 million. Since the five basis points are the difference between the average customer purchase and customer sell trades, when measuring each customer purchase or customer sell trade, the amount is divided by two.

⁸⁴ In 2022, \$196.1 billion annual par value traded from all customer trades with trade size at \$100,000 par value or less \times 0.05 percent / 2 = \$49 million.

generally encourage more purchasing by consumers, all else being equal.⁸⁵ In the case of secondary market trading, the expectation is that a reduction in trading costs would encourage more trading by existing investors and/or bring in new investors to the municipal securities market over the long term. The MSRB assumes a reduction of five basis points in the effective spreads for the \$1 million par value or lower customer trades would generate an additional 0.2 percent in total customer trading volume for that trade size group, while a reduction of five basis points in the effective spreads for the \$100,000 par value or lower customer trades would generate an additional 0.2 percent in total customer trading volume for that trade size group.⁸⁶ The MSRB therefore estimates dealers would gain between approximately \$1 million to \$3 million from projected additional annual customer trading volume.

Table 3. Illustration of Hypothetical Benefit Based on 2022 Trading Volume Basis Points in Price

	Benefit - Investors		Benefit - Dealers
	Reduction in Effective Spread (in Basis Points)	Annual Effective Spread Savings for Investors	Gain from Additional Customer Trading Volume
2005: 15-Minute Trade Reporting			
Benefit for All Trades	11 to 28		
2023 Proposal: One-Minute Trade Reporting			
Hypothetical Scenario 1 - Benefit for Sub-\$1,000,000 Par Value Trades Only	5.0	\$ 126,472,000	\$ 2,954,000
Hypothetical Scenario 2 - Benefit for \$100,000 Par Value Trades or Lower Only	5.0	\$ 49,044,000	\$ 981,000

While five basis points are used as an illustration in Table 3, even if the reduction in effective spread was only half of the amount, or 2.5 basis points, the total annual savings would still amount to between \$24.5 million and \$63.1 million approximately.

In addition to investors benefiting from more immediate market transparency, other market participants would also benefit from the proposed rule change, including underwriters and issuers who determine evaluated pricing of a new issuance, dealers in the primary and secondary markets who participate in competitive bidding activities, and yield curve providers that rely upon market transactions to update curves or to supply intra-day price and yield movement for the market.

Lastly, any trade that meets the definition of a manual trade would be required to append a new trade indicator to such trade when reported to the MSRB, regardless of when the trade is reported. This trade indicator would help the MSRB identify the extent to which the

⁸⁵ Davenant, Charles, An Essay upon the Probable Methods of Making People Gainers in the Balance of Trade (London: James Knapton, 1699).

⁸⁶ The 0.2 percent volume increase would be about half of the lower-bound estimate for the 2005 change over (see Chalmers, Wang and Liu, 2021).

market still operates manually and could help determine whether the proposed gradual reduction in timeframes proposed would be feasible to maintain or to continue reducing in the future.

(ii) Costs

The MSRB acknowledges that dealers would likely incur additional costs, relative to the current state, to meet the new one-minute transaction reporting time of one minute outlined in the proposed amendments to Rule G-14 RTRS Procedures though the compliance costs would be mitigated by the fact that nearly 73.7 percent of all trades were already reported within one minute of an execution in 2022. These additional costs would likely include: a) one time or upfront costs (e.g., setting up and/or revising policies and procedures, education and training and implementing the newly required manual trades flag); b) ongoing costs related to subscription(s) to electronic trade reporting technologies to speed up the trade reporting process for some Active Dealers; and c) other ongoing costs related to ensuring compliance with the new proposed requirements.

(A) Upfront Costs

For the upfront costs, it is possible dealers may need to seek appropriate advice of in-house or outside legal and compliance professionals to revise policies and procedures in compliance with the proposed amendments to Rule G-14 RTRS Procedures. Dealers may also incur upfront costs related to education and/or standards of training in preparation for the implementation of these proposed amendments, as well as establishing the newly required manual trades flag. The MSRB believes the upfront costs as related to updating policies and procedures, training and education would be relatively minor, perhaps about \$6,720 for Dealers with Limited Trading Activity and up to \$11,200 for Active Dealers for a total of about \$5.1 million (see Table 3.⁸⁷ In addition, there would be a one-time upfront cost for software or compliance system upgrade to flag manual trades and to reprogram the system to comply with the shorter reporting timeframe, though the amount would depend on how this new requirement is implemented by the industry. While the MSRB does not have sufficient data and

⁸⁷ The hourly rate data was gathered from the Commission's Amendments to Exchange Act Rule 3b-16. See Exchange Act Release No. 94062 (Sep. 20, 2022), 17 CFR Parts 232, 240, 242, 249 (Jan. 26, 2022) (File No. S7-02-22), p. 477 n.1102 (citing the original source of the data from SIFMA Management & Professional Earnings in the Securities Industry – 2013. The data reflects the 2023 hourly rate level after adjusting for the annual wage inflation between 2013 and 2023, using the Federal Reserve Bank of St. Louis Employment Cost Index: Wages and Salaries: Private Industry Workers (available at: <https://fred.stlouisfed.org/series/ECIWAG>). The MSRB uses a blended hourly rate of \$560 for tasks that could be performed by in-house attorneys, outside counsel, compliance managers and chief compliance managers, and estimates a total of 12 hours for Dealers with Limited Trading Activity to update policies and procedures, and implement training and education, and 20 hours for Active Dealers. As shown in Table 4, the one-time upfront costs are estimated to be \$5.1 million ($\$11,200 \times 173 + \$6,720 \times 474 = \5.123 million).

information presently to estimate the cost, the MSRB believes the upfront cost for implementing the manual trade flag would likely be more substantial than the other upfront cost components.

(B) Ongoing Costs: Annual Technology Subscription

By comparison, the annual ongoing technology subscription costs for electronic trade reporting would likely be more significant for some Active Dealers, as these dealers may need to obtain assistance from outside vendors or increase in-house programming costs. It should be noted that some dealers may be able to fulfill the new trade reporting time requirement without any upgrade to their technology. While the MSRB is not aware of any evidence that dealers are intentionally delaying trade reporting, the current Rule G-14 provides a 15-minute reporting window without the “as soon as practicable” requirement. As a result, some dealers may not have reported their trades as soon as practicable in the absence of a regulatory obligation. In addition, it is possible that, instead of upgrading existing technologies, some dealers, especially those with relatively few trades in municipal securities, may augment their workforce to ensure a shorter reporting lag after a trade execution. Finally, dealers executing voice trades and secondary market trades in newly issued securities may not be able to speed up the trade reporting process due to the manual nature of these trades, even with the electronic trade reporting technology in place.⁸⁸

For the ongoing cost estimate, the MSRB assumes that Active Dealers would not need to acquire electronic trade reporting technology if 90+ percent of the dealer’s trades are currently reported between one and two minutes after the Time of Trade,⁸⁹ as those dealers are assumed to be able to report the trades within the proposed one-minute trade reporting requirement without resorting to an additional technology subscription. However, if a dealer reports 90+ percent of trades by more than two minutes, the MSRB assumes the dealer would need to upgrade its technology to achieve the one-minute requirement. The MSRB believes the proposed rule change would provide an incentive to adjust internal policies and procedures or to improve reporting time without resorting to additional technology subscription, especially with the new one-minute trade reporting requirement for non-excepted trades as well as the new “as soon as practicable” requirement that harmonizes with the current analogous FINRA rules. As to the MSRB’s usage of the 90+ percent threshold as opposed to a 100 percent threshold, the proposed rule change provides an exception for manual trades for these Active Dealers, meaning that a 100 percent compliance rate with the baseline one-minute timeframe may not be required. The MSRB believes that many of the trades that took longer than one

⁸⁸ For example, in 2022, approximately 59 percent of the secondary market transactions executed within the first three days of a new issuance were reported within one minute, as compared to 77 percent of other secondary market trades. This may be largely due to the additional time involved in setting up a new CUSIP for the secondary market trading. The MSRB anticipates that such trades requiring manual intervention would be subject to the phased-in reporting requirement down to five minutes.

⁸⁹ For each dealer, the MSRB calculated the nearest minute(s) (rounded up) to report at least 90 percent of its trades in 2022.

minute to report likely had a manual component; therefore, it may be that a threshold lower than the 90 percent threshold would still satisfy the new requirements in the proposed rule change, providing Active Dealers additional time to report by using the new exception for manual trades. However, because the MSRB does not know the actual share of manual trades for each dealer at this time, to be aggressive (i.e., conservative) in estimating the costs, the MSRB includes these Active Dealers in the ongoing technology subscription cost calculation.

Chart 2 below illustrates the estimated technology subscription cost of acquiring the electronic trade reporting technology for these dealers. From the industry outreach effort, the MSRB learned it would cost a dealer approximately up to an additional \$60,000 annually, which includes a bundle of services in addition to the electronic trade reporting.⁹⁰ The MSRB believes, however, this cost estimate may be on the high side because: 1) dealers may not need to purchase the bundle simply to speed up the trade reporting depending on their existing subscription services;⁹¹ and 2) some dealers may have more than 10 percent of their trades having a manual component, and since the proposed rule change would use a phase-in period for these trades, with the requirement of as soon as practicable but no later than five minutes after the Time of Trade after the second year, it may reduce the need or the scale to pay for the technology subscription costs. Furthermore, since the requirement for the one-minute trade reporting would likely be applicable to other TRACE-eligible fixed-income securities such as corporate bonds under the 2024 FINRA Proposed Rule Change, dealers that trade both municipal securities and corporate bonds may only need to pay the subscription cost once, or at least not need to pay double the amount. Still, to be aggressive in the cost estimate, the MSRB would use the \$60,000 as the minimum annual cost for dealers who would need the new technology subscription. In addition, it is possible that some dealers, especially larger dealers, may need more than one vendor for automated trade reporting when executing orders on multiple electronic platforms. Therefore, the MSRB estimates, among Active Dealers who would need new technology subscription to comply with the proposed rule change, such Active Dealers would incur approximately \$100,000 annually to adopt the electronic trade reporting to

⁹⁰ Some comment letters also cited Bloomberg's Trade Order Management Solutions ("TOMS") system, which would cost \$250,000 per year. See Letter from Matthew Kamler, President, Sanderlin Securities LLC, dated September 27, 2022, at 1. Another commenter estimated the cost at \$500,000 per year. See Letter from John Isaak, Senior Vice President, Isaak Bond Investments, dated August 16, 2022, at 1. The MSRB understands that TOMS can be used for many purposes, such as sales, trading, risk management, compliance and operations, and not just for electronic trade reporting. TOMS can also be used for many fixed-income products and not just for municipal securities. See <https://www.bloomberg.com/professional/product/trade-order-management-solutions/>. Thus, the cost associated with TOMS would generally appropriately be allocated among the various uses that a dealer is likely to make of it.

⁹¹ For example, one vendor informed the MSRB that it charges up to \$1,000 per month for straight-through processing of trades, or \$12,000 annually. Some other dealers mentioned \$2,000 monthly, or about \$24,000 annually to incorporate electronic trade reporting.

comply with the proposed rule change,⁹² while a dealer with less than 12,000 trades annually⁹³ would incur \$60,000 annually.⁹⁴

Chart 2. Diagram for Determining Estimated Technology Subscription Cost for Active Dealers

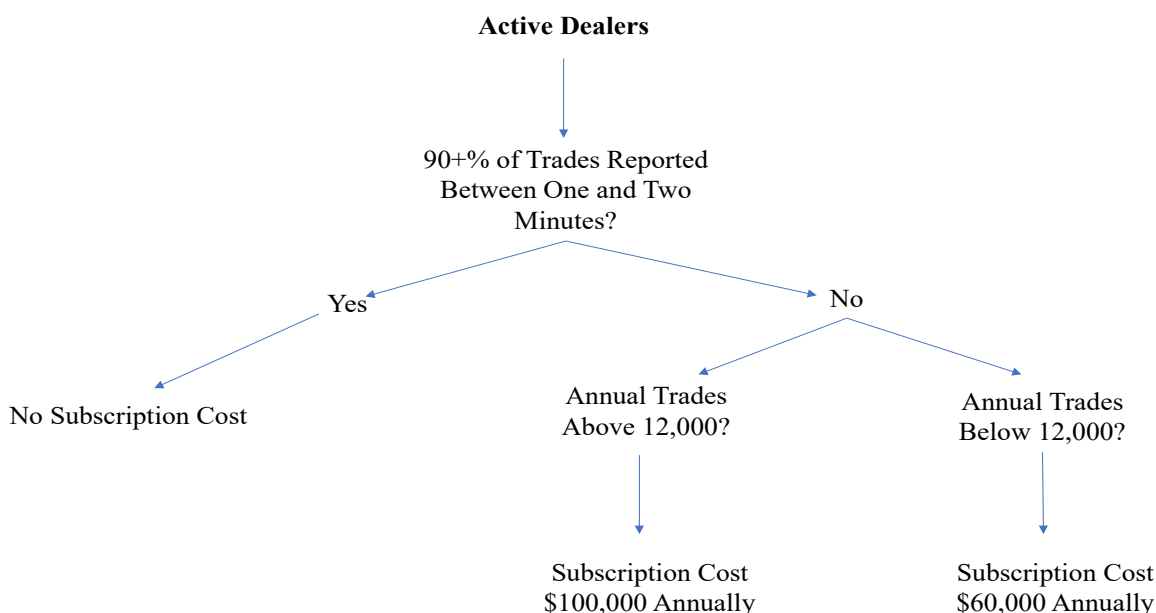


Table 4 provides an estimated total cost of approximately \$5.1 million for the one-time policies and procedures revision for all 647 dealers. As to the annual ongoing costs, MSRB staff estimated a total of \$6.6 million for the annual technology subscription for the 88 Active Dealers who would need the subscription.

⁹² The MSRB assumes these dealers would need a second vendor, but instead of doubling the amount from \$60,000 to \$120,000, the MSRB estimates the amount to be approximately \$100,000 assuming there would be some efficiency gain.

⁹³ A market share of between 0.01 percent and 0.1 percent based on the 2022 data.

⁹⁴ Of the 173 Active Dealers, 82 dealers had 12,000 trades or more in 2022 and 91 had less than 12,000 trades. For Dealers with Limited Trading Activity, the MSRB assumes there is no need for technology subscription since they would be able to utilize one or both new exceptions, and therefore the proposed new requirement is similar to the present requirement in Rule G-14 for these dealers.

Table 4. Estimate of Upfront and Ongoing Costs Based on 2022 Trading Volume

	Upfront Cost - Policies and Procedures	Annual Ongoing Costs - Technology Subscription
One-Minute Reporting for Active Dealers and 15-Minute Reporting for Dealers with Limited Trading Activity	\$ 5,123,000	\$ 6,560,000

Note: There would also be upfront costs for system upgrade to flag manual trades as well as ongoing costs for ensuring compliance. The MSRB cannot provide an estimate for these costs presently because of insufficient information.

(C) Other Ongoing Compliance Costs

The MSRB anticipates ongoing costs of ensuring the compliance of relevant trades to be reported within one minute, and manual trades to be reported within the timeframes as proposed during and after the phase-in period, with a new trade indicator for such trades. Comparatively speaking, these ongoing compliance costs would be relatively minor and may not significantly exceed the costs in the current baseline, as all dealers should already have compliance programs in place in relation to the current trade reporting requirement.

Proposed Supplementary Material .02 would require all manual trades from Active Dealers to be reported within five minutes eventually, following the conclusion of the second calendar year from the effective date. While the RTRS database currently does not flag manual trades, assuming all trades currently reported more than one minute after the Time of Trade are “manual” trades, Table 5 illustrates that 90.4 percent of all trades from Active Dealers were already reported within five minutes in 2022. Hence, the MSRB believes a five-minute trade reporting requirement is achievable for manual trades from Active Dealers, with a three-year phase-in period, which provides ample time for them to prepare and for the industry to create solutions.

Table 5. Trade Report Time for Estimated Manual Trades from Active Dealers
January 2022 to December 2022

Difference Between Execution and Reported Time	All Trades
2 Minutes	64.6%
3 Minutes	80.9%
5 Minutes	90.4%
10 Minutes	96.9%
15 Minutes	98.2%

(iii) Effect on Competition, Efficiency and Capital Formation

The MSRB believes the proposed change to Rule G-14 RTRS Procedures would improve market efficiency by providing more immediate trade reporting transparency to the market. If indeed there would be a reduction in customer transaction costs, as illustrated by the 2005 RTRS transition, even if on a smaller scale, the benefits to customers would accrue over a longer period that would offset the investment in upgrading technologies by select dealers. In addition, it is possible that lower transaction costs may increase investor participation and stimulate market activities by encouraging more trading by existing investors and/or bringing in new investors to the municipal securities market over the long term, therefore contributing to an overall increase in capital formation. Finally, the harmonization of MSRB rule requirements for municipal securities with FINRA requirements for other TRACE-eligible fixed-income markets, as proposed in the 2024 FINRA Proposed Rule Change, would create consistency for dealers who have trading operations in all these markets, and, thus, would increase efficiency in terms of their compliance burdens. Therefore, the MSRB believes that the proposed rule change would facilitate capital formation.

Some dealers may be impacted by the proposed rule change more than other dealers to meet the new reporting time. However, the broader impact on competition in the municipal securities market is expected to be minor. The proposed change to Rule G-14 RTRS Procedures provides a two-tier system (one-minute trade reporting requirement for Active Dealers with an exception for manual trades and 15-minute trade reporting requirement for Dealers with Limited Trading Activity) to mitigate any potential unfavorable financial impact for Dealers with Limited Trading Activity because of a lower revenue base. Therefore, the MSRB does not believe the proposed change to Rule G-14 RTRS Procedures would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

(c) Identifying and Evaluating Reasonable Alternative Regulatory Approaches

The MSRB has considered and evaluated several reasonable regulatory alternatives. One alternative the MSRB reviewed was to introduce a five-minute trade reporting period for Active Dealers. According to the MSRB's estimates, as shown in Table 1 above, 23.3 percent (97–73.7 percent) of all reported trades in municipal securities would have satisfied the five-minute reporting requirement but not the one-minute reporting requirement in 2022. If the MSRB instituted a five-minute trade reporting period, most of the industry would already satisfy the obligations of a five-minute requirement and it would likely be less of a burden for dealers to comply. In effect, MSRB rulemaking would merely align with current market practices. However, considering that most trades (97 percent) already took five minutes or less to be reported to RTRS, the MSRB believes the five-minute reporting requirement, while easier for dealers to comply with, would not have advanced the immediacy of information transparency by a meaningful amount that would make a difference for investors, especially retail investors, and other market participants.

Another alternative would be for the MSRB to change the trade reporting time by trade size. The MSRB was informed by comments received in response to the 2022 Request for

Comment described below that large-sized trades are in many instances still negotiated telephonically and require more dealer attention, and therefore would be considered as trades with a manual component during the trading reporting process.⁹⁵ Table 1 above shows a noticeable difference in the speed of trade reporting by different trade size groups, with the reporting time increasing with trade size. The MSRB could propose that small and medium-sized trades, i.e., trades with par value below \$1,000,000 which constitute about 97.3 percent of all trades, be reported within one minute while proposing a longer threshold, for example, a five-minute threshold for larger-sized trades which constitute about 2.7 percent of all trades. However, trades with a manual component are already excepted from the one-minute requirement under the proposed rule change, regardless of the trade size, which would be superior to this alternative method because the length of time to report a trade is heavily influenced by the trade reporting process rather than the size of the trade per se. In addition, anecdotal evidence suggests that large-sized trades do have more of an impact on the direction of the market, as many market participants weigh larger trades more heavily in determining market movements and many of the existing market produced yield curves either exclude

⁹⁵ See Letter from Michael Decker, Senior Vice President for Public Policy, Bond Dealers of America, dated October 3, 2022, at 2–3 (“Trades negotiated and executed by phone, still the predominant execution method for block-sized trades in municipals ... require human involvement and data entry, delaying the reporting process easily past one minute.”); Letter from Seth A. Miller, General Counsel, President, Advocacy and Administration, Cambridge Investment Research, Inc., dated October 3, 2022, at 4; Letter from Howard Meyerson, Managing Director, Financial Information Forum, dated October 3, 2022, at 4; Letter from Edward J. Smith, General Counsel and Chief Compliance Officer, Hartfield, Titus & Donnelly, LLC, dated September 14, 2022, at 4; Letter from Robert D. Bullington, Vice President, Compliance Officer, InspereX LLC, dated October 3, 2022, at 4–5; Letter from John Isaak, Senior Vice President, Isaak Bond Investments, dated August 16, 2022, at 1; Letter from Robert Blum, President, Robert Blum Municipals, Inc., dated September 16, 2022 at 1; Letter from Christopher Ferreri, President, RW Smith & Associates, LLC, dated September 13, 2022, at 4; Letter from Lee Maverick, Chief Compliance Officer, SAMCO Capital Markets, Inc., dated September 30, 2022, at 2; Letter from Kenneth E. Bentsen, Jr., President and Chief Executive Officer, Securities Industry and Financial Markets Association and the SIFMA Asset Management Group, dated October 3, 2022, at 8–9; Letter from Nyron Latif, Head of Operations, Wells Fargo Wealth and Investment Management, and Todd Primavera, Head of Operations, Wells Fargo Corporate and Investment Bank, Wells Fargo & Company, dated October 3, 2022, at 3; Email from Glenn Burnett, Zia Corporation, dated September 6, 2022, at 1. See also MSRB Notice 2013-02 (Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform) (Jan. 17, 2013) (eliciting similar comments), available at <https://www.msrb.org/Request-Comment-More-Contemporaneous-Trade-Price-Information-Through-a-New-Central-Transparency>.

small-sized trades from their analysis or weigh them much less than larger-sized trades.⁹⁶ While there may be both benefits and costs for large-sized trades to be reported sooner where possible,⁹⁷ adding a trade size-based reporting regime with delayed reporting by large-sized trades on top of the manual component exception may cause additional complication in trade reporting, potentially resulting in increased trade reporting errors and/or trade cancellations and corrections.

A slight variation of the above alternative on divergent trade reporting requirements would consider trades on Alternative Trading System (“ATS”) platforms and other non-ATS trades differently, since the speed of reporting differs between these two groups of inter-dealer trades, with 79.7 percent of inter-dealer trades on an ATS platform being reported within one minute in 2022 while only 69 percent of non-ATS inter-dealer trades being reported within one minute. However, variation of requirements could similarly cause confusion and may further add burden on dealers who may have to maintain policies and procedures with multiple exception paths. In addition, there is a possibility that this alternative may impact the competition between ATS platforms and other non-ATS platforms. Finally, ATS platforms also report trades differently, with some ATS platforms being the reporting party while other ATS platforms let participants on the ATS platforms report trades directly to RTRS. Hence, not all ATS platforms have the same reporting procedures.

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

On August 2, 2022, the MSRB published the 2022 Request for Comment to solicit comment on a potential amendment to Rule G-14 to require that, absent an exception, dealers report transactions to an RTRS Portal as soon as practicable, but no later than within one

⁹⁶ For example, the most widely used curve is the Refinitiv[®] Municipal Market Data (MMD) AAA benchmark yield curve that only includes institutional block size trades of \$2 million par amount or more in the secondary or primary market. For additional information regarding the MMD AAA curve, see Cameron Marcus Arial, "Public Administrator Choice Idaho School District Finance Policy Observed" (May 2019). Boise State University Theses and Dissertations, File No. 1516, page 68, available at <https://scholarworks.boisestate.edu/cgi/viewcontent.cgi?article=2639&context=td>. This is in addition to the IHS Markit AAA Curve and Bloomberg BVAL municipal AAA curves displayed on the MSRB’s EMMA website, which exclude small-sized trades from their methodologies.

⁹⁷ While more immediate transparency is beneficial to the market in general, there has been some concerns about information leakage if large-sized trades were reported and disseminated sooner. See Letter from Sarah A. Bessin, Associate General Counsel, Investment Company Institute, dated October 3, 2022, at 11.

minute following the Time of Trade (the “Proposal”).⁹⁸ The MSRB also published a memorandum during the comment period for the 2022 Request for Comment providing supplemental data regarding counts of trade volume and time of reporting.⁹⁹

In response to the 2022 Request for Comment, the MSRB received 53 comment letters from 51 commenters.¹⁰⁰ Following consideration of the comments received and in light of

⁹⁸ See MSRB Notice 2022-07 (Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14) (Aug. 2, 2022), available at <https://www.msrb.org/sites/default/files/2022-09/2022-07.pdf>.

⁹⁹ Memorandum from John Bagley, Chief Market Structure Officer, MSRB (Supplemental Data with respect to MSRB Notice 2022-07 Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14) (“MSRB Memorandum”) (providing supplemental trade report time data), (Sep. 12, 2022), available at <https://www.msrb.org/sites/default/files/2022-09/2022-07-MSRB.pdf>.

¹⁰⁰ See Letter from Kelli McMorrow, Head of Government Affairs, American Securities Association (“ASA”) dated September 30, 2022; Letter from Mike Petagna, President, Amuni Financial, Inc. (“AMUNI”), dated August 23, 2022; Email from Bill Bailey (“Bailey”), dated August 4, 2022; Letter from Matt Dalton, Chief Executive Officer, Belle Haven Investments, L.P. (“Belle Haven”), dated October 3, 2022; Letter from Ronald P. Bernardi, President and Chief Executive Officer, Bernardi Securities, Inc. (“BSI”), dated September 30, 2022; Letter from Will Leahey, Head of Regulatory Compliance, BetaNXT Inc. (“BetaNXT”), dated October 3, 2022; Letter from Michael Decker, Senior Vice President for Public Policy, Bond Dealers of America (“BDA”), dated October 3, 2022; Letter from David Long, Executive Vice President, Correspondent Banking/Capital Markets, and Vincent Webb, Managing Director, Bryant Bank Capital Markets, Bryant Bank (“BB”), dated September 28, 2022; Letter from Seth A. Miller, General Counsel, President, Advocacy and Administration, Cambridge Investment Research, Inc. (“Cambridge”), dated October 3, 2022; Email from Jay Lanstein, Chief Executive Officer and Chief Technology Officer, Cantella & Co., Inc. (“C&C”), dated September 16, 2022; Email from Maryann Cantone, Cantone Research, Inc. (“CRI”), dated August 2, 2022; Letter from J.D. Colwell (“Colwell”), dated September 9, 2022; Email from Raymond DeRobbio (“DeRobbio”), dated August 3, 2022; Letter from Gerard O’Reilly, Co-Chief Executive Officer and Chief Investment Officer, and David A. Plecha, Global Head of Fixed Income, Dimensional Fund Advisors LP (“Dimensional”), dated September 26, 2022; Letter from Robert A. Estrada, Esq., Chairman (Emeritus), Estrada Hinojosa & Co., Inc. (“EH&C”), dated October 3, 2022; Letter from Melissa P. Hoots, Chief Executive Officer and Chief Compliance Officer, Falcon Square Capital, LLC (“Falcon Square”), dated October 3, 2022; Letter from Howard Meyerson, Managing Director, Financial Information Forum (“FIF I”), dated October 3, 2022; Supplemental Letter from Howard Meyerson,

Managing Director, Financial Information Forum (“FIF II”), dated April 27, 2023; Letter from Jonathan W. Ford, Senior Vice President, Ford & Associates, Inc. (“F&A”), dated September 9, 2022; Letter from Edward J. Smith, General Counsel and Chief Compliance Officer, Hartfield, Titus & Donnelly, LLC (“HTD”), dated September 14, 2022; Letter from Melissa Messina, Executive Vice President, Associate General Counsel, R. Jeffrey Sands, Managing Principal, General Counsel, and William Sims, Managing Principal, Herbert J. Sims & Co., Inc. (“HJS”), dated October 3, 2022; Email from Deborah Higgins, Higgins Capital Management, Inc. (“HCM”), dated September 19, 2022; Letter from Lana Calton, Executive Managing Director, Head of Clearing, Hilltop Securities (“Hilltop”), dated October 3, 2022; Letter from Joe Lee, Chief Executive Officer, Honey Badger Investment Securities, Inc. (“Honey Badger”), dated September 30, 2022; Letter from Robert Laorno, General Counsel, ICE Bonds Securities Corporation (“ICE Bonds”), dated September 30, 2022; Letter from Robert D. Bullington, Vice President, Compliance Officer, InspereX LLC (“InspereX”), dated October 3, 2022; Letter from Scott Hayes, President and Chief Executive Officer, and Chris Neidlinger, Chief Compliance Officer, Institutional Securities Corporation (“ISC”), dated September 30, 2022; Letter from Sarah A. Bessin, Associate General Counsel, Investment Company Institute (“ICI”), dated October 3, 2022; Email from Darius Lashkari, Investment Placement Group (“IPG”), dated August 2, 2022; Letter from John Isaak, Senior Vice President, Isaak Bond Investments (“IBI I”), dated August 16, 2022; Letter from Donald J. Lemek, Vice President – Operations and Chief Financial Officer, Isaak Bond Investments, Inc. (“IBI II”), dated October 3, 2022; Email from Mike Kiley, Owner, Kiley Partners, Inc. (“KPI”), dated September 27, 2022; Letter from Gary Herschitz, Chief Executive Officer, Madison Paige Securities (“MPS”), dated September 30, 2022; Email from Christopher Mayes (“Mayes”), dated September 27, 2022; Letter from Kathy Miner (“Miner”), dated October 2, 2022; Letter from Randy Nitzsche, President and Chief Executive Officer, Northland Securities Inc. (“NSI”), dated October 3, 2022; Letter from James W. Oberweis, President, Oberweis Securities, Inc. (“OSI”), dated September 28, 2022; Letter from H. Deane Armstrong, Chief Compliance Officer, and Joseph A. Hemphill III, Chief Executive Officer, Regional Brokers, Inc. (“RBI”), dated October 3, 2022; Letter from Robert Blum, President, Robert Blum Municipals, Inc. (“RBMI”), dated September 16, 2022; Letter from F. Gregory Finn, Chief Executive Officer, Roosevelt & Cross, Inc. (“R&C”), dated October 3, 2022; Letter from Christopher Ferreri, President, RW Smith & Associates, LLC (“RWS”), dated September 13, 2022; Letter from Lee Maverick, Chief Compliance Officer, SAMCO Capital Markets, Inc. (“SAMCO”), dated September 30, 2022; Letter from Matthew Kamler, President, Sanderlin Securities LLC (“Sanderlin”), dated September 27, 2022; Letter from Kenneth E. Bentsen, Jr., President and Chief Executive Officer, Securities Industry and Financial Markets Association and the SIFMA Asset Management Group (collectively, “SIFMA”), dated October 3, 2022; Letter from Joseph Lawless, Chief Executive Officer, Sentinel Brokers Company, Inc. (“SBC”), dated September 30, 2022; Email from Edward Sheedy (“Sheedy”), dated

ongoing engagement with affected market participants, FINRA, the Commission and other stakeholders, the MSRB determined to file the proposed rule change, which incorporates certain key modifications to the Proposal designed to address many of the key concerns expressed by commenters and other market participants, including the establishment of the two new intra-day exceptions¹⁰¹ to the baseline reporting requirement.

While two commenters expressed support for the Proposal,¹⁰² and several other commenters expressed some support for the overall goal and certain specific aspects of the Proposal,¹⁰³ most commentors objected to shortening the timeframe for reporting from 15 minutes to one minute after the Time of Trade. The comments received in response to the 2022 Request for Comment are summarized below by topic and the corresponding MSRB responses are provided.¹⁰⁴

August 2, 2022; Letter from Glen Essert, Stern Brothers & Co. (“Stern”), dated October 3, 2022; Letter from Jesy LeBlanc and Kat Miller, TRADEliance, LLC (“TRADEliance”), dated September 28, 2022; Email from William Tuma (“Tuma”), dated August 8, 2022; Letter from Nyron Latif, Head of Operations, Wells Fargo Wealth and Investment Management, and Todd Primavera, Head of Operations, Wells Fargo Corporate and Investment Bank, Wells Fargo & Company (“Wells Fargo”), dated October 3, 2022; Letter from Keener Billups, Managing Director, Municipal Bond Department, Wiley Bros.-Aintree Capital (“Wiley”), dated September 20, 2022; Email from Thomas Kiernan, Wintrust Investments, LLC (“Wintrust”), dated August 2, 2022; Email from Glenn Burnett, Zia Corporation (“Zia”), dated September 6, 2022. All comments are available at: <https://www.msrb.org/sites/default/files/2023-03/All-Comments-to-Notice-2022-07.pdf>.

¹⁰¹ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement” in Section 3(a)(ii)(D).

¹⁰² See Dimensional; Tuma.

¹⁰³ See ICE Bonds at 1; ICI at 2; SIFMA at 2; Wells Fargo at 1.

¹⁰⁴ Simultaneously with the MSRB’s publication of the 2022 Request for Comment, FINRA published a request for comment on a proposal to similarly shorten FINRA’s TRACE trade reporting timeframe for transactions in TRACE-eligible securities (the “FINRA TRACE Proposal”). See FINRA Regulatory Notice 22-17 (FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute) (Aug. 2, 2022); see also 2024 FINRA Proposed Rule Change. Many commenters responding to the 2022 Request for Comment also commented on the FINRA TRACE Proposal. The discussion of comments herein is mostly confined to those comments addressing the Proposal or the MSRB.

(a) As Soon as Practicable Requirement

The MSRB sought comment on the Proposal's addition of a requirement that trades must be reported as soon as practicable. Section (a)(ii) of the Rule G-14 RTRS Procedures does not currently include the requirement to report 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.

One commenter suggested that the MSRB more closely harmonize its trade reporting requirements with FINRA's requirements by adopting the existing "as soon as practicable" provision of FINRA Rule 6730(a),¹⁰⁵ and most commenters addressing this aspect of the Proposal supported this change or viewed it as consistent with current practices.¹⁰⁶ No commenter that opposed the Proposal noted that the addition of the "as soon as practicable" language was the basis for such opposition.¹⁰⁷ Several commenters noted that the market already effectively reports trades as soon as practicable.¹⁰⁸ Another commenter, while not explicitly supporting the "as soon as practicable" language, supported the notion of examining and investigating dealers to ensure compliance with such standard as an alternative to shortening the timeframe for reporting.¹⁰⁹ One commenter also recommended that the MSRB provide supervisory guidance that parallels the provisions of Supplementary Material .03 of FINRA Rule 6730 with respect to the obligation to report trades as soon as practicable.¹¹⁰

In light of the comments received, the MSRB proposes to incorporate the requirement that trades be reported as soon as practicable into the proposed rule change for trades subject to an intra-day reporting deadline, as well as to require the establishment of policies and procedures for complying with the as soon as practicable reporting requirement in proposed new Supplementary Material .03. As discussed in "Purpose – Proposed Rule Change – New Requirement to Report Trades "as Soon as Practicable" in Section 3(a)(ii)(B) above, where a dealer has reasonably designed policies, procedures and systems in place to comply with this standard, and does not purposely withhold trade reports if it would have been practicable to

¹⁰⁵ See SIFMA at 4, 7, 17, 21–22. BetaNXT, HJS, Hilltop and R&C expressed general support for SIFMA's comment letter.

¹⁰⁶ See Dimensional; EH&C at 2; SIFMA at 4, 7, 17, 21–22.

¹⁰⁷ Rather, commenters opposing the Proposal, as discussed herein, focused on the shortening of the deadline from 15 minutes to one minute.

¹⁰⁸ See BDA at 1–2; HJS at 5; SBC at 2. Hilltop and R&C expressed general support for BDA's comment letter.

¹⁰⁹ See Belle Haven at 7.

¹¹⁰ See SIFMA at 21–22.

report such trades more rapidly, the dealer generally would not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting due to extrinsic factors that are not reasonably predictable and where the dealer does not purposely intend to delay the reporting of the trade (e.g., due to a systems outage).

(b) One Minute Timeframe for Reporting

The MSRB sought comment on shortening the timeframe for reporting transactions currently required to be reported within 15 minutes after the Time of Trade to one minute after the Time of Trade under the Proposal.¹¹¹

As noted above, most commenters objected to shortening the timeframe for reporting from 15 minutes to one minute after the Time of Trade, raising a number of issues regarding the merits of shortening the reporting timeframe, specific operational aspects of implementing a shortened timeframe, the range of transactions and dealers subject to the new timeframe, and the speed and manner of transitioning to a general one-minute reporting requirement.

(i) Operational Issues Relating to Reporting Within One Minute

(A) Time of Trade

In the 2022 Request for Comment, the MSRB noted that the time to report a trade is triggered at the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price. The 2022 Request for Comment asked whether “Time of Trade,” as currently defined, is the appropriate trigger and, if not, what other elements of the trade should be established before the reporting obligation is triggered.

One commenter agreed that the definition of “Time of Trade” referenced in the 2022 Request for Comment is the appropriate trade reporting trigger.¹¹² Several other commenters expressed a desire for greater clarity regarding the definition of “Time of Trade.”¹¹³

A few commenters discussed certain trading scenarios in which they believed that the “Time of Trade,” as defined by the MSRB, would not be the appropriate trigger for trade reporting. One commenter noted that manual trade entry does not necessarily begin at the time of execution, particularly for firms that manually report trades to the RTRS Web Portal.¹¹⁴ This

¹¹¹ Transactions would also be required to be reported as soon as practicable, as described above.

¹¹² See Colwell at 3.

¹¹³ See BSI at 2; Colwell at 2; ISC at 2; ICI at 3; IBI II at 1; SIFMA at 14, 20–21; TRADEliance at 1.

¹¹⁴ See Belle Haven at 5.

commenter noted that a number of issues may arise that can result in a delay of the manual trade entry process, including information gaps due to new or unfamiliar securities or having to wait to receive necessary information from the other side of the transaction.

Two commenters acknowledged that while 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.¹¹⁵ These commenters were concerned that 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. Another commenter argued that the primary consideration should be the business method used in trade execution, such as in the case of the business model of a voice broker. This commenter provided an example of a one-on-one transaction created between a buyer and seller when a dealer executes a trade with a customer, and contrasted this with an intermediated trade by a voice dealer that includes multiple components. For these types of intermediated trades, the commenter noted that perhaps an appropriate trigger would be when the intermediate transaction is complete (e.g., when all underlying trades of the intermediate transaction are executed).¹¹⁶

One commenter noted that if dealers are not permitted 15 minutes to report manually executed trades, a firm that wants to continue to execute trades manually might need to reach an agreement or understanding with its customers that the execution time for a trade agreed to by telephone, instant messaging or chat communication is the time that the firm inputs the trade into the firm's books and records in a systematized format for reporting to RTRS without manual input.¹¹⁷

Another commenter noted that 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.¹¹⁸

The MSRB is not seeking to amend the definition of "Time of Trade" in conjunction with the proposed one-minute reporting requirement. However, the MSRB has provided a discussion of certain factors that may be relevant to determining the Time of Trade that should address many of the concerns that the shorter reporting timeframe would create greater

¹¹⁵ See HJS at 4 (quoting SIFMA at 9).

¹¹⁶ See HTD at 4.

¹¹⁷ See FIF I at 4. BetaNXT expressed general support for FIF's comment letter.

¹¹⁸ See SIFMA at 7.

pressure and require greater precision in determining the Time of Trade.¹¹⁹ The MSRB believes that its use of the term “Time of Trade” is appropriate and consistent with how that term is understood by FINRA in connection with the reporting of TRACE-eligible securities to TRACE under applicable FINRA rules, and that the guidance provided herein would provide more assurance for dealers in determining the Time of Trade with greater clarity and precision.

(B) Automation of Trade Execution and Reporting

The 2022 Request for Comment noted that 76.9 percent of trades in 2021 subject to the existing 15-minute reporting requirement were reported within one minute and requested input on whether there are any commonalities with the trades that were reported within one minute or reported after one minute. The 2022 Request for Comment also noted that, based on the MSRB’s analysis, trades conducted on ATS platforms in 2021 were reported in less time than trades not conducted on ATS platforms (“non-ATS trades”), with 84.4 percent of inter-dealer trades conducted on an ATS platform being reported within one minute while only 74.9 percent of non-ATS trades were reported within one minute. The 2022 Request for Comment sought information on the reason(s) it takes more time to report non-ATS trades.

Commenters generally noted that the commonalities in the trades reported within one minute or after one minute depend on the extent of human intervention required to execute and report a trade.¹²⁰ In general, these commenters acknowledged that faster reporting may be achieved for the remaining approximately 20–25 percent of trades depending on the level of automation of trades with more straight-through processing and progressively reduced human intervention.

Commenters generally agreed that the shorter reporting times of ATS trades are the result of those trades being executed on a fully automated and connected trading venue.¹²¹ They acknowledged that in a connected system, trades flow automatically and timing is almost instantaneous, with little to no manual intervention.¹²² In contrast, these commenters acknowledged that trades executed away from an ATS take more time to report due to higher levels of human intervention.

The MSRB understands that automated processes currently play a significant role in facilitating rapid reporting of trade information to RTRS. The MSRB is aware, both through its

¹¹⁹ See supra “Purpose – Proposed Rule Change – Time of Trade Discussion” in Section 3(a)(ii)(C) for a discussion of and related guidance on the definition of Time of Trade under Rule G-14 RTRS Procedures Section (d)(iii).

¹²⁰ See BB at 1; Colwell at 2; Falcon Square at 1–2; FIF I at 2; HTD passim; OSI at 1; TRADEliance at 2.

¹²¹ See HTD at 5; RWS at 5; Sanderlin at 6.

¹²² See Baily at 1.

own statistics and from input from commenters, as more fully discussed below, that trades that involve full automation through the trade execution and reporting process typically achieve near instantaneous trade reporting that is already consistent with the proposed one-minute timeframe, but that other trades face higher challenges to achieving one-minute reporting. As discussed previously, the MSRB reminds dealers seeking to comply with the proposed rule change – including the one-minute reporting requirement and new or existing exceptions from such requirement – that they should consider the extent to which they can automate their trade reporting and related execution processes, consistent with their clients’ needs and the dealers’ best execution and other regulatory obligations.¹²³

(C) Manual Steps in the Negotiation, Execution and Reporting Process

Several commenters raised issues about the potential impact of the proposed rule change on trades that are negotiated by voice and/or where the reporting process includes one or more manual components in execution or trade reporting, such as in the case of large block trades that require subsequent allocation, portfolio trades or other types of complex trades that require some form of human intervention.¹²⁴ These commenters generally agreed that while manual trades represent a relatively small percentage of trades by trade count, for the types of trades identified above, a dealer may not be able to input and verify trade data within one minute if that process involves human intervention. These commenters further asserted that the proposed rule change would disproportionately impact firms that accept orders that are not electronically entered into an order management system (including orders received via telephone or instant message) and would effectively prohibit, by trade reporting rule, an entire category of transactions that are otherwise customary industry practice. These commenters also noted that this practice was particularly important to the municipal securities industry where large institutional trades or block trades are more likely to be negotiated and executed by voice and processed manually.

Another commenter argued that in most cases, it is not financially feasible for a firm to report a trade to RTRS or TRACE within one minute if the trade has been executed manually. This commenter noted that manual trading is common in the very large universe of fixed

¹²³ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” in Section 3(a)(ii)(D)(2) for a discussion of and related guidance on trades having a manual component.

¹²⁴ See e.g., ASA at 4–5; Bailey at 2; C&C at 1; and FIF I at 1–2; HTD passim; HJS at 2–4; ISC at 2; IBI I at 1; KPI at 1; Mayes at 1; RBMI at 1; RWS at 1–5; SAMCO at 1–2; SIFMA at 8–12, 24; SBC at 1–2; TRADEliance at 2; Wells Fargo at 3; Wintrust at 1. Hilltop, Honey Badger, MPS and RBI expressed general support for ASA’s comment letter.

income securities for various reasons.¹²⁵ One commenter noted that the only way for a trade to be entered within 60 seconds is if two opposing traders are on the phone at the same time and they agree to drop their tickets at that very moment and input the data immediately.¹²⁶

The MSRB recognizes that for some trades in the municipal securities market, the trade details are entered manually due to the inherent nature and characteristics of such trades. The MSRB also understands that voice and electronic communications as a means of trade execution that are not utilizing straight-through processing or are not part of an automated trade execution and reporting process are common for the municipal securities market. For these trades, the trade reporting process might be difficult or impossible to complete within one minute following the time of trade, even where the dealer has established efficient reporting processes and commences reporting the trade without delay.

As outlined below, commenters discussed a number of specific scenarios involving such communications or other manual steps in the process of executing and reporting trades for which shortening the trade reporting timeframe could, in their view, potentially result in adverse consequences.

To address these concerns, including the specific aspects raised by commenters outlined in Subsections (1) through (6) below, the MSRB has included in the proposed rule change an exception from the proposed one-minute trade reporting timeframe for trades with a manual component, which would retain the existing 15-minute deadline for the first year in which the proposed rule change is effective and then provide for a measured decline in the timeframe to five minutes beginning two years after such effectiveness, as discussed in greater detail herein.¹²⁷ This phased approach would provide dealers effecting trades with a manual component with a phased approach to achieving compliance that, the MSRB believes, appropriately addresses the concerns that commenters expressed.¹²⁸

¹²⁵ See FIF at 2.

¹²⁶ ISC at 2.

¹²⁷ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” in Section 3(a)(ii)(D)(2) discussing the proposed exception for trades with a manual component.

¹²⁸ While the MSRB believes that the exception for trades with a manual component effectively addresses the core issues raised in the comments described in Subsections (1) through (6) below, the MSRB also addresses certain other related comments not fully resolved by such exception in “One Minute Timeframe for Reporting – Potential Negative Consequences of the One Minute Requirement” in Section 5(b)(ii).

(1) Voice and Negotiated Trading

Many commenters expressed concern about the potential impact of the Proposal specifically on voice and negotiated trading, asserting that, unlike equity markets, business in fixed income markets is often conducted through voice negotiations, for institutional customers as well as certain retail investors.¹²⁹

One commenter that is a dual registrant as a dealer and investment advisor noted that an accelerated trade reporting regime would negatively impact market participants that continue to prefer manually negotiated trades for some portion of their fixed income trading activity. While acknowledging that the volume of fixed income trades executed electronically has risen, this commenter stated that many investors still prefer to trade with dealers by voice or electronic message (manually negotiated trades) rather than on an electronic platform to benefit from receiving input on market color, including credit information and information about comparable bonds trading in the market. The commenter stated that some investors may also prefer to negotiate on price directly because they are executing block-size trades or portfolio trades. This commenter stated that trades negotiated and executed manually (by voice or electronic message) take longer to input and report in comparison to trades executed electronically. This commenter further noted that a one-minute reporting requirement would present a variety of process-oriented, timing, and operational challenges, especially for a trading desk engaging with multiple clients simultaneously and, therefore, the proposed acceleration of reporting could alter the efficiency of fixed income markets.¹³⁰

One commenter noted that the issue is not that dealers that execute larger trades are using inefficient processes but that such trades are typically executed by institutions using voice brokers. This commenter also noted that there is a difference between institutional, voice brokered fixed income markets and retail fixed income markets with respect to the manner in which trades in these markets are negotiated, executed and processed. This commenter expressed concern that one-minute reporting would effectively eliminate voice trading.¹³¹

(2) Larger-Sized Trades

The 2022 Request for Comment noted that larger-sized trades take longer to report than smaller-sized trades and requested input on the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (e.g., voice trades). The MSRB also asked if dealers and

¹²⁹ See e.g., ASA at 3–4; AMUNI at 1; Bailey at 1; BDA at 2; Cambridge at 4; Colwell at 3; HTD *passim*; FIF at 3, 4; HJS 2, 5; InspereX at 3–5; ICI at 3, 4, 7, 9, 11; IBI I at 1; RBM at 1; RWS at 1-5; SAMCO at 1–2, 4; SIFMA at 5, 8, 11, 15, 24; SBC at 2; Wells Fargo at 3; Wintrust at 1.

¹³⁰ See Wells Fargo at 3.

¹³¹ See SAMCO at 1–2.

investors would need process changes for executing and/or reporting larger-sized trades in a shorter timeframe and if so, how.

A commenter stated that many small trades are executed on electronic platforms and require minimal, if any, manual intervention, allowing many smaller trades to be executed and reported almost instantly. In contrast, the commenter stated that larger trades typically require traders to negotiate and confirm details with a client and manually enter the transaction into risk and reporting systems. This commenter noted that large trades generally require greater focus on risk management to promptly source and accurately hedge the transaction in question, and an inability for firms to manage their risk could hamper firms' willingness to incur risk, which could dampen liquidity, increase systemic risk if dealers become less capable of hedging on a timely basis and reduce execution quality for the institutional investor.¹³²

A trade association commenter representing regulated investment funds with members that are participants in the municipal securities market noted that many of its members send large trades to dealers that are worked throughout the day, which may have implications for dealers' ability to report transactions within one minute or an otherwise shortened timeframe.¹³³ This commenter also noted that certain characteristics of trades, particularly large trades and trades in less liquid securities, are often done via "high touch" methods such as voice protocol, often involving negotiation as to prices and size of the trade.¹³⁴

(3) Mediated Transactions

One commenter identified itself as a broker's broker that engages in mediated transactions with other dealers to facilitate anonymity. It noted that these mediated trades are often voice negotiated and require manual intervention and processing from the point of execution through the clearance and settlement processes. The commenter stated that these trades are not reported within five minutes of execution, especially for trades involving multiple counterparties, but that dealers use their best efforts to report their trades as soon as practicable. The commenter noted that processing of such trades is typically manual given the complexities of mediated institutional transactions.¹³⁵

This commenter further asserted that broker's brokers and other inter-dealer brokers often are tasked by their dealer clients to anonymously 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. The commenter added that in some cases a transaction involves the simultaneous purchase of a security and a hedge or other

¹³² See SIFMA at 14–16.

¹³³ See ICI at 13 n.41.

¹³⁴ Id. at 9 n.30.

¹³⁵ See RWS at 1; see also SIFMA at 15.

corresponding security with multiple counterparties (e.g., buyer and seller is intermediated by a broker's broker). The commenter stated that, to the extent that all of these securities have a one-minute reporting requirement, both set of trades would need to be reported within the same minute, which may be functionally impossible.¹³⁶

(4) Block Trades and Trade Allocations

A few commenters expressed concerns about large block trades executed by firms that are dual registrants as dealers and investment advisers, noting that these large trades must be further allocated to their advisory customers. They noted that large block trades may be executed contemporaneously with one or more counterparties, usually through voice negotiation and a coordinated effort, and the allocation may involve several additional smaller transactions with multiple customers to fully reflect the deal and may potentially involve multiple systems.¹³⁷

Specifically, one commenter noted that a trade reporting exception is necessary for block trades executed by a dealer and allocated to client accounts of a registered investment adviser that is part of the same legal entity. This commenter noted that as a dual registered dealer and investment adviser, it regularly executes and reports block trades and allocates portions of those trades to individual advisers' client accounts and the sub-account allocations are executed at the same price as the initial block trade.¹³⁸ Another commenter noted that when a dually-registered dealer/investment adviser purchases a large block from the secondary market, it must report the block trade to RTRS and also report each allocation to the sub-accounts held in its investment adviser capacity, including managed retail customer accounts.¹³⁹ This commenter stated that the reporting issues presented by such allocations are similar to those for the reporting of portfolio trades, particularly the difficulty of reporting potentially thousands of portfolio trades or allocations within a one-minute reporting paradigm, as described below.¹⁴⁰

(5) Portfolio Trades and Trade Lists

Multiple commenters noted that dealers may receive large orders and trade lists that involve rapid execution and frequent communications on multiple transactions with multiple counterparties. They stated that these trades may be executed as a series of trades that then

¹³⁶ See RWS at 1.

¹³⁷ See AMUNI at 2; BSI at 3; BetaNXT at 5; HJS at 4; ICI at 6, NSI at 1, RWS at 3; SIFMA at 10, 15, 19, Wells Fargo at 2–4.

¹³⁸ See Wells Fargo at 2–3.

¹³⁹ See SIFMA at 15.

¹⁴⁰ Id.

must be entered into the system one-by-one and could be difficult to report within one minute following the Time of Trade.¹⁴¹ In addition, several commenters noted that some transactions including large blocks of transactions such as portfolio transactions may be subject to a firm's internal approval processes for risk and regulatory compliance and additional due diligence by way of, for example, a second review to ensure accuracy.¹⁴²

One trade association commenter noted that its members execute and report their portfolio trades electronically because of the challenges presented by manually inputting a large number of trades within a limited time period.¹⁴³ In contrast, another trade association commenter stated that 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, and because of concerns about potential pre-execution leakage of information regarding the nature of the investor's positions and trading strategies from electronic trading venues.¹⁴⁴

One commenter noted that dealers often provide liquidity for portfolios of bonds, including portfolios with more than one hundred individual bonds. This commenter asserted that under a one-minute reporting rule, dealers may not be able to execute these types of portfolio trades at one point in time and report the trades in a timely manner. The commenter advocated for an exception for portfolio trades and for instances where market participants solicit actionable bids or offers on multiple securities, such as a portfolio trade or a "bid wanted" list.¹⁴⁵

Another trade association commenter representing regulated investment funds with members that are participants in the municipal securities market noted that some of its members engage in portfolio trades, which require members to give certain information to dealers, and that this may have implications for those dealers' ability to report transactions within one minute or an otherwise shortened timeframe and encouraged the MSRB to fully explore potential operational issues.¹⁴⁶

¹⁴¹ See BSI at 2; BB at 1; ICI at 13 n.41; FIF I at 4; SIFMA at 14–15; Wells Fargo at 4.

¹⁴² See BSI at 2; BB at 1; FIF I at 4; HJS at 6; SIFMA at 14–15; Wells Fargo at 4.

¹⁴³ See FIF I at 4.

¹⁴⁴ See SIFMA at 14.

¹⁴⁵ See Wells Fargo at 4.

¹⁴⁶ See ICI at 13 n.41.

(6) Trading a Bond for the First Time/Security Master Issues

The 2022 Request for Comment sought information on any necessary process(es) a dealer needs to complete before trading a bond for the first time that could impact the ability to report a trade within a reduced timeframe (e.g., querying an information service provider to obtain indicative data on the security).

Many commenters were concerned about delays introduced by trades of newly issued or infrequently traded securities where the security reference information or indicative data is not already available within the firm's or the clearing firm's security master.¹⁴⁷ One trade association commenter advocated that the MSRB provide an exception for a security that may not be in a firm's security master at the time the trade is executed. It also maintained that this exception should extend to instances where a firm maintains separate security masters for different customers.¹⁴⁸ Another trade association commenter noted that one-minute reporting may raise practical challenges for certain asset classes, citing as an example, the municipal securities market as being characterized by a large number of individual security references, many of which are infrequently traded.¹⁴⁹

Relatedly, some commenters noted that the absence of a centralized global security master for municipal securities introduces delays in the trade execution and reporting process and advocated for the MSRB to consider hosting a security master for municipal securities.¹⁵⁰ A few commenters suggested that a one-minute trade reporting deadline would be more practicable if the MSRB hosted a security master or hosted a securities master jointly with FINRA.¹⁵¹ One commenter stated that most market participants, including large clearing firms, do not have the entire municipal securities market reference information in their database, with new security references created daily and old securities maturing. This commenter noted that, in general, if a security is not set up in a security master, it is because there has not been a past transaction at the dealer or clearing firm, and the time necessary to process the set-up of a security in the security master greatly exceeds one minute.¹⁵² A trade association commenter observed that its members state that it takes almost all of the allotted 15 minutes to query an information service provider to upload the missing security master information and indicative

¹⁴⁷ See ASA at 5; Bailey at 1; BetaNXT at 4; Colwell at 2, 4; ISC at 2, RWS at 4; SAMCO at 3; Sanderlin at 6–7.

¹⁴⁸ See FIF I at 8.

¹⁴⁹ See ICI at 4 n.9.

¹⁵⁰ See Bailey at 1; BetaNXT at 3–4; BB at 1–2; Cambridge at 2; ISC at 2; RWS at 5; Sanderlin at 6; SIFMA at 11–12; TRADEliance at 2.

¹⁵¹ See FIF I at 8; SAMCO at 3; SIFMA at 22–23; Wells Fargo at 4; Zia at 1.

¹⁵² See SAMCO at 3.

data to refresh their securities master, then submit the trade report.¹⁵³ Another commenter stated that some back-office systems that provide the connection to the MSRB for reporting of corresponding trades also require the security master update to be performed manually and therefore cannot report a received trade within one minute.¹⁵⁴

The exception for trades with a manual component is designed to address these concerns as described above. While the MSRB acknowledges the suggestion that it host a global security master for use by dealers in reporting trades to RTRS, and while the MSRB continues to focus on making its market transparency systems more useful for market participants, the MSRB would not at this time be instituting such a global security master in connection with the proposed rule change.

(D) Multiple Layers in Reporting Process

A commenter opined that the current RTRS workflow is not suitable for reporting trades within a one-minute time frame due to multiple layers (i.e., third-party vendors and systems) that trade reports often pass through before they are received by RTRS. This commenter identified the various layers, including submission of the trade by the executing firm to RTTM; if an executing firm is not a clearing firm, the need to have the clearing firm report the executing firm's trade to RTTM; and, if the clearing firm outsources the trade reporting function to a service provider, such provider must make the submission in the format accepted by RTRS. To address limitations faced by some vendors, this commenter advocated for allowing trade submissions of municipal securities to be made directly to TRACE using FIX, rather than RTRS, or that the implementation period for the RTRS reporting changes be postponed until a reasonable period after the TRACE reporting changes proposed in the FINRA TRACE Proposal have been implemented to avoid dealers being overburdened with implementing reporting changes for two different systems at the same time.¹⁵⁵ Other commenters expressed similar concerns regarding the reliance on a third party for clearing and trade reporting.¹⁵⁶

One commenter noted that while many firms use semi-automated systems, many others use a manual system to execute trades with their clearing firm, and that converting to a fully automated system is far too expensive and therefore an impractical solution for many firms.¹⁵⁷ Another commenter stated that it relies on a third party for clearing and trade reporting to

¹⁵³ See SIFMA at 22.

¹⁵⁴ See Zia at 1.

¹⁵⁵ See FIF I at 6–7 nn.25–28.

¹⁵⁶ See BSI at 2; Colwell at 2; Falcon Square at 1–2; HTD at 6; Hilltop at 1; RBMI at 1; Wells Fargo at 4.

¹⁵⁷ See BSI at 2.

RTRS, and such clearing firm performs the trade reporting within one minute of the time the trade is submitted by the dealer using the clearing firm's order entry system. However, this commenter states it does not have an automated order entry system, indicating the trade may be input into the clearing firm's order entry system after the time of trade and entails manual steps.¹⁵⁸ A third commenter noted that the industry generally fulfills the regulatory trade reporting obligation further downstream in the trade management process, and that industrywide processes may need further re-architecting and significant re-engineering of systems to move trade reporting upstream. This commenter noted that this problem is of particular concern for firms that rely on third parties for trade reporting or for firms that employ systems that, by design, report trades through their respective back-end systems.¹⁵⁹

(E) Trades Reported Through RTRS Web Interface

The MSRB noted that submitting transactions to RTRS directly through the RTRS Web interface takes longer. The 2022 Request for Comment sought information regarding the average amount of time required to report a trade through the RTRS Web interface, how the MSRB could improve the process for reporting through the RTRS Web interface and the instance(s) in which a dealer might choose to or need to use the RTRS Web interface.

A few commenters noted that their trades are reported electronically by their clearing firms and that they do not normally report trades via the RTRS Web interface.¹⁶⁰ One commenter noted that, at least until alternative methods of reporting trades are developed to allow dealers to efficiently and effectively report the types of trades that they currently report manually, retaining but considerably improving the existing web interfaces is necessary.¹⁶¹ The commenter requested greater transparency in system outages and performance degradations, heightened service level agreements and emphasized that dealers should not be penalized for MSRB system outages. Similarly, some commenters noted that there may be issues external to MSRB systems, including internet and other types of broad-based or localized outages or degradations outside the control of dealers that may sometimes interfere with their ability to make timely trade reports through the SRO web interfaces, which would be increasingly problematic with any potential shortening of the trade reporting window.¹⁶²

The RTRS Web interface is one of three available RTRS Portals under Rule G-14 RTRS Procedures Section (a)(i)(B) (RTRS Web Portal or RTRS Web) and would be maintained as such under the proposed rule change. The MSRB will continue to explore ways

¹⁵⁸ See Sanderlin at 6.

¹⁵⁹ See SIFMA at 20–21.

¹⁶⁰ See Colwell at 4; SAMCO at 1; HTD at 6; RWS at 5.

¹⁶¹ See Colwell at 2.

¹⁶² See id.; FIF I at 6–7; FIF II at 1–2; SIFMA at 23–24.

in which to assure RTRS Web's reliability and efficiency for use. With regard to systems outages, the MSRB maintains a Systems Status Page on the MSRB website,¹⁶³ which indicates the current operational status of each of the MSRB's market transparency systems and related supporting systems and provides any then-applicable status updates. In addition, users are able to access a historical catalogue of past MSRB systems outages through the Systems Status Page.

(ii) Potential Negative Consequences of the One Minute Requirement

(A) Accuracy of Information Reported and Potential Data Entry Errors

The MSRB requested input on whether reducing the timeframe to as soon as practicable, but no later than within one minute after the Time of Trade, would affect the accuracy of information reported and/or the likelihood of potential data entry errors and if so, the reason for such impact.

A number of commenters predicted that a rapid transition to a one-minute standard would result in increased errors and corrections in trade reporting as well as late trade reporting that would lead to increased enforcement action.¹⁶⁴ One commenter observed that the current 15-minute reporting timeframe allows for traders to adequately review trade tickets for errors in settlement, price, amount, and similar data fields. This commenter stated that, even with the current 15-minute reporting window, human errors in completing trade tickets often lead to trade cancellations and modifications.¹⁶⁵ Some commenters noted that reducing the trade reporting time to one minute would likely have a detrimental effect on reporting accuracy because market participants would be far more concerned with timely reporting than reviewing for accurate trade information.¹⁶⁶ Other commenters expressed the concern that, if the Proposal were to be adopted, firms may not have sufficient time to correct errors and would therefore be in violation of trade reporting requirements.¹⁶⁷

One commenter expressed concern that portfolio trades with potentially thousands of unique securities might overwhelm the error and correction process, or result in a surge of late trade reports, if placed under a one-minute reporting standard. This commenter stated that, depending on the nature of an adjustment or other small change in terms in the context of a

¹⁶³ See <https://www.msrb.org/System-Status>.

¹⁶⁴ See ASA at 5; BB at 1; Cambridge at 3; Colwell at 2; EH&C at 1–2; HJS at 2–3; ICI at 12–13; IBI II at 1–2; Miner at 1; SIFMA at 15–17.

¹⁶⁵ InspereX at 5.

¹⁶⁶ *Id.* at 5–6. *Accord.* Cambridge at 3; HTD at 6; RWS at 5; SAMCO at 2.

¹⁶⁷ ASA at 5. See also SIFMA at 17.

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.¹⁶⁸

Additional commenters felt that the dissemination of inaccurate data caused by rushed reporting would be detrimental to the MSRB's goal of increased market transparency.¹⁶⁹ One of these commenters stated that, if a sizable percentage of trades must be revised or are reported late due to practical limitations regarding dealer operational workflow, this could result in inaccurate data being reported to the MSRB and disseminated publicly, thus undercutting a key purpose of adopting the shortened reporting timeframes.¹⁷⁰

A commenter noted that large trades require a higher level of review than other trades and, as a result, large trades could land in error queues or other queues for manual reviews for margin or credit issues. The commenter stated that 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. This commenter further stated that 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 commenter believed that the Proposal, if adopted, could significantly curtail parties' 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.¹⁷¹

The MSRB believes that the degree to which a shortened trade reporting timeframe might result in a greater prevalence of the reporting of inaccurate information is significantly ameliorated by the inclusion of the two new reporting exceptions under the proposed rule change since the most likely circumstances where the risk of errors could be heightened would be in the case of trades with a manual component or trades by dealers that only engage in limited municipal securities trading activities. Under the exception for trades with a manual component, the existing 15-minute deadline would be retained for the first year in which the proposed rule change is effective and then decline in phases to five minutes beginning two years after such effectiveness to provide dealers adequate time to adjust their processes and systems. The exception for dealers with limited trading activity would retain the current 15-minute timeframe and therefore there would be no appreciable impact on the accuracy of trade reports for such dealers' transactions.

¹⁶⁸ See SIFMA at 16.

¹⁶⁹ See Colwell at 2; HJS at 2–3; ICI at 12–13; InspereX at 6; Miner at 1.

¹⁷⁰ ICI at 12–13.

¹⁷¹ See SIFMA at 16.

(B) Impact on Risk Management and Hedging

Several commenters articulated concern that one-minute trade reporting would result in a decreased ability of dealers to manage risks through timely hedging activity. These commenters noted that unlike securities that are purchased and sold to customers almost immediately, securities that are held in a firm's own inventory may require additional coordination and diligence to hedge those positions or take down a hedge when the position is unwound.¹⁷² One commenter noted that institutional clients and/or dealers trading in blocks often need to simultaneously take action to hedge their risk on such trades, particularly during periods of volatility. This commenter expressed concern that the need for dealers to attend to trade reporting to meet a one-minute requirement on their fixed income trades in lieu of immediately focusing on hedging or assisting institutional clients with their own hedging would have an adverse impact on such efforts.¹⁷³

Based on the comments received on the 2022 Request for Comment, the MSRB believes that such risk management or other hedging activities typically occur during the course of the types of municipal securities transactions that commenters identified as requiring manual or other human intervention. Such trades would, in many cases, qualify for the exception for trades with a manual component, thereby providing dealers with a phased approach to reducing the reporting timeframe to an eventual five minutes in a manner that should allow such dealers to put in place appropriate process or systems changes that would significantly mitigate these concerns.

(C) Impact on Best Execution Obligations

Many commenters also expressed concern that compliance with the proposed rule change would negatively impact some firms' best execution obligations.¹⁷⁴ For example, one commenter noted that it built out a semi-automated system to incorporate the human element, purposely relying on a person to check and verify several factors before trade execution, so that its process protocol reduces trade error frequency and helps ensure compliance with due diligence, best execution and other obligations.¹⁷⁵ Another commenter noted that, due to the human factor of voice brokerage activities and the impracticability, if not impossibility, of automating these modes of trading, any attempt to decrease reporting time would require additional personnel to essentially shadow traders, preparing tickets and performing accuracy checks, best execution checks and suitability checks, while the trader is verbally negotiating the terms of the transaction with the counterparty or broker. This commenter expressed concern

¹⁷² See Hilltop at 1; ICI at 10; R&C at 1; SIFMA at 11, 15–16.

¹⁷³ See SIFMA at 11, 15–16.

¹⁷⁴ See ASA at 5; AMUNI at 1; BSI at 2; HJS at 5; ISC at 2; IBI II at 1–2; SAMCO at 2; SIFMA at 9; SBC at 2.

¹⁷⁵ See BSI at 2.

about the ongoing costs as well as the practicality of such shadowing of traders.¹⁷⁶ One commenter noted that the Proposal could create an incentive for firms to “auto-route” more orders to help with compliance, resulting in fewer individuals at such firms being involved with handling orders with the potential consequences for price improvement and best execution obligations.¹⁷⁷

While it is likely that many dealers fulfill their best execution obligations under MSRB Rule G-18 using processes that would not normally have an impact on the timing of trade reporting of individual transactions, the MSRB understands from commenters that some dealers may have instituted processes with respect to their best execution obligations that include manual steps or require other human intervention occurring after the Time of Trade and therefore could have an impact on the timing of trade reporting. The MSRB believes that the exception for trades with a manual component would provide dealers that use such a post-trade best execution process with a phased approach to reducing the reporting timeframe to an eventual five minutes in a manner that should allow them to make any appropriate adjustments to such process that would significantly mitigate these concerns.

(D) Burden on Dealers that Report a Small Number of Trades

The MSRB noted that, on average, dealers that report a smaller number of trades per year take longer to report trades than dealers that report a larger number of trades and requested information on the reason(s) it takes a firm that reports a small number of trades more time to report a trade and if and how their processes need to change to report trades in a shorter timeframe.

Commenters generally agreed that many small dealers manually input their trades into RTRS because their trade volume does not warrant the cost to employ automated solutions and that manually inputting trades means the reporting process takes longer because all of the required information must be keyed in by a human.¹⁷⁸ Commenters argued that a significant increase in costs would disproportionately impact small dealers.¹⁷⁹ One commenter noted that shortening the reporting deadline would eliminate manual entry and human intervention and

¹⁷⁶ See HJS at 5.

¹⁷⁷ See ASA at 5.

¹⁷⁸ See ASA at 3–4; AMUNI at 1; Belle Haven at 2–7; BSI at 1; BDA at 3–4; Cambridge at 3–4; CRI at 1; DeRobbio at 1; EH&C at 1–2; Falcon Square at 1; F&A at 1; HCM at 1; HBIS at 1; ICE Bonds at 1; InspereX at 1–2; ISC at 2–3; IPG at 1; IBI I at 1; IBI II at 1–2; KPI at 1; Miner at 1–2; NSI at 1; OSI at 1–2; RBMI at 1; SAMCO at 3–4; Sanderlin *passim*; SIFMA at 4–8, 12–13; SBC at 1–2; TRADEliance at 1–2; Wiley at 1–2; Wintrust at 1; Zia at 1.

¹⁷⁹ See SBC at 1; *see also* ASA at 1.

force small firms to use expensive front-end trade order management systems.¹⁸⁰ Another commenter stated that the municipal securities market lacks a cost-effective software solution for all dealers to comply with the Proposal and any new system would have to be implemented over existing technology. It stated that the prohibitive cost would reduce participation and efficiency in the market.¹⁸¹ Commenters noted that this would impose a disproportionate financial burden on small- and medium-sized dealers, as they would have to invest a significant amount of capital to comply with the Proposal. As a result, these commenters expressed concern that many small dealers including those with regional knowledge may exit fixed income secondary trading. The commenters noted that this exit would lead to a further concentration of municipal bond trading among the largest dealers in the industry.¹⁸² A commenter opined that this would, in turn, reduce competition, concentrate risk among fewer dealers and give the remaining dealers more power over prices.¹⁸³

Two commenters argued that while small dealers may presently have the technology or personnel to handle trades within 15 minutes, the move to one minute may be beyond the reach of many due to the fact that they likely lack the necessary resources to implement the requisite technological changes and acquire any other necessary resources.¹⁸⁴ One commenter explained that smaller dealers may not just struggle with the upfront costs related to the implementation of technologies necessary to speed up their trade reporting, which it estimated to be upwards of half a million dollars, but would also face ongoing costs associated with third-party reporting systems.¹⁸⁵

One commenter noted that without the bids placed by small and mid-sized dealers the efficiency of the market and quality of best execution would deteriorate. This commenter noted that the bids made by small and mid-sized dealers contribute to a more dynamic bid-ask process and optimization of prices.¹⁸⁶ Another commenter emphasized the critical role played by smaller, specialized or other subsets of dealers trading particular products and representing historically underserved communities and retail investors.¹⁸⁷ Two commenters stated that the Proposal would have a negative impact on minority-, women- and veteran-owned dealers,

¹⁸⁰ See BDA at 3.

¹⁸¹ See NSI at 1.

¹⁸² See ISC at 1; NSI at 1.

¹⁸³ See BDA at 3–4.

¹⁸⁴ See SIFMA at 12; see also Belle Haven at 5.

¹⁸⁵ See Belle Haven at 5.

¹⁸⁶ See ISC at 2.

¹⁸⁷ See SIFMA at 12.

which tend to be smaller firms.¹⁸⁸ One of these commenters further stated that many issuers and institutional buyers seek or require that minority-, women- or veteran-owned dealers participate in the municipal securities business they undertake, noting that such dealers' ability to participate in the secondary market is vital to their ability to be relevant to both buy side and borrower clients.¹⁸⁹

To address these concerns, the MSRB has included in the proposed rule change an exception from the proposed one-minute trade reporting timeframe for dealers with limited trading activity in municipal securities, which would retain the existing 15-minute deadline, as discussed in greater detail herein.¹⁹⁰ Thus, such dealers would not have to comply with a shorter deadline, although they would be subject to the new "as soon as practicable" requirement included in the proposed rule change.

(iii) Alternatives to One Minute Requirement

One commenter, while expressing support for the MSRB's efforts to provide more timely and informative data to enhance the value of disseminated transaction data and stating that shortening the trade reporting timeframe is an important step in these efforts, cautioned that the industry is not prepared at this time to report all trades in municipal securities within one minute after the Time of Trade. This commenter acknowledged that based on MSRB data all but 2.7 percent of trades are reported by the five-minute mark and therefore the industry is prepared to report most trades within five minutes of execution.¹⁹¹ Other commenters also suggested that the MSRB should target five minutes as the appropriate shortened timeframe.¹⁹²

Other commenters emphasized that not all types of trades must have the same timeframe for reporting. For example, one commenter noted that the heterogenous nature of the securities that fall within the MSRB's jurisdiction makes a "one-size-fits-all" approach (or "one-minute-fits-all" approach) inappropriate.¹⁹³ A few commenters recommended that, if the MSRB proceeds to shorten the reporting timeframe, trades with a manual component should be excluded from that shortened timeframe and continue to be subject to the current 15-minute

¹⁸⁸ See Stern at 1; SIFMA at 12.

¹⁸⁹ See Stern at 1.

¹⁹⁰ See supra "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity" in Section 3(a)(ii)(D)(1) discussing the proposed exception for dealers with limited trading activity.

¹⁹¹ See ICE Bonds at 1.

¹⁹² See Bailey at 1; BSI at 2–3; Colwell at 3; TRADEliance at 2.

¹⁹³ See HJS at 2; see also ICI at 10.

timeframe.¹⁹⁴ One commenter suggested exceptions from an accelerated trade reporting timeframe for internal allocations at dually-registered dealers/investment advisers, trades in securities not in a firm's security master, certain reverse inquiries and portfolio trades.¹⁹⁵ Comments regarding existing and specific potential exceptions to the proposed one minute timeframe and the MSRB's responses are discussed below.

The MSRB believes that the proposed rule change would establish appropriate timeframes for the submission of trade reports to RTRS that avoid establishing a one-size-fits-all approach while requiring that all such trades be reported as soon as practicable. While most trades subject to the current 15-minute timeframe would become subject to the new baseline one-minute timeframe, trades with a manual component would, under a phased approach that provides dealers with time to adjust their processes and systems, eventually become subject to a five-minute timeframe through measured steps, and trades by dealers with limited trading activity in municipal securities would remain subject to the existing 15-minute timeframe.

(c) Exceptions to the One Minute Timeframe

(i) Continuation of Current Exceptions

In the 2022 Request for Comment, the MSRB noted that Rule G-14 currently provides exceptions for certain trades to be reported at end of day and requested input on if these exceptions are still necessary and if so, whether end of day is still the appropriate timeframe for reporting these transactions.

The MSRB received two comment letters requesting existing end-of-day trade reporting exceptions to be preserved.¹⁹⁶ One commenter described the complexity of trade reporting for new issue transactions and voiced concern that if the current end-of-day reporting exception for List Offering Price/Takedown Transactions is 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. This commenter advocated that the MSRB should maintain the other current end-of-day and non-immediate reporting standards and potentially broaden such exemptions if a one-minute trade reporting requirement is instituted.¹⁹⁷ This commenter acknowledged that these trades are required to be reported to ensure completeness for regulatory audit trail purposes but they do not add relevant price

¹⁹⁴ See, e.g., BDA at 4; FIF I at 2; HJS at 2.

¹⁹⁵ See Wells Fargo at 2, 4.

¹⁹⁶ See SIFMA at 17–18; FIF I at 7–8.

¹⁹⁷ See SIFMA at 17. In addition to primary market transactions, these exceptions relate to 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).

information to the marketplace since the prices for these transactions are either known to the market or are off market.¹⁹⁸

The proposed rule change would preserve all existing end-of-day trade reporting and other non-immediate exceptions without change.

(ii) Additional Trade Reporting Exceptions

The 2022 Request for Comment inquired if reducing the reporting timeframe to one minute would require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (e.g., three minutes). If so, the MSRB requested commenters to identify the types of trades that would require an exception and why such are believed to be necessary.

The MSRB has included two proposed new exceptions to the proposed one-minute reporting timeframe in the proposed rule change to address comments received from commenters regarding other potential trade reporting exceptions that could be included in the Proposal. Commenters also suggested other potential new exceptions from the reporting timeframe, which the MSRB did not include in the proposed rule change. These comments and the MSRB's responses are discussed below.

(A) Proposed New Exception for Dealers with Limited Trading Activity

Several commenters stated that requiring all dealers, regardless of size, to report within one minute of the Time of Trade might harm the market by pricing smaller firms out of the industry.¹⁹⁹ One commenter predicted that the proposed rule change would necessarily require a fully integrated and automated trading system, requiring almost no manual input. This commenter stated that this constituted an unfair burden and would likely lead to fewer small-firm market makers.²⁰⁰ Commenters identified trade volume or trading activity as a metric that might indicate which firms were likely to be significantly negatively impacted by the proposed rule change.²⁰¹

The MSRB recognizes that, absent any exceptions, dealers that report a smaller number of trades may be more affected if they are required to report trades by no later than one minute after the Time of Trade. As discussed above, the proposed rule change includes an exception

¹⁹⁸

Id.

¹⁹⁹

See OSI at 1; RWS at 2; Wiley at 1.

²⁰⁰

See OSI at 1.

²⁰¹

See RWS at 2; Wiley at 1.

for a “dealer with limited trading activity.”²⁰² A dealer with “limited trading activity” would be excepted from the one-minute reporting requirement pursuant to new exception described in “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity” in Section 3(a)(ii)(D)(1) and would instead be required to report its trades as soon as practicable, but no later than 15 minutes after the Time of Trade for so long as the dealer remains qualified for the limited trading activity exception.

The MSRB believes that this new exception in the proposed rule change would address commenters concerns regarding the potential negative impact on smaller dealers under the Proposal. In effect, dealers with limited trading activity would continue to be subject to the same 15-minute reporting deadline as under the current rule provisions, although they would also be subject to the new overarching obligation to report trades as soon as practicable.

(B) Proposed New Exception for Trades with a Manual Component

As described above, except for two commenters²⁰³ that expressed support, all other commenters expressed the general view that reporting all trades within one minute after the Time of Trade, particularly those having a manual component, is not always possible. One commenter argued that the Proposal, absent an exception from the 15-minute reporting timeframe for manual trades, would severely impair the ability of firms to continue to trade manually and, as a result, could result in less liquidity and wider spreads that could negatively impact investors. The commenter further stated that the lack of such an exception could adversely impact smaller dealers and their customers. This commenter recommended that electronic trade executions would be reportable as soon as practicable and no later than within one minute of the trade time while manual trade executions would continue to be reportable within 15 minutes after the trade time.²⁰⁴ The commenter noted that this would require adding a field to the RTRS systems for an executing dealer to report whether a trade was executed manually or electronically.²⁰⁵

At least two commentors pointed to the need for an exception to address unpredictable technological/operational issues, and one proposed a permanent enforcement exception for trades reported late due to a lag in reporting, outage, or other disruption directly caused by the

²⁰² See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity” in Section 3(a)(ii)(D)(1).

²⁰³ See generally Dimensional; Tuma.

²⁰⁴ See FIF I at 2; see also BDA at 4; HJS at 2.

²⁰⁵ FIF I at 2. The proposed rule change would require that trades with a manual component be reported with a new manual trade indicator, consistent with this comment.

third-party.²⁰⁶ One commenter suggested that enforcement actions should consider only the dealer's conduct during the reporting timeframe, and perhaps independently review the conduct of any third-party reporting entities.²⁰⁷

The MSRB recognizes that not all trades in municipal securities currently are executed and reported through straight-through processes or other electronic means, and while the proportion of trades executed and reported in that manner appears to be growing over time, it is not likely that certain segments of the marketplace or trades conducted under certain circumstances would migrate to fully electronic processes in the immediate future. The commenters raised many scenarios, described above, where dealers currently would face significant challenges to completing the trade reporting process within one minute following the Time of Trade, and in some cases it might not be possible at all at this time unless significant technology and/or process changes are first undertaken by dealers and the overall industry that could entail considerable costs or cause material impacts to counterparties in transactions with such dealers. The MSRB believes that, depending on the specific facts and circumstances, and based on many of the situations highlighted by commenters where human intervention occurs in the course of reporting a trade to RTRS, such trades could be viewed as a trade with a manual component.²⁰⁸

For example, the MSRB acknowledges commenters' views that voice brokerage and negotiated trading continue to be legitimate means of executing fixed income securities transactions that may require the manual entry of data or other human intervention after the Time of Trade to report trade details to RTRS. The MSRB also acknowledges commenters' views that dealers and their customers may have legitimate reasons for preferring to execute larger-sized trades or trades in portfolios of securities manually rather than through electronic execution, and in many cases such manual processes may include steps to address regulatory compliance or risk management issues. In addition, the MSRB acknowledges commenters' descriptions of individual trades that may be part of a more complex set of inter-dependent transactions, such as certain mediated transactions undertaken by broker's brokers, transactions among multiple parties (including simultaneous allocations to multiple advisory clients of dually-registered dealers/investment advisers). Furthermore, the MSRB understands that individual trades may require information necessary for reporting that may not be immediately available to the executing dealer, such as in the case of a security that has not been recently

²⁰⁶ InspereX at 6; ICI at 13–14.

²⁰⁷ InspereX at 6.

²⁰⁸ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” in Section 3(a)(ii)(D)(2) regarding scenarios where, depending on facts and circumstances, a dealer may consider a trade as a trade having a manual component.

traded and therefore may not be included in the dealer's or its clearing firm's security master.²⁰⁹

For many trades facing the foregoing and other circumstances, the MSRB realizes that a dealer's trade reporting process might not always be completed within one minute following the Time of Trade, even where the dealer has established efficient reporting processes and commences to report the trade without delay. Accordingly, in response to the commenters' concerns, the MSRB is proposing to adopt a new exception for trades with a manual component. The new exception in Rule G-14 RTRS Procedures and Supplementary Material .02 to Rule G-14 provides an additional year from the effective date of the proposed rule change for firms reporting transactions with a manual component to continue to report their trades by no later than 15 minutes after the Time of Trade. This time would gradually phase down to ten minutes for the subsequent year and five minutes beginning the following year, providing additional transitional time for dealers to plan for and adjust their systems and processes to the new reporting requirements. The MSRB notes that some commenters had suggested that the MSRB establish a baseline five-minute timeframe for trade reporting, rather than the 15-minute timeframe included in the Proposal. Transactions with a manual component would have a trade reporting deadline that matches the proposed eventual five-minute reporting timeframe.²¹⁰

In addition, proposed amendments to Rule G-14 RTRS Procedures Section (a)(iv) would provide that a pattern or practice of late reporting without exceptional circumstances or reasonable justification may be considered a violation of Rule G-14. The determination of whether exceptional circumstances or reasonable justifications exist for late trade reporting is dependent on the particular facts and circumstances. The MSRB has provided guidance regarding scenarios that generally would constitute exceptional circumstances such as incidents that are outside the reasonable control of the dealer or where reasonable justification exists depending on the specific facts and circumstances, and based on many of the situations

²⁰⁹ Once the appropriate indicative data is initially set up in the security master, this issue would abate with respect to such security and the dealer would thereafter be able to report the trade within the required timeframes for subsequent trades absent other manual factors.

²¹⁰ Furthermore, since a trade that is reported through the RTRS Web Portal may be considered a trade with a manual component and subject to an exception to the one-minute trade reporting requirement, the MSRB believes that concerns regarding the ability to enter trade reports through this portal are addressed by the proposed exception. Therefore, the MSRB does not believe that additional technological changes to the RTRS Web interface to address this concern are necessary for this proposed rule change.

highlighted by commenters where human intervention occurs in the course of reporting a trade to RTRS.²¹¹

(C) Potential Incorporation of Certain FINRA Exceptions.

A commenter suggested that the MSRB adopt FINRA’s approach to not require the reporting of customer repurchase agreement transactions, stating that such transactions do not provide price information with value to market participants.²¹² The MSRB notes that such transactions are required to be reported to RTRS with the “away from market” indicator, which results in transaction information not being disseminated to the public but is made available to the regulatory authorities charged with enforcing MSRB rules for oversight purposes. The MSRB does not believe that it should reduce the information currently made available for such oversight purposes as part of the proposed rule change and therefore has not made the suggested change.

This commenter also observed that FINRA does not require reporting of list offering price transactions and takedown transactions for TRACE-eligible securities until the next business day and suggested that the MSRB harmonize its current end-of-trade-day reporting requirement for List Offering Price/Takedown Transactions in municipal securities to this FINRA reporting deadline.²¹³ Relatedly, another commenter suggested that all secondary market trades occurring on the first day of trading of a municipal securities offering be provided with the same end-of-trade day reporting deadline as for List Offering Price/Takedown Transactions.²¹⁴

The MSRB is not aware of any existing issues regarding the reporting of List Offering Price/Takedown Transactions by the end of the trade day and does not believe the market would benefit by delaying the public dissemination of such information until the next day. The MSRB also notes that if secondary market transactions that occur on the first day of trading is at a price that is different from the list offer price and is permitted to be reported on the next business day, all market participants may not have access to the prevailing market price of those secondary market transactions on the date the trade is executed. Such secondary market trades would, in many cases, have prices reflecting then-current market conditions rather than list offering prices that may have been set one or more days prior. Delaying dissemination of such price information would significantly reduce real-time transparency in the municipal securities market precisely on the day on which many securities experience their highest level

²¹¹ See supra “Purpose – Proposed Rule Change – Pattern or Practice of Late Trade Reporting” in Section 3(a)(ii)(F) for a discussion regarding pattern or practice of late reporting.

²¹² See SIFMA at 18.

²¹³ Id.

²¹⁴ See FIF I at 9.

of trading. Thus, the MSRB has determined not to include these suggested changes in the proposed rule change as they would reduce market transparency.

(d) Other Operational Considerations

(i) Trades Executed when System is Not Open

Two commenters advocated for the continuation of a next-business day 15-minute reporting standard for trades executed when the respective trade reporting system is not open. These commenters supported the continuation of the current MSRB standard for transactions effected with a Time of Trade outside the hours of the RTRS Business Day to be reported no later than 15 minutes after the beginning of the next RTRS Business Day.²¹⁵ One trade association commenter noted that the FINRA rules for equity trade reporting and TRACE reporting currently provide a 15-minute reporting period after the facility opens the next business day for trades executed when the reporting facilities are not open.²¹⁶ This commenter stated that its members have found the 15-minute period for reporting overnight trades to be important in ensuring that an appropriate review of overnight trades is being performed by U.S.-based staff prior to submission. The commenter also noted that its members are concerned about technical challenges with reporting within one minute after the opening of a reporting system due to potential connectivity lags, which could in turn mean that connectivity and reporting must occur within one minute at the same time as many other industry members are seeking connectivity to the reporting system. Thus, this commenter expressed support for maintaining a 15-minute reporting requirement for transactions effected with a Time of Trade outside the hours of the RTRS Business Day.

The other commenter argued that given the lapse of time between execution and reopening inherent in a situation where trades are executed when the system is not open, there is no value in changing this deadline. It further stated that even for National Market System stocks and Over the Counter 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.²¹⁷

²¹⁵ See FIF I at 7; SIFMA at 18.

²¹⁶ See FIF I at 7–8.

²¹⁷ See SIFMA at 18.

The MSRB is not proposing a change to the current reporting standard for trades executed when the RTRS system is not open, which will continue to be reportable within 15 minutes after the start of the RTRS Business Day.²¹⁸

(ii) More Rapid Dissemination and Masking of Trades

Two commenters expressed concerns about the potentially more rapid dissemination of trade prices that they believed could result in a negative outcome under a one-minute reporting requirement and advocated for the continuation of the practices related to dissemination caps by FINRA or masking of certain trades by the MSRB.²¹⁹ One commenter noted that in connection with the Proposal, the MSRB should provide firms the option to report non-disseminated data elements on an end-of-day basis or in some cases, on a next day basis.²²⁰ The other commenter expressed concern that more rapid dissemination of trade data for block trades would raise the risk of significant negative liquidity impacts. The commenter suggested that MSRB action would be needed 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 favorable levels of liquidity.²²¹

The MSRB notes that currently transaction information disseminated from RTRS includes exact par value on all transactions with a par value of \$5 million or less but includes an indicator of “MM+” in place of the exact par value on transactions where the par value is greater than \$5 million. The exact par value of transactions having a par value greater than \$5 million is disseminated from RTRS five business days later. The MSRB implemented this approach in response to concerns that, given the prevalence of thinly traded securities in the municipal securities market, it is sometimes possible to identify institutional investors and dealers by the exact par value included on trade reports.²²² While the MSRB would continue to evaluate whether this threshold is appropriate, the MSRB is not proposing a change to its masking practices at this time. The MSRB notes that, based on the comments, many larger trades likely would qualify for the exception for trades with a manual component and therefore

²¹⁸ However, a proposed technical amendment to Rule G-14 RTRS Procedures Section (a)(iii) would clarify and make explicit in the text thereof that inter-dealer trades on an “invalid RTTM trade date” are also not required to be reported until 15 minutes after the next RTRS Business Day. This provision currently is set out in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions.

²¹⁹ See FIF I at 4; SIFMA at 6, 17–19.

²²⁰ See FIF I at 4.

²²¹ See SIFMA at 19.

²²² See Exchange Act Release No. 68081 (Oct. 22, 2012); 77 FR 65433 (Oct. 26, 2012), File No. SR-MSRB-2012-07, available at <https://www.govinfo.gov/content/pkg/FR-2012-10-26/pdf/2012-26340.pdf>.

would be subject to the measured phased approach to shortening the reporting timeframe to five minutes, thereby giving the market time to adjust to any incremental changes in behavior resulting in the masked trades being made publicly available on a shorter timeframe.

(e) Examination and Enforcement

One commenter noted that FINRA and SEC examination staff should take the opportunity, when they are at their closest interaction with 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.²²³ Another commenter noted that violations for late trade reporting are black and white and that there are no other evidentiary measures necessary in order for a regulator to bring examination or an enforcement action against the late-reporting firm.²²⁴

As noted in “Purpose – Proposed Rule Change – Pattern or Practice of Late Trade Reporting” in Section 3(a)(ii)(F) of this rule filing, the proposed rule change would incorporate pattern or practice language, similar to the existing pattern or practice language included in FINRA’s equity trade reporting rules,²²⁵ and has noted that this should be the focus of examining authorities as opposed to individual outlier late trade reports, absent extenuating circumstances.²²⁶ The MSRB already produces a series of report cards accessible to dealers that describe the dealer’s transaction reporting data with regard to status, match rate, timeliness of reporting, and the number of changes or corrections to reported trade data. For most statistics, the industry rate is also provided for comparison. The Lateness Breakout portion of the report has a category for each type of reporting deadline, showing how many trades were reported timely and late relative to the applicable deadline. Such reports are available in both single-month and twelve-month formats. The MSRB expects to make certain enhancements to the report cards in connection with the implementation of the proposed rule change if approved.

(f) Phased Implementation

Several commentors advocated for a phased implementation of new requirements, the appropriate assessment of market impacts, and the leveraging of lessons learned and

²²³ See SIFMA at 22.

²²⁴ See InspereX at 4.

²²⁵ See FINRA Regulatory Notice 13-19 (May 23, 2013), available at <https://www.finra.org/rules-guidance/notices/13-19>.

²²⁶ See *supra* “Purpose – Proposed Rule Change – Pattern or Practice of Late Trade Reporting” in Section 3(a)(ii)(F) for a discussion on pattern or practice of late trade reporting and related expectations for regulatory authorities that enforce and examine dealers for compliance with Rule G-14.

technology or process innovations for use at the next step.²²⁷ One trade association commenter noted that its members also could face challenges with reporting electronic executions within one minute after execution because some trades are transmitted across multiple layers of systems, meaning multiple firm and vendor systems before they are reported, and that some of these firms and reporting vendors would need to implement system and workflow changes to ensure that they can report all electronic executions within one minute.²²⁸

The MSRB recognizes that sudden and substantial changes to reporting deadlines would require some dealers to make potentially significant changes to processes and technology. Therefore, if the proposed rule change is approved by the Commission, the MSRB would announce an effective date (for example, approximately within 18 months from such Commission approval) in a notice published on the MSRB website, and the proposed rule change also includes a phased standard for manual trades to provide dealers time to adjust to the proposed rule change.²²⁹ The MSRB acknowledges the need for maintaining regulatory harmonization between the MSRB with respect to the proposed rule change and FINRA with respect to its similar planned changes to TRACE reporting pursuant to the 2024 FINRA Proposed Rule Change, and the MSRB's effective date for the proposed rule change would be intended to maintain implementation thereof on substantially the same implementation timeframe as the 2024 FINRA Proposed Rule Change.

(g) Potential Benefits, Costs and Burdens

(i) Benefits

The 2022 Request for Comment sought to understand the benefits to investors, dealers, municipal advisors, issuers and other market participants (i.e., yield curve providers, evaluated pricing services etc.) and if those benefits would be different for institutional investors than individual investors, whether the benefits would differ among dealers and if the benefits to dealers differ from benefits to investors.

Two commenters strongly supported the Proposal to amend Rule G-14 to require that transactions be reported as soon as practicable, but no later than within one minute of the time of trade.²³⁰ One commenter agreed with the MSRB that the municipal securities market historically has been considered less liquid and more opaque than other securities markets, consequently making post-trade data the most important source of information for market

²²⁷ See Bailey at 1; ICE Bonds at 2; ICI at 4–7; InspereX at 4; SIFMA at 2–6.

²²⁸ See FIF I at 2 and 6. See also ASA at 1–2; ICE Bonds at 2.

²²⁹ See discussion *supra* “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” in Section 3(a)(ii)(D)(2) and “Purpose – Effective Date and Implementation” in Section 3(a)(iii).

²³⁰ See Dimensional at 1; Tuma at 1.

participants. This commenter believed that the proposed shortening of the reporting timeframe would enhance transparency and reduce information asymmetries in the municipal securities market. It asserted that the enhanced transparency also enhances investors' power to negotiate with dealers, leading to reduced transaction costs.²³¹ The other commenter noted the importance of being able to see all sides of the trades in a particular bond—purchase from customer, inter-dealer, and sale to customer—as soon as possible to accurately evaluate bonds.²³²

One commenter noted that the Proposal's stated benefits are improved transparency, price relevance, and immediate impact on market direction, which are relevant to large block trades, large issue sizes and ubiquitously viewed credits. This commenter further noted that these "relevant" trades can be market leading, telling, and important for comparison.²³³

Some commenters expressed concern that the Proposal would disproportionately benefit certain segments of the market such as algorithmic trading entities and other market participants positioned to take advantage of information arbitrage,²³⁴ large wire house firms and the vendors²³⁵ who provide automated reporting services and applications at the expense of others including retail and traditional institutional investors, while others believe the market is operating as intended and further changes are not necessary.²³⁶

(ii) Costs and Burdens

The 2022 Request for Comment sought to understand if a one-minute trade reporting requirement would have any undue compliance burdens on dealers with certain characteristics or business models and if so, requested suggestions on how to alleviate the undue burdens. The 2022 Request for Comment also requested input on the likely direct and indirect costs associated with the one-minute requirement and who might be affected by these costs and in what way. The MSRB asked for data on these costs and if firms would have to make system changes to meet a new timeframe for trade reporting, how long would firms need to implement such changes.

Regarding these questions, the majority of commenters in turn questioned whether the potential benefits of a one-minute reporting requirement for all fixed income trades, absent

²³¹ See Dimensional at 1.

²³² See Tuma at 1.

²³³ See NSI at 1.

²³⁴ See SIFMA at 3, 13; see also Colwell at 1.

²³⁵ See ISC at 1.

²³⁶ See NSI at 1.

appropriate exceptions, outweighed the costs to market participants and the impact to the fixed-income market structure.²³⁷

These concerns appear to primarily stem from concerns regarding the potential impact on certain types of trades requiring additional time to report. Examples include trades executed by dealers that utilize a third-party clearing firm, situations where trade reporting occurs further downstream or involves multiple layers and trades that involve manual steps in the negotiation, execution and reporting process; on large-sized trades including voice and negotiated trades and the corresponding impact on best execution obligations; and on dealers that report a small number of trades.²³⁸ Commenters generally agreed that certain types of transactions may be reported successfully with a one-minute reporting requirement, depending on the level of automation.²³⁹

One trade association commenter stated some of its members were concerned that shortening 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.²⁴⁰ This commenter further noted that 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 Proposal.

One commenter asserted that the size of a dealer's market share should not dictate whether the burdens such dealer bears are acceptable or not and stated that a failure to engage in a fulsome cost-benefit analysis that incorporates the needs and barriers such dealers face would be inconsistent with recent initiatives undertaken by regulators in support of small enterprises.²⁴¹

²³⁷ See ASA at 3–4; AMUNI at 1; Belle Haven at 2–7; BSI at 1; BDA at 3–4; Cambridge at 3–4; CRI at 1; DeRobbio at 1; EH&C at 1–2; Falcon Square at 1; F&A at 1; HC at 1; HBIS at 1; ICE Bonds at 1; InspereX at 1–2; ISC at 2–3; IPG at 1; IBI I at 1; IBI II at 1–2; KPI at 1; Miner at 1–2; NSI at 1; OSI at 1–2; RBMI at 1; SAMCO at 3–4; Sanderlin *passim*; Sheedy at 1; SIFMA at 4–8, 12–13; SBC at 1–2; TRADEliance at 1–2; Wiley at 1–2; Wintrust at 1; Zia at 1.

²³⁸ See *supra* “One Minute Timeframe for Reporting – Operational Issues Relating to Reporting Within One Minute – Manual Steps in the Negotiation, Execution and Reporting Process” in Section 5(b)(i)(C) generally.

²³⁹ See Bailey at 4; Oberweis at 1; SIFMA at 21.

²⁴⁰ See SIFMA at 13.

²⁴¹ See Stern at 1.

Many commenters described how the potential issues they identified might lead to a broader negative impact by way of, for example, increased compliance costs that may force many firms out of the industry, thereby reducing competition, liquidity, and market accessibility for certain types of issuers and investors.²⁴² One commenter stated that the Proposal would have an unreasonable impact on smaller dealers, which likely lack the technological systems available to large firms, and to the extent the small firms exit the market or limit trading in response to new or amended regulation, issuers and investors suffer.²⁴³ This commenter further stated that, to the extent that the Proposal makes participating in the market more difficult and costly for regulated entities, it would negatively impact local governments.²⁴⁴

Some commenters asserted that the Proposal appears to make fixed income markets operate more like the equity markets although they are different.²⁴⁵ One commenter observed that there are innate differences between the municipal marketplace and the equity marketplace,²⁴⁶ and another commenter noted that equity securities can trade thousands of shares in seconds, making the need for price transparency in an extremely short period of time a necessity but that, in contrast, municipal securities rarely trade twice in the same day or multiple times in one, five or 15 minutes.²⁴⁷ Both commenters questioned whether municipal securities would benefit from the shortening of the reporting timeframe to one minute, in contrast to the equity markets, noting the lack of cost-effective technology solutions for municipal securities and the likely prohibitive costs of the Proposal, particularly to small and medium-sized dealers.²⁴⁸ Another commenter noted that there are some 70,000 different issuers of municipal securities unlike the less than 5,000 equity issuers and that the market is not there yet technologically to do one-minute trading.²⁴⁹

The MSRB believes that it has engaged in a fulsome cost-benefit analysis that incorporates the needs and barriers dealers would face upon implementation of the proposed

²⁴² See BSI at 4; BDA at 4–5; BB at 2; C&C at 1; Falcon Square at 2–3; HJS 3–5; Honey Badger at 1; ISC at 3; ICI at 4; IBI II at 1–2; Miner at 1; NSI at 1; OSI at 1–2; RBMI at 1; SAMCO at 3–4; Wiley at 1–2.

²⁴³ See F&A.

²⁴⁴ Id.

²⁴⁵ See ISC at 3; NSI at 1. See also SIFMA at 5.

²⁴⁶ See NSI at 1.

²⁴⁷ See ISC at 3.

²⁴⁸ See id.; NSI at 1.

²⁴⁹ See Bailey at 1.

rule change, as described in “Self-Regulatory Organization’s Statement on Burden on Competition” above in Section 4 of this rule filing. Specifically, the MSRB recognizes that meeting the new one-minute transaction reporting requirement under Rule G-14 RTRS Procedures may result in additional costs for certain dealers. Additionally, the MSRB understands that the trade reporting process for certain types of trades, including trades with a manual component, may take longer to report than a trade for which an automated execution and reporting system was used.

The MSRB has taken into consideration the various operational considerations raised by commenters and identified through subsequent outreach. As a result of this industry input, the proposed rule change introduces two new exceptions to address the concerns related to the balance of costs and benefits and to alleviate potential compliance burdens: (1) an exception for firms with limited trading activity, and (2) an exception for transactions with a manual component, which includes a phased approach to an eventual five-minute reporting requirement.²⁵⁰ The two exceptions created by the proposed rule change are designed to reduce potential costs and compliance burdens to less active dealers and on certain transactions that are most likely to realize a negative impact by shortening of the timeframe,²⁵¹ and these proposed exceptions were taken into consideration in the MSRB’s economic analysis included in “Self-Regulatory Organization’s Statement on Burden on Competition” above in Section 4 of this filing.

6. Extension of Time Period for Commission Action

The MSRB consents to an extension of the time period for Commission action specified in Section 19(b)(2) of the Exchange Act²⁵² to 90 days after the date of publication of notice of filing of this proposed rule change.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

²⁵⁰ For a detailed discussion of the two exceptions created by the proposed rule change, see supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement” in Section 3(a)(ii)(D).

²⁵¹ These two exceptions should provide considerable relief from potentially higher compliance costs for smaller dealers that may in many cases constitute dealers with limited trading activity and may primarily engage in transactions with a manual component, thereby potentially qualifying for both exceptions.

²⁵² 15 U.S.C. 78s(b)(2).

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Exchange Act

Not applicable.

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervisions Act

Not applicable.

11. Exhibits

Exhibit 1 Completed Notice of Proposed Rule Change for Publication in the Federal Register.

Exhibit 2a MSRB Notice 2022-07 (August 2, 2022)

Exhibit 2b MSRB Memorandum (September 12, 2022)

Exhibit 2c List of Comments Received in Response to MSRB Notice 2022-07

Exhibit 2d Comments Received in Response to MSRB Notice 2022-07

Exhibit 5 Text of the Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-MSRB-2024-01)
Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of a
Proposed Rule Change to Amend MSRB Rule G-14 to Shorten the Timeframe for Reporting
Trades in Municipal Securities to the MSRB

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____ the Municipal Securities Rulemaking Board (“MSRB” or “Board”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The MSRB filed with the Commission a proposed rule change to (i) amend Rule G-14 RTRS Procedures under MSRB Rule G-14, on reports of sales or purchases (“Rule G-14”), to shorten the amount of time within which brokers, dealers and municipal securities dealers (individually and collectively, “dealers”) must report most transactions to the MSRB, require dealers to report certain transactions with a new trade indicator, and make certain clarifying amendments, and (ii) make conforming amendments to MSRB Rule G-12, on uniform practice (“Rule G-12”), and the MSRB’s Real-Time Transaction Reporting System (“RTRS”) Information

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Facility (“IF-1”) to reflect the shortened reporting timeframe (collectively, the “proposed rule change”).

If the Commission approves the proposed rule change, the MSRB will announce the effective date of the proposed rule change in a regulatory notice to be published on the MSRB website.

The text of the proposed rule change is available on the MSRB’s website at <https://msrb.org/2024-SEC-Filings>, at the MSRB’s principal office, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

Since 2005, the MSRB has collected and disseminated information from dealers about their municipal securities purchase and sale transactions.³ Dealers currently are required to report

³ See Exchange Act Release No. 50605 (Oct. 29, 2004), 69 FR 64346 (Nov. 4, 2004), File No. SR-MSRB-2004-06; see also MSRB Notice 2004-29 (Approval by the SEC of Real-Time Transaction Reporting and Price Dissemination: Rules G-12(f) and G-14) (September 2, 2004).

their transactions to RTRS within 15 minutes of the Time of Trade,⁴ absent an exception,⁵ in accordance with Rule G-14, the Rule G-14 RTRS Procedures, and the RTRS Users Manual.⁶

The transaction information collected by the MSRB in accordance with Rule G-14 serves the dual primary purposes of market transparency and market surveillance.⁷ To advance the goal of market transparency, the MSRB disseminates trade reporting information from RTRS to paid subscribers through certain data subscription feeds. These data subscription feeds serve as the core source of price-related information used by market participants, industry utilities and vendors that, among other things, operate pricing-related tools and services used throughout the municipal market to support execution of trades at fair and reasonable prices that reflect current market values. To further advance the goal of market transparency and to make such price-related information available to individual investors and other market participants contemporaneously with data flowing to market professionals through the RTRS subscription

⁴ Rule G-14 RTRS Procedures Section (d)(iii) defines “Time of Trade” as the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.

⁵ Transactions in securities without CUSIP numbers, transactions in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are currently exempt from the reporting requirements under Rule G-14(b)(v).

⁶ The RTRS Users Manual is available at <https://www.msrb.org/RTRS-Users-Manual>. Prior to the creation of RTRS in 2005, the MSRB collected trade data on an end-of-day basis for next day dissemination and surveillance purposes through a predecessor transaction reporting system.

⁷ See Rule G-14(b)(i). Transaction information collected by RTRS is also used in connection with assessments under MSRB Rule A-13(d).

feeds, the MSRB disseminates trade reporting information free of charge to the general public through the MSRB's centralized Electronic Municipal Market Access ("EMMA[®]") website.⁸

To advance the goal of market surveillance, the MSRB maintains a comprehensive database of transaction information, which is made available to the examining authorities, including the Commission, the Financial Industry Regulatory Authority ("FINRA"), and other appropriate regulatory agencies. The availability of trade reporting data strengthens market transparency, promotes investor protection and reduces information asymmetry between institutional and retail investors.

Fixed income markets have changed dramatically since the current 15-minute requirement went into effect in 2005, including a significant increase in the use of electronic trading platforms or other electronic communication protocols to facilitate the execution of transactions. The MSRB has continued to explore ways to modernize the rule and provide for more timely, granular and informative data to further enhance the value of disseminated transaction data. In doing so, the MSRB has taken a measured and data-driven approach, using available trade reporting data and the public comment process to help inform its policy objectives and actions. The MSRB has utilized a series of concept releases, requests for comments and extensive outreach to solicit input from market participants and stakeholders.⁹ As

⁸ See MSRB Notice 2009-22 (MSRB Receives Approval to Launch Primary Market Disclosure Service of MSRB's Electronic Municipal Market Access System (EMMA) for Electronic Dissemination of Official Statements) (May 22, 2009).

⁹ See MSRB Notice 2013-02 (Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform) (Jan. 17, 2013); MSRB Notice 2013-14 (Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform) (July 31, 2013); MSRB Notice 2014-14 (Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform) (Aug. 13, 2014); MSRB

a result of these efforts and of RTRS re-engineering to ensure its on-going effectiveness as demands on the system were expected to rise over time, the MSRB has implemented various refinements to RTRS, RTRS Information Facility (IF-1), and the content and quality of trade-related information made available to investors and the public.¹⁰

The MSRB has found that, in 2022, approximately 73.7 percent of the trades in the municipal securities market that are currently subject to the 15-minute reporting timeframe were reported within one minute of execution, and approximately 97 percent of trades in the municipal securities market that are currently subject to the 15-minute reporting timeframe were reported within five minutes of execution.¹¹ In light of the technological advances and evolving market practices in the intervening 19 years since the MSRB first adopted the 15-minute reporting requirement, including the increase in electronic trading, and consistent with the MSRB's longstanding goals of increasing transparency and improving access to timely transaction data, the MSRB is proposing updates to modernize the reporting timeframes and provide timelier transparency. In this effort, the MSRB would continue to assess its RTRS reporting requirements in light of market developments, including reporting timeframes, and consider whether any further modifications are warranted.

Notice 2022-07 (Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14) (Aug. 2, 2022) (the "2022 Request for Comment").

¹⁰ See, e.g., Exchange Act Release No. 75039 (May 22, 2015), 80 FR 31084 (June 1, 2015), File No. SR-MSRB-2015-02, and Exchange Act Release No. 77366 (Mar. 14, 2016), 81 FR 14919 (Mar. 18, 2016), File No. SR-MSRB-2016-05 (expanding and adding trade indicators); Exchange Act Release No. 83038 (Apr. 12, 2018), 83 FR 17200 (Apr. 18, 2018), File No. SR-MSRB-2018-02 (modernizing RTRS Information Facility (IF-1)).

¹¹ See *infra* "Self-Regulatory Organization's Statement on Burden on Competition – Trade Reporting Analysis" in Section 4(a) Table 1. Trade Report Time by Trade Size – Cumulative Percentages. January to December 2022.

Proposed Rule Change

The proposed rule change is intended to bring about greater market transparency through more timely disclosure and dissemination of information to market participants and market-supporting vendors so that the information better reflects current market conditions on a real-time basis, while carefully balancing the considerations raised by commenters throughout the rulemaking process.

The proposed amendments to Rule G-14 RTRS Procedures under Rule G-14 would:

- Establish a baseline one-minute trade reporting requirement;
- Establish a requirement that, with limited exceptions, trades be reported as soon as practicable and that dealers adopt policies and procedures in connection with this requirement;
- Create two new exceptions to the new one-minute reporting requirement, consisting of (1) a 15-minute exception for dealers with “limited trading activity,” and (2) a phased-in approach for implementation from 15 minutes to an eventual five-minute reporting requirement for “trades with a manual component”;
- Maintain and clarify all existing exceptions to the current 15-minute reporting requirement, as well as the 15-minute from start of next day reporting requirement for trades conducted outside the trading day, so that they would continue to apply under the new one-minute reporting requirement;
- Require that dealers reporting any trade with a manual component use a new special condition indicator when the trade is reported to the MSRB;
- Specify that dealers may not purposely delay the execution or reporting of a transaction, introduce any manual steps following the Time of Trade, or otherwise

modify any steps to execute or report the trade for the purpose of utilizing the manual trade exception;

- Provide that a rule violation would be found where there is a “pattern or practice” of late trade reporting without “reasonable justification or exceptional circumstances”; and
- Clarify within Rule G-14 RTRS Procedures the usage of all existing and new special condition indicators.

The proposed rule change would also make certain conforming technical changes to Rule G-12(f)(i) and IF-1. A more detailed description of the proposed rule change follows.

If the proposed rule change is approved, the MSRB would review the available trade reporting information and data arising from implementation of the changes to trade reporting introduced by the proposed rule change, including but not limited to the two exceptions to the one-minute reporting requirement. Such monitoring would inform any further potential changes by the MSRB, through future rulemaking, to the trade reporting requirements due to increasing marketplace and technology efficiencies, process improvements, continuing or new barriers to accelerated reporting, unanticipated market impacts, or other factors.

New Baseline Reporting Requirement: One Minute After the Time of Trade

Proposed amendments to Rule G-14 RTRS Procedures Section (a)(ii) generally would provide that transactions effected with a Time of Trade during the hours of an RTRS Business

Day¹² must be reported to an RTRS Portal¹³ “as soon as practicable, but no later than one minute” (rather than within the current 15-minute standard) after the Time of Trade, subject to several existing reporting exceptions, which would be retained in the amended rule,¹⁴ and two new intra-day reporting exceptions relating to dealers with limited trading activity and trades with a manual component that would be added by the proposed rule change, as described below.¹⁵ Except for those trades that would qualify for a reporting exception, all trades currently

¹² Rule G-14 RTRS Procedures Section (d)(ii) defines “RTRS Business Day” as 7:30 a.m. to 6:30 p.m., Eastern Time, Monday through Friday, unless otherwise announced by the MSRB.

¹³ RTRS has three “Portals” for submission of transaction data, and aspects of RTRS are designed to function in coordination with the Real-Time Trade Matching (“RTTM”) system of the Depository Trust & Clearing Corporation (“DTCC”) in conjunction with its subsidiary National Securities Clearing Corporation. Rule G-14 RTRS Procedures Section (a)(i) describes the three RTRS Portals: Message Portal used for trade submission and trade modification as described in Section (A) thereof; RTRS Web Portal used for low-volume transaction submission and modification as described in Section (B) thereof; and RTTM Web Portal used only for inter-dealer transactions eligible for automated comparison as described in Section (C) thereof.

¹⁴ Three of these existing exceptions, consisting of List Offering Price/Takedown Transactions, trades in certain short-term or variable rate instruments, and away from market trades, require that trades be reported by the end of the day on which they are executed and do not rely on the Time of Trade. These three end-of-trade-date reporting exceptions would be retained without change and would be redesignated as Rule G-14 RTRS Procedures Section (a)(ii)(A)(1), (2) and (3), respectively. Two other existing exceptions for certain special circumstances would also be retained without change, consisting of dealers reporting inter-dealer “VRDO ineligible on trade date” transactions, which must be reported by the end of the day on which the trade becomes eligible for automated comparison, and of dealers reporting inter-dealer “resubmission of an RTTM cancel,” which must be reported by the end of the next RTRS Business Day following cancellation of the original trade. These two exceptions would be redesignated as Rule G-14 RTRS Procedures Sections (a)(ii)(B)(1) and (2), respectively.

¹⁵ The two new intra-day reporting exceptions, consisting of trades by dealers with limited trading activity and trades with a manual component, would be designated as Rule G-14 RTRS Procedures Sections (a)(ii)(C)(1) and (2), respectively.

required to be reported within 15 minutes after the Time of Trade would, under the proposed rule change, be required to be reported no later than one minute after the Time of Trade.

New Requirement to Report Trades “as Soon as Practicable”

The proposed amendment to Rule G-14 RTRS Procedures Section (a)(ii) adds a new requirement that, absent an exception, trades must be reported as soon as practicable (but no later than one minute after the Time of Trade). In addition, this same “as soon as practicable” requirement would apply to trades subject to longer trade reporting deadlines under the two new exceptions for dealers with limited trading activity pursuant to Rule G-14 RTRS Procedures Section (a)(ii)(C)(1) and Supplementary Material .01,¹⁶ or trades with a manual component pursuant to Rule G-14 RTRS Procedures Section (a)(ii)(C)(2) and Supplementary Material .02,¹⁷ as described below.

The new “as soon as practicable” language, which does not currently appear in Rule G-14 RTRS Procedures, would harmonize this element of RTRS trade reporting requirements for municipal securities with FINRA’s trade reporting requirement for its Trade Reporting and Compliance Engine (“TRACE”) for TRACE-eligible securities.¹⁸ Thus, while Rule G-14 RTRS Procedures do not currently explicitly prohibit a dealer from waiting until the existing 15-minute deadline to report a trade notwithstanding the fact that the dealer could reasonably have reported

¹⁶ See infra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity.”

¹⁷ See infra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component.”

¹⁸ See e.g., FINRA Rule 6730(a).

such trade more rapidly, under the proposed rule change a dealer could not simply await the deadline to report a trade if it were practicable to report such trade more rapidly.

In connection with the new “as soon as practicable” requirement, the proposed rule change includes new Supplementary Material .03 relating to policies and procedures for complying with the “as soon as practicable” reporting requirement. Under proposed Supplementary Material .03(a), consistent with Supplementary Material .03(a) of FINRA Rule 6730, dealers would be required to adopt policies and procedures reasonably designed to comply with the “as soon as practicable” standard and would be required to implement systems that commence the trade reporting process without delay upon execution. Where a dealer has reasonably designed policies, procedures and systems in place, the dealer generally would not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting due to extrinsic factors that are not reasonably predictable and where the dealer does not intend to delay the reporting of the trade (for example, due to a systems outage). Dealers must not purposely withhold trade reports, for example, by programming their systems to delay reporting until the last permissible minute or by otherwise delaying reports to a time just before the deadline if it would have been practicable to report such trades more rapidly.

For trades with a manual component, and consistent with Supplementary Material .03(b) of FINRA Rule 6730, the MSRB recognizes that the trade reporting process may not be completed as quickly as, for example, where an automated trade reporting system is used. In these cases, the MSRB expects that the regulatory authorities that examine dealers and enforce compliance with this requirement would take into consideration the manual nature of the dealer's

trade reporting process in determining whether the dealer’s policies and procedures are reasonably designed to report the trade “as soon as practicable” after execution.¹⁹

Time of Trade Discussion

The “Time of Trade” is the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.²⁰ While the definition of Time of Trade would not be changed, the precision with which the establishment of the Time of Trade for a particular transaction would become more critical in the context of the proposed shorter, one-minute reporting requirement compared to the current 15-minute reporting requirement because, absent an exception, dealers would have less time to report the trade. The time taken to report the trade is measured by comparing the Time of Trade reported by the dealer with the timestamp assigned when the initial trade report is received by an RTRS Portal.²¹ For transaction reporting purposes, Time of Trade is considered to be the same as the time that a trade is “executed” and, generally, is consistent with the “time of execution” for recordkeeping purposes.²² Importantly, the time

¹⁹ See Supplementary Material .03(b) of FINRA Rule 6730. See also *infra* “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” for a discussion of the new exception for trades with a manual component.

²⁰ See current Rule G-14 RTRS Procedures Section (d)(iii).

²¹ See Exchange Act Release No. 49902 (June 22, 2004), 69 FR 38925 (June 29, 2004), File No. SR-MSRB-2004-02; see also MSRB Notice 2004-13 (Real-Time Transaction Reporting: Notice of Filing of Proposed Rule Change to Rules G-14 and G-12(f)) (June 1, 2004); IF-1.

²² See Rule G-8(a)(vi) and (vii); see also RTRS G-14 Transaction Reporting Procedures (FAQs regarding Time of Trade Reporting) at question 8 (Aug. 1, 1996); MSRB Notice 2016-19 (MSRB Provides Guidance on MSRB Rule G-14, on Reports of Sales or Purchases of Municipal Securities) at question 1 (Aug. 9, 2016) (the “2016 RTRS FAQs”). Pursuant to Rule G-15(a)(vi)(A), the time of execution reflected on customer confirmations is required to be the same as the time of execution reflected in the dealer’s

that the trade is executed is not necessarily the time that the trade information is entered into the dealer's processing system. For example, if a trade is executed on a trading desk but not entered for processing until later, the time of execution (not the time of entering the record into the processing system) is required to be reported as the "Time of Trade."²³

While the principles of contract law are mostly governed by state statutory and common law, generally, in order to form a valid contract, there must be at least an offer and acceptance of that offer. As a result, dealers should consider the point in time at which an offer to buy or sell municipal securities was met with an acceptance of that offer. This offer and acceptance, or a "meeting of the minds,"²⁴ cannot occur before the final material terms, such as the exact security, price and quantity, have been agreed to and such terms are known by the parties to the transaction.²⁵ Further, dealers should be clear in their communications regarding the final

records and thus should generally be consistent with the time of trade reported by the dealer.

²³ See RTRS Users Manual (Questions and Answers on Reporting Trades), at question 1 (Aug. 09, 2016), available at <https://www.msrb.org/Questions-and-Answers-Notice-Concerning-Real-Time-Reporting-Municipal-Securities-Transactions>. Similarly, transactions effected outside of the hours of an RTRS Business Day are required to be reported within 15 minutes after the start of the next RTRS Business Day. The time the trade was executed (rather than the time that the trade report is made) is the "Time of Trade" required to be reported.

²⁴ See FINRA Regulatory Notice 16-30 (Trade Reporting and Compliance Engine (TRACE): FINRA Reminds Firms of their Obligation to Report Accurately the Time of Execution for Transactions in TRACE-eligible Securities) (Aug. 2016) (describing this meeting of the minds that substantively parallels the guidance provided by the MSRB in the 2016 RTRS FAQs at questions 1 and 2).

²⁵ See MSRB Notice 2004-18 (Notice Requesting Comment on Draft Amendments to Rule G-34 to Facilitate Real-Time Transaction Reporting and Explaining Time of Trade for Reporting New Issue Trades) (June 18, 2004) ("Transaction reporting procedures define the 'time of trade' as the time when a contract is formed for a sale or purchase of municipal securities at a set price and set quantity. For purposes of transaction reporting,

material terms of the trade and how such terms would be conveyed between the parties to ensure that such a valid trade contract has been formed.²⁶

In the context of new issue securities, the MSRB has previously stated that a transaction effected on a “when, as and if issued” basis cannot be executed, confirmed and reported until the municipal security has been formally awarded by the issuer.²⁷ Thus, while dealers may take orders for securities and make conditional trading commitments prior to the award, dealers cannot execute transactions, send confirmations or make a trade report prior to the time of formal award. The MSRB has previously characterized pre-sale orders as expressions of the purchasers’ firm intent to buy the new issue securities in accordance with the stated terms, which order may only be executed upon the award of the issue or the execution of a bond purchase agreement.²⁸ Importantly, such expressions of an intent to purchase municipal securities are subject to material conditions that negate execution of an agreed upon offer and acceptance until the issuer has committed to the issuance of the securities.

this is considered to be the same as the time that a trade is ‘executed.’”) (internal citations omitted); see also 2016 RTRS FAQs at question 1.

²⁶ See FINRA Regulatory Notice 16-30 (Trade Reporting and Compliance Engine (TRACE): FINRA Reminds Firms of their Obligation to Report Accurately the Time of Execution for Transactions in TRACE-eligible Securities) (Aug. 2016).

²⁷ 2016 RTRS FAQs at question 2.

²⁸ See MSRB Interpretive Guidance, Rule G-12 (Confirmation: Mailing of WAI Confirmation) (Apr. 30, 1982). In the same vein, retail orders submitted during a retail order period under MSRB Rule G-11 are viewed as conditional commitments. See MSRB Rule G-11(a)(vii) (defining the term “retail order period”). See also, e.g., MSRB Notice 2014-14 (Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform) (Aug. 13, 2014) (describing the conditional nature of conditional trading commitments).

The MSRB believes that this same rationale applies to secondary market transactions where the commitment of the parties is subject to material conditions. When a sales representative of a dealer takes a customer order, but is unable to execute that order until their trader performs supervisory or other firm-mandated reviews or approvals of such order—for example, to determine that the customer order does not exceed internally-set risk and compliance parameters or to complete best-execution, suitability/best interest or fair pricing protocols that may result in a changed price or quantity to the customer or in not completing execution of the trade—the dealer reasonably may determine that the “meeting of the minds” has not yet occurred until such processes, procedures or protocols have been completed and the dealer has affirmatively “accepted” the order. In such circumstances, the dealer should be clear in its communications with its counterparty regarding the final terms of the trade and how such terms would be conveyed between the parties to ensure that such a valid trade contract has been formed, such as clearly communicating to the customer that the order should not be viewed as accepted until such processes, procedures or protocols are completed and the trade is finally executed. Such processes, procedures or protocols should be appropriately reflected in a dealer’s written policies and procedures. Because the Time of Trade is tied to the contractual agreement (that is, offer and acceptance, whether oral or written) between the parties to a transaction, a dealer and its counterparty may come to an express agreement as to the Time of Trade for a given transaction, as appropriate, that is consistent with the time at which the agreement becomes binding upon the parties under contract law.

Exceptions to the Baseline Reporting Requirement

Proposed amendments to Rule G-14 RTRS Procedures Section (a)(ii) add two new exceptions to the proposed one-minute reporting requirement. New Section (C)(1) provides an

exception for a dealer with “limited trading activity” and new Section (C)(2) provides an exception for a dealer reporting a “trade with a manual component.” These two new exceptions would have the narrowly-tailored purpose of addressing the timing of trade reporting for the dealers and transactions qualifying for one of the exceptions (either retaining the current 15-minute timeframe or taking a more stepwise approach to shortening the reporting timeframe). As with the existing exceptions, these two new exceptions would not alter or diminish any of the investor protections afforded by other MSRB rules or federal securities laws or regulations applicable to pricing, best execution, disclosure, suitability/best interest, and other aspects of the trades being reported.

Exception for Dealers with Limited Trading Activity

A dealer with “limited trading activity” would be excepted from the one-minute reporting requirement pursuant to new Section (a)(ii)(C)(1) and would instead be required to report its trades as soon as practicable, but no later than 15 minutes after the Time of Trade for so long as the dealer remains qualified for the limited trading activity exception, as further specified in new Supplementary Material .01.²⁹

Proposed Section (d)(xi) of Rule G-14 RTRS Procedures defines a dealer with limited trading activity as a dealer that, during at least one of the prior two consecutive calendar years, reported to an RTRS Portal fewer than 1,800 transactions, excluding transactions exempted under Rule G-14(b)(v) and transactions specified in Rule G-14 RTRS Procedures Sections

²⁹ Transactions effected by such a dealer with a Time of Trade outside the hours of an RTRS Business Day would be permitted to be reported no later than 15 minutes after the beginning of the next RTRS Business Day pursuant to Rule G-14 RTRS Procedures Section (a)(iii). As is the case today, transactions for which an end-of-trade-day or post-trade-day reporting exception is available under redesignated Sections (A) and (B) would continue to have that exception available.

(a)(ii)(A) and (B) (i.e., transactions having an end-of-trade-day reporting exception).³⁰ A dealer relying on this exception to report trades within the 15-minute timeframe, rather than the new standard one-minute timeframe, must confirm that it meets the criteria for a dealer with limited trading activity for each year during which it continues to rely on the exception (e.g., the dealer could confirm its eligibility based on its internal trade records and by checking MSRB compliance tools, as described below, which would indicate a dealer’s transaction volume for a given year).³¹ If a dealer does not meet the criteria for a given calendar year (that is, has 1,800 or more transactions not having an end-of-trade-day or post-trade-day reporting exception in both preceding calendar years), such dealer would not be eligible for the exception, after a three-month grace period at the beginning of such calendar year, for transactions reported on and after April 1 of such calendar year. Therefore, the dealer would be required to report transactions to RTRS no later than one minute after the Time of Trade for the remainder of that calendar year, unless another exception under the rule applies. A dealer that meets the criteria for a given calendar year may utilize the exception on or after January 1 of such calendar year.³²

³⁰ This number of transactions is expected to capture approximately 1.5 percent of the trades in the municipal securities markets in a given calendar year, based on transaction data from calendar year 2022, and generally aligns with FINRA’s proposal to similarly shorten trade reporting requirements for TRACE-eligible securities, in which FINRA would exempt dealers with similarly limited trading activity for the respective markets of TRACE-eligible securities. See File No. SR-FINRA-2024-004 (Jan. 11, 2024) (the “2024 FINRA Proposed Rule Change”).

³¹ See infra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity.”

³² A previously active dealer that newly becomes eligible for the exception for dealers with limited trading activity following the first year of the implementation of the proposed rule change may continue to see their trades marked as late on RTRS report cards and related RTRS feedback based on the one-minute deadline for a short period of time at the beginning of a new calendar year until the MSRB is able to systematically update the dealer’s status in the RTRS system. Any such late indicator would not, for examination or

For example, assume the following hypothetical trade counts for Dealer X for a given calendar year:³³

Calendar Year	Trade Count³⁴	Eligible for Exception During Calendar Year?
2024	1,900	N/A
2025	1,700	N/A
2026	2,000	Yes, based on 2025 trade count below the 1,800 threshold
2027	1,900	Yes, based on 2025 trade count below the 1,800 threshold
2028	1,700	No, based on 2026 and 2027 trade counts above the 1,800 threshold in both years (must transition reporting to one minute on and after April 1, 2028)
2029	2,000	Yes, based on 2028 trade count below the 1,800 threshold (may resume reporting in 15 minutes on January 1, 2029)

Based on the hypothetical data presented in the table above, Dealer X would be eligible for the exception as a dealer with limited trading activity for the calendar years 2026 and 2027 effective January 1 of each such year,³⁵ based on trade count for the year 2025. However, Dealer

enforcement purposes, be viewed as a violation by a dealer that otherwise was qualified as a dealer with limited trading activity at the time of the report.

³³ While the first two years of data shown in the chart represent trades occurring in years prior to the likely effective date of the proposed rule change, such data would be used to determine whether a dealer would be eligible for the limited trading activity exception in the first years after the effective date. The chart assumes that the first calendar year in which the new reporting timeframes under the proposed rule change, including the exception for a dealer with limited trading activity, would be effective is calendar year 2026.

³⁴ The trade count is intended to reflect the number of transactions not subject to a reporting exception under proposed Section (a)(ii) of Rule G-14 RTRS Procedures. For purposes of illustration, the hypotheticals include manual trades subject to an intra-day exception as proposed.

³⁵ See supra n.32.

X would no longer qualify for such an exception for the calendar year 2028. As a result, for 2028, beginning on and after April 1, 2028, after the three-month grace period, Dealer X must begin reporting all of its trades (other than those subject to another exception) no later than one minute after the Time of Trade. However, Dealer X would again qualify for calendar year 2029 as a dealer with limited trading activity based upon its 2028 trade count and may resume reporting its trades no later than 15 minutes after the Time of Trade on January 1, 2029.

As shown above, this approach may cause some dealers' eligibility for the exception to change from year to year. However, based on substantial historical trade reporting data, the majority of dealers that are eligible for the exception are expected to stay within the exception. Similarly, the majority of dealers that are not eligible for the exception are expected to remain ineligible for the exception in subsequent years.³⁶

Notwithstanding the foregoing, dealers with limited trading activity are reminded of the new overarching obligation to report trades as soon as practicable, as described above.³⁷

Exception for Trades with a Manual Component

A "trade with a manual component" as defined in new Section (d)(xii) of Rule G-14 RTRS Procedures would be excepted from the one-minute reporting requirement pursuant to Rule G-14 RTRS Procedures Section (a)(ii)(C)(2). Instead, dealers with such trades would be required to report such trades as soon as practicable and within the time periods specified in new Supplementary Material .02, unless another exception from the one-minute reporting requirement applies under proposed Rule G-14 RTRS Procedures Sections (a)(ii)(A) and (B)

³⁶ Approximately 30 out of 647 dealers reporting trades, or less than five percent of such dealers, were within a 20 percent deviation of 1,800 trades in 2022.

³⁷ See infra "Purpose – Proposed Rule Change – New Requirement to Report Trades 'as Soon as Practicable.'"

(i.e., transactions having an end-of-trade-day or post-trade-day reporting exception) or (a)(ii)(C)(1) (i.e., transactions by dealers with limited trading activity).³⁸

Trades Having a Manual Component

As proposed, Section (d)(xii) of Rule G-14 RTRS Procedures would define a “trade with a manual component” as a transaction that is manually executed or where the dealer must manually enter any of the trade details or information necessary for reporting the trade directly into an RTRS Portal (for example, by manually entering trade data into the RTRS Web Portal) or into a system that facilitates trade reporting (for example, by transmitting the information manually entered into a dealer’s in-house or third-party system) to an RTRS Portal. As described below, a dealer reporting to the MSRB a trade meeting the definition for a “trade with a manual component” would be required to append a new trade indicator so that the MSRB can identify manual trades.³⁹

This “manual” exception would apply narrowly, and would normally encompass any human participation, approval or other intervention necessary to complete the initial execution and reporting of trade information after execution, regardless of whether undertaken by electronic means (e.g., keyboard entry), physical signature or other physical action. To qualify as a trade with a manual component, the manual aspect(s) of the trade generally would occur after

³⁸ Transactions effected with a Time of Trade outside the hours of an RTRS Business Day would be permitted to be reported no later than 15 minutes after the beginning of the next RTRS Business Day pursuant to Rule G-14 RTRS Procedures Section (a)(iii).

³⁹ See *infra* “Purpose – Proposed Rule Change – Manual Trade Indicator.” As described therein, such new indicator would be required for any trade with a manual component, whether the dealer reports such trade within the new one-minute timeframe or the dealer seeks to take advantage of the longer timeframes permitted for trades with a manual component.

the relevant Time of Trade (i.e., the time at which a contract is formed for the transaction). Any manual aspects that precede the time of trade (e.g., phone calls to locate bonds to be sold to a customer before the dealer agrees to sell such bonds to a purchasing customer) would normally not be relevant for purposes of the exception unless they have a direct impact on the activities that must be undertaken post-execution to enter information necessary to report the trade.⁴⁰

In that regard, while an exhaustive list cannot be provided here, the MSRB contemplates that the exception would often be appropriately applicable to the following situations, depending on the specific facts and circumstances, due to the manual nature of components of the trade execution or reporting process that would make reporting a transaction within one minute of the Time of Trade unfeasible, even where the dealer makes reasonable efforts to report the trade as soon as practicable after execution (as required):

⁴⁰ This manual exception applies to the reporting of a trade upon the trade being executed. If a report has been made and the dealer detects a mistake that requires cancellation or correction, any modification of an already submitted trade report must be performed as soon as possible pursuant to Rule G-14 RTRS Procedures Section (a)(iv). See MSRB Interpretive Guidance (Reminder Regarding Modification and Cancellation of Transaction Reports: Rule G-14) (Mar. 2, 2005), available at <https://www.msrb.org/Reminder-Regarding-Modification-and-Cancellation-Transaction-Reports-Rule-G-14>. While a trade modification to a previously reported automated trade may be manual in nature (for example, the trade is corrected through the RTRS Web Portal or is corrected through a dealer's system and not using a cancel and replace process), that manual modification process would not, by itself, result in the initial trade qualifying as a trade with a manual component. Where the trade correction is made through a cancel and replace process, the time of trade must reflect the time of execution of the initial trade report and not the time when the modification was reported to RTRS. While RTRS will continue to provide dealers with the option to either modify the trade or cancel and replace the trade, the MSRB has stated that modification is preferred when changes are necessary because a modification is counted as a single change to a trade report, whereas cancellation and resubmission are counted as a change and (unless the resubmission is done within the original deadline for reporting the trade) also as a late report of a trade. *Id.*; see also *infra* n.50.

- where a dealer executes a trade by manual or hybrid means, such as voice or negotiated trading by telephone, email, or through a chat/messaging function, and subsequently must manually enter into a system that facilitates trade reporting all or some of the information required to book the trade and report it to RTRS;
- where a dealer executes a trade (typically a larger-sized trade) that requires additional steps to negotiate and confirm details of the trade with a client and manually enters the trade into risk and reporting systems;
- where a dually-registered broker-dealer/investment adviser executes a block transaction that requires allocations of portions of the block trade to the individual accounts of the firm's advisory clients that must be manually inputted in connection with a trade;
- where an electronically or manually executed trade is subject to manual review by a second reviewer for risk management (e.g., transactions above a certain dollar or par amount or other transactions meriting heightened risk review) and, as part of or following the review, the trade must be manually approved, amended or released before the trade is reported to RTRS;
- where a dealer's trade execution processes may entail further diligence following the Time of Trade involving a manual step (e.g., manually checking another market to confirm that a better price is not available to the customer);⁴¹

⁴¹ Dealers experiencing significant levels of post-Time of Trade price adjustments due to such post-trade best execution processes should consider whether these processes are well suited to the dealer's obligations under MSRB Rule G-18 and whether the dealer is appropriately evaluating when a contract has in fact been formed with its customer.

- where a dealer trades a municipal security, whether for the first time or under other circumstances where the security master information may not already be populated (e.g., information has been removed or archived due to a long lapse in trading the security), and additional manual steps are necessary to set up the security and populate the associated indicative data in the dealer’s systems prior to executing and reporting the trade;
- where a dealer receives a large order or a trade list resulting in a portfolio of trades with potentially numerous unique securities involving rapid execution and frequent communications on multiple transactions with multiple counterparties, and the dealer must then book and report those transactions manually, one by one;⁴²
- where a broker’s broker engages in mediated transactions that involve multiple transactions with multiple counterparties; and
- where a dealer reports a trade manually through the RTRS Web Portal.

Dealers should review their trade flow and processes and consider which of their trades would be deemed a “trade with a manual component” under the proposed rule change.⁴³

⁴² In instances where a dealer trades a basket of securities at a single price for the full basket, rather than individual prices for each security based on its then-current market price, such price likely would be away from the market, requiring inclusion of the “away from market” special condition indicator and qualifying for an end-of-trade-day reporting exception under proposed Rule G-14 RTRS Procedures Section (a)(ii)(A)(3).

⁴³ Dealers should undertake this review regardless of whether they intend to take advantage of the longer timeframes permitted for trades with a manual component since all reports of trades meeting the definition of a trade with a manual component would be required to append the new manual trade indicator, as described infra “Purpose – Proposed Rule Change – Manual Trade Indicator.”

The appropriateness of treating any step in the trade execution and reporting process as being manual must be assessed in light of the anti-circumvention provision included in the proposed rule change with regard to the delay in execution or insertion of manual tasks for the purpose of meeting this new exception.⁴⁴ New Supplementary Material .02(a) would require all trades with a manual component to be reported as soon as practicable and would specify that in no event may a dealer purposely delay the execution of an order, introduce any manual steps following the Time of Trade, or otherwise modify any steps prior to executing or reporting a trade for the purpose of utilizing the exception for manual trades.⁴⁵ New Supplementary Material .03 would require that dealers adopt policies and procedures for complying with the as soon as practicable reporting requirement, including by implementing systems that commence the trade reporting process without delay upon execution and provides for additional guidance for regulatory authorities that enforce and examine dealers for compliance with this requirement to take into consideration the manual nature of the dealer's trade reporting process.⁴⁶

In light of the overarching obligation to report trades as soon as practicable, dealers should consider the types of transactions in which they regularly engage and whether they can reasonably reduce the time between a transaction's Time of Trade and its reporting, and more generally should make a good faith effort to report their trades as soon as practicable.⁴⁷ Each

⁴⁴ See *infra* "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component – Prohibition on Purposeful Insertion of Manual Steps in Trade Reporting Process."

⁴⁵ *Id.*

⁴⁶ See *infra* "Purpose – Proposed Rule Change – New Requirement to Report Trades 'as Soon as Practicable.'"

⁴⁷ See *infra* "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component." For trades with a

dealer seeking to comply with the proposed rule change—including the one-minute reporting requirement and new or existing exceptions from such requirement—should consider the extent to which it can automate its trade reporting and related execution processes, consistent with its client’s needs and the dealer’s best execution and other regulatory obligations. Where automation is not feasible at a reasonable cost in light of the specific facts and circumstances with respect to the dealer’s trading activity and overall business (e.g., the level, nature and economic viability of its activity in municipal securities), dealers should be implementing more efficient trade entry processes to meet the applicable reporting requirement, including the new requirement to report trades as soon as practicable, particularly with a view to the phased-in reduction in the reporting timeframe for trades with a manual component under the proposed rule change where a process that may provide sufficient time to report timely during the first year may not be sufficiently efficient to meet the further shortened timeframe in a subsequent year. The MSRB expects that dealers would periodically assess their systems and processes to ensure that they have implemented sufficiently efficient policies and procedures for timely trade reporting.

The MSRB currently collects and analyzes data regarding dealers’ historic reporting of transactions to RTRS under various scenarios and such data will continue to be available to the regulators for analysis under the proposed one-minute standard. Subject to the Commission approval of the proposed rule change, the MSRB would be reviewing the use of the manual

manual component, the MSRB recognizes that the trade reporting process may not be completed as quickly as, for example, where an automated trade reporting system is used. In these cases, the MSRB expects that the regulatory authorities that examine dealers and enforce compliance with this requirement would take into consideration the manual nature of the dealer's trade reporting process in determining whether the dealer’s policies and procedures are reasonably designed to report the trade “as soon as practicable” after execution.

exception and would share with the examining authorities any analyses resulting from such reviews.

Phase-In Period for Trades with a Manual Component

New Supplementary Material .02(b) would subject trades with a manual component to a phase-in period for timely reporting over three years (“phase-in period”). Specifically, during the first year of effectiveness of the exception, trades meeting this definition would be required to be reported as soon as practicable, but no later than 15 minutes after the Time of Trade.⁴⁸ During the second year, such trades would be required to be reported as soon as practicable, but no later than 10 minutes after the Time of Trade. After the second year and thereafter, such trades would be required to be reported as soon as practicable, but no later than five minutes after the Time of Trade.

In establishing the phase-in period, the MSRB intends to provide sufficient time for dealers to implement programming and/or other policy and process changes necessary to meet an eventual five-minute reporting requirement, as well as to provide regulators an opportunity to assess any potential market impact from the gradual reduction in reporting timeframe. However, dealers are also reminded that the “as soon as practicable” reporting obligation as described above may, depending on the facts and circumstances, require quicker reporting than the applicable outer reporting obligation during and after the phase-in period. For example, while dealers must report their trades with a manual component no later than 15 minutes from the Time of Trade during the first year that the rule is operational, dealers should be reviewing their

⁴⁸ While the deadline for reporting during this first year would remain the same as the current 15-minute timeframe, such trade reports would also be subject to the new requirement that they be reported as soon as practicable. See supra “Purpose – Proposed Rule Change – New Requirement to Report Trades ‘as Soon as Practicable.’”

policies, procedures and practices and considering whether they can report such trades more quickly. In general, the MSRB would expect a dealer's trade reporting statistics to show overall improvements in trade reporting speed without compromising data quality, due to the new "as soon as practicable" obligation and the two new intra-day exceptions.

If the proposed rule change is approved, the MSRB would be reviewing the available trade reporting information and data arising from implementation of the changes to trade reporting introduced by the proposed rule change, including but not limited to the two exceptions to the one-minute reporting requirement, as well as marketplace developments, feedback from market participants, and examination or enforcement findings from the Commission, FINRA and the other appropriate regulatory agencies. Such monitoring would inform any further potential changes by the MSRB to the trade reporting requirements.

Prohibition on Purposeful Insertion of Manual Steps in Trade Reporting Process

As noted above, new Supplementary Material .02(a) would specifically prohibit dealers from purposely delaying the execution of an order, introducing any manual steps following the Time of Trade, or otherwise purposefully modifying any steps to execute or report a trade to utilize the exception for manual trades. This would not prohibit reasonable manual steps that are taken for legitimate purposes (such as a manual review of trades that exceed certain risk thresholds or that meet certain criteria for regulatory purposes). Further, this prohibition would not apply to any steps that are taken prior to the time of trade that do not have the effect of delaying the subsequent reporting of such trade.

It is important to note that a manual step added to the trade execution or reporting process that may have only a nominal or pretextual purpose other than qualifying a trade for the exception for manual trades, particularly where such purpose can be effectively fulfilled in an

alternative manner that does not introduce such manual step into the trade execution or reporting process, may be viewed as being made for the purpose of qualifying for this exception within the meaning of proposed Supplementary Material .02(a), depending on the facts and circumstances. This express prohibition is intended to facilitate movement in the direction of more timely reporting and increased transparency in circumstances where there is no reasonable justification for the delay in trade execution and related subsequent trade reporting or for insertion of manual steps after the Time of Trade.

Manual Trade Indicator

Proposed amendments to Rule G-14 RTRS Procedures Section (b)(iv) would require the report of a trade meeting the MSRB's definition for a "trade with a manual component," as defined in proposed Section (d)(xii) of Rule G-14 RTRS Procedures,⁴⁹ to append a new trade indicator to such a trade report. This indicator would be mandatory for every trade that meets the standard to append the indicator,⁵⁰ regardless of whether the trade is actually reported within one minute after the Time of Trade, is reported within the applicable timeframe under the manual trade exception or is otherwise subject to another reporting exception.

In addition to serving as a critical component of the manual trade exception, this trade indicator would allow the MSRB to collect additional data to help it better understand the extent

⁴⁹ See supra "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component – Trades Having a Manual Component."

⁵⁰ Rule G-14 RTRS Procedures Section (a)(iv) currently requires that transaction data that is not submitted in a timely and accurate manner must be submitted or corrected as soon as possible. See also supra n.40. The manual trade indicator is not intended to be used to reflect the manual nature of any correction to a prior trade report; rather the use of the indicator is driven solely by whether or not the initial trade had a manual component.

to which the municipal securities market continues to operate manually.⁵¹ Such understanding would assist the MSRB in engaging with market participants regarding impediments to greater use of automation, and help determine the effectiveness and potential impediments to full compliance with the proposed phase-in period to determine whether adjustments should be made or other next steps should be taken.

Pattern or Practice of Late Trade Reporting

Rule G-14 RTRS Procedures Section (a)(iv) currently requires that transaction data that is not submitted in a timely and accurate manner must be submitted or corrected as soon as possible—even when a dealer is late in reporting a trade, the dealer remains obligated to report such trade as soon as possible. Proposed amendments to this section would further provide that any transaction that is not reported within the applicable time period shall be designated as “late.”⁵² A pattern or practice of late reporting without exceptional circumstances or reasonable justification may be considered a violation of Rule G-14.

⁵¹ The manual trade indicator would be used for regulatory purposes only and would not, under the proposed rule change, be included in the trade data disseminated to the public through the EMMA website and subscription feeds. This information would help inform the MSRB regarding broader trends in the marketplace beyond the specific provisions of the proposed rule change. For example, the use of the manual trade indicator would help identify changes in the prevalence of manual trades as market conditions change or in light of other events or trends having an impact on the municipal securities market.

⁵² Late trade designations are currently, and would continue to be, available to regulators and, through the MSRB compliance tool described below in “Purpose – Proposed Rule Change – Compliance Tools,” to the dealer submitting the late trade. See Section 2.9 of the Specifications for Real-Time Reporting of Municipal Securities Transactions in connection with error codes currently generated by RTRS with respect to late trade reports. The trade data disseminated to the public through the EMMA website and subscription feeds does not currently and would not have appended to it a late report indicator nor an indicator of which deadline was applicable (other than the indicators currently published).

The determination of whether exceptional circumstances or reasonable justifications exist for late trade reporting is dependent on the particular facts and circumstances and whether such circumstances are addressed in the dealer's systems and procedures. For example, failures or latencies of MSRB, third-party or internal systems used to submit trade information generally would constitute exceptional circumstances or reasonable justifications, particularly where such incident is outside of the reasonable control of the dealer and could not be resolved by the dealer within the applicable reporting timeframe. However, dealers must have sufficiently robust systems with adequate capability and capacity to enable them to report in accordance with Rule G-14; thus, recurring systems issues in a dealer's or a vendor's systems would not be considered reasonable justification or exceptional circumstances to excuse a pattern or practice of late trade reporting. As another example, unusual market conditions, such as extreme volatility in a security or in the market as a whole, can constitute exceptional circumstances. In addition, a dealer may have reasonable justification for late trade reporting where it is executing a bid list that includes a large number of distinct securities that cannot reasonably be reported within the applicable timeframe. These three examples do not represent the only potential situations that could constitute exceptional circumstances or reasonable justification. Dealers would bear the burden of proof related to such exceptional circumstances or reasonable justification.

The pattern or practice approach to determining rule violations would take into consideration factors such as the complexity of the trade, differences in market segments, differences in the execution of trades of varying types of municipal securities products, impediments to use of straight through processing and electronic trading venues, the nature and purpose of any manual steps involved in the execution and reporting of transactions with a manual component, the existence of systems and procedures that provide for reporting timeliness

and any other relevant factors to determine if a rule violation has occurred. While this approach recognizes that there may be legitimate situations involving exceptional circumstances or reasonable justification in which trades may not be reported within the required time limit, dealers are reminded of the overarching obligation to report trades as soon as practicable in light of the effects of such circumstances or justification. As a result, all dealers should consider the types of transactions in which they regularly engage and whether they can reasonably reduce the time between a transaction's Time of Trade and its reporting, and more generally should make a good faith effort to report their trades as soon as practicable.

The MSRB expects that the regulatory authorities that examine dealers and enforce compliance with the reporting timeframes established under Rule G-14 RTRS Procedures would focus their examination for and enforcement of the rule's timing requirements on the consistency of timely reporting and the existence of effective controls to limit late reporting to exceptional circumstances or where reasonable justifications exist for a late trade report, rather than on individual late trade report outliers. Notwithstanding such expectation, where facts and circumstances indicate that an individual late report was intentional or otherwise egregious, or could reasonably be viewed as potentially giving rise to an associated fair practice, fair pricing, best execution or other material regulatory concern under MSRB or Commission rules with respect to that or a related transaction, the regulatory authorities could reasonably determine to take action with respect to such late trade in the examination or enforcement context.

Compliance Tools

The MSRB would continue to provide various compliance tools to assist dealers with compliance and for examining authorities to monitor for compliance. For example, currently, if a trade is reported late, an error message indicating this fact is sent in real-time to the submitter

through the Message Portal, through the RTRS Web Portal, and by means of electronic mail. Such error messages are designed to promote dealer awareness of the late report and provide an opportunity to evaluate the reason for lateness and make appropriate adjustments as needed. In addition, on a monthly basis, RTRS produces statistics on dealer performance related to the timely submission of transactions and correction of errors and provides these statistics to dealers as well as to regulators. The MSRB expects to create additional compliance tools in the form of new or modified reports for dealers and examining/enforcement authorities, allowing them to more easily monitor compliance.⁵³ Such tools would be expected to provide data that would permit a dealer to monitor compliance patterns as well as provide support for the dealer to determine and confirm its relevant trade count for the current and preceding calendar years, including for the purpose, among other things, of assisting dealers to determine whether the exception for dealers with limited trading activity is available.⁵⁴ Similarly, through a late trade indicator, data would be available for regulators to determine the applicable trade reporting

⁵³ For example, the MSRB currently produces a series of reports for dealers submitting trades to RTRS, including a Dealer Data Quality Report (commonly referred to as a “report card”). See MSRB Real-Time Transaction Reporting System (RTRS) Manual (Nov. 2022), available at <https://www.msrb.org/sites/default/files/RTRSWeb-Users-Manual.pdf>. This report describes a dealer’s transaction reporting data with regard to status, match rate, timeliness of reporting, and the number of changes or corrections to reported trade data. For most statistics, the industry rate is also provided for comparison. The Lateness Breakout portion of the report has a category for each type of reporting deadline, showing how many trades were reported timely and late relative to the applicable deadline. Such reports are available in both single-month and twelve-month formats.

⁵⁴ See proposed Supplementary Material .01(a), which would require a dealer relying on the exception for dealers with limited trading activity to confirm on an annual basis that it meets the criteria for a dealer with limited trading activity. Where a dealer resubmits an RTTM cancel under proposed redesignated Rule G-14 RTRS Procedures Sections (a)(ii)(B)(2), for purposes of avoiding double counting, only the original trade, if not otherwise excepted, would count for purposes of this exception and not the resubmitted trade.

obligation for each trade and analyze the data to assist in identifying a pattern or practice of late trade reporting, based on the specific facts and circumstances relevant to the particular trade reports.

Technical Amendments

Non-substantive Amendments

Non-substantive amendments to Rule G-14 RTRS Procedures Section (a)(ii) regroup and renumber its current Sections (A) through (C) to new Sections (A)(1) through (A)(3), renumber current Sections (D) and (E) to new Sections (B)(1) and B(2), and correct a cross-reference in Section (b)(iv) to certain of these Sections to be consistent with such renumbering. In addition, a technical amendment to Rule G-14 RTRS Procedures Section (a)(ii) changes the word “of” to “after” and omits the word “within” in the phrase “within 15 minutes of Time of Trade” for clarity and consistency of usage throughout the Rule G-14 RTRS Procedures as amended.

Clarifying Amendments – Special Condition Indicators and Trades on an Invalid RTTM Trade Date

The proposed rule change would make certain clarifying amendments to Rule G-14 RTRS Procedures Section (b)(iv) relating to transactions with special conditions. That Section currently specifically sets forth information regarding certain existing special condition indicators while also referencing the existence of other special condition indicators in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions. The proposed clarifying amendments to Section (b)(iv) of Rule G-14 RTRS Procedures would incorporate into the language thereof reference to all applicable special condition indicators, including the new trade with a manual component indicator and existing special condition indicators previously adopted by the MSRB but that are currently only documented explicitly in

the Specifications for Real-Time Reporting of Municipal Securities Transactions.⁵⁵ Other than the addition of the new trade with a manual component indicator, the proposed clarifying amendments to this provision would not make any changes to the types or usage of existing special condition indicators.

In addition, Rule G-14 RTRS Procedures Section (a)(iii) would be amended to reflect that, in addition to trades effected outside the hours of the RTRS Business Day, inter-dealer trades may be executed on certain holidays (other than those recognized as non-RTRS Business Days) that are not valid RTTM trade dates (“invalid RTTM trade date”), and in either case such trades are to be reported no later than within 15 minutes after the beginning of the next RTRS Business Day. Such invalid RTTM trade date transactions are already subject to this same next RTRS Business Day reporting requirement.⁵⁶ The proposed clarifying amendment to this provision would not make any changes to the circumstances or timing of reporting of such trades.

Proposed Conforming Amendments to Rule G-12 and RTRS Information Facility

Proposed amendments to Rule G-12, on uniform practice, would make conforming changes to Section (f)(i) thereof to require that each transaction effected during the RTRS

⁵⁵ Each of these special condition indicators were formally adopted through MSRB rulemaking and also appear in various interpretive or other regulatory materials. See generally Section 4.3.2 and Appendix B.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions. See also Exchange Act Release No. 49902 (June 22, 2004), 69 FR 38925 (June 29, 2004), File No. SR-MSRB-2004-02; Exchange Act Release No. 55957 (June 26, 2007), 72 FR 36532 (July 3, 2007), File No. SR-MSRB-2007-01; Exchange Act Release No. 74564 (Mar. 23, 2015), 80 FR 16466 (Mar. 27, 2015), File No. SR-MSRB-2015-02.

⁵⁶ See Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions; Exchange Act Release No. 55957 (June 26, 2007), 72 FR 36532 (July 3, 2007), File No. SR-MSRB-2007-01.

Business Day shall be submitted for comparison as soon as practicable, but no later than one minute after the Time of Trade unless an exception applies. The proposed rule change would also modify the IF-1 to clarify lateness checking against the applicable reporting deadline(s) provided for in proposed amendments to Rule G-14 RTRS Procedures, as opposed to the current 15-minute requirement.

Effective Date and Implementation

The MSRB intends to provide time for dealers and the MSRB to undertake the programming, process changes and/or vendor arrangements needed to implement the proposed rule change, as well as to provide an adequate testing period for dealers and subscribers that interface with RTRS or third parties involved in the submission and/or subscription process (including but not limited to DTCC, its RTTM system, other dealers, or other key utilities or vendors). Thus, if the proposed rule change is approved by the Commission, the MSRB would announce an effective date (for example, approximately within 18 months from such Commission approval) in a notice published on the MSRB website. Such effective date would be intended to maintain implementation of the proposed rule change on substantially the same implementation timeframe as the 2024 FINRA Proposed Rule Change.

2. Statutory Basis

Section 15B(b)(2) of the Exchange Act⁵⁷ provides that the MSRB shall propose and adopt rules to effect the purposes of the Exchange Act with respect to, among other matters, transactions in municipal securities effected by dealers. Section 15B(b)(2)(C) of the Exchange Act⁵⁸ further provides that the MSRB's rules shall be designed to prevent fraudulent and

⁵⁷ 15 U.S.C. 78o-4(b)(2).

⁵⁸ 15 U.S.C. 78o-4(b)(2)(C).

manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products and, in general, to protect investors, municipal entities, obligated persons and the public interest.

The MSRB believes the proposed rule change, consisting of proposed amendments to Rule G-14 RTRS Procedures under Rule G-14 as well as conforming proposed amendments to Rule G-12(f)(i) and IF-1, is consistent with Section 15B(b)(2)(C) of the Exchange Act⁵⁹ because it would promote just and equitable principles of trade, foster cooperation and coordination with personnel engaged in regulating and facilitating transactions in municipal securities, remove impediments to a free and open market in municipal securities and generally protect investors and the public interest. The proposed rule change would promote just and equitable principles of trade because it would reduce information asymmetry between market professionals (such as dealers and institutional investors) and retail investors by ensuring increased access to more timely information about executed municipal securities transactions for all investors. Currently, market professionals may in some circumstances have better or more rapid access to information about trade prices through market venues to which retail investors do not have access, and the reduction in the timeframe for trade reporting would shorten or eliminate the period during which any such asymmetry in access to such information may exist.

The proposed rule change would foster cooperation and coordination with persons engaged in regulating and processing information, facilitating a consistent standard for trade

⁵⁹

Id.

reporting across many fixed income products, including municipal securities. As noted above, the proposed rule change was developed in close coordination with FINRA, which is proposing a similar shortened trade reporting requirement for many TRACE-eligible securities. Fostering a consistent standard across classes of securities would facilitate greater and more efficient compliance among MSRB-registered dealers, the majority of which also transact in other fixed income securities that are subject to FINRA's regulatory authority. Consistent trade reporting requirements reduce the risk of potential confusion and may reduce compliance burdens resulting from inconsistent obligations and standards for different classes of securities. A shortened trade reporting time, as facilitated by the proposed rule change, would promote regulatory consistency, reducing potential errors caused by market participants' imperfect application of differing standards when executing and reporting transactions in municipal securities.

The proposed rule change would remove impediments to a free and open market in municipal securities by making publicly available more timely information about the market for and the price at which municipal transactions are executed, which is central to fairly priced municipal securities and a dealer's ability to make informed quotations. The MSRB believes that the proposed rule change would promote investor protection and the public interest through increased market transparency by reducing the timeframe for trade reporting, providing the market with more efficient pricing information, which would enhance investor confidence in the market. At the same time, the exceptions balance potential burdens for dealers with limited trading activity in municipal securities by permitting such dealers to report trades as soon as practicable but not later than the currently applicable 15-minute reporting requirement. The proposed rule change also addresses potential burdens faced by dealers engaged in complex transactions, including voice/electronically negotiated transactions involving a manual post-

transaction component, by permitting a phase-in period for a gradual implementation. This approach would enable market participants to achieve compliance with the shortened reporting target over a period of time while not adversely affecting their ability to execute such transactions consistent with applicable MSRB or Commission rules.

B. Self-Regulatory Organization’s Statement on Burden on Competition

Section 15B(b)(2)(C) of the Exchange Act⁶⁰ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. The MSRB does not believe the proposed rule change to amend Rule G-14 RTRS Procedures under Rule G-14, Rule G-12(f)(i) and IF-1 would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The proposed rule change would apply the new one-minute reporting timeframe to all transactions in municipal securities currently subject to the 15-minute reporting requirement and would provide two new exceptions designed to balance the benefits of timelier reporting with the potential costs of disrupting markets from transactions most likely to realize a negative impact by the shortening of the timeframe and disproportionately impacting less active and smaller dealers.⁶¹

The proposed rule change is intended to provide more immediate post-trade transparency in the municipal securities market and is consistent with the purposes of RTRS. In the past, the municipal securities market has sometimes been associated with information opacity and low trading volume for a majority of securities with relatively few securities that trade compared to

⁶⁰ Id.

⁶¹ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement” for a discussion of the proposed two new exceptions.

the number of outstanding securities.⁶² Information opacity likely affects retail investors more than institutional investors and other market participants; for example, pre-trade quotes are not widely available in the municipal securities market, especially for retail investors who may not have the access and may be more reliant on trade data. Furthermore, with far fewer trades in municipal securities when compared to equity securities, Treasury and corporate bonds, each additional data point from post trade reporting in municipal securities would potentially be more valuable to investors and other market participants than a data point from these other markets. The reduction in this opacity resulting from the proposed rule change would make more timely information available to all market participants and help level the playing field among retail investors, institutional investors, and dealers, thereby potentially promoting competition in the market for municipal securities.

Therefore, the MSRB believes the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act for the following reasons. In making this determination, the MSRB staff was guided by the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking.⁶³ In accordance with this policy, the MSRB evaluated the potential impacts on competition of the proposed rule change. The proposed rule change in trade reporting time to one minute after Time of Trade is intended to better align with the actual time that it takes a dealer to report most transactions and

⁶² Based on MSRB's trade data, approximately one percent of the outstanding municipal securities trade on a given day.

⁶³ Policy on the Use of Economic Analysis in MSRB Rulemaking is available at <https://www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking>. In evaluating whether there was a burden on competition, the MSRB was guided by its principles that require the MSRB to consider costs and benefits of a rule change, its impact on capital formation and the main reasonable alternative regulatory approaches.

provides more immediate transparency to the market by reducing the reporting time for the remaining transactions to as soon as practicable but no later than 15 minutes after the Time of Trade standard for trades by dealers with limited trading activity and to a deadline that would ultimately be shortened to five minutes after the Time of Trade for trades with a manual component.

The MSRB previously shortened the trade reporting timeframe from the end of day to 15 minutes from the Time of Trade in January 2005 with the creation of RTRS. Since the 2005 change, the MSRB's analysis shows that most trades are indeed reported much sooner than the current 15-minute trade reporting deadline, potentially due at least in part to the advancement in technology. Specifically, as illustrated in Table 1 below, approximately 73.7 percent of trades in 2022 were reported within one minute after a trade execution, with another approximately 23.3 percent of trades reported between one minute and five minutes after the Time of Trade.⁶⁴ As presently reported, due in part to technological advancements, most trades already satisfy a shorter than 15-minute reporting requirement. A shorter reporting timeframe is intended to provide more immediate transparency to a market that historically has been associated with low trading volume for a majority of Committee on Uniform Securities Identification Procedures

⁶⁴ The analysis in this rule filing only includes trades reportable within 15 minutes and excludes trades that are exempt from the current 15-minute reporting time including, for example, trades flagged as being executed at the List Offering or Takedown Transactions, trades in short-term instruments maturing in nine months or less, Auction Rate Securities, Variable Rate Demand Obligations, trades in commercial paper, as well as trades "away from market," among other exceptions. See also Rule G-14 RTRS Procedures Sections (a)(ii)(A) and (B). For purposes of the analysis in this section, if an initially reported trade was corrected later, the later timestamp was used for calculating the trade reporting time more conservatively. All figures are approximate.

("CUSIP") numbers, relatively few securities that trade compared to the number of outstanding securities and sometimes has been associated with information opacity.

Trade Reporting Analysis

Table 1 summarizes the MSRB's analysis comparing Time of Trade to trade reporting time for all trades required to be reported within 15 minutes in 2022.⁶⁵ Out of all reportable municipal securities trades⁶⁶ that are not subject to another end of day reporting exception or a post-trade day reporting exception, approximately 73.7 percent were reported within one minute, while 97.0 percent were reported within five minutes and 98.9 percent were reported in 15 minutes or less.⁶⁷ The MSRB observed a noticeable difference in the speed of trade reporting by different trade size groups, with the reporting time increasing with trade size. While 76.2 percent of trades with trade size of \$100,000 par value or less (approximately 84.2 percent of all trades) were reported within one minute, only 38.4 percent of trades with trade size between \$1,000,000 and \$5,000,000 par value and 23.1 percent of trades with trade size above \$5,000,000 par value were reported within one minute. A possible explanation is that larger institutional-sized trades are more likely to be executed via non-electronic means and may rely upon more manual

⁶⁵ In 2022, RTRS had the highest number of trades on record since its implementation in 2005. The record is likely attributable to interest rate rallying and volatility throughout the year, though the amount of par value traded was not a record high. The heightened level of trading persisted through 2023, with the number of trades reported to RTRS exceeding the previous record in 2022.

⁶⁶ See proposed Rule G-14 RTRS Procedures Sections (a)(ii)(A) and (B) for lists of existing end of trade day reporting exceptions and post-trade day reporting exceptions.

⁶⁷ By comparison, in 2021, a year with much lower overall trading volume than 2022, 76.7 percent of trades subject to the 15-minute standard were reported within one minute, 97.3 percent of such trades were reported within five minutes and 99.5 percent of trades were reported within 15 minutes.

processing steps.⁶⁸ However, smaller-sized trades are more likely executed and processed electronically, which could facilitate faster trade reporting.

Table 1. Trade Report Time by Trade Size – Cumulative Percentages

January 2022 to December 2022

Difference Between Execution and Reported Time	All Trades	\$100,000 or Less	> \$100,000 - \$1,000,000	> \$1,000,000 - \$5,000,000	>\$5,000,000
15 Seconds	24.9%	26.5%	18.1%	7.9%	3.6%
30 Seconds	49.5%	51.8%	40.8%	21.6%	11.5%
1 Minute	73.7%	76.2%	65.5%	38.4%	23.1%
2 Minutes	88.5%	90.2%	83.6%	62.4%	46.7%
3 Minutes	91.9%	93.0%	89.1%	73.4%	60.7%
5 Minutes	97.0%	97.7%	95.4%	85.3%	76.0%
10 Minutes	98.6%	98.9%	97.8%	93.8%	89.0%
15 Minutes	98.9%	99.2%	98.3%	95.7%	91.9%
30 Minutes	99.5%	99.6%	99.1%	97.5%	94.0%
1 Hour	99.5%	99.6%	99.2%	97.7%	94.6%
> 1 Hour	100.0%	100.0%	100.0%	100.0%	100.0%
Market Share of Eligible Trades	100.0%	84.2%	13.1%	2.1%	0.6%

Table 2 illustrates a variation in trade reporting time in 2022 between dealers with 1,800 trades or more annually during both prior two calendar years (“Active Dealers”), and dealers with less than 1,800 trades annually during at least one of the prior two calendar years (“Dealers with Limited Trading Activity”).⁶⁹ A threshold of 1,800 trades a year was selected to demonstrate that Dealers with Limited Trading Activity as a whole had a relatively small impact on the entire market and transparency, with approximately 98.5 percent of trades in 2022 conducted by Active Dealers collectively and only 1.5 percent of trades conducted by all Dealers with Limited Trading Activity. When calculating the market share by par value traded, Active Dealers

⁶⁸ MSRB staff conducted oral interviews with dealers and data providers in the fall of 2022 and the winter and spring of 2023 and was informed that larger institutional-sized trades are more likely to be executed via negotiations and involve manual processes.

⁶⁹ See *infra* “Self-Regulatory Organization’s Statement on Burden on Competition – Trade Reporting Analysis” in Table 2.

conducted 98.2 percent of par value traded in 2022 while Dealers with Limited Trading Activity conducted only 1.8 percent of par value traded.⁷⁰ In 2022, out of 647 dealers conducting at least one transaction in municipal securities 474 were Dealers with Limited Trading Activity and 173 were Active Dealers.⁷¹ This difference in trade reporting time was pronounced for the one-minute trade reporting percentages where Active Dealers had 77.2 percent of trades reported within one minute while only 47.5 percent of trades conducted by Dealers with Limited Trading Activity were reported within one minute.

Table 2. Trade Reporting Time by Level of Dealer Activity

January 2022 to December 2022

	Percent of Trades Reported Within One Minute	Percent of Trades Reported Within Ten Minute	Market Share of Trades	Market Share of Par Value Traded
Firms that accounted for 1,800 trades or more (Active Dealers)	77.2%	99.3%	98.5%	98.2%
Firms that accounted for less than 1,800 trades (Dealers with Limited Trading Activity)	47.5%	96.8%	1.5%	1.8%

Benefits, Costs, and Effect on Competition

The MSRB considers the likely costs and benefits of a proposed rule change when the proposal is fully implemented against the context of the economic baselines. The baseline is the current iteration of Rule G-14 RTRS Procedures (a)(ii) that requires transactions to be reported within 15 minutes after the Time of Trade with limited exceptions, while the future state would

⁷⁰ The proportion of trades in municipal securities conducted by Dealers with Limited Trading Activity is aligned with the proportion of aggregate trades conducted by dealers with limited trading volume in TRACE-eligible securities subject to the 2024 FINRA Proposed Rule Change when using FINRA's annual transactions threshold. See supra n.30.

⁷¹ While low in terms of the trading volume, these Dealers with Limited Trading Activity may still serve many underserved investors, especially retail and institutional investors with a regional focus.

be following the conclusion of the second calendar year from the effective date of the proposed rule change, with the full implementation of the gradual reduction in reporting timeframe for trades with a manual component.

In performing this economic analysis and related cost-benefit estimates, the MSRB has made a number of assumptions based on 2022 RTRS data as explained in more detail below. For instance, there are few publicly available sources of information about revenue and expense data for relevant business lines of a dealer, especially in relation to potential spending on acquiring or upgrading technology and infrastructure for some dealers. The effort is further hampered by the fact that some dealers are privately-owned, who are not required to disclose business operation data in public filings. Therefore, the MSRB conducted interviews with select dealers and vendors who provide electronic trade reporting services as well as dealer subscribers of these services to gauge the likely impact from the proposed rule change.⁷² The MSRB believes the analysis provides a useful projection on the scale of benefits and costs relative to the current baseline irrespective of whether an assumption changes the absolute estimated costs and benefits.

Benefits

The primary benefit of the proposed rule change on accelerated trade reporting would be improved transparency in the municipal securities market. Historically, the municipal securities market has been considered less liquid and more opaque when compared to other securities markets, with only about 1 percent of all municipal securities trading on a given trading day, and pre-trade quotes are not widely available to all market participants, especially retail investors

⁷² See supra n.68.

who may not pay for vendor pricing tools and may be more reliant on trade data.⁷³ Therefore, post trade data is important information available to all market participants, including particularly to retail investors and the market professionals that service retail accounts. By implementing the proposed rule change, investors would receive greater advantages on trade pricing information through the reporting of more contemporaneous transactions.⁷⁴ This emphasis on contemporaneous trades as opposed to distant trades would help ensure that the pricing information remains vital, potentially decreasing trading costs and increasing liquidity. In addition, since only about 1 percent of municipal securities trade on a given trading day, information on trades in other comparable municipal securities would also be valuable in pricing a security. Lowering the reporting time would make more contemporaneous trades in comparable securities transparent for other transactions.⁷⁵ Finally, with far fewer trades in municipal

⁷³ See Wu, Simon Z., John Bagley and Marcelo Vieira, "Analysis of Municipal Securities Pre-Trade Data from Alternative Trading Systems," Research Paper, Municipal Securities Rulemaking Board, October 2018; Government Accountability Office ("GAO"), "Municipal Securities: Overview of Market Structure, Pricing, and Regulation," Report to Congressional Committees, January 2012, page 6; Green, Richard C., Burton Hollifield, and Norman Schürhoff. "Financial intermediation and the costs of trading in an opaque market." *The Review of Financial Studies* 20.2 (2007): 275–314.

⁷⁴ As an illustration, in its 2022 Request for Comment, the MSRB's economic analysis showed that out of the universe of 251,635 "analyzed trades" with same-CUSIP-number-matched trades in 2021, where a matched trade was executed before the analyzed trade's execution but was reported after the analyzed trade's execution, approximately 27.9 percent of those analyzed trades had at least one matched trade executed more than a minute before the analyzed trade's execution. This suggests those analyzed trades would have benefited from the matched trades' execution information if matched trades were required to be reported no later than one minute after their execution times.

⁷⁵ A 2012 report issued by the GAO stated "Broker-dealers we spoke with said that the price of a recently reported interdealer trade for a security was a particularly good indication of its value for that segment of the market. However, if a security has not traded recently, they said they instead look for recent trades in comparable securities." See GAO, "Municipal Securities: Overview of Market Structure, Pricing, and Regulation," Report to Congressional Committees, January 2012, page 12.

securities when compared to equity securities, Treasury and corporate bonds, each additional data point from post trade reporting in municipal securities would potentially be more valuable to investors and other market participants than a data point from these other markets. According to established economic literature, investors, especially retail investors, benefit from transparency (more and/or better information) by enhancing their negotiation power with dealers as well as reducing dealer's own search and intermediation costs, therefore reducing customer trades' transaction costs, also known as bid-ask spread or effective spread. The MSRB believes additional data points from more contemporaneous trades in the same and/or comparable securities would increase an investor's negotiating power. Specifically, regarding trade reporting time, two research papers scrutinized the transition in 2005 from reporting trades at the end of a trading day to 15 minutes after trade execution. Both studies revealed a statistically significant decrease in the average effective spreads for customer trades. When comparing the period before and the period after January 2005, the reduction in average customer trade effective spread ranged between 11 to 28 basis points, all else being equal.⁷⁶ In addition, more timely reporting

⁷⁶ See Sirri, Erik, "Report on Secondary Market Trading in the Municipal Securities Market," Research Paper, Municipal Securities Rulemaking Board, July 2014, and Chalmers, John, Liu, Yu (Steve) and Wang, Z. Jay, "The Difference a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market," *Journal of Financial Economics*, 2021. Sirri (2014) estimated that following the implementation of RTRS in January 2005, the average customer trade spread was reduced, all other relevant factors being equal, by 11 basis points within the first six-month period and up to 20 basis points within the one-year period. Chalmers, Wang and Liu (2021) found that dealer markups across all trade sizes declined by 28 basis points (14 percent reduction) in a ten-month period (March 2005 through December 2005). The authors concluded that the improved timeliness of the market resulted in large reductions in the costs of trading municipal bonds.

has also been shown to increase dealer market-making activities in the municipal markets, potentially enhancing market liquidity.⁷⁷

Recent MSRB analyses show that effective spreads for customer trades continued to decline in the last decade.⁷⁸ However, while the difference in effective spreads between smaller retail-sized customer trades and larger institutional-sized customer trades shrank over the past decade, the shrinkage has stopped, and the gap may have started to widen again since early 2022.⁷⁹ Therefore, as of September 2023, retail-sized customer trades continue to have significantly higher effective spreads than institutional-sized customer trades as shown in Chart 1, about three times as large.⁸⁰

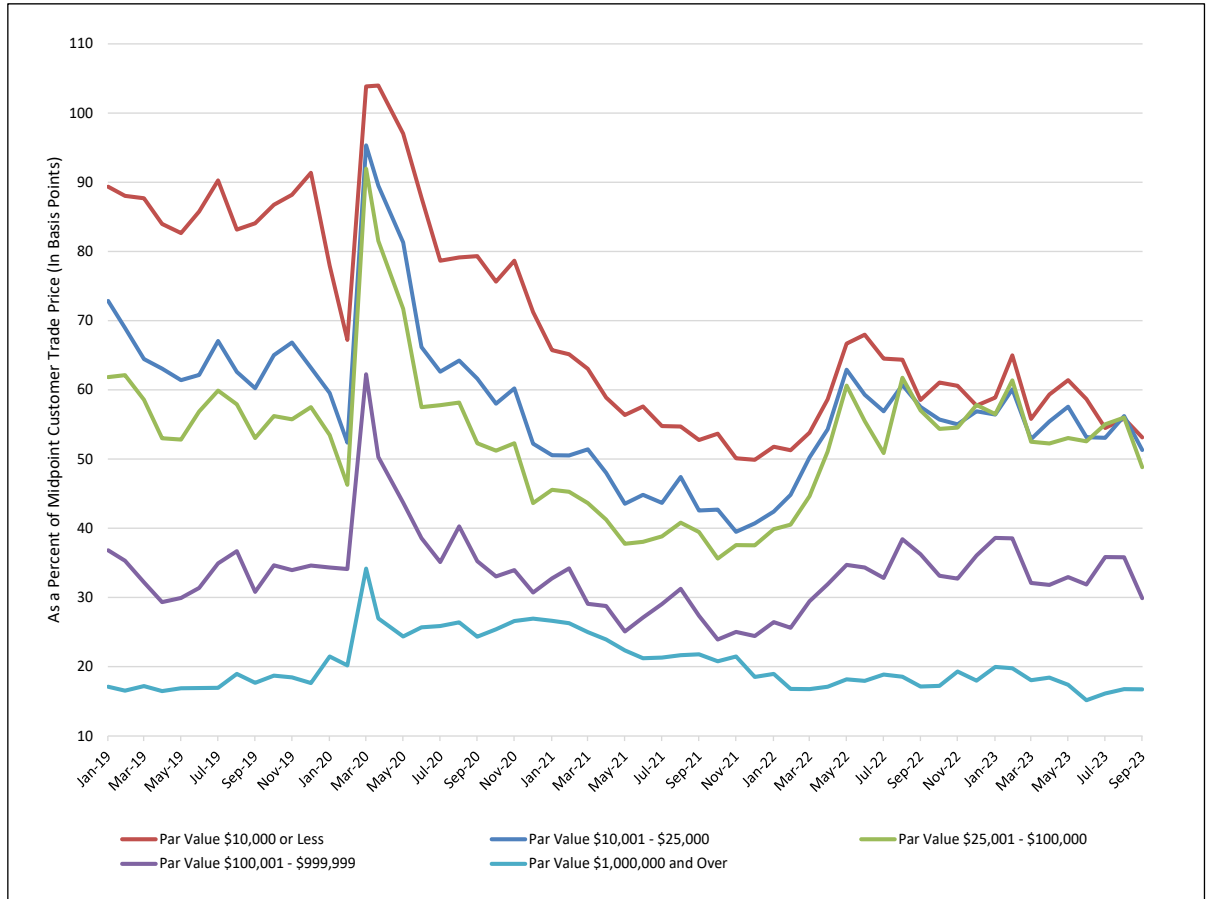
⁷⁷ As indicated by an increase in the overnight and over-the-week dealer capital committed to inventory, an increase in the number of dealers involved in completing a round-trip transaction, and more round-trip transactions that involve inventory taking. See Erik Sirri, Report on Secondary Market Trading in the Municipal Securities Market, July 2014 (Research Paper, Municipal Securities Rulemaking Board); John Chalmers, Yu (Steve) Liu, & Z. Jay Wang, The Difference a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market, 139(1) *Journal of Financial Economics*, 313–335 (2021).

⁷⁸ See Wu, Simon Z., “Transaction Costs for Customer Trades in the Municipal Bond Market: What is Driving the Decline?” Research Paper, Municipal Securities Rulemaking Board, July 2018, Page 15; and Wu, Simon Z., and Ostroy, Nicholas J., “What Has Driven the Surge in Transaction Costs for Municipal Securities Investors Since 2022?” Research Paper, Municipal Securities Rulemaking Board, August 2023.

⁷⁹ Wu and Ostroy (2023). The reduction was mostly due to the steadily declining effective spreads for retail-sized customer trades, as institutional-sized customer trades (par value more than \$1,000,000) had a relatively stable level of effective spreads between 2005 and 2023.

⁸⁰ Id.

Chart 1. Effective Spread for Fixed-Rate Municipal Securities Customer Trades
January 2019 – September 2023



Based on available economic literature and the MSRB's own analysis of trade data, the MSRB believes that the proposed rule change would further reduce customer trade effective spreads due to the benefit of more immediate transparency, especially for retail-sized trades. The MSRB acknowledges the difference in the potential impact, due to the different scale of the changes, between the launch of RTRS in January 2005 with the introduction of a 15-minute reporting window in place of end-of-day reporting, on the one hand, and the proposed shortening of the trade reporting requirement from 15 minutes to one minute, on the other hand. Nevertheless, while the anticipated positive effect of the proposed one-minute trade reporting

with two new exceptions may not match the magnitude of the 2005 RTRS transition, it is expected to yield valuable advantages for investors through the inclusion of more contemporaneous trade data points in the same and/or comparable securities. This holds particularly true for retail investors, who have historically paid higher effective spreads than institutional investors and derived greater benefits from post-trade transparency compared to institutional investors.⁸¹ For illustration purposes, hypothetically if a shortening of trade reporting time to one minute for Active Dealers (except for manual trades) would reduce the effective spread by an average of five basis points⁸² for customer trades with \$1 million or less par value, this would result in the annual savings (benefits) for investors of approximately \$126.2 million based on the 2022 trading volume (see Hypothetical Scenario 1 in Table 3).⁸³ Table 3 also shows a more conservative scenario when limiting the hypothetical effective spread reduction to a trade size of \$100,000 par value or less only, commonly known as a proxy for retail-sized trades. A reduction of five basis points in effective spreads from the proposed rule change applicable to these trades would result in the annual savings of approximately \$49

⁸¹ Id.

⁸² To be conservative, the MSRB uses five basis points as an illustration, where a five-basis point reduction in price value of a \$100 par value bond is equivalent to \$0.50 per bond. This estimate is less than half of the estimated lower-bound reduction from the 2005 changeover from end-of-day trade reporting to 15 minutes from Time of Trade reporting, and is only applicable to non-institutional-sized customer trades (either sub-\$1,000,000 par value or \$100,000 or lower par value customer trades). No change in effective spread for other customer trades is included in the analysis, as larger-size institutional customers are assumed to be sophisticated and already have pricing information.

⁸³ In 2022, \$504.8 billion annual par value traded from all customer purchase and sell trades with trade size below \$1,000,000 par value \times 0.05 percent / 2 = \$126.2 million. Since the five basis points are the difference between the average customer purchase and customer sell trades, when measuring each customer purchase or customer sell trade, the amount is divided by two.

million to retail investors (see Hypothetical Scenario 2 in Table 3).⁸⁴ On the other hand, while the MSRB believes dealers would earn less from investors as a result of narrowing effective spreads, the shortfall would be partially offset by gains in market efficiency, potential reduction in dealer search and intermediation costs, and potentially increased revenue from higher customer trading activity as a result of lower transaction costs. This is in line with the economic theory on the law of demand that a reduction in price would generally encourage more purchasing by consumers, all else being equal.⁸⁵ In the case of secondary market trading, the expectation is that a reduction in trading costs would encourage more trading by existing investors and/or bring in new investors to the municipal securities market over the long term. The MSRB assumes a reduction of five basis points in the effective spreads for the \$1 million par value or lower customer trades would generate an additional 0.2 percent in total customer trading volume for that trade size group, while a reduction of five basis points in the effective spreads for the \$100,000 par value or lower customer trades would generate an additional 0.2 percent in total customer trading volume for that trade size group.⁸⁶ The MSRB therefore estimates dealers would gain between approximately \$1 million to \$3 million from projected additional annual customer trading volume.

⁸⁴ In 2022, \$196.1 billion annual par value traded from all customer trades with trade size at \$100,000 par value or less \times 0.05 percent / 2 = \$49 million.

⁸⁵ Davenant, Charles, *An Essay upon the Probable Methods of Making People Gainers in the Balance of Trade* (London: James Knapton, 1699).

⁸⁶ The 0.2 percent volume increase would be about half of the lower-bound estimate for the 2005 change over (see Chalmers, Wang and Liu, 2021).

Table 3. Illustration of Hypothetical Benefit Based on 2022 Trading Volume

Basis Points in Price

	Benefit - Investors		Benefit - Dealers
	Reduction in Effective Spread (in Basis Points)	Annual Effective Spread Savings for Investors	Gain from Additional Customer Trading Volume
2005: 15-Minute Trade Reporting			
Benefit for All Trades	11 to 28		
2023 Proposal: One-Minute Trade Reporting			
Hypothetical Scenario 1 - Benefit for Sub-\$1,000,000 Par Value Trades Only	5.0	\$ 126,472,000	\$ 2,954,000
Hypothetical Scenario 2 - Benefit for \$100,000 Par Value Trades or Lower Only	5.0	\$ 49,044,000	\$ 981,000

While five basis points are used as an illustration in Table 3, even if the reduction in effective spread was only half of the amount, or 2.5 basis points, the total annual savings would still amount to between \$24.5 million and \$63.1 million approximately.

In addition to investors benefiting from more immediate market transparency, other market participants would also benefit from the proposed rule change, including underwriters and issuers who determine evaluated pricing of a new issuance, dealers in the primary and secondary markets who participate in competitive bidding activities, and yield curve providers that rely upon market transactions to update curves or to supply intra-day price and yield movement for the market.

Lastly, any trade that meets the definition of a manual trade would be required to append a new trade indicator to such trade when reported to the MSRB, regardless of when the trade is reported. This trade indicator would help the MSRB identify the extent to which the market still operates manually and could help determine whether the proposed gradual reduction in timeframes proposed would be feasible to maintain or to continue reducing in the future.

Costs

The MSRB acknowledges that dealers would likely incur additional costs, relative to the current state, to meet the new one-minute transaction reporting time of one minute outlined in the proposed amendments to Rule G-14 RTRS Procedures though the compliance costs would be mitigated by the fact that nearly 73.7 percent of all trades were already reported within one minute of an execution in 2022. These additional costs would likely include: a) one time or upfront costs (e.g., setting up and/or revising policies and procedures, education and training and implementing the newly required manual trades flag); b) ongoing costs related to subscription(s) to electronic trade reporting technologies to speed up the trade reporting process for some Active Dealers; and c) other ongoing costs related to ensuring compliance with the new proposed requirements.

Upfront Costs

For the upfront costs, it is possible dealers may need to seek appropriate advice of in-house or outside legal and compliance professionals to revise policies and procedures in compliance with the proposed amendments to Rule G-14 RTRS Procedures. Dealers may also incur upfront costs related to education and/or standards of training in preparation for the implementation of these proposed amendments, as well as establishing the newly required manual trades flag. The MSRB believes the upfront costs as related to updating policies and procedures, training and education would be relatively minor, perhaps about \$6,720 for Dealers with Limited Trading Activity and up to \$11,200 for Active Dealers for a total of about \$5.1 million (see Table 3.⁸⁷ In addition, there would be a one-time upfront cost for software or

⁸⁷ The hourly rate data was gathered from the Commission's Amendments to Exchange Act Rule 3b-16. See Exchange Act Release No. 94062 (Sep. 20, 2022), 17 CFR Parts 232, 240, 242, 249 (Jan. 26, 2022) (File No. S7-02-22), p. 477 n.1102 (citing the original source of the data from SIFMA Management & Professional Earnings in the Securities Industry – 2013. The data reflects the 2023 hourly rate level after adjusting for the annual

compliance system upgrade to flag manual trades and to reprogram the system to comply with the shorter reporting timeframe, though the amount would depend on how this new requirement is implemented by the industry. While the MSRB does not have sufficient data and information presently to estimate the cost, the MSRB believes the upfront cost for implementing the manual trade flag would likely be more substantial than the other upfront cost components.

Ongoing Costs: Annual Technology Subscription

By comparison, the annual ongoing technology subscription costs for electronic trade reporting would likely be more significant for some Active Dealers, as these dealers may need to obtain assistance from outside vendors or increase in-house programming costs. It should be noted that some dealers may be able to fulfill the new trade reporting time requirement without any upgrade to their technology. While the MSRB is not aware of any evidence that dealers are intentionally delaying trade reporting, the current Rule G-14 provides a 15-minute reporting window without the “as soon as practicable” requirement. As a result, some dealers may not have reported their trades as soon as practicable in the absence of a regulatory obligation. In addition, it is possible that, instead of upgrading existing technologies, some dealers, especially those with relatively few trades in municipal securities, may augment their workforce to ensure a shorter reporting lag after a trade execution. Finally, dealers executing voice trades and secondary

wage inflation between 2013 and 2023, using the Federal Reserve Bank of St. Louis Employment Cost Index: Wages and Salaries: Private Industry Workers (available at: <https://fred.stlouisfed.org/series/ECIWAG>). The MSRB uses a blended hourly rate of \$560 for tasks that could be performed by in-house attorneys, outside counsel, compliance managers and chief compliance managers, and estimates a total of 12 hours for Dealers with Limited Trading Activity to update policies and procedures, and implement training and education, and 20 hours for Active Dealers. As shown in Table 4, the one-time upfront costs are estimated to be \$5.1 million ($\$11,200 \times 173 + \$6,720 \times 474 = \5.123 million).

market trades in newly issued securities may not be able to speed up the trade reporting process due to the manual nature of these trades, even with the electronic trade reporting technology in place.⁸⁸

For the ongoing cost estimate, the MSRB assumes that Active Dealers would not need to acquire electronic trade reporting technology if 90+ percent of the dealer's trades are currently reported between one and two minutes after the Time of Trade,⁸⁹ as those dealers are assumed to be able to report the trades within the proposed one-minute trade reporting requirement without resorting to an additional technology subscription. However, if a dealer reports 90+ percent of trades by more than two minutes, the MSRB assumes the dealer would need to upgrade its technology to achieve the one-minute requirement. The MSRB believes the proposed rule change would provide an incentive to adjust internal policies and procedures or to improve reporting time without resorting to additional technology subscription, especially with the new one-minute trade reporting requirement for non-excepted trades as well as the new "as soon as practicable" requirement that harmonizes with the current analogous FINRA rules. As to the MSRB's usage of the 90+ percent threshold as opposed to a 100 percent threshold, the proposed rule change provides an exception for manual trades for these Active Dealers, meaning that a 100 percent compliance rate with the baseline one-minute timeframe may not be required. The MSRB

⁸⁸ For example, in 2022, approximately 59 percent of the secondary market transactions executed within the first three days of a new issuance were reported within one minute, as compared to 77 percent of other secondary market trades. This may be largely due to the additional time involved in setting up a new CUSIP for the secondary market trading. The MSRB anticipates that such trades requiring manual intervention would be subject to the phased-in reporting requirement down to five minutes.

⁸⁹ For each dealer, the MSRB calculated the nearest minute(s) (rounded up) to report at least 90 percent of its trades in 2022.

believes that many of the trades that took longer than one minute to report likely had a manual component; therefore, it may be that a threshold lower than the 90 percent threshold would still satisfy the new requirements in the proposed rule change, providing Active Dealers additional time to report by using the new exception for manual trades. However, because the MSRB does not know the actual share of manual trades for each dealer at this time, to be aggressive (i.e., conservative) in estimating the costs, the MSRB includes these Active Dealers in the ongoing technology subscription cost calculation.

Chart 2 below illustrates the estimated technology subscription cost of acquiring the electronic trade reporting technology for these dealers. From the industry outreach effort, the MSRB learned it would cost a dealer approximately up to an additional \$60,000 annually, which includes a bundle of services in addition to the electronic trade reporting.⁹⁰ The MSRB believes, however, this cost estimate may be on the high side because: 1) dealers may not need to purchase the bundle simply to speed up the trade reporting depending on their existing subscription services;⁹¹ and 2) some dealers may have more than 10 percent of their trades having a manual

⁹⁰ Some comment letters also cited Bloomberg's Trade Order Management Solutions ("TOMS") system, which would cost \$250,000 per year. See Letter from Matthew Kamler, President, Sanderlin Securities LLC, dated September 27, 2022, at 1. Another commenter estimated the cost at \$500,000 per year. See Letter from John Isaak, Senior Vice President, Isaak Bond Investments, dated August 16, 2022, at 1. The MSRB understands that TOMS can be used for many purposes, such as sales, trading, risk management, compliance and operations, and not just for electronic trade reporting. TOMS can also be used for many fixed-income products and not just for municipal securities. See <https://www.bloomberg.com/professional/product/trade-order-management-solutions/>. Thus, the cost associated with TOMS would generally appropriately be allocated among the various uses that a dealer is likely to make of it.

⁹¹ For example, one vendor informed the MSRB that it charges up to \$1,000 per month for straight-through processing of trades, or \$12,000 annually. Some other dealers mentioned \$2,000 monthly, or about \$24,000 annually to incorporate electronic trade reporting.

component, and since the proposed rule change would use a phase-in period for these trades, with the requirement of as soon as practicable but no later than five minutes after the Time of Trade after the second year, it may reduce the need or the scale to pay for the technology subscription costs. Furthermore, since the requirement for the one-minute trade reporting would likely be applicable to other TRACE-eligible fixed-income securities such as corporate bonds under the 2024 FINRA Proposed Rule Change, dealers that trade both municipal securities and corporate bonds may only need to pay the subscription cost once, or at least not need to pay double the amount. Still, to be aggressive in the cost estimate, the MSRB would use the \$60,000 as the minimum annual cost for dealers who would need the new technology subscription. In addition, it is possible that some dealers, especially larger dealers, may need more than one vendor for automated trade reporting when executing orders on multiple electronic platforms. Therefore, the MSRB estimates, among Active Dealers who would need new technology subscription to comply with the proposed rule change, such Active Dealers would incur approximately \$100,000 annually to adopt the electronic trade reporting to comply with the proposed rule change,⁹² while a dealer with less than 12,000 trades annually⁹³ would incur \$60,000 annually.⁹⁴

⁹² The MSRB assumes these dealers would need a second vendor, but instead of doubling the amount from \$60,000 to \$120,000, the MSRB estimates the amount to be approximately \$100,000 assuming there would be some efficiency gain.

⁹³ A market share of between 0.01 percent and 0.1 percent based on the 2022 data.

⁹⁴ Of the 173 Active Dealers, 82 dealers had 12,000 trades or more in 2022 and 91 had less than 12,000 trades. For Dealers with Limited Trading Activity, the MSRB assumes there is no need for technology subscription since they would be able to utilize one or both new exceptions, and therefore the proposed new requirement is similar to the present requirement in Rule G-14 for these dealers.

Chart 2. Diagram for Determining Estimated Technology

Subscription Cost for Active Dealers

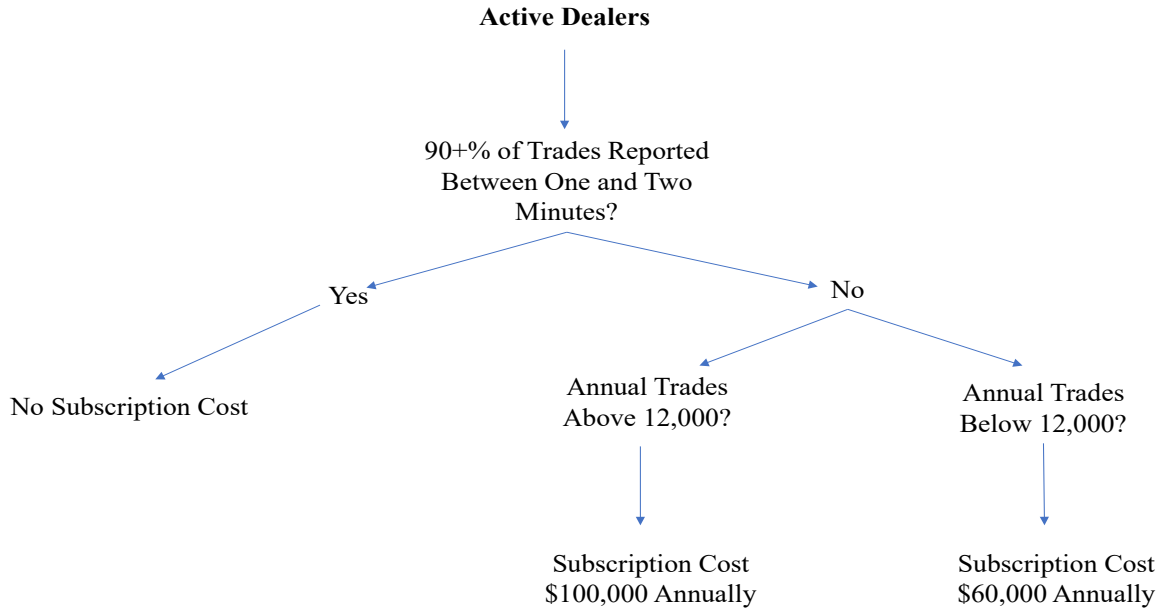


Table 4 provides an estimated total cost of approximately \$5.1 million for the one-time policies and procedures revision for all 647 dealers. As to the annual ongoing costs, MSRB staff estimated a total of \$6.6 million for the annual technology subscription for the 88 Active Dealers who would need the subscription.

Table 4. Estimate of Upfront and Ongoing Costs Based on 2022 Trading Volume

	Upfront Cost - Policies and Procedures	Annual Ongoing Costs - Technology Subscription
One-Minute Reporting for Active Dealers and 15-Minute Reporting for Dealers with Limited Trading Activity	\$ 5,123,000	\$ 6,560,000

Note: There would also be upfront costs for system upgrade to flag manual trades as well as ongoing costs for ensuring compliance. The MSRB cannot provide an estimate for these costs presently because of insufficient information.

Other Ongoing Compliance Costs

The MSRB anticipates ongoing costs of ensuring the compliance of relevant trades to be reported within one minute, and manual trades to be reported within the timeframes as proposed during and after the phase-in period, with a new trade indicator for such trades. Comparatively speaking, these ongoing compliance costs would be relatively minor and may not significantly exceed the costs in the current baseline, as all dealers should already have compliance programs in place in relation to the current trade reporting requirement.

Proposed Supplementary Material .02 would require all manual trades from Active Dealers to be reported within five minutes eventually, following the conclusion of the second calendar year from the effective date. While the RTRS database currently does not flag manual trades, assuming all trades currently reported more than one minute after the Time of Trade are “manual” trades, Table 5 illustrates that 90.4 percent of all trades from Active Dealers were already reported within five minutes in 2022. Hence, the MSRB believes a five-minute trade reporting requirement is achievable for manual trades from Active Dealers, with a three-year phase-in period, which provides ample time for them to prepare and for the industry to create solutions.

Table 5. Trade Report Time for Estimated Manual Trades from Active Dealers

January 2022 to December 2022

Difference Between Execution and Reported Time	All Trades
2 Minutes	64.6%
3 Minutes	80.9%
5 Minutes	90.4%
10 Minutes	96.9%
15 Minutes	98.2%

Effect on Competition, Efficiency and Capital Formation

The MSRB believes the proposed change to Rule G-14 RTRS Procedures would improve market efficiency by providing more immediate trade reporting transparency to the market. If indeed there would be a reduction in customer transaction costs, as illustrated by the 2005 RTRS transition, even if on a smaller scale, the benefits to customers would accrue over a longer period that would offset the investment in upgrading technologies by select dealers. In addition, it is possible that lower transaction costs may increase investor participation and stimulate market activities by encouraging more trading by existing investors and/or bringing in new investors to the municipal securities market over the long term, therefore contributing to an overall increase in capital formation. Finally, the harmonization of MSRB rule requirements for municipal securities with FINRA requirements for other TRACE-eligible fixed-income markets, as proposed in the 2024 FINRA Proposed Rule Change, would create consistency for dealers who have trading operations in all these markets, and, thus, would increase efficiency in terms of their compliance burdens. Therefore, the MSRB believes that the proposed rule change would facilitate capital formation.

Some dealers may be impacted by the proposed rule change more than other dealers to meet the new reporting time. However, the broader impact on competition in the municipal securities market is expected to be minor. The proposed change to Rule G-14 RTRS Procedures provides a two-tier system (one-minute trade reporting requirement for Active Dealers with an exception for manual trades and 15-minute trade reporting requirement for Dealers with Limited Trading Activity) to mitigate any potential unfavorable financial impact for Dealers with Limited Trading Activity because of a lower revenue base. Therefore, the MSRB does not believe the

proposed change to Rule G-14 RTRS Procedures would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

Identifying and Evaluating Reasonable Alternative Regulatory Approaches

The MSRB has considered and evaluated several reasonable regulatory alternatives. One alternative the MSRB reviewed was to introduce a five-minute trade reporting period for Active Dealers. According to the MSRB's estimates, as shown in Table 1 above, 23.3 percent (97–73.7 percent) of all reported trades in municipal securities would have satisfied the five-minute reporting requirement but not the one-minute reporting requirement in 2022. If the MSRB instituted a five-minute trade reporting period, most of the industry would already satisfy the obligations of a five-minute requirement and it would likely be less of a burden for dealers to comply. In effect, MSRB rulemaking would merely align with current market practices. However, considering that most trades (97 percent) already took five minutes or less to be reported to RTRS, the MSRB believes the five-minute reporting requirement, while easier for dealers to comply with, would not have advanced the immediacy of information transparency by a meaningful amount that would make a difference for investors, especially retail investors, and other market participants.

Another alternative would be for the MSRB to change the trade reporting time by trade size. The MSRB was informed by comments received in response to the 2022 Request for Comment described below that large-sized trades are in many instances still negotiated telephonically and require more dealer attention, and therefore would be considered as trades with a manual component during the trading reporting process.⁹⁵ Table 1 above shows a

⁹⁵ See Letter from Michael Decker, Senior Vice President for Public Policy, Bond Dealers of America, dated October 3, 2022, at 2–3 (“Trades negotiated and executed by phone, still the predominant execution method for block-sized trades in municipals ... require

noticeable difference in the speed of trade reporting by different trade size groups, with the reporting time increasing with trade size. The MSRB could propose that small and medium-sized trades, i.e., trades with par value below \$1,000,000 which constitute about 97.3 percent of all trades, be reported within one minute while proposing a longer threshold, for example, a five-minute threshold for larger-sized trades which constitute about 2.7 percent of all trades.

However, trades with a manual component are already excepted from the one-minute requirement under the proposed rule change, regardless of the trade size, which would be superior to this alternative method because the length of time to report a trade is heavily influenced by the trade reporting process rather than the size of the trade per se. In addition, anecdotal evidence suggests that large-sized trades do have more of an impact on the direction of the market, as many market participants weigh larger trades more heavily in determining market

human involvement and data entry, delaying the reporting process easily past one minute.”); Letter from Seth A. Miller, General Counsel, President, Advocacy and Administration, Cambridge Investment Research, Inc., dated October 3, 2022, at 4; Letter from Howard Meyerson, Managing Director, Financial Information Forum, dated October 3, 2022, at 4; Letter from Edward J. Smith, General Counsel and Chief Compliance Officer, Hartfield, Titus & Donnelly, LLC, dated September 14, 2022, at 4; Letter from Robert D. Bullington, Vice President, Compliance Officer, InspereX LLC, dated October 3, 2022, at 4–5; Letter from John Isaak, Senior Vice President, Isaak Bond Investments, dated August 16, 2022, at 1; Letter from Robert Blum, President, Robert Blum Municipals, Inc., dated September 16, 2022 at 1; Letter from Christopher Ferreri, President, RW Smith & Associates, LLC, dated September 13, 2022, at 4; Letter from Lee Maverick, Chief Compliance Officer, SAMCO Capital Markets, Inc., dated September 30, 2022, at 2; Letter from Kenneth E. Bentsen, Jr., President and Chief Executive Officer, Securities Industry and Financial Markets Association and the SIFMA Asset Management Group, dated October 3, 2022, at 8–9; Letter from Nyron Latif, Head of Operations, Wells Fargo Wealth and Investment Management, and Todd Primavera, Head of Operations, Wells Fargo Corporate and Investment Bank, Wells Fargo & Company, dated October 3, 2022, at 3; Email from Glenn Burnett, Zia Corporation, dated September 6, 2022, at 1. See also MSRB Notice 2013-02 (Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform) (Jan. 17, 2013) (eliciting similar comments), available at <https://www.msrb.org/Request-Comment-More-Contemporaneous-Trade-Price-Information-Through-a-New-Central-Transparency>.

movements and many of the existing market produced yield curves either exclude small-sized trades from their analysis or weigh them much less than larger-sized trades.⁹⁶ While there may be both benefits and costs for large-sized trades to be reported sooner where possible,⁹⁷ adding a trade size-based reporting regime with delayed reporting by large-sized trades on top of the manual component exception may cause additional complication in trade reporting, potentially resulting in increased trade reporting errors and/or trade cancellations and corrections.

A slight variation of the above alternative on divergent trade reporting requirements would consider trades on Alternative Trading System (“ATS”) platforms and other non-ATS trades differently, since the speed of reporting differs between these two groups of inter-dealer trades, with 79.7 percent of inter-dealer trades on an ATS platform being reported within one minute in 2022 while only 69 percent of non-ATS inter-dealer trades being reported within one minute. However, variation of requirements could similarly cause confusion and may further add burden on dealers who may have to maintain policies and procedures with multiple exception paths. In addition, there is a possibility that this alternative may impact the competition between ATS platforms and other non-ATS platforms. Finally, ATS platforms also report trades

⁹⁶ For example, the most widely used curve is the Refinitiv[®] Municipal Market Data (MMD) AAA benchmark yield curve that only includes institutional block size trades of \$2 million par amount or more in the secondary or primary market. For additional information regarding the MMD AAA curve, see Cameron Marcus Arial, "Public Administrator Choice Idaho School District Finance Policy Observed" (May 2019). Boise State University Theses and Dissertations, File No. 1516, page 68, available at <https://scholarworks.boisestate.edu/cgi/viewcontent.cgi?article=2639&context=td>. This is in addition to the IHS Markit AAA Curve and Bloomberg BVAL municipal AAA curves displayed on the MSRB’s EMMA website, which exclude small-sized trades from their methodologies.

⁹⁷ While more immediate transparency is beneficial to the market in general, there has been some concerns about information leakage if large-sized trades were reported and disseminated sooner. See Letter from Sarah A. Bessin, Associate General Counsel, Investment Company Institute, dated October 3, 2022, at 11.

differently, with some ATS platforms being the reporting party while other ATS platforms let participants on the ATS platforms report trades directly to RTRS. Hence, not all ATS platforms have the same reporting procedures.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

On August 2, 2022, the MSRB published the 2022 Request for Comment to solicit comment on a potential amendment to Rule G-14 to require that, absent an exception, dealers report transactions to an RTRS Portal as soon as practicable, but no later than within one minute following the Time of Trade (the “Proposal”).⁹⁸ The MSRB also published a memorandum during the comment period for the 2022 Request for Comment providing supplemental data regarding counts of trade volume and time of reporting.⁹⁹

In response to the 2022 Request for Comment, the MSRB received 53 comment letters from 51 commenters.¹⁰⁰ Following consideration of the comments received and in light of

⁹⁸ See MSRB Notice 2022-07 (Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14) (Aug. 2, 2022), available at <https://www.msrb.org/sites/default/files/2022-09/2022-07.pdf>.

⁹⁹ Memorandum from John Bagley, Chief Market Structure Officer, MSRB (Supplemental Data with respect to MSRB Notice 2022-07 Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14) (“MSRB Memorandum”) (providing supplemental trade report time data), (Sep. 12, 2022), available at <https://www.msrb.org/sites/default/files/2022-09/2022-07-MSRB.pdf>.

¹⁰⁰ See Letter from Kelli McMorrow, Head of Government Affairs, American Securities Association (“ASA”) dated September 30, 2022; Letter from Mike Petagna, President, Amuni Financial, Inc. (“AMUNI”), dated August 23, 2022; Email from Bill Bailey (“Bailey”), dated August 4, 2022; Letter from Matt Dalton, Chief Executive Officer, Belle Haven Investments, L.P. (“Belle Haven”), dated October 3, 2022; Letter from Ronald P. Bernardi, President and Chief Executive Officer, Bernardi Securities, Inc. (“BSI”), dated September 30, 2022; Letter from Will Leahey, Head of Regulatory Compliance, BetaNXT Inc. (“BetaNXT”), dated October 3, 2022; Letter from Michael Decker, Senior Vice President for Public Policy, Bond Dealers of America (“BDA”), dated October 3, 2022; Letter from David Long, Executive Vice President,

Correspondent Banking/Capital Markets, and Vincent Webb, Managing Director, Bryant Bank Capital Markets, Bryant Bank (“BB”), dated September 28, 2022; Letter from Seth A. Miller, General Counsel, President, Advocacy and Administration, Cambridge Investment Research, Inc. (“Cambridge”), dated October 3, 2022; Email from Jay Lanstein, Chief Executive Officer and Chief Technology Officer, Cantella & Co., Inc. (“C&C”), dated September 16, 2022; Email from Maryann Cantone, Cantone Research, Inc. (“CRI”), dated August 2, 2022; Letter from J.D. Colwell (“Colwell”), dated September 9, 2022; Email from Raymond DeRobbio (“DeRobbio”), dated August 3, 2022; Letter from Gerard O’Reilly, Co-Chief Executive Officer and Chief Investment Officer, and David A. Plecha, Global Head of Fixed Income, Dimensional Fund Advisors LP (“Dimensional”), dated September 26, 2022; Letter from Robert A. Estrada, Esq., Chairman (Emeritus), Estrada Hinojosa & Co., Inc. (“EH&C”), dated October 3, 2022; Letter from Melissa P. Hoots, Chief Executive Officer and Chief Compliance Officer, Falcon Square Capital, LLC (“Falcon Square”), dated October 3, 2022; Letter from Howard Meyerson, Managing Director, Financial Information Forum (“FIF I”), dated October 3, 2022; Supplemental Letter from Howard Meyerson, Managing Director, Financial Information Forum (“FIF II”), dated April 27, 2023; Letter from Jonathan W. Ford, Senior Vice President, Ford & Associates, Inc. (“F&A”), dated September 9, 2022; Letter from Edward J. Smith, General Counsel and Chief Compliance Officer, Hartfield, Titus & Donnelly, LLC (“HTD”), dated September 14, 2022; Letter from Melissa Messina, Executive Vice President, Associate General Counsel, R. Jeffrey Sands, Managing Principal, General Counsel, and William Sims, Managing Principal, Herbert J. Sims & Co., Inc. (“HJS”), dated October 3, 2022; Email from Deborah Higgins, Higgins Capital Management, Inc. (“HCM”), dated September 19, 2022; Letter from Lana Calton, Executive Managing Director, Head of Clearing, Hilltop Securities (“Hilltop”), dated October 3, 2022; Letter from Joe Lee, Chief Executive Officer, Honey Badger Investment Securities, Inc. (“Honey Badger”), dated September 30, 2022; Letter from Robert Laorno, General Counsel, ICE Bonds Securities Corporation (“ICE Bonds”), dated September 30, 2022; Letter from Robert D. Bullington, Vice President, Compliance Officer, InspereX LLC (“InspereX”), dated October 3, 2022; Letter from Scott Hayes, President and Chief Executive Officer, and Chris Neidlinger, Chief Compliance Officer, Institutional Securities Corporation (“ISC”), dated September 30, 2022; Letter from Sarah A. Bessin, Associate General Counsel, Investment Company Institute (“ICI”), dated October 3, 2022; Email from Darius Lashkari, Investment Placement Group (“IPG”), dated August 2, 2022; Letter from John Isaak, Senior Vice President, Isaak Bond Investments (“IBI I”), dated August 16, 2022; Letter from Donald J. Lemek, Vice President – Operations and Chief Financial Officer, Isaak Bond Investments, Inc. (“IBI II”), dated October 3, 2022; Email from Mike Kiley, Owner, Kiley Partners, Inc. (“KPI”), dated September 27, 2022; Letter from Gary Herschitz, Chief Executive Officer, Madison Paige Securities (“MPS”), dated September 30, 2022; Email from Christopher Mayes (“Mayes”), dated September 27, 2022; Letter from Kathy Miner (“Miner”), dated October 2, 2022; Letter from Randy Nitzsche, President and Chief Executive Officer, Northland Securities Inc. (“NSI”), dated October 3, 2022; Letter from James W. Oberweis, President, Oberweis Securities, Inc. (“OSI”), dated September 28, 2022; Letter from H. Deane Armstrong, Chief Compliance Officer, and Joseph A. Hemphill III, Chief

ongoing engagement with affected market participants, FINRA, the Commission and other stakeholders, the MSRB determined to file the proposed rule change, which incorporates certain key modifications to the Proposal designed to address many of the key concerns expressed by commenters and other market participants, including the establishment of the two new intra-day exceptions¹⁰¹ to the baseline reporting requirement.

While two commenters expressed support for the Proposal,¹⁰² and several other commenters expressed some support for the overall goal and certain specific aspects of the

Executive Officer, Regional Brokers, Inc. (“RBI”), dated October 3, 2022; Letter from Robert Blum, President, Robert Blum Municipals, Inc. (“RBMI”), dated September 16, 2022; Letter from F. Gregory Finn, Chief Executive Officer, Roosevelt & Cross, Inc. (“R&C”), dated October 3, 2022; Letter from Christopher Ferreri, President, RW Smith & Associates, LLC (“RWS”), dated September 13, 2022; Letter from Lee Maverick, Chief Compliance Officer, SAMCO Capital Markets, Inc. (“SAMCO”), dated September 30, 2022; Letter from Matthew Kamler, President, Sanderlin Securities LLC (“Sanderlin”), dated September 27, 2022; Letter from Kenneth E. Bentsen, Jr., President and Chief Executive Officer, Securities Industry and Financial Markets Association and the SIFMA Asset Management Group (collectively, “SIFMA”), dated October 3, 2022; Letter from Joseph Lawless, Chief Executive Officer, Sentinel Brokers Company, Inc. (“SBC”), dated September 30, 2022; Email from Edward Sheedy (“Sheedy”), dated August 2, 2022; Letter from Glen Essert, Stern Brothers & Co. (“Stern”), dated October 3, 2022; Letter from Jesy LeBlanc and Kat Miller, TRADEliance, LLC (“TRADEliance”), dated September 28, 2022; Email from William Tuma (“Tuma”), dated August 8, 2022; Letter from Nyron Latif, Head of Operations, Wells Fargo Wealth and Investment Management, and Todd Primavera, Head of Operations, Wells Fargo Corporate and Investment Bank, Wells Fargo & Company (“Wells Fargo”), dated October 3, 2022; Letter from Keener Billups, Managing Director, Municipal Bond Department, Wiley Bros.-Aintree Capital (“Wiley”), dated September 20, 2022; Email from Thomas Kiernan, Wintrust Investments, LLC (“Wintrust”), dated August 2, 2022; Email from Glenn Burnett, Zia Corporation (“Zia”), dated September 6, 2022. All comments are available at: <https://www.msrb.org/sites/default/files/2023-03/All-Comments-to-Notice-2022-07.pdf>.

¹⁰¹ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement.”

¹⁰² See Dimensional; Tuma.

Proposal,¹⁰³ most commentors objected to shortening the timeframe for reporting from 15 minutes to one minute after the Time of Trade. The comments received in response to the 2022 Request for Comment are summarized below by topic and the corresponding MSRB responses are provided.¹⁰⁴

As Soon as Practicable Requirement

The MSRB sought comment on the Proposal's addition of a requirement that trades must be reported as soon as practicable. Section (a)(ii) of the Rule G-14 RTRS Procedures does not currently include the requirement to report 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.

One commenter suggested that the MSRB more closely harmonize its trade reporting requirements with FINRA's requirements by adopting the existing "as soon as practicable" provision of FINRA Rule 6730(a),¹⁰⁵ and most commenters addressing this aspect of the Proposal supported this change or viewed it as consistent with current practices.¹⁰⁶ No

¹⁰³ See ICE Bonds at 1; ICI at 2; SIFMA at 2; Wells Fargo at 1.

¹⁰⁴ Simultaneously with the MSRB's publication of the 2022 Request for Comment, FINRA published a request for comment on a proposal to similarly shorten FINRA's TRACE trade reporting timeframe for transactions in TRACE-eligible securities (the "FINRA TRACE Proposal"). See FINRA Regulatory Notice 22-17 (FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute) (Aug. 2, 2022); see also 2024 FINRA Proposed Rule Change. Many commenters responding to the 2022 Request for Comment also commented on the FINRA TRACE Proposal. The discussion of comments herein is mostly confined to those comments addressing the Proposal or the MSRB.

¹⁰⁵ See SIFMA at 4, 7, 17, 21–22. BetaNXT, HJS, Hilltop and R&C expressed general support for SIFMA's comment letter.

¹⁰⁶ See Dimensional; EH&C at 2; SIFMA at 4, 7, 17, 21–22.

commenter that opposed the Proposal noted that the addition of the “as soon as practicable” language was the basis for such opposition.¹⁰⁷ Several commenters noted that the market already effectively reports trades as soon as practicable.¹⁰⁸ Another commenter, while not explicitly supporting the “as soon as practicable” language, supported the notion of examining and investigating dealers to ensure compliance with such standard as an alternative to shortening the timeframe for reporting.¹⁰⁹ One commenter also recommended that the MSRB provide supervisory guidance that parallels the provisions of Supplementary Material .03 of FINRA Rule 6730 with respect to the obligation to report trades as soon as practicable.¹¹⁰

In light of the comments received, the MSRB proposes to incorporate the requirement that trades be reported as soon as practicable into the proposed rule change for trades subject to an intra-day reporting deadline, as well as to require the establishment of policies and procedures for complying with the as soon as practicable reporting requirement in proposed new Supplementary Material .03. As discussed in “Purpose – Proposed Rule Change – New Requirement to Report Trades “as Soon as Practicable” above, where a dealer has reasonably designed policies, procedures and systems in place to comply with this standard, and does not purposely withhold trade reports if it would have been practicable to report such trades more rapidly, the dealer generally would not be viewed as violating the “as soon as practicable”

¹⁰⁷ Rather, commenters opposing the Proposal, as discussed herein, focused on the shortening of the deadline from 15 minutes to one minute.

¹⁰⁸ See BDA at 1–2; HJS at 5; SBC at 2. Hilltop and R&C expressed general support for BDA’s comment letter.

¹⁰⁹ See Belle Haven at 7.

¹¹⁰ See SIFMA at 21–22.

requirement because of delays in trade reporting due to extrinsic factors that are not reasonably predictable and where the dealer does not purposely intend to delay the reporting of the trade (e.g., due to a systems outage).

One Minute Timeframe for Reporting

The MSRB sought comment on shortening the timeframe for reporting transactions currently required to be reported within 15 minutes after the Time of Trade to one minute after the Time of Trade under the Proposal.¹¹¹

As noted above, most commenters objected to shortening the timeframe for reporting from 15 minutes to one minute after the Time of Trade, raising a number of issues regarding the merits of shortening the reporting timeframe, specific operational aspects of implementing a shortened timeframe, the range of transactions and dealers subject to the new timeframe, and the speed and manner of transitioning to a general one-minute reporting requirement.

Operational Issues Relating to Reporting Within One Minute

Time of Trade

In the 2022 Request for Comment, the MSRB noted that the time to report a trade is triggered at the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price. The 2022 Request for Comment asked whether “Time of Trade,” as currently defined, is the appropriate trigger and, if not, what other elements of the trade should be established before the reporting obligation is triggered.

¹¹¹ Transactions would also be required to be reported as soon as practicable, as described above.

One commenter agreed that the definition of “Time of Trade” referenced in the 2022 Request for Comment is the appropriate trade reporting trigger.¹¹² Several other commenters expressed a desire for greater clarity regarding the definition of “Time of Trade.”¹¹³

A few commenters discussed certain trading scenarios in which they believed that the “Time of Trade,” as defined by the MSRB, would not be the appropriate trigger for trade reporting. One commenter noted that manual trade entry does not necessarily begin at the time of execution, particularly for firms that manually report trades to the RTRS Web Portal.¹¹⁴ This commenter noted that a number of issues may arise that can result in a delay of the manual trade entry process, including information gaps due to new or unfamiliar securities or having to wait to receive necessary information from the other side of the transaction.

Two commenters acknowledged that while 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.¹¹⁵ These commenters were concerned that 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. Another commenter argued that the primary consideration should be the business method used in trade execution, such as in the case of the business model of a voice broker. This commenter provided an example of a one-on-one

¹¹² See Colwell at 3.

¹¹³ See BSI at 2; Colwell at 2; ISC at 2; ICI at 3; IBI II at 1; SIFMA at 14, 20–21; TRADEliance at 1.

¹¹⁴ See Belle Haven at 5.

¹¹⁵ See HJS at 4 (quoting SIFMA at 9).

transaction created between a buyer and seller when a dealer executes a trade with a customer, and contrasted this with an intermediated trade by a voice dealer that includes multiple components. For these types of intermediated trades, the commenter noted that perhaps an appropriate trigger would be when the intermediate transaction is complete (e.g., when all underlying trades of the intermediate transaction are executed).¹¹⁶

One commenter noted that if dealers are not permitted 15 minutes to report manually executed trades, a firm that wants to continue to execute trades manually might need to reach an agreement or understanding with its customers that the execution time for a trade agreed to by telephone, instant messaging or chat communication is the time that the firm inputs the trade into the firm's books and records in a systematized format for reporting to RTRS without manual input.¹¹⁷

Another commenter noted that 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.¹¹⁸

The MSRB is not seeking to amend the definition of "Time of Trade" in conjunction with the proposed one-minute reporting requirement. However, the MSRB has provided a discussion of certain factors that may be relevant to determining the Time of Trade that should address many of the concerns that the shorter reporting timeframe would create greater pressure and

¹¹⁶ See HTD at 4.

¹¹⁷ See FIF I at 4. BetaNXT expressed general support for FIF's comment letter.

¹¹⁸ See SIFMA at 7.

require greater precision in determining the Time of Trade.¹¹⁹ The MSRB believes that its use of the term “Time of Trade” is appropriate and consistent with how that term is understood by FINRA in connection with the reporting of TRACE-eligible securities to TRACE under applicable FINRA rules, and that the guidance provided herein would provide more assurance for dealers in determining the Time of Trade with greater clarity and precision.

Automation of Trade Execution and Reporting

The 2022 Request for Comment noted that 76.9 percent of trades in 2021 subject to the existing 15-minute reporting requirement were reported within one minute and requested input on whether there are any commonalities with the trades that were reported within one minute or reported after one minute. The 2022 Request for Comment also noted that, based on the MSRB’s analysis, trades conducted on ATS platforms in 2021 were reported in less time than trades not conducted on ATS platforms (“non-ATS trades”), with 84.4 percent of inter-dealer trades conducted on an ATS platform being reported within one minute while only 74.9 percent of non-ATS trades were reported within one minute. The 2022 Request for Comment sought information on the reason(s) it takes more time to report non-ATS trades.

Commenters generally noted that the commonalities in the trades reported within one minute or after one minute depend on the extent of human intervention required to execute and report a trade.¹²⁰ In general, these commenters acknowledged that faster reporting may be achieved for the remaining approximately 20–25 percent of trades depending on the level of

¹¹⁹ See supra “Purpose – Proposed Rule Change – Time of Trade Discussion” for a discussion of and related guidance on the definition of Time of Trade under Rule G-14 RTRS Procedures Section (d)(iii).

¹²⁰ See BB at 1; Colwell at 2; Falcon Square at 1–2; FIF I at 2; HTD passim; OSI at 1; TRADEliance at 2.

automation of trades with more straight-through processing and progressively reduced human intervention.

Commenters generally agreed that the shorter reporting times of ATS trades are the result of those trades being executed on a fully automated and connected trading venue.¹²¹ They acknowledged that in a connected system, trades flow automatically and timing is almost instantaneous, with little to no manual intervention.¹²² In contrast, these commenters acknowledged that trades executed away from an ATS take more time to report due to higher levels of human intervention.

The MSRB understands that automated processes currently play a significant role in facilitating rapid reporting of trade information to RTRS. The MSRB is aware, both through its own statistics and from input from commenters, as more fully discussed below, that trades that involve full automation through the trade execution and reporting process typically achieve near instantaneous trade reporting that is already consistent with the proposed one-minute timeframe, but that other trades face higher challenges to achieving one-minute reporting. As discussed previously, the MSRB reminds dealers seeking to comply with the proposed rule change – including the one-minute reporting requirement and new or existing exceptions from such requirement – that they should consider the extent to which they can automate their trade reporting and related execution processes, consistent with their clients’ needs and the dealers’ best execution and other regulatory obligations.¹²³

¹²¹ See HTD at 5; RWS at 5; Sanderlin at 6.

¹²² See Baily at 1.

¹²³ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” for a discussion of and related guidance on trades having a manual component.

Manual Steps in the Negotiation, Execution and Reporting Process

Several commenters raised issues about the potential impact of the proposed rule change on trades that are negotiated by voice and/or where the reporting process includes one or more manual components in execution or trade reporting, such as in the case of large block trades that require subsequent allocation, portfolio trades or other types of complex trades that require some form of human intervention.¹²⁴ These commenters generally agreed that while manual trades represent a relatively small percentage of trades by trade count, for the types of trades identified above, a dealer may not be able to input and verify trade data within one minute if that process involves human intervention. These commenters further asserted that the proposed rule change would disproportionately impact firms that accept orders that are not electronically entered into an order management system (including orders received via telephone or instant message) and would effectively prohibit, by trade reporting rule, an entire category of transactions that are otherwise customary industry practice. These commenters also noted that this practice was particularly important to the municipal securities industry where large institutional trades or block trades are more likely to be negotiated and executed by voice and processed manually.

Another commenter argued that in most cases, it is not financially feasible for a firm to report a trade to RTRS or TRACE within one minute if the trade has been executed manually. This commenter noted that manual trading is common in the very large universe of fixed income securities for various reasons.¹²⁵ One commenter noted that the only way for a trade to be

¹²⁴ See e.g., ASA at 4–5; Bailey at 2; C&C at 1; and FIF I at 1–2; HTD *passim*; HJS at 2–4; ISC at 2; IBI I at 1; KPI at 1; Mayes at 1; RBMI at 1; RWS at 1–5; SAMCO at 1–2; SIFMA at 8–12, 24; SBC at 1–2; TRADEliance at 2; Wells Fargo at 3; Wintrust at 1. Hilltop, Honey Badger, MPS and RBI expressed general support for ASA’s comment letter.

¹²⁵ See FIF at 2.

entered within 60 seconds is if two opposing traders are on the phone at the same time and they agree to drop their tickets at that very moment and input the data immediately.¹²⁶

The MSRB recognizes that for some trades in the municipal securities market, the trade details are entered manually due to the inherent nature and characteristics of such trades. The MSRB also understands that voice and electronic communications as a means of trade execution that are not utilizing straight-through processing or are not part of an automated trade execution and reporting process are common for the municipal securities market. For these trades, the trade reporting process might be difficult or impossible to complete within one minute following the time of trade, even where the dealer has established efficient reporting processes and commences reporting the trade without delay.

As outlined below, commenters discussed a number of specific scenarios involving such communications or other manual steps in the process of executing and reporting trades for which shortening the trade reporting timeframe could, in their view, potentially result in adverse consequences.

To address these concerns, including the specific aspects raised by commenters outlined in subparagraphs below, the MSRB has included in the proposed rule change an exception from the proposed one-minute trade reporting timeframe for trades with a manual component, which would retain the existing 15-minute deadline for the first year in which the proposed rule change is effective and then provide for a measured decline in the timeframe to five minutes beginning two years after such effectiveness, as discussed in greater detail herein.¹²⁷ This phased approach

¹²⁶ ISC at 2.

¹²⁷ See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” discussing the proposed exception for trades with a manual component.

would provide dealers effecting trades with a manual component with a phased approach to achieving compliance that, the MSRB believes, appropriately addresses the concerns that commenters expressed.¹²⁸

Voice and Negotiated Trading

Many commenters expressed concern about the potential impact of the Proposal specifically on voice and negotiated trading, asserting that, unlike equity markets, business in fixed income markets is often conducted through voice negotiations, for institutional customers as well as certain retail investors.¹²⁹

One commenter that is a dual registrant as a dealer and investment advisor noted that an accelerated trade reporting regime would negatively impact market participants that continue to prefer manually negotiated trades for some portion of their fixed income trading activity. While acknowledging that the volume of fixed income trades executed electronically has risen, this commenter stated that many investors still prefer to trade with dealers by voice or electronic message (manually negotiated trades) rather than on an electronic platform to benefit from receiving input on market color, including credit information and information about comparable bonds trading in the market. The commenter stated that some investors may also prefer to negotiate on price directly because they are executing block-size trades or portfolio trades. This

¹²⁸ While the MSRB believes that the exception for trades with a manual component effectively addresses the core issues raised in the comments described in Subsections (1) through (6) below, the MSRB also addresses certain other related comments not fully resolved by such exception in “One Minute Timeframe for Reporting – Potential Negative Consequences of the One Minute Requirement.”

¹²⁹ See e.g., ASA at 3–4; AMUNI at 1; Bailey at 1; BDA at 2; Cambridge at 4; Colwell at 3; HTD passim; FIF at 3, 4; HJS 2, 5; InspereX at 3–5; ICI at 3, 4, 7, 9, 11; IBI I at 1; RBMI at 1; RWS at 1–5; SAMCO at 1–2, 4; SIFMA at 5, 8, 11, 15, 24; SBC at 2; Wells Fargo at 3; Wintrust at 1.

commenter stated that trades negotiated and executed manually (by voice or electronic message) take longer to input and report in comparison to trades executed electronically. This commenter further noted that a one-minute reporting requirement would present a variety of process-oriented, timing, and operational challenges, especially for a trading desk engaging with multiple clients simultaneously and, therefore, the proposed acceleration of reporting could alter the efficiency of fixed income markets.¹³⁰

One commenter noted that the issue is not that dealers that execute larger trades are using inefficient processes but that such trades are typically executed by institutions using voice brokers. This commenter also noted that there is a difference between institutional, voice brokered fixed income markets and retail fixed income markets with respect to the manner in which trades in these markets are negotiated, executed and processed. This commenter expressed concern that one-minute reporting would effectively eliminate voice trading.¹³¹

Larger-Sized Trades

The 2022 Request for Comment noted that larger-sized trades take longer to report than smaller-sized trades and requested input on the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (e.g., voice trades). The MSRB also asked if dealers and investors would need process changes for executing and/or reporting larger-sized trades in a shorter timeframe and if so, how.

A commenter stated that many small trades are executed on electronic platforms and require minimal, if any, manual intervention, allowing many smaller trades to be executed and

¹³⁰ See Wells Fargo at 3.

¹³¹ See SAMCO at 1–2.

reported almost instantly. In contrast, the commenter stated that larger trades typically require traders to negotiate and confirm details with a client and manually enter the transaction into risk and reporting systems. This commenter noted that large trades generally require greater focus on risk management to promptly source and accurately hedge the transaction in question, and an inability for firms to manage their risk could hamper firms' willingness to incur risk, which could dampen liquidity, increase systemic risk if dealers become less capable of hedging on a timely basis and reduce execution quality for the institutional investor.¹³²

A trade association commenter representing regulated investment funds with members that are participants in the municipal securities market noted that many of its members send large trades to dealers that are worked throughout the day, which may have implications for dealers' ability to report transactions within one minute or an otherwise shortened timeframe.¹³³ This commenter also noted that certain characteristics of trades, particularly large trades and trades in less liquid securities, are often done via "high touch" methods such as voice protocol, often involving negotiation as to prices and size of the trade.¹³⁴

Mediated Transactions

One commenter identified itself as a broker's broker that engages in mediated transactions with other dealers to facilitate anonymity. It noted that these mediated trades are often voice negotiated and require manual intervention and processing from the point of execution through the clearance and settlement processes. The commenter stated that these trades

¹³² See SIFMA at 14–16.

¹³³ See ICI at 13 n.41.

¹³⁴ Id. at 9 n.30.

are not reported within five minutes of execution, especially for trades involving multiple counterparties, but that dealers use their best efforts to report their trades as soon as practicable. The commenter noted that processing of such trades is typically manual given the complexities of mediated institutional transactions.¹³⁵

This commenter further asserted that broker's brokers and other inter-dealer brokers often are tasked by their dealer clients to anonymously 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. The commenter added that in some cases a transaction involves the simultaneous purchase of a security and a hedge or other corresponding security with multiple counterparties (e.g., buyer and seller is intermediated by a broker's broker). The commenter stated that, to the extent that all of these securities have a one-minute reporting requirement, both set of trades would need to be reported within the same minute, which may be functionally impossible.¹³⁶

Block Trades and Trade Allocations

A few commenters expressed concerns about large block trades executed by firms that are dual registrants as dealers and investment advisers, noting that these large trades must be further allocated to their advisory customers. They noted that large block trades may be executed contemporaneously with one or more counterparties, usually through voice negotiation and a

¹³⁵ See RWS at 1; see also SIFMA at 15.

¹³⁶ See RWS at 1.

coordinated effort, and the allocation may involve several additional smaller transactions with multiple customers to fully reflect the deal and may potentially involve multiple systems.¹³⁷

Specifically, one commenter noted that a trade reporting exception is necessary for block trades executed by a dealer and allocated to client accounts of a registered investment adviser that is part of the same legal entity. This commenter noted that as a dual registered dealer and investment adviser, it regularly executes and reports block trades and allocates portions of those trades to individual advisers' client accounts and the sub-account allocations are executed at the same price as the initial block trade.¹³⁸ Another commenter noted that when a dually-registered dealer/investment adviser purchases a large block from the secondary market, it must report the block trade to RTRS and also report each allocation to the sub-accounts held in its investment adviser capacity, including managed retail customer accounts.¹³⁹ This commenter stated that the reporting issues presented by such allocations are similar to those for the reporting of portfolio trades, particularly the difficulty of reporting potentially thousands of portfolio trades or allocations within a one-minute reporting paradigm, as described below.¹⁴⁰

Portfolio Trades and Trade Lists

Multiple commenters noted that dealers may receive large orders and trade lists that involve rapid execution and frequent communications on multiple transactions with multiple counterparties. They stated that these trades may be executed as a series of trades that then must

¹³⁷ See AMUNI at 2; BSI at 3; BetaNXT at 5; HJS at 4; ICI at 6, NSI at 1, RWS at 3; SIFMA at 10, 15, 19, Wells Fargo at 2–4.

¹³⁸ See Wells Fargo at 2–3.

¹³⁹ See SIFMA at 15.

¹⁴⁰ Id.

be entered into the system one-by-one and could be difficult to report within one minute following the Time of Trade.¹⁴¹ In addition, several commenters noted that some transactions including large blocks of transactions such as portfolio transactions may be subject to a firm's internal approval processes for risk and regulatory compliance and additional due diligence by way of, for example, a second review to ensure accuracy.¹⁴²

One trade association commenter noted that its members execute and report their portfolio trades electronically because of the challenges presented by manually inputting a large number of trades within a limited time period.¹⁴³ In contrast, another trade association commenter stated that 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, and because of concerns about potential pre-execution leakage of information regarding the nature of the investor's positions and trading strategies from electronic trading venues.¹⁴⁴

One commenter noted that dealers often provide liquidity for portfolios of bonds, including portfolios with more than one hundred individual bonds. This commenter asserted that under a one-minute reporting rule, dealers may not be able to execute these types of portfolio trades at one point in time and report the trades in a timely manner. The commenter advocated

¹⁴¹ See BSI at 2; BB at 1; ICI at 13 n.41; FIF I at 4; SIFMA at 14–15; Wells Fargo at 4.

¹⁴² See BSI at 2; BB at 1; FIF I at 4; HJS at 6; SIFMA at 14–15; Wells Fargo at 4.

¹⁴³ See FIF I at 4.

¹⁴⁴ See SIFMA at 14.

for an exception for portfolio trades and for instances where market participants solicit actionable bids or offers on multiple securities, such as a portfolio trade or a “bid wanted” list.¹⁴⁵

Another trade association commenter representing regulated investment funds with members that are participants in the municipal securities market noted that some of its members engage in portfolio trades, which require members to give certain information to dealers, and that this may have implications for those dealers’ ability to report transactions within one minute or an otherwise shortened timeframe and encouraged the MSRB to fully explore potential operational issues.¹⁴⁶

Trading a Bond for the First Time/Security Master Issues

The 2022 Request for Comment sought information on any necessary process(es) a dealer needs to complete before trading a bond for the first time that could impact the ability to report a trade within a reduced timeframe (e.g., querying an information service provider to obtain indicative data on the security).

Many commenters were concerned about delays introduced by trades of newly issued or infrequently traded securities where the security reference information or indicative data is not already available within the firm’s or the clearing firm’s security master.¹⁴⁷ One trade association commenter advocated that the MSRB provide an exception for a security that may not be in a firm’s security master at the time the trade is executed. It also maintained that this exception should extend to instances where a firm maintains separate security masters for

¹⁴⁵ See Wells Fargo at 4.

¹⁴⁶ See ICI at 13 n.41.

¹⁴⁷ See ASA at 5; Bailey at 1; BetaNXT at 4; Colwell at 2, 4; ISC at 2, RWS at 4; SAMCO at 3; Sanderlin at 6–7.

different customers.¹⁴⁸ Another trade association commenter noted that one-minute reporting may raise practical challenges for certain asset classes, citing as an example, the municipal securities market as being characterized by a large number of individual security references, many of which are infrequently traded.¹⁴⁹

Relatedly, some commenters noted that the absence of a centralized global security master for municipal securities introduces delays in the trade execution and reporting process and advocated for the MSRB to consider hosting a security master for municipal securities.¹⁵⁰ A few commenters suggested that a one-minute trade reporting deadline would be more practicable if the MSRB hosted a security master or hosted a securities master jointly with FINRA.¹⁵¹ One commenter stated that most market participants, including large clearing firms, do not have the entire municipal securities market reference information in their database, with new security references created daily and old securities maturing. This commenter noted that, in general, if a security is not set up in a security master, it is because there has not been a past transaction at the dealer or clearing firm, and the time necessary to process the set-up of a security in the security master greatly exceeds one minute.¹⁵² A trade association commenter observed that its members state that it takes almost all of the allotted 15 minutes to query an information service provider to upload the missing security master information and indicative data to refresh their securities

¹⁴⁸ See FIF I at 8.

¹⁴⁹ See ICI at 4 n.9.

¹⁵⁰ See Bailey at 1; BetaNXT at 3–4; BB at 1–2; Cambridge at 2; ISC at 2; RWS at 5; Sanderlin at 6; SIFMA at 11–12; TRADEliance at 2.

¹⁵¹ See FIF I at 8; SAMCO at 3; SIFMA at 22–23; Wells Fargo at 4; Zia at 1.

¹⁵² See SAMCO at 3.

master, then submit the trade report.¹⁵³ Another commenter stated that some back-office systems that provide the connection to the MSRB for reporting of corresponding trades also require the security master update to be performed manually and therefore cannot report a received trade within one minute.¹⁵⁴

The exception for trades with a manual component is designed to address these concerns as described above. While the MSRB acknowledges the suggestion that it host a global security master for use by dealers in reporting trades to RTRS, and while the MSRB continues to focus on making its market transparency systems more useful for market participants, the MSRB would not at this time be instituting such a global security master in connection with the proposed rule change.

Multiple Layers in Reporting Process

A commenter opined that the current RTRS workflow is not suitable for reporting trades within a one-minute time frame due to multiple layers (i.e., third-party vendors and systems) that trade reports often pass through before they are received by RTRS. This commenter identified the various layers, including submission of the trade by the executing firm to RTTM; if an executing firm is not a clearing firm, the need to have the clearing firm report the executing firm's trade to RTTM; and, if the clearing firm outsources the trade reporting function to a service provider, such provider must make the submission in the format accepted by RTRS. To address limitations faced by some vendors, this commenter advocated for allowing trade submissions of municipal securities to be made directly to TRACE using FIX, rather than RTRS,

¹⁵³ See SIFMA at 22.

¹⁵⁴ See Zia at 1.

or that the implementation period for the RTRS reporting changes be postponed until a reasonable period after the TRACE reporting changes proposed in the FINRA TRACE Proposal have been implemented to avoid dealers being overburdened with implementing reporting changes for two different systems at the same time.¹⁵⁵ Other commenters expressed similar concerns regarding the reliance on a third party for clearing and trade reporting.¹⁵⁶

One commenter noted that while many firms use semi-automated systems, many others use a manual system to execute trades with their clearing firm, and that converting to a fully automated system is far too expensive and therefore an impractical solution for many firms.¹⁵⁷ Another commenter stated that it relies on a third party for clearing and trade reporting to RTRS, and such clearing firm performs the trade reporting within one minute of the time the trade is submitted by the dealer using the clearing firm's order entry system. However, this commenter states it does not have an automated order entry system, indicating the trade may be input into the clearing firm's order entry system after the time of trade and entails manual steps.¹⁵⁸ A third commenter noted that the industry generally fulfills the regulatory trade reporting obligation further downstream in the trade management process, and that industrywide processes may need further rearchitecting and significant re-engineering of systems to move trade reporting upstream. This commenter noted that this problem is of particular concern for firms that rely on

¹⁵⁵ See FIF I at 6–7 nn.25–28.

¹⁵⁶ See BSI at 2; Colwell at 2; Falcon Square at 1–2; HTD at 6; Hilltop at 1; RBMI at 1; Wells Fargo at 4.

¹⁵⁷ See BSI at 2.

¹⁵⁸ See Sanderlin at 6.

third parties for trade reporting or for firms that employ systems that, by design, report trades through their respective back-end systems.¹⁵⁹

Trades Reported Through RTRS Web Interface

The MSRB noted that submitting transactions to RTRS directly through the RTRS Web interface takes longer. The 2022 Request for Comment sought information regarding the average amount of time required to report a trade through the RTRS Web interface, how the MSRB could improve the process for reporting through the RTRS Web interface and the instance(s) in which a dealer might choose to or need to use the RTRS Web interface.

A few commenters noted that their trades are reported electronically by their clearing firms and that they do not normally report trades via the RTRS Web interface.¹⁶⁰ One commenter noted that, at least until alternative methods of reporting trades are developed to allow dealers to efficiently and effectively report the types of trades that they currently report manually, retaining but considerably improving the existing web interfaces is necessary.¹⁶¹ The commenter requested greater transparency in system outages and performance degradations, heightened service level agreements and emphasized that dealers should not be penalized for MSRB system outages. Similarly, some commenters noted that there may be issues external to MSRB systems, including internet and other types of broad-based or localized outages or degradations outside the control of dealers that may sometimes interfere with their ability to make timely trade reports through

¹⁵⁹ See SIFMA at 20–21.

¹⁶⁰ See Colwell at 4; SAMCO at 1; HTD at 6; RWS at 5.

¹⁶¹ See Colwell at 2.

the SRO web interfaces, which would be increasingly problematic with any potential shortening of the trade reporting window.¹⁶²

The RTRS Web interface is one of three available RTRS Portals under Rule G-14 RTRS Procedures Section (a)(i)(B) (RTRS Web Portal or RTRS Web) and would be maintained as such under the proposed rule change. The MSRB will continue to explore ways in which to assure RTRS Web's reliability and efficiency for use. With regard to systems outages, the MSRB maintains a Systems Status Page on the MSRB website,¹⁶³ which indicates the current operational status of each of the MSRB's market transparency systems and related supporting systems and provides any then-applicable status updates. In addition, users are able to access a historical catalogue of past MSRB systems outages through the Systems Status Page.

Potential Negative Consequences of the One Minute Requirement

Accuracy of Information Reported and Potential Data Entry Errors

The MSRB requested input on whether reducing the timeframe to as soon as practicable, but no later than within one minute after the Time of Trade, would affect the accuracy of information reported and/or the likelihood of potential data entry errors and if so, the reason for such impact.

A number of commenters predicted that a rapid transition to a one-minute standard would result in increased errors and corrections in trade reporting as well as late trade reporting that would lead to increased enforcement action.¹⁶⁴ One commenter observed that the current 15-

¹⁶² See id.; FIF I at 6–7; FIF II at 1–2; SIFMA at 23–24.

¹⁶³ See <https://www.msrb.org/System-Status>.

¹⁶⁴ See ASA at 5; BB at 1; Cambridge at 3; Colwell at 2; EH&C at 1–2; HJS at 2–3; ICI at 12–13; IBI II at 1–2; Miner at 1; SIFMA at 15–17.

minute reporting timeframe allows for traders to adequately review trade tickets for errors in settlement, price, amount, and similar data fields. This commenter stated that, even with the current 15-minute reporting window, human errors in completing trade tickets often lead to trade cancellations and modifications.¹⁶⁵ Some commenters noted that reducing the trade reporting time to one minute would likely have a detrimental effect on reporting accuracy because market participants would be far more concerned with timely reporting than reviewing for accurate trade information.¹⁶⁶ Other commenters expressed the concern that, if the Proposal were to be adopted, firms may not have sufficient time to correct errors and would therefore be in violation of trade reporting requirements.¹⁶⁷

One commenter expressed concern that portfolio trades with potentially thousands of unique securities might overwhelm the error and correction process, or result in a surge of late trade reports, if placed under a one-minute reporting standard. This commenter stated that, 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.¹⁶⁸

Additional commenters felt that the dissemination of inaccurate data caused by rushed reporting would be detrimental to the MSRB's goal of increased market transparency.¹⁶⁹ One of

¹⁶⁵ InspereX at 5.

¹⁶⁶ Id. at 5–6. Accord. Cambridge at 3; HTD at 6; RWS at 5; SAMCO at 2.

¹⁶⁷ ASA at 5. See also SIFMA at 17.

¹⁶⁸ See SIFMA at 16.

¹⁶⁹ See Colwell at 2; HJS at 2–3; ICI at 12–13; InspereX at 6; Miner at 1.

these commenters stated that, if a sizable percentage of trades must be revised or are reported late due to practical limitations regarding dealer operational workflow, this could result in inaccurate data being reported to the MSRB and disseminated publicly, thus undercutting a key purpose of adopting the shortened reporting timeframes.¹⁷⁰

A commenter noted that large trades require a higher level of review than other trades and, as a result, large trades could land in error queues or other queues for manual reviews for margin or credit issues. The commenter stated that 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. This commenter further stated that 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 commenter believed that the Proposal, if adopted, could significantly curtail parties' 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.¹⁷¹

The MSRB believes that the degree to which a shortened trade reporting timeframe might result in a greater prevalence of the reporting of inaccurate information is significantly ameliorated by the inclusion of the two new reporting exceptions under the proposed rule change since the most likely circumstances where the risk of errors could be heightened would be in the

¹⁷⁰ ICI at 12–13.

¹⁷¹ See SIFMA at 16.

case of trades with a manual component or trades by dealers that only engage in limited municipal securities trading activities. Under the exception for trades with a manual component, the existing 15-minute deadline would be retained for the first year in which the proposed rule change is effective and then decline in phases to five minutes beginning two years after such effectiveness to provide dealers adequate time to adjust their processes and systems. The exception for dealers with limited trading activity would retain the current 15-minute timeframe and therefore there would be no appreciable impact on the accuracy of trade reports for such dealers' transactions.

Impact on Risk Management and Hedging

Several commenters articulated concern that one-minute trade reporting would result in a decreased ability of dealers to manage risks through timely hedging activity. These commenters noted that unlike securities that are purchased and sold to customers almost immediately, securities that are held in a firm's own inventory may require additional coordination and diligence to hedge those positions or take down a hedge when the position is unwound.¹⁷² One commenter noted that institutional clients and/or dealers trading in blocks often need to simultaneously take action to hedge their risk on such trades, particularly during periods of volatility. This commenter expressed concern that the need for dealers to attend to trade reporting to meet a one-minute requirement on their fixed income trades in lieu of immediately focusing on hedging or assisting institutional clients with their own hedging would have an adverse impact on such efforts.¹⁷³

¹⁷² See Hilltop at 1; ICI at 10; R&C at 1; SIFMA at 11, 15–16.

¹⁷³ See SIFMA at 11, 15–16.

Based on the comments received on the 2022 Request for Comment, the MSRB believes that such risk management or other hedging activities typically occur during the course of the types of municipal securities transactions that commenters identified as requiring manual or other human intervention. Such trades would, in many cases, qualify for the exception for trades with a manual component, thereby providing dealers with a phased approach to reducing the reporting timeframe to an eventual five minutes in a manner that should allow such dealers to put in place appropriate process or systems changes that would significantly mitigate these concerns.

Impact on Best Execution Obligations

Many commenters also expressed concern that compliance with the proposed rule change would negatively impact some firms' best execution obligations.¹⁷⁴ For example, one commenter noted that it built out a semi-automated system to incorporate the human element, purposely relying on a person to check and verify several factors before trade execution, so that its process protocol reduces trade error frequency and helps ensure compliance with due diligence, best execution and other obligations.¹⁷⁵ Another commenter noted that, due to the human factor of voice brokerage activities and the impracticability, if not impossibility, of automating these modes of trading, any attempt to decrease reporting time would require additional personnel to essentially shadow traders, preparing tickets and performing accuracy checks, best execution checks and suitability checks, while the trader is verbally negotiating the terms of the transaction with the counterparty or broker. This commenter expressed concern about the ongoing costs as

¹⁷⁴ See ASA at 5; AMUNI at 1; BSI at 2; HJS at 5; ISC at 2; IBI II at 1–2; SAMCO at 2; SIFMA at 9; SBC at 2.

¹⁷⁵ See BSI at 2.

well as the practicality of such shadowing of traders.¹⁷⁶ One commenter noted that the Proposal could create an incentive for firms to “auto-route” more orders to help with compliance, resulting in fewer individuals at such firms being involved with handling orders with the potential consequences for price improvement and best execution obligations.¹⁷⁷

While it is likely that many dealers fulfill their best execution obligations under MSRB Rule G-18 using processes that would not normally have an impact on the timing of trade reporting of individual transactions, the MSRB understands from commenters that some dealers may have instituted processes with respect to their best execution obligations that include manual steps or require other human intervention occurring after the Time of Trade and therefore could have an impact on the timing of trade reporting. The MSRB believes that the exception for trades with a manual component would provide dealers that use such a post-trade best execution process with a phased approach to reducing the reporting timeframe to an eventual five minutes in a manner that should allow them to make any appropriate adjustments to such process that would significantly mitigate these concerns.

Burden on Dealers that Report a Small Number of Trades

The MSRB noted that, on average, dealers that report a smaller number of trades per year take longer to report trades than dealers that report a larger number of trades and requested information on the reason(s) it takes a firm that reports a small number of trades more time to report a trade and if and how their processes need to change to report trades in a shorter timeframe.

¹⁷⁶ See HJS at 5.

¹⁷⁷ See ASA at 5.

Commenters generally agreed that many small dealers manually input their trades into RTRS because their trade volume does not warrant the cost to employ automated solutions and that manually inputting trades means the reporting process takes longer because all of the required information must be keyed in by a human.¹⁷⁸ Commenters argued that a significant increase in costs would disproportionately impact small dealers.¹⁷⁹ One commenter noted that shortening the reporting deadline would eliminate manual entry and human intervention and force small firms to use expensive front-end trade order management systems.¹⁸⁰ Another commenter stated that the municipal securities market lacks a cost-effective software solution for all dealers to comply with the Proposal and any new system would have to be implemented over existing technology. It stated that the prohibitive cost would reduce participation and efficiency in the market.¹⁸¹ Commenters noted that this would impose a disproportionate financial burden on small- and medium-sized dealers, as they would have to invest a significant amount of capital to comply with the Proposal. As a result, these commenters expressed concern that many small dealers including those with regional knowledge may exit fixed income secondary trading. The commenters noted that this exit would lead to a further concentration of municipal bond trading among the largest dealers in the industry.¹⁸² A commenter opined that this would, in turn, reduce

¹⁷⁸ See ASA at 3–4; AMUNI at 1; Belle Haven at 2–7; BSI at 1; BDA at 3–4; Cambridge at 3–4; CRI at 1; DeRobbio at 1; EH&C at 1–2; Falcon Square at 1; F&A at 1; HCM at 1; HBIS at 1; ICE Bonds at 1; InspereX at 1–2; ISC at 2–3; IPG at 1; IBI I at 1; IBI II at 1–2; KPI at 1; Miner at 1–2; NSI at 1; OSI at 1–2; RBMI at 1; SAMCO at 3–4; Sanderlin passim; SIFMA at 4–8, 12–13; SBC at 1–2; TRADEliance at 1–2; Wiley at 1–2; Wintrust at 1; Zia at 1.

¹⁷⁹ See SBC at 1; see also ASA at 1.

¹⁸⁰ See BDA at 3.

¹⁸¹ See NSI at 1.

¹⁸² See ISC at 1; NSI at 1.

competition, concentrate risk among fewer dealers and give the remaining dealers more power over prices.¹⁸³

Two commenters argued that while small dealers may presently have the technology or personnel to handle trades within 15 minutes, the move to one minute may be beyond the reach of many due to the fact that they likely lack the necessary resources to implement the requisite technological changes and acquire any other necessary resources.¹⁸⁴ One commenter explained that smaller dealers may not just struggle with the upfront costs related to the implementation of technologies necessary to speed up their trade reporting, which it estimated to be upwards of half a million dollars, but would also face ongoing costs associated with third-party reporting systems.¹⁸⁵

One commenter noted that without the bids placed by small and mid-sized dealers the efficiency of the market and quality of best execution would deteriorate. This commenter noted that the bids made by small and mid-sized dealers contribute to a more dynamic bid-ask process and optimization of prices.¹⁸⁶ Another commenter emphasized the critical role played by smaller, specialized or other subsets of dealers trading particular products and representing historically underserved communities and retail investors.¹⁸⁷ Two commenters stated that the Proposal would have a negative impact on minority-, women- and veteran-owned dealers, which tend to be

¹⁸³ See BDA at 3–4.

¹⁸⁴ See SIFMA at 12; see also Belle Haven at 5.

¹⁸⁵ See Belle Haven at 5.

¹⁸⁶ See ISC at 2.

¹⁸⁷ See SIFMA at 12.

smaller firms.¹⁸⁸ One of these commenters further stated that many issuers and institutional buyers seek or require that minority-, women- or veteran-owned dealers participate in the municipal securities business they undertake, noting that such dealers' ability to participate in the secondary market is vital to their ability to be relevant to both buy side and borrower clients.¹⁸⁹

To address these concerns, the MSRB has included in the proposed rule change an exception from the proposed one-minute trade reporting timeframe for dealers with limited trading activity in municipal securities, which would retain the existing 15-minute deadline, as discussed in greater detail herein.¹⁹⁰ Thus, such dealers would not have to comply with a shorter deadline, although they would be subject to the new "as soon as practicable" requirement included in the proposed rule change.

Alternatives to One Minute Requirement

One commenter, while expressing support for the MSRB's efforts to provide more timely and informative data to enhance the value of disseminated transaction data and stating that shortening the trade reporting timeframe is an important step in these efforts, cautioned that the industry is not prepared at this time to report all trades in municipal securities within one minute after the Time of Trade. This commenter acknowledged that based on MSRB data all but 2.7 percent of trades are reported by the five-minute mark and therefore the industry is prepared to

¹⁸⁸ See Stern at 1; SIFMA at 12.

¹⁸⁹ See Stern at 1.

¹⁹⁰ See supra "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity" discussing the proposed exception for dealers with limited trading activity.

report most trades within five minutes of execution.¹⁹¹ Other commenters also suggested that the MSRB should target five minutes as the appropriate shortened timeframe.¹⁹²

Other commenters emphasized that not all types of trades must have the same timeframe for reporting. For example, one commenter noted that the heterogenous nature of the securities that fall within the MSRB's jurisdiction makes a "one-size-fits-all" approach (or "one-minute-fits-all" approach) inappropriate.¹⁹³ A few commenters recommended that, if the MSRB proceeds to shorten the reporting timeframe, trades with a manual component should be excluded from that shortened timeframe and continue to be subject to the current 15-minute timeframe.¹⁹⁴ One commenter suggested exceptions from an accelerated trade reporting timeframe for internal allocations at dually-registered dealers/investment advisers, trades in securities not in a firm's security master, certain reverse inquiries and portfolio trades.¹⁹⁵ Comments regarding existing and specific potential exceptions to the proposed one minute timeframe and the MSRB's responses are discussed below.

The MSRB believes that the proposed rule change would establish appropriate timeframes for the submission of trade reports to RTRS that avoid establishing a one-size-fits-all approach while requiring that all such trades be reported as soon as practicable. While most trades subject to the current 15-minute timeframe would become subject to the new baseline one-

¹⁹¹ See ICE Bonds at 1.

¹⁹² See Bailey at 1; BSI at 2–3; Colwell at 3; TRADEliance at 2.

¹⁹³ See HJS at 2; see also ICI at 10.

¹⁹⁴ See, e.g., BDA at 4; FIF I at 2; HJS at 2.

¹⁹⁵ See Wells Fargo at 2, 4.

minute timeframe, trades with a manual component would, under a phased approach that provides dealers with time to adjust their processes and systems, eventually become subject to a five-minute timeframe through measured steps, and trades by dealers with limited trading activity in municipal securities would remain subject to the existing 15-minute timeframe.

Exceptions to the One Minute Timeframe

Continuation of Current Exceptions

In the 2022 Request for Comment, the MSRB noted that Rule G-14 currently provides exceptions for certain trades to be reported at end of day and requested input on if these exceptions are still necessary and if so, whether end of day is still the appropriate timeframe for reporting these transactions.

The MSRB received two comment letters requesting existing end-of-day trade reporting exceptions to be preserved.¹⁹⁶ One commenter described the complexity of trade reporting for new issue transactions and voiced concern that if the current end-of-day reporting exception for List Offering Price/Takedown Transactions is 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. This commenter advocated that the MSRB should maintain the other current end-of-day and non-immediate reporting standards and potentially broaden such exemptions if a one-minute trade reporting requirement is instituted.¹⁹⁷ This commenter acknowledged that these trades are required to be reported to ensure completeness

¹⁹⁶ See SIFMA at 17–18; FIF I at 7–8.

¹⁹⁷ See SIFMA at 17. In addition to primary market transactions, these exceptions relate to 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).

for regulatory audit trail purposes but they 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.¹⁹⁸

The proposed rule change would preserve all existing end-of-day trade reporting and other non-immediate exceptions without change.

Additional Trade Reporting Exceptions

The 2022 Request for Comment inquired if reducing the reporting timeframe to one minute would require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (e.g., three minutes). If so, the MSRB requested commenters to identify the types of trades that would require an exception and why such are believed to be necessary.

The MSRB has included two proposed new exceptions to the proposed one-minute reporting timeframe in the proposed rule change to address comments received from commenters regarding other potential trade reporting exceptions that could be included in the Proposal. Commenters also suggested other potential new exceptions from the reporting timeframe, which the MSRB did not include in the proposed rule change. These comments and the MSRB's responses are discussed below.

Proposed New Exception for Dealers with Limited Trading Activity

Several commenters stated that requiring all dealers, regardless of size, to report within one minute of the Time of Trade might harm the market by pricing smaller firms out of the industry.¹⁹⁹ One commenter predicted that the proposed rule change would necessarily require a

¹⁹⁸ Id.

¹⁹⁹ See OSI at 1; RWS at 2; Wiley at 1.

fully integrated and automated trading system, requiring almost no manual input. This commenter stated that this constituted an unfair burden and would likely lead to fewer small-firm market makers.²⁰⁰ Commenters identified trade volume or trading activity as a metric that might indicate which firms were likely to be significantly negatively impacted by the proposed rule change.²⁰¹

The MSRB recognizes that, absent any exceptions, dealers that report a smaller number of trades may be more affected if they are required to report trades by no later than one minute after the Time of Trade. As discussed above, the proposed rule change includes an exception for a “dealer with limited trading activity.”²⁰² A dealer with “limited trading activity” would be excepted from the one-minute reporting requirement pursuant to new exception described in “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity” and would instead be required to report its trades as soon as practicable, but no later than 15 minutes after the Time of Trade for so long as the dealer remains qualified for the limited trading activity exception.

The MSRB believes that this new exception in the proposed rule change would address commenters concerns regarding the potential negative impact on smaller dealers under the Proposal. In effect, dealers with limited trading activity would continue to be subject to the same 15-minute reporting deadline as under the current rule provisions, although they would also be subject to the new overarching obligation to report trades as soon as practicable.

²⁰⁰ See OSI at 1.

²⁰¹ See RWS at 2; Wiley at 1.

²⁰² See supra “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Dealers with Limited Trading Activity.”

Proposed New Exception for Trades with a Manual Component

As described above, except for two commenters²⁰³ that expressed support, all other commenters expressed the general view that reporting all trades within one minute after the Time of Trade, particularly those having a manual component, is not always possible. One commenter argued that the Proposal, absent an exception from the 15-minute reporting timeframe for manual trades, would severely impair the ability of firms to continue to trade manually and, as a result, could result in less liquidity and wider spreads that could negatively impact investors. The commenter further stated that the lack of such an exception could adversely impact smaller dealers and their customers. This commenter recommended that electronic trade executions would be reportable as soon as practicable and no later than within one minute of the trade time while manual trade executions would continue to be reportable within 15 minutes after the trade time.²⁰⁴ The commenter noted that this would require adding a field to the RTRS systems for an executing dealer to report whether a trade was executed manually or electronically.²⁰⁵

At least two commentors pointed to the need for an exception to address unpredictable technological/operational issues, and one proposed a permanent enforcement exception for trades reported late due to a lag in reporting, outage, or other disruption directly caused by the third-party.²⁰⁶ One commenter suggested that enforcement actions should consider only the dealer's

²⁰³ See generally Dimensional; Tuma.

²⁰⁴ See FIF I at 2; see also BDA at 4; HJS at 2.

²⁰⁵ FIF I at 2. The proposed rule change would require that trades with a manual component be reported with a new manual trade indicator, consistent with this comment.

²⁰⁶ InspereX at 6; ICI at 13–14.

conduct during the reporting timeframe, and perhaps independently review the conduct of any third-party reporting entities.²⁰⁷

The MSRB recognizes that not all trades in municipal securities currently are executed and reported through straight-through processes or other electronic means, and while the proportion of trades executed and reported in that manner appears to be growing over time, it is not likely that certain segments of the marketplace or trades conducted under certain circumstances would migrate to fully electronic processes in the immediate future. The commenters raised many scenarios, described above, where dealers currently would face significant challenges to completing the trade reporting process within one minute following the Time of Trade, and in some cases it might not be possible at all at this time unless significant technology and/or process changes are first undertaken by dealers and the overall industry that could entail considerable costs or cause material impacts to counterparties in transactions with such dealers. The MSRB believes that, depending on the specific facts and circumstances, and based on many of the situations highlighted by commenters where human intervention occurs in the course of reporting a trade to RTRS, such trades could be viewed as a trade with a manual component.²⁰⁸

For example, the MSRB acknowledges commenters' views that voice brokerage and negotiated trading continue to be legitimate means of executing fixed income securities transactions that may require the manual entry of data or other human intervention after the Time

²⁰⁷ InspereX at 6.

²⁰⁸ See supra "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component" regarding scenarios where, depending on facts and circumstances, a dealer may consider a trade as a trade having a manual component.

of Trade to report trade details to RTRS. The MSRB also acknowledges commenters' views that dealers and their customers may have legitimate reasons for preferring to execute larger-sized trades or trades in portfolios of securities manually rather than through electronic execution, and in many cases such manual processes may include steps to address regulatory compliance or risk management issues. In addition, the MSRB acknowledges commenters' descriptions of individual trades that may be part of a more complex set of inter-dependent transactions, such as certain mediated transactions undertaken by broker's brokers, transactions among multiple parties (including simultaneous allocations to multiple advisory clients of dually-registered dealers/investment advisers). Furthermore, the MSRB understands that individual trades may require information necessary for reporting that may not be immediately available to the executing dealer, such as in the case of a security that has not been recently traded and therefore may not be included in the dealer's or its clearing firm's security master.²⁰⁹

For many trades facing the foregoing and other circumstances, the MSRB realizes that a dealer's trade reporting process might not always be completed within one minute following the Time of Trade, even where the dealer has established efficient reporting processes and commences to report the trade without delay. Accordingly, in response to the commenters' concerns, the MSRB is proposing to adopt a new exception for trades with a manual component. The new exception in Rule G-14 RTRS Procedures and Supplementary Material .02 to Rule G-14 provides an additional year from the effective date of the proposed rule change for firms reporting transactions with a manual component to continue to report their trades by no later than

²⁰⁹ Once the appropriate indicative data is initially set up in the security master, this issue would abate with respect to such security and the dealer would thereafter be able to report the trade within the required timeframes for subsequent trades absent other manual factors.

15 minutes after the Time of Trade. This time would gradually phase down to ten minutes for the subsequent year and five minutes beginning the following year, providing additional transitional time for dealers to plan for and adjust their systems and processes to the new reporting requirements. The MSRB notes that some commenters had suggested that the MSRB establish a baseline five-minute timeframe for trade reporting, rather than the 15-minute timeframe included in the Proposal. Transactions with a manual component would have a trade reporting deadline that matches the proposed eventual five-minute reporting timeframe.²¹⁰

In addition, proposed amendments to Rule G-14 RTRS Procedures Section (a)(iv) would provide that a pattern or practice of late reporting without exceptional circumstances or reasonable justification may be considered a violation of Rule G-14. The determination of whether exceptional circumstances or reasonable justifications exist for late trade reporting is dependent on the particular facts and circumstances. The MSRB has provided guidance regarding scenarios that generally would constitute exceptional circumstances such as incidents that are outside the reasonable control of the dealer or where reasonable justification exists depending on the specific facts and circumstances, and based on many of the situations highlighted by commenters where human intervention occurs in the course of reporting a trade to RTRS.²¹¹

²¹⁰ Furthermore, since a trade that is reported through the RTRS Web Portal may be considered a trade with a manual component and subject to an exception to the one-minute trade reporting requirement, the MSRB believes that concerns regarding the ability to enter trade reports through this portal are addressed by the proposed exception. Therefore, the MSRB does not believe that additional technological changes to the RTRS Web interface to address this concern are necessary for this proposed rule change.

²¹¹ See supra “Purpose – Proposed Rule Change – Pattern or Practice of Late Trade Reporting” for a discussion regarding pattern or practice of late reporting.

Potential Incorporation of Certain FINRA Exceptions

A commenter suggested that the MSRB adopt FINRA's approach to not require the reporting of customer repurchase agreement transactions, stating that such transactions do not provide price information with value to market participants.²¹² The MSRB notes that such transactions are required to be reported to RTRS with the "away from market" indicator, which results in transaction information not being disseminated to the public but is made available to the regulatory authorities charged with enforcing MSRB rules for oversight purposes. The MSRB does not believe that it should reduce the information currently made available for such oversight purposes as part of the proposed rule change and therefore has not made the suggested change.

This commenter also observed that FINRA does not require reporting of list offering price transactions and takedown transactions for TRACE-eligible securities until the next business day and suggested that the MSRB harmonize its current end-of-trade-day reporting requirement for List Offering Price/Takedown Transactions in municipal securities to this FINRA reporting deadline.²¹³ Relatedly, another commenter suggested that all secondary market trades occurring on the first day of trading of a municipal securities offering be provided with the same end-of-trade day reporting deadline as for List Offering Price/Takedown Transactions.²¹⁴

The MSRB is not aware of any existing issues regarding the reporting of List Offering Price/Takedown Transactions by the end of the trade day and does not believe the market would

²¹² See SIFMA at 18.

²¹³ Id.

²¹⁴ See FIF I at 9.

benefit by delaying the public dissemination of such information until the next day. The MSRB also notes that if secondary market transactions that occur on the first day of trading is at a price that is different from the list offer price and is permitted to be reported on the next business day, all market participants may not have access to the prevailing market price of those secondary market transactions on the date the trade is executed. Such secondary market trades would, in many cases, have prices reflecting then-current market conditions rather than list offering prices that may have been set one or more days prior. Delaying dissemination of such price information would significantly reduce real-time transparency in the municipal securities market precisely on the day on which many securities experience their highest level of trading. Thus, the MSRB has determined not to include these suggested changes in the proposed rule change as they would reduce market transparency.

Other Operational Considerations

Trades Executed when System is Not Open

Two commenters advocated for the continuation of a next-business day 15-minute reporting standard for trades executed when the respective trade reporting system is not open. These commenters supported the continuation of the current MSRB standard for transactions effected with a Time of Trade outside the hours of the RTRS Business Day to be reported no later than 15 minutes after the beginning of the next RTRS Business Day.²¹⁵ One trade association commenter noted that the FINRA rules for equity trade reporting and TRACE reporting currently provide a 15-minute reporting period after the facility opens the next business day for trades executed when the reporting facilities are not open.²¹⁶ This commenter stated that

²¹⁵ See FIF I at 7; SIFMA at 18.

²¹⁶ See FIF I at 7–8.

its members have found the 15-minute period for reporting overnight trades to be important in ensuring that an appropriate review of overnight trades is being performed by U.S.-based staff prior to submission. The commenter also noted that its members are concerned about technical challenges with reporting within one minute after the opening of a reporting system due to potential connectivity lags, which could in turn mean that connectivity and reporting must occur within one minute at the same time as many other industry members are seeking connectivity to the reporting system. Thus, this commenter expressed support for maintaining a 15-minute reporting requirement for transactions effected with a Time of Trade outside the hours of the RTRS Business Day.

The other commenter argued that given the lapse of time between execution and reopening inherent in a situation where trades are executed when the system is not open, there is no value in changing this deadline. It further stated that even for National Market System stocks and Over the Counter 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.²¹⁷

The MSRB is not proposing a change to the current reporting standard for trades executed when the RTRS system is not open, which will continue to be reportable within 15 minutes after the start of the RTRS Business Day.²¹⁸

²¹⁷ See SIFMA at 18.

²¹⁸ However, a proposed technical amendment to Rule G-14 RTRS Procedures Section (a)(iii) would clarify and make explicit in the text thereof that inter-dealer trades on an “invalid RTTM trade date” are also not required to be reported until 15 minutes after the next RTRS Business Day. This provision currently is set out in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions.

More Rapid Dissemination and Masking of Trades

Two commenters expressed concerns about the potentially more rapid dissemination of trade prices that they believed could result in a negative outcome under a one-minute reporting requirement and advocated for the continuation of the practices related to dissemination caps by FINRA or masking of certain trades by the MSRB.²¹⁹ One commenter noted that in connection with the Proposal, the MSRB should provide firms the option to report non-disseminated data elements on an end-of-day basis or in some cases, on a next day basis.²²⁰ The other commenter expressed concern that more rapid dissemination of trade data for block trades would raise the risk of significant negative liquidity impacts. The commenter suggested that MSRB action would be needed 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 favorable levels of liquidity.²²¹

The MSRB notes that currently transaction information disseminated from RTRS includes exact par value on all transactions with a par value of \$5 million or less but includes an indicator of “MM+” in place of the exact par value on transactions where the par value is greater than \$5 million. The exact par value of transactions having a par value greater than \$5 million is disseminated from RTRS five business days later. The MSRB implemented this approach in response to concerns that, given the prevalence of thinly traded securities in the municipal securities market, it is sometimes possible to identify institutional investors and dealers by the

²¹⁹ See FIF I at 4; SIFMA at 6, 17–19.

²²⁰ See FIF I at 4.

²²¹ See SIFMA at 19.

exact par value included on trade reports.²²² While the MSRB would continue to evaluate whether this threshold is appropriate, the MSRB is not proposing a change to its masking practices at this time. The MSRB notes that, based on the comments, many larger trades likely would qualify for the exception for trades with a manual component and therefore would be subject to the measured phased approach to shortening the reporting timeframe to five minutes, thereby giving the market time to adjust to any incremental changes in behavior resulting in the masked trades being made publicly available on a shorter timeframe.

Examination and Enforcement

One commenter noted that FINRA and SEC examination staff should take the opportunity, when they are at their closest interaction with 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.²²³

Another commenter noted that violations for late trade reporting are black and white and that there are no other evidentiary measures necessary in order for a regulator to bring examination or an enforcement action against the late-reporting firm.²²⁴

As noted in “Purpose – Proposed Rule Change – Pattern or Practice of Late Trade Reporting,” the proposed rule change would incorporate pattern or practice language, similar to

²²² See Exchange Act Release No. 68081 (Oct. 22, 2012); 77 FR 65433 (Oct. 26, 2012), File No. SR-MSRB-2012-07, available at <https://www.govinfo.gov/content/pkg/FR-2012-10-26/pdf/2012-26340.pdf>.

²²³ See SIFMA at 22.

²²⁴ See InspereX at 4.

the existing pattern or practice language included in FINRA’s equity trade reporting rules,²²⁵ and has noted that this should be the focus of examining authorities as opposed to individual outlier late trade reports, absent extenuating circumstances.²²⁶ The MSRB already produces a series of report cards accessible to dealers that describe the dealer’s transaction reporting data with regard to status, match rate, timeliness of reporting, and the number of changes or corrections to reported trade data. For most statistics, the industry rate is also provided for comparison. The Lateness Breakout portion of the report has a category for each type of reporting deadline, showing how many trades were reported timely and late relative to the applicable deadline. Such reports are available in both single-month and twelve-month formats. The MSRB expects to make certain enhancements to the report cards in connection with the implementation of the proposed rule change if approved.

Phased Implementation

Several commentors advocated for a phased implementation of new requirements, the appropriate assessment of market impacts, and the leveraging of lessons learned and technology or process innovations for use at the next step.²²⁷ One trade association commenter noted that its members also could face challenges with reporting electronic executions within one minute after execution because some trades are transmitted across multiple layers of systems, meaning

²²⁵ See FINRA Regulatory Notice 13-19 (May 23, 2013), available at <https://www.finra.org/rules-guidance/notices/13-19>.

²²⁶ See *supra* “Purpose – Proposed Rule Change – Pattern or Practice of Late Trade Reporting” for a discussion on pattern or practice of late trade reporting and related expectations for regulatory authorities that enforce and examine dealers for compliance with Rule G-14.

²²⁷ See Bailey at 1; ICE Bonds at 2; ICI at 4–7; InspereX at 4; SIFMA at 2–6.

multiple firm and vendor systems before they are reported, and that some of these firms and reporting vendors would need to implement system and workflow changes to ensure that they can report all electronic executions within one minute.²²⁸

The MSRB recognizes that sudden and substantial changes to reporting deadlines would require some dealers to make potentially significant changes to processes and technology. Therefore, if the proposed rule change is approved by the Commission, the MSRB would announce an effective date (for example, approximately within 18 months from such Commission approval) in a notice published on the MSRB website, and the proposed rule change also includes a phased standard for manual trades to provide dealers time to adjust to the proposed rule change.²²⁹ The MSRB acknowledges the need for maintaining regulatory harmonization between the MSRB with respect to the proposed rule change and FINRA with respect to its similar planned changes to TRACE reporting pursuant to the 2024 FINRA Proposed Rule Change, and the MSRB's effective date for the proposed rule change would be intended to maintain implementation thereof on substantially the same implementation timeframe as the 2024 FINRA Proposed Rule Change.

Potential Benefits, Costs and Burdens

Benefits

The 2022 Request for Comment sought to understand the benefits to investors, dealers, municipal advisors, issuers and other market participants (i.e., yield curve providers, evaluated

²²⁸ See FIF I at 2 and 6. See also ASA at 1–2; ICE Bonds at 2.

²²⁹ See discussion *supra* “Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement – Exception for Trades with a Manual Component” and “Purpose – Effective Date and Implementation.”

pricing services etc.) and if those benefits would be different for institutional investors than individual investors, whether the benefits would differ among dealers and if the benefits to dealers differ from benefits to investors.

Two commenters strongly supported the Proposal to amend Rule G-14 to require that transactions be reported as soon as practicable, but no later than within one minute of the time of trade.²³⁰ One commenter agreed with the MSRB that the municipal securities market historically has been considered less liquid and more opaque than other securities markets, consequently making post-trade data the most important source of information for market participants. This commenter believed that the proposed shortening of the reporting timeframe would enhance transparency and reduce information asymmetries in the municipal securities market. It asserted that the enhanced transparency also enhances investors' power to negotiate with dealers, leading to reduced transaction costs.²³¹ The other commenter noted the importance of being able to see all sides of the trades in a particular bond—purchase from customer, inter-dealer, and sale to customer—as soon as possible to accurately evaluate bonds.²³²

One commenter noted that the Proposal's stated benefits are improved transparency, price relevance, and immediate impact on market direction, which are relevant to large block trades, large issue sizes and ubiquitously viewed credits. This commenter further noted that these "relevant" trades can be market leading, telling, and important for comparison.²³³

²³⁰ See Dimensional at 1; Tuma at 1.

²³¹ See Dimensional at 1.

²³² See Tuma at 1.

²³³ See NSI at 1.

Some commenters expressed concern that the Proposal would disproportionately benefit certain segments of the market such as algorithmic trading entities and other market participants positioned to take advantage of information arbitrage,²³⁴ large wire house firms and the vendors²³⁵ who provide automated reporting services and applications at the expense of others including retail and traditional institutional investors, while others believe the market is operating as intended and further changes are not necessary.²³⁶

Costs and Burdens

The 2022 Request for Comment sought to understand if a one-minute trade reporting requirement would have any undue compliance burdens on dealers with certain characteristics or business models and if so, requested suggestions on how to alleviate the undue burdens. The 2022 Request for Comment also requested input on the likely direct and indirect costs associated with the one-minute requirement and who might be affected by these costs and in what way. The MSRB asked for data on these costs and if firms would have to make system changes to meet a new timeframe for trade reporting, how long would firms need to implement such changes.

Regarding these questions, the majority of commenters in turn questioned whether the potential benefits of a one-minute reporting requirement for all fixed income trades, absent appropriate exceptions, outweighed the costs to market participants and the impact to the fixed-income market structure.²³⁷

²³⁴ See SIFMA at 3, 13; see also Colwell at 1.

²³⁵ See ISC at 1.

²³⁶ See NSI at 1.

²³⁷ See ASA at 3–4; AMUNI at 1; Belle Haven at 2–7; BSI at 1; BDA at 3–4; Cambridge at 3–4; CRI at 1; DeRobbio at 1; EH&C at 1–2; Falcon Square at 1; F&A at 1; HC at 1; HBIS at 1; ICE Bonds at 1; InspereX at 1–2; ISC at 2–3; IPG at 1; IBI I at 1; IBI II at 1–

These concerns appear to primarily stem from concerns regarding the potential impact on certain types of trades requiring additional time to report. Examples include trades executed by dealers that utilize a third-party clearing firm, situations where trade reporting occurs further downstream or involves multiple layers and trades that involve manual steps in the negotiation, execution and reporting process; on large-sized trades including voice and negotiated trades and the corresponding impact on best execution obligations; and on dealers that report a small number of trades.²³⁸ Commenters generally agreed that certain types of transactions may be reported successfully with a one-minute reporting requirement, depending on the level of automation.²³⁹

One trade association commenter stated some of its members were concerned that shortening 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.²⁴⁰ This commenter further noted that 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 Proposal.

2; KPI at 1; Miner at 1–2; NSI at 1; OSI at 1–2; RBMI at 1; SAMCO at 3–4; Sanderlin passim; Sheedy at 1; SIFMA at 4–8, 12–13; SBC at 1–2; TRADEliance at 1–2; Wiley at 1–2; Wintrust at 1; Zia at 1.

²³⁸ See supra “One Minute Timeframe for Reporting – Operational Issues Relating to Reporting Within One Minute – Manual Steps in the Negotiation, Execution and Reporting Process” generally.

²³⁹ See Bailey at 4; Oberweis at 1; SIFMA at 21.

²⁴⁰ See SIFMA at 13.

One commenter asserted that the size of a dealer's market share should not dictate whether the burdens such dealer bears are acceptable or not and stated that a failure to engage in a fulsome cost-benefit analysis that incorporates the needs and barriers such dealers face would be inconsistent with recent initiatives undertaken by regulators in support of small enterprises.²⁴¹

Many commenters described how the potential issues they identified might lead to a broader negative impact by way of, for example, increased compliance costs that may force many firms out of the industry, thereby reducing competition, liquidity, and market accessibility for certain types of issuers and investors.²⁴² One commenter stated that the Proposal would have an unreasonable impact on smaller dealers, which likely lack the technological systems available to large firms, and to the extent the small firms exit the market or limit trading in response to new or amended regulation, issuers and investors suffer.²⁴³ This commenter further stated that, to the extent that the Proposal makes participating in the market more difficult and costly for regulated entities, it would negatively impact local governments.²⁴⁴

Some commenters asserted that the Proposal appears to make fixed income markets operate more like the equity markets although they are different.²⁴⁵ One commenter observed that there are innate differences between the municipal marketplace and the equity

²⁴¹ See Stern at 1.

²⁴² See BSI at 4; BDA at 4–5; BB at 2; C&C at 1; Falcon Square at 2–3; HJS 3–5; Honey Badger at 1; ISC at 3; ICI at 4; IBI II at 1–2; Miner at 1; NSI at 1; OSI at 1–2; RBMI at 1; SAMCO at 3–4; Wiley at 1–2.

²⁴³ See F&A.

²⁴⁴ Id.

²⁴⁵ See ISC at 3; NSI at 1. See also SIFMA at 5.

marketplace,²⁴⁶ and another commenter noted that equity securities can trade thousands of shares in seconds, making the need for price transparency in an extremely short period of time a necessity but that, in contrast, municipal securities rarely trade twice in the same day or multiple times in one, five or 15 minutes.²⁴⁷ Both commenters questioned whether municipal securities would benefit from the shortening of the reporting timeframe to one minute, in contrast to the equity markets, noting the lack of cost-effective technology solutions for municipal securities and the likely prohibitive costs of the Proposal, particularly to small and medium-sized dealers.²⁴⁸ Another commenter noted that there are some 70,000 different issuers of municipal securities unlike the less than 5,000 equity issuers and that the market is not there yet technologically to do one-minute trading.²⁴⁹

The MSRB believes that it has engaged in a fulsome cost-benefit analysis that incorporates the needs and barriers dealers would face upon implementation of the proposed rule change, as described in “Self-Regulatory Organization’s Statement on Burden on Competition” above. Specifically, the MSRB recognizes that meeting the new one-minute transaction reporting requirement under Rule G-14 RTRS Procedures may result in additional costs for certain dealers. Additionally, the MSRB understands that the trade reporting process for certain types of trades, including trades with a manual component, may take longer to report than a trade for which an automated execution and reporting system was used.

²⁴⁶ See NSI at 1.

²⁴⁷ See ISC at 3.

²⁴⁸ See id.; NSI at 1.

²⁴⁹ See Bailey at 1.

The MSRB has taken into consideration the various operational considerations raised by commenters and identified through subsequent outreach. As a result of this industry input, the proposed rule change introduces two new exceptions to address the concerns related to the balance of costs and benefits and to alleviate potential compliance burdens: (1) an exception for firms with limited trading activity, and (2) an exception for transactions with a manual component, which includes a phased approach to an eventual five-minute reporting requirement.²⁵⁰ The two exceptions created by the proposed rule change are designed to reduce potential costs and compliance burdens to less active dealers and on certain transactions that are most likely to realize a negative impact by shortening of the timeframe,²⁵¹ and these proposed exceptions were taken into consideration in the MSRB's economic analysis included in "Self-Regulatory Organization's Statement on Burden on Competition" above.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period of up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be

²⁵⁰ For a detailed discussion of the two exceptions created by the proposed rule change, see supra "Purpose – Proposed Rule Change – Exceptions to the Baseline Reporting Requirement."

²⁵¹ These two exceptions should provide considerable relief from potentially higher compliance costs for smaller dealers that may in many cases constitute dealers with limited trading activity and may primarily engage in transactions with a manual component, thereby potentially qualifying for both exceptions.

disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-MSRB-2024-01 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2024-01. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of the

MSRB. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-MSRB-2024-01 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.²⁵²

Sherry R. Haywood
Assistant Secretary

²⁵² 17 CFR 200.30-3(a)(12).

MSRB Notice

2022-07

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Stakeholders

Municipal Securities
Dealers, Bank Dealers,
Investors, General Public

Notice Type

Request for Comment

Comment Deadline

October 3, 2022

Category

Market Transparency

Affected Rules

[Rule G-14](#)

Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

Overview

As part of its ongoing retrospective review of its rules and published interpretations, the Municipal Securities Rulemaking Board (the MSRB or the Board) is issuing this Request for Comment (RFC) to solicit comment on a potential amendment to [MSRB Rule G-14](#), on reports of sales or purchases, related to the reporting and public dissemination of information regarding purchase and sale transactions effected in municipal securities. Specifically, the MSRB is seeking input on a potential amendment to Rule G-14 to require that, absent an exception, transactions are reported as soon as practicable, but no later than within one minute of the Time of Trade (“Proposal”).¹

Comments should be submitted no later than October 3, 2022 and may be submitted in electronic or paper form. [Comments may be submitted electronically by clicking here](#). Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, MSRB, 1300 I Steet NW, Washington, DC 20005. All comments will be available for public inspection on the MSRB’s website.

Questions about this Request for Comment should be directed to Gail Marshall, Chief Regulatory Officer, John Bagley, Chief Market Structure Officer, or David Hodapp, Director, Market Regulation, at 202-838-1500.

Background

The MSRB’s highest priority is to fulfill its congressional mandate to protect investors, issuers and the public interest by promoting a fair and efficient market and ensuring access to capital for communities across the country. The MSRB fulfills its mission in safeguarding the nearly \$4 trillion municipal securities market by, among other activities, establishing rules



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¹ “Time of Trade,” as defined in Rule G-14(d)(iii), means the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.

for brokers, dealers, municipal securities dealers (collectively, “dealers” and, individually, each a “dealer”) and municipal advisors that engage in municipal securities and advisory activities that are designed to prevent fraud and manipulation and promote fair dealing, and a fair and efficient market.

To further promote a fair and efficient market, one that facilitates equal access to information and market transparency, the MSRB provides technology systems that power the municipal securities market and provide market transparency. Over the past decade, the MSRB significantly advanced transparency in the municipal securities market through its Electronic Municipal Market Access (EMMA[®]) website and technology systems. The EMMA website is the official source for municipal securities data and disclosure documents and provides investors, state and local governments and other market participants with free access to key information and tools to effectively use that information. The MSRB early on recognized the importance of price transparency to achieving its mission of protecting investors, especially since municipal bonds, unlike equities, do not trade on a centralized exchange. With the launch of the EMMA pilot on March 31, 2008, transaction information became available to the public, at no charge, through the EMMA website on a real-time basis.

MSRB Rule G-14 currently requires brokers, dealers, and municipal securities dealers to report information about purchase and sale transactions effected in municipal securities to the MSRB’s Real-Time Transaction Reporting System (RTRS).² Rule G-14 establishes reporting requirements for three types of transactions: inter-dealer transactions eligible for comparison, customer, and inter-dealer regulatory-only. RTRS has three “Portals” for submission of transaction data, and aspects of RTRS are designed to function in coordination with the National Securities Clearing Corporation’s Real-Time Trade Matching (“RTTM”) system. Dealers are directed to report such transactions in accordance with Rule G-14, the Rule G-14 RTRS Procedures, and the [RTRS Users Manual](#). Absent an exception, Rule G-14 currently requires a dealer to report the applicable transaction information within 15 minutes of the “Time of Trade,” which Rule G-14 defines as the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.

The transaction information collected by the MSRB in accordance with Rule G-14 serves the dual purposes of market transparency and market

² Transactions in securities without CUSIP numbers, in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are currently exempt from the reporting requirements of G-14(b)(vi).

surveillance. To advance the goal of market transparency, the MSRB disseminates trade reporting information free to the general public through the EMMA website and to paid subscribers through certain data subscription feeds. To advance the goal of market surveillance, the MSRB maintains a comprehensive database of transaction information, which is made available to the examining authorities, including the Securities and Exchange Commission (the SEC or Commission) and the Financial Industry Regulatory Authority (FINRA), and other appropriate regulatory agencies.

Proposal on Trade Reporting Time Frame

The MSRB adopted the current 15-minute reporting timeframe in 2004 with an operative date of January 2005.³ The Board last sought public comment on the reporting timeframe in 2013.⁴ As part of its retrospective review, the Board is revisiting this topic to determine, in light of the prior stakeholder comments and current data analysis, whether market practices and technology have evolved to the extent that the potential transparency benefits of more contemporaneous trade reporting could be achieved.

The MSRB is seeking comment on the Proposal to Rule G-14 to require that, absent an exception, dealers report transactions effected with a Time of Trade during the RTRS Business Day to an RTRS Portal as soon as practicable, but no later than within one minute of the Time of Trade.

A. Trade Reporting Analysis

In 2021, 76.9% of trades that were not exempt from the 15-minute reporting requirement were reported within one minute after a trade execution.⁵ By comparison, more than 97.3% of trades required to be reported within 15 minutes were reported in five minutes or less. Accordingly, reducing the required reporting time to as soon as practicable but no later than five minutes would have little impact on enhancing the timeliness as to the number of trades reported.

While a shorter reporting timeframe would have already been satisfied by most reported trades in 2021, a shorter reporting timeframe, such as the

³ See Release No. 34-50605 (Oct. 29, 2004), 69 FR 64346 (Nov. 4, 2004) File No. SR-MSRB-2004-06; see also [MSRB Notice 2004-29](#): Approval by the SEC of Real-Time Transaction Reporting and Price Dissemination: Rules G-12(F) and G-14 (Sept. 2, 2004).

⁴ See [MSRB Notice 2013-02](#): Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform (Jan. 17, 2003). [Comments in response to 2013-02 are available here.](#)

⁵ In general, "time of execution," as currently required for recordkeeping purposes under Rule G-8(a)(vi) and (vii), is the time of trade as defined in Rule G-14(d)(iii).

proposed one-minute reporting requirement, would provide more immediate transparency from the remaining 23.1% of trades for the same or comparable securities for a market that historically has been associated with low trading volume for a majority of CUSIP numbers, relatively illiquid securities and information opacity.

Table 1 summarizes the MSRB's analysis comparing trade execution time to trade reporting time. As shown in Table 1 below, 76.9% of all municipal securities trades reported in 2021 were reported within one minute. In addition, there is a noticeable difference in the speed of trade reporting by different trade size groups, with the reporting time increasing with trade size. While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute. By comparison, the differences in percentage of trades reported within two minutes and five minutes were smaller across the trade size groups, ranging from 49.4% for trades above \$5,000,000 par value to 93.4% for trades at \$100,000 par value or lower for two-minute reporting and 80.3% for trades above \$5,000,000 par value to 98.1% for trades at \$100,000 par value or lower for five-minute reporting.

**Table 1. Trade Report Time by Trade Size
January 2021 to December 2021⁶**

Difference Between Execution and Reported Time	Cumulative Percentage				
	All Trades	\$100,000 or Less	> \$100,000 - \$1,000,000	> \$1,000,000 - \$5,000,000	>\$5,000,000
15 Seconds	26.1%	28.0%	17.8%	8.7%	4.0%
30 Seconds	51.6%	54.5%	39.5%	23.1%	13.2%
1 Minute	76.9%	80.3%	63.4%	40.1%	25.3%
2 Minutes	91.0%	93.4%	82.1%	64.1%	49.4%
5 Minutes	97.3%	98.1%	94.6%	87.6%	80.3%
10 Minutes	99.1%	99.3%	98.2%	96.2%	92.6%
15 Minutes	99.5%	99.6%	99.0%	98.1%	95.7%
30 Minutes	99.6%	99.7%	99.3%	98.7%	96.5%
1 Hour	99.7%	99.8%	99.5%	99.0%	96.9%
> 1 Hour	100.0%	100.0%	100.0%	100.0%	100.0%
Market Share	100.0%	83.8%	13.6%	2.1%	0.5%

⁶ The analysis in this request for comment excludes trades that are exempt from the 15-minute reporting time including trades flagged as being executed at the List Offering Price, trades in Variable Rate Demand Obligations, as well as trades in commercial paper.

Table 2 illustrates a significant difference in trade reporting time between dealers with more than one-percent market share of trades (Group 1) and dealers with less than 0.1% market share of trades (Group 3 and Group 4). This difference is especially pronounced for the one-minute trade reporting percentages (blue shade). For dealers in Group 1, 81.2% of all trades conducted were reported within one minute while approximately 50% of all trades conducted by Group 3 (48.0%) and Group 4 (52.0%) dealers were reported within one minute. In addition, when exploring what percentage of firms in each group reported at least 90% of trades within one minute in 2021, 47.6% of Group 1 firms met the criteria while only 14.9% of Group 3 firms and 34.6% of Group 4 firms met the criteria. Please note 67.7% of trades in 2021 were conducted by Group 1 firms, as opposed to 5.5% of trades conducted by Group 3 firms and only 0.7% of trades conducted by Group 4 firms.

**Table 2. One-Minute Trade Reporting Time by Size of Dealers
January 2021 to December 2021**

	Percent of Trades	Percentage of Firms Reporting At Least 90% of Trades	Market Share of Trades
Group 1 - Firms that accounted for at least 1% of trades	81.2%	47.6%	67.7%
Group 2 - Firms that accounted for between 0.1% and 1% of trades	72.8%	40.3%	26.1%
Group 3 - Firms that accounted for between 0.01% and 0.1% of trades	48.0%	14.9%	5.5%
Group 4 - Firms that accounted for 0.01% or less of trades	52.0%	34.6%	0.7%

B. Preliminary Economic Analysis of the Proposed Amendment

The Proposal would require that, absent an exception, dealers report transactions effected with a Time of Trade during the RTRS Business Day to an RTRS Portal as soon as practicable, but no later than within one minute of the Time of Trade. The Proposal would better align with the actual time that it takes a dealer to report a transaction in most instances and provide more immediate transparency to the market by reducing the reporting time for the remaining instances.

1. Necessity for the Proposal

The MSRB analyzed RTRS trade data for the seventeen years of the trade reporting platform's existence. The MSRB identified a gradual increase in the percentage of trades reported within one minute, even with the

current 15-minute trade reporting requirement. Specifically, as mentioned above in Table 1, 76.9% were reported within one minute after a trade execution. A shorter reporting timeframe would have already been satisfied by most reported trades presently. In addition, a shorter reporting timeframe, such as the one-minute reporting requirement, would provide more immediate transparency from the remaining 23.1% trades to a market that historically has been associated with low trading volume for a majority of CUSIP numbers, relatively illiquid securities and information opacity.

2. Relevant Baselines Against Which the Likely Economic Impact of the Proposal Can Be Considered

To evaluate the potential impact of amending Rule G-14, a baseline or baselines must be established as a point of reference to compare the expected future state with the proposed change to Rule G-14. The economic impact of the proposed change is generally viewed as the difference between the baseline state and the expected state. The baseline is the current iteration of MSRB Rule G-14(a)(ii) that requires transactions to be reported within 15 minutes of a trade's execution time with limited exceptions to RTRS.

3. Assessing the Benefits and Costs of the Proposal

The MSRB policy on economic analysis in rulemaking requires consideration of the likely costs and benefits of a proposed rule change when the rule change proposal is fully implemented against the context of the economic baselines. The MSRB is currently unable to quantify the economic effects of amended Rule G-14 in totality because not all the information necessary to provide a reasonable estimate is available.

There are few publicly available sources of information about revenue and expense data for relevant business lines of a dealer firm, especially in relation to a potential one-time spending on acquiring or upgrading technology and infrastructure for some dealers. In addition, estimating the costs for adoption of a new technology or enhancing existing technology to comply with the proposed rule change is hampered by the fact that it appears dealers who would most likely need these new technologies tend to be smaller and sometimes privately-owned dealers who are less likely to disclose business operation data in public filings than larger-sized dealers. Given the limitations on the MSRB's ability to conduct a quantitative assessment of the costs and benefits associated with the proposed rule change, the MSRB considered some of these costs and benefits in qualitative terms augmented with preliminary

quantitative estimates based on the recent analyses performed by the MSRB as well as other published data sources.

The MSRB is seeking, as part of this Request for Comment, additional data or studies relevant to the costs and benefits of the Proposal.

i. Benefits

The main benefit for proposing the one-minute trade reporting would be improved transparency in the municipal securities market. The municipal securities market historically has been considered less liquid and more opaque when compared to other securities markets, with only about one percent of all municipal securities trading on a given trading day, and pre-trade quotes are not widely available to all market participants.⁷ Given the limitations, post trade data are the most important information for all market participants, including retail investors.

Starting in January 2005, all trades in municipal securities were required to be reported to RTRS 15 minutes after a Time of Trade, with some exceptions. Over the past 17 years, with the ever-advancing technologies in the marketplace, most trades are increasingly reported to RTRS in a much shorter timespan than required by Rule G-14, as discussed above in Table 1, and also illustrated in Chart 1 below. Still, about 23.1% of trades took longer than one minute to be reported to RTRS. Under the proposed change, however, more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades. If the trade reporting requirement had been shorter for the period analyzed (January 2021 through November 2021) and dealers were able to meet that obligation, more market participants would have had additional trade data available to them at the time of their trade executions. Table 3 shows out of the universe of the trades (251,635 “analyzed trades”) with same-CUSIP number matched trades between January and December 2021, where a matched trade was executed before the analyzed trade’s execution but was reported after the analyzed trade’s execution, 27.9% (100% - 72.1%) of those analyzed trades had at least one matched trade executed more than a minute before the analyzed trade’s execution. This suggests those analyzed trades would have benefited from the matched trades’ execution information if

⁷ Chalmers, Wang and Liu (2021).

matched trades were required to be reported within one minute after their execution times. By comparison, if the trade reporting requirement were shortened to five minutes, only 7.9% (100% - 92.1%) of analyzed trades would have benefited from the matched trades' execution information; and only 15.5% (100% - 84.5%) of analyzed trades would have benefited if the trade reporting requirement were reduced to two minutes.

Table 3. Trades with CUSIP Number-Matched Trades Executed Before but Reported After January 2021 to December 2021

Execution Time Difference Between Matched Trades and Analyzed Trades	Cumulative Number of Subject Trades with Same-CUSIP Matched Trades	Cumulative Percent of Subject Trades with Same-CUSIP Matched Trades
0 - 15 Seconds	89,214	35.5%
30 Seconds or Less	129,014	51.3%
1 Minute or Less	181,380	72.1%
2 Minutes or Less	212,680	84.5%
5 Minutes or Less	231,691	92.1%
More than 5 Minutes	251,635	100.0%

In addition, since only about one percent of municipal securities trade on a given trading day, trades in other comparable municipal securities would be valuable as well in pricing a security. Even if there was no other trade for the same CUSIP number that was executed more than a minute before an analyzed trade, other reported trades from comparable securities executed in the same timeframe might also have benefited from the analyzed trade's pricing. Lowering the reporting time would make more trades in comparable securities available for many transactions. The 2012 report issued by the Government Accountability Office (GAO) stated "Broker-dealers we spoke with said that the price of a recently reported interdealer trade for a security was a particularly good indication of its value for that segment of the market. However, if a security has not traded recently, they said they instead look for recent trades in comparable securities." If so, the actual number of trades that would have benefited from reducing the trade reporting time from 15 minutes to one minute would have been higher than the 27.9% of the analyzed trades with only information on matched trades. Additional trades would have also benefited from a shortening of trade reporting time with augmented trade data from comparable securities.

Past economic research indicates that investors, especially retail investors, benefit from transparency (more and/or better information) by enhancing their negotiation power with dealers, therefore reducing customer trades'

transaction costs, also known as bid-ask spread or effective spread. Additional data points from recent trades in the same and/or comparable securities would theoretically increase investors' negotiating power. Specifically, regarding trade reporting time, two research papers examined the 2005 change in trade reporting time from the end of a trading day to 15 minutes after a trade execution and found a statistically significant reduction in customer trades' average effective spread. When comparing the period before and the period after January 2005, the reduction in average customer trade effective spread ranged between 11 to 28 basis points.

- Sirri (2014) estimated the average customer trade spread was reduced, all other relevant factors being equal, by 11 basis points within the six-month period and up to 20 basis points within the one-year period.⁸
- Chalmers, Wang and Liu (2021) found dealer markups across all trade sizes declined by 28 basis points (14% reduction) in a ten-month period (March 2005 – December 2005) following the implementation of RTRS. The authors concluded that the improved timeliness of the market resulted in large reductions in the costs of trading municipal bonds.⁹

In addition, recent MSRB analyses show customer trade effective spreads continued to decline in the last decade.¹⁰ Furthermore, the difference in effective spread between smaller retail-sized customer trades and larger institutional-sized customer trades continued to shrink over the past decade. The reduction was mostly due to the steadily declining effective spread for retail-sized customer trades, as institutional-sized customer trades (par value more than \$1,000,000) had a relatively stable level of effective spread during the period.

The MSRB believes the Proposal would further reduce customer trade effective spread as a result of the more immediate transparency. The MSRB acknowledges the difference in the potential impact between the launch of

⁸ See Sirri, Erik, "Report on Secondary Market Trading in the Municipal Securities Market," Research Paper, Municipal Securities Rulemaking Board, July 2014.

⁹ See Chalmers, Wang and Liu (2021).

¹⁰ See Wu, Simon Z., "Transaction costs for Customer Trades in the Municipal Bond Market: What is Driving the Decline?" Research Paper, Municipal Securities Rulemaking Board, July 17, 2018; and Wu, Simon Z. and Nicholas J. Ostroy, "Transactions Costs During the COVID-19 Crisis: A Comparison between Municipal Securities and Corporate Bond Markets," Research Paper, Municipal Securities Rulemaking Board, July 2021.

RTRS in January 2005 with the introduction of a 15-minute reporting window and from the shortening of the trade reporting to one minute due to the different scale of the changes. However, even if the proposed change to one minute trade reporting would not generate as significant of an impact as the 2005 RTRS transition, there would likely still be additional benefits for investors, especially for retail investors who previously benefited from post-trade transparency more than institutional investors.¹¹ For example, even if the reduction in effective spread would only be five basis points from the proposed change, less-than-half of the lower-end estimated impact from the 2005 RTRS changeover and applicable to non-institutional-sized customer trades only with a trade size of \$1,000,000 or less, the reduction would result in a savings of \$78.3 million annually to these investors based on the 2021 trading volume (\$313.1 billion annual par value traded from all customer trades with trade size below-\$1,000,000 par value x 0.05%/2 = \$78.3 million).

ii. Costs

The MSRB acknowledges that dealers would likely incur costs, relative to the baseline state, to meet the new transaction reporting time of one minute outlined in the Proposal to Rule G-14. These changes would likely include the one-time upfront costs related to adopting new technologies or upgrading existing technologies to speed up the trade reporting for some dealers, as well as setting up and/or revising policies and procedures. Since 76.9% of all relevant trades already report within one minute, the cost to comply with the proposed change would not be as significant if the current one-minute compliance rate was substantially lower.

For the upfront costs, it appears smaller firms would have difficulty with the proposed one-minute reporting requirement. The MSRB is basing this assumption on an internal analysis showing smaller firms lagging behind larger firms in reporting time, as illustrated in Table 2 above.

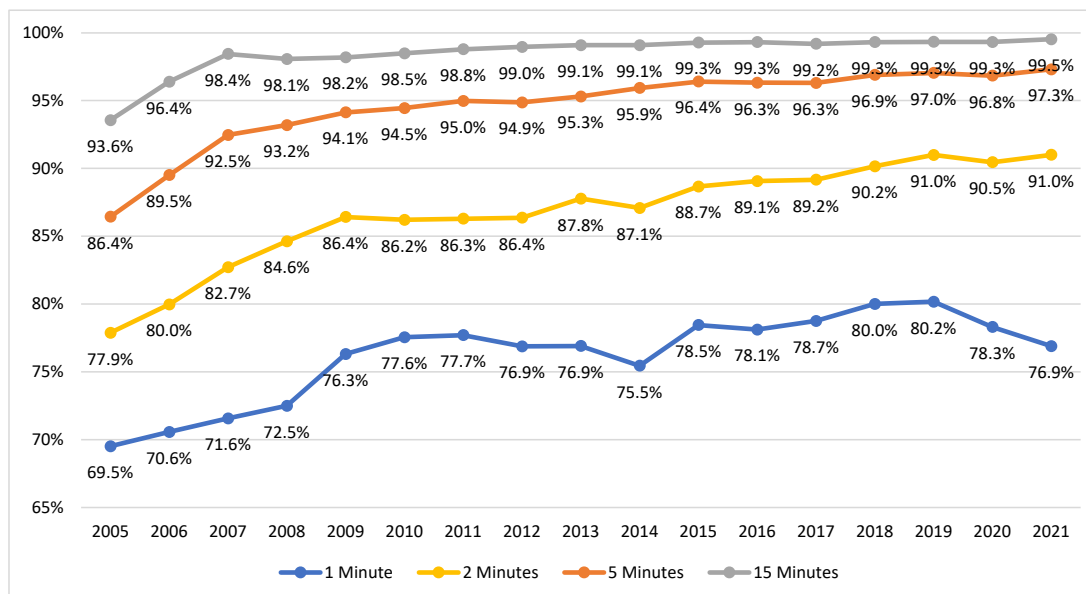
Additionally, the commenters on the 2013 Request for Comment indicated that reporting trades less than 15-minutes may be difficult for larger institutional-sized trades, as those trades are more likely to be executed via negotiations. Smaller-sized trades are more likely executed electronically which should facilitate a faster trade reporting process. Based on the analysis in Table 1, the MSRB is aware that larger trades take longer to report than smaller trades.

¹¹ See Wu, Simon Z., "Transaction costs for Customer Trades in the Municipal Bond Market: What is Driving the Decline?" Research Paper, Municipal Securities Rulemaking Board, July 17, 2018.

Therefore, while smaller-size trades may be able to be processed within one minute, larger-size trades could take longer and would have difficulty complying with the proposed change.

In addition to the upfront costs in acquiring or upgrading technologies, there is also the possibility that the percentage of trades reported within the required timeframe would be lower than under current reporting requirements, if the proposed change were approved and implemented, at least initially. Looking back at the last time when the trade reporting time requirement was changed, the RTRS transition in 2005 was likely a larger endeavor than the current proposed changeover, which the MSRB understood at the time that the new 15-minute deadline was a break from past practices. Indeed, the percentage of trades reported within 15 minutes was only 93.6% during the first year of RTRS' operation from June 2005 through December 2005, as shown in Chart 1, excluding the data from before June 2005 when the data were not reliable though the compliance rate was likely even lower. The percentage gradually improved over time and reached 98.4% of trades by 2007. By 2013, the total number of trades reported within 15-minutes increased to 99.1%, which was close to the 99.5% rate from the most recent year of 2021.

Chart 1. Percentage of Trades Reported Within One Minute, Two Minutes, Five Minutes and Fifteen Minutes June 2005 to December 2021



It is interesting to note that, even though the trade reporting time requirement has been 15 minutes since at least January 2005, the percentages of trades reported within one minute, two minutes and five minutes after a trade execution were also increasing between 2005 and 2021 in Chart 1, suggesting a market-wide technology improvement occurring over time. The percentage of trades reported within five minutes has risen from 86.4% in the latter half of 2005 to 97.3% by 2021, and from 77.9% to 91% for trades reported within two minutes during the same period. The one-minute trade reporting percentage has experienced a similar upward trend, from 69.5% in late 2005 to 80.2% by 2019 before coming down to 76.9% in 2021. However, it should be noted that the one-minute trade reporting percentage has been relatively stable since 2015, indicating that the improved technologies may not reach every corner of the market without regulatory incentives, likely due to the cost factor for implementing the one-minute trade reporting for firms with low trading volume, or for firms executing large institutional-sized trades that may involve a more manual process.

Other than the technology upgrade costs, it is possible dealers may need to seek appropriate advice of in-house or outside legal and compliance professionals to revise policies and procedures in compliance with amended Rule G-14. Dealers may also incur costs as related to continuing education and/or standards of training in preparation for the implementation of amended Rule G-14. The MSRB believes, however, these upfront costs would be relatively minor.

Finally, there would be ongoing costs of ensuring the compliance of relevant trades to be reported within one minute. It is possible that, instead of upgrading existing technologies, some dealers, especially firms with relatively few trades in municipal securities, may choose to increase human effort to ensure a shorter reporting lag after a trade execution to comply with the proposed change. Comparatively speaking, these costs would be minor and may not significantly exceed the costs in the current baseline, as all dealers should already have compliance programs in place in relation to the current trade reporting requirement.

iii. Effect on Competition, Efficiency, and Capital Formation

Based on the MSRBs internal analysis, the smallest 400 firms in terms of trades reported, account for less than one percent of all trades. If the proposal moves towards adoption, some smaller firms may find it difficult to meet the new reporting times due to the high costs relative to the amount of business they conduct. Therefore, some dealers may be impacted by the proposed change, though the broader impact on competition in the municipal securities market is expected to be minor given these dealers' relatively minor presence in executing trades for municipal securities currently. Additionally, if these dealers choose to relinquish their secondary market trading business, there should not be any significant reduction in the supply of services to investors, as these trades would likely migrate to other larger dealers. Therefore, the MSRB does not expect a significant alteration to the competitive landscape from investors' perspective if the proposed change were adopted.

The MSRB believes the proposed change to Rule G-14 would improve market efficiency by providing more immediate trade reporting transparency to the market. If indeed there would be a reduction in customer transaction costs, as illustrated by the 2005 RTRS transition, albeit at a smaller scale, the benefits to customers would accrue over a longer period that would overcome the initial investment in upgrading technologies by select dealers. In addition, it is possible that lower transaction costs may encourage more trading by existing investors and/or bring in new investors to the municipal securities market over the long term; if so, the increased volume would offset the decline in effective spread paid by investors. Finally, the potential harmonization of MSRB rule requirements for municipal securities with FINRA requirements for other fixed-income markets would create consistency for firms who have trading operations in all these markets, and, thus, would increase efficiency in terms of firms' compliance burdens. Therefore, the MSRB believes that the proposed change would facilitate capital formation.

4. Identifying and Evaluating Reasonable Alternative Regulatory Approaches

The MSRB policy on economic analysis in rulemaking addresses the need to consider reasonable alternative regulatory approaches, when applicable. Under this policy, only reasonable regulatory alternatives need to be considered and evaluated.

One alternative the MSRB reviewed but deemed inferior was to introduce a five-minute trade reporting period. By MSRB's estimates, as shown in Table 1 above, 20.4% (97.3% - 76.9%) of all reported trades in municipal securities would have satisfied the five-minute reporting requirement but not the one-minute reporting requirement in 2021. If the MSRB instituted a five-minute trade reporting period, most of the industry would already satisfy the obligations of a five-minute requirement and it would likely be less of a burden for some dealers to comply. In effect, MSRB rulemaking would merely catchup to current market practices. However, considering that most trades (97.3%) already took five minutes or less to be reported to RTRS, the MSRB believes the five-minute reporting requirement, while easier for dealers to comply with, would not have advanced the immediacy of information transparency by a meaningful amount that would make a difference for investors, especially retail investors, and other market participants. A two-minute trade reporting requirement would be another reasonable alternative, though with 91.0% of all trades reported within two minutes presently, this alternative still may not enhance the transparency for the market significantly, as the two-minute trade reporting percentage is much closer to the five-minute percentage (97.3%) than the one-minute percentage (76.9%). As discussed above in Table 3, significantly more trades would benefit from the proposed one-minute trade reporting requirement from other reported trades with the same CUSIP number than the two-minute or the five-minute trade reporting requirement. The MSRB therefore concludes the proposed one-minute trade reporting period would be a superior option.

Another alternative would be for the MSRB to change the trade reporting time by trade size. The MSRB was informed in the 2013 Request for Comment that large-sized trades are in many instances still negotiated telephonically and require more dealer attention.¹² Table 1 above shows a noticeable difference in the speed of trade reporting by different trade size groups, with the reporting time increasing with trade

¹² [Financial Services Institute: Letter from David T. Bellaire, Executive Vice President and General Counsel](#), dated March 15, 2013.

size. The MSRB could propose that small and medium-sized trades, i.e., trades with par value below \$1,000,000, about 97.4% of all trades, be reported within one minute while proposing a longer threshold, for example, a five-minute threshold for large-sized trades, about 2.6% of all trades. In fact, the same percentage of (80.3%) of trades with par value over \$5,000,000 were reported within five minutes as the percentage of trades (80.3%) with par value less than \$100,000 that were reported within one minute. This method, however, would cause operations staff at dealer firms to maintain two sets of policies and procedures for compliance and potentially result in trade reporting errors. Also, anecdotal evidence suggests that large-sized trades have more of an impact on the direction of the market, as many market participants weigh larger trades more heavily in determining market movements and many of the existing market produced yield curves exclude small-sized trades from their analysis. For example, the most widely curve used is the Refinitiv Municipal Market Data (MMD) AAA curve that only includes institutional block size \$2 million or more in the secondary or primary market. This is in addition to the IHS Markit AAA Curve and Bloomberg BVAL municipal AAA curves displayed on the MSRB's EMMA website which exclude small-sized trades from their methodologies. Therefore, it may be more important for large-sized trades to be reported sooner. By establishing a reporting regime based on trade size, with a delayed reporting by large-sized trades, it may cause additional disruptions in the marketplace.

A slight variation of the above alternative on divergent trade reporting requirements would consider trades on Alternative Trading System (ATS) platforms and other non-ATS trades differently, since the speed of reporting differs between these two groups of trades, with 84.4% of inter-dealer trades on an ATS platform being reported within one minute while only 74.9% of non-ATS trades being reported within one minute.¹³ However, variation of requirements could similarly cause confusion and may further add burden on dealers who may have to maintain multiple sets of policies and procedures. In addition, ATS platforms also report trades differently, with some ATS platforms being the reporting party while other ATS platforms let participants on the ATS platforms report trades directly to RTRS. Hence, it would be difficult to segregate those complex reporting responsibilities.

¹³ Although the MSRB's analysis showed that on average, inter-dealer trades reported faster than customer trades, this difference was almost entirely due to the higher usage of ATSs for interdealer trades compared to customer trades. If we exclude all trades executed on an ATS, the reporting times for customer and inter-dealer trades are very similar.

B. Request for Comment on the Proposal

The MSRB seeks public comment on the Proposal to require that dealers, absent an exception, report transactions to an RTRS Portal as soon as practicable, but no later than within one minute of the Time of Trade during the RTRS Business Day. The MSRB requests comment on all aspects of the Proposal, including the economic analysis. The MSRB requests that commenters provide empirical data or other factual support for their comments wherever possible. The MSRB specifically requests comment concerning the following questions, which will inform the MSRB in its efforts to enhance post-trade transparency.

Benefits

1. What benefits would investors gain by the Proposal to reduce the time transactions are reported to RTRS from fifteen minutes to as soon as practicable, but no later than within one minute?
 - a. Would the benefits be different for institutional investors than retail investors? If so, in what way?
2. What benefits would the Proposal to reduce the time transactions are reported to RTRS provide dealers?
 - a. Do any of these benefits differ from the benefits to investors? If so, in what way?
 - b. Do any of these benefits differ among dealers? If so, in what way?
3. What benefits would the Proposal to reduce the time transactions are reported to RTRS provide municipal advisors and issuers?
4. What benefits would other market participants gain from more timely trade reporting (*i.e.*, yield curve providers, evaluated pricing services etc.)?

Costs and Burdens

1. Would a one-minute trade reporting requirement have any undue compliance burdens on dealers with certain characteristics or business models (*e.g.*, large firms versus small firms, firms with greater trading volume versus lesser trading volume, bank dealers versus broker-dealers, etc.)? If so, please provide suggestions on how to alleviate the undue burdens.

2. Are these undue compliance burdens unique to minority and women-owned business enterprise (MWB), veteran-owned business enterprise (VBE) or other special designation firms? If so, please provide suggestions on how to alleviate any undue burden or impact.
3. What are the likely direct and indirect costs associated with the Proposal? Who might be affected by these costs and in what way?
 - a. Is there data on these costs that the MSRB should consider? If so, please provide such information.
 - b. If firms would have to make system changes to meet a new timeframe for trade reporting, how long would firms need to implement such changes?

Operational Considerations

1. The time to report a trade is triggered at the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price; is this definition of “Time of Trade” the appropriate trigger? If not, what other elements of the trade should be established before the reporting obligation is triggered?
2. The data in Table 1 above indicates that 76.9% of trades reported to the MSRB were reported within one minute. Are there any commonalities with the trades (other than those noted above) that were reported within one minute or reported after one minute?
3. The data in Table 1 above indicates that larger-sized trades take longer to report than smaller-sized trades. What is the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (*e.g.*, voice trades)?
 - a. For dealers that report larger-sized trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?
 - b. Would dealers need retail and/or institutional investors to modify any of their processes so that larger-sized trades could be reported in a shorter timeframe?
4. The data in Table 2 above indicates dealers that report a smaller number of trades per year, take longer to report trades than dealers that report a larger number of trades. What is the reason(s) it takes a firm that reports a small number of trades more time to report a trade?

- a. For dealers that report a small number of trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?
5. Based on the MSRB's analysis, trades conducted on ATS platforms are reported to RTRS in less time than non-ATS trades, with 84.4% of inter-dealer trades on an ATS platform being reported within one minute while only 74.9% of non-ATS trades were reported within one minute. What is the reason(s) it takes more time to report trades executed away from an ATS?
6. Submitting transactions to RTRS using a service bureau appears to result in faster trade reporting time than a dealer using the RTRS Web interface. On average how long does it take a dealer to report a trade through the RTRS Web interface? How could the MSRB improve the process for reporting through the RTRS Web interface? In what instance would a dealer choose to or need to use the RTRS Web interface?
7. Would reducing the timeframe to as soon as practicable, but no later than within one minute affect the accuracy of information reported and/or the likelihood of potential data entry errors? If so, what is the reason for such impact?
8. Are there any necessary process(es) a dealer needs to complete before trading a bond for the first time that could impact the ability to report a trade within a reduced timeframe (*e.g.*, querying an information service provider to obtain indicative data on the security)?
 - a. Please describe the process(es) and how often it is necessary to implement the process(es).
 - b. Please estimate the time necessary to complete such process(es).
 - c. Describe how, if at all, the process has changed in the last 10 years?
9. Rule G-14 currently provides exceptions for certain trades to be reported at end of day. Are these exceptions still necessary? If so, is end of day still the appropriate timeframe for reporting these transactions?
10. Would reducing the reporting timeframe to one minute require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (*e.g.*, 3 minutes)? If so, please identify the types of trades that would require an exception and why such are believed necessary? For example, do trades executed on swap rather than on a cash basis require more time to report?

Market Structure Considerations

1. Would approval of this Proposal have an impact on any current trading patterns or processes not already identified above? Would certain types of trades be less likely to occur? If so, what type of trades would be most impacted, and would that impact the fairness and efficiency of the market?
2. The MSRB is aware of differences in the market structure in the municipal bond market compared to other fixed income markets. These differences include the substantial number of issuers and individual securities as well as the lack of uniformity for the structure of many municipal bonds including optional and mandatory redemption provisions.¹⁴ Do these differences cause municipal bond trades to take longer to report than the reporting of other fixed income trades, such as corporate bonds? If so, why?
3. Are there any other potential market structure implications the MSRB should be aware of? For example, could the Proposal alter the competitive balance in the current market?

August 2, 2022

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¹⁴ See Chalmers, John, Yu (Steve) Liu and Z. Jay Wang, "The Differences a Day Makes: Timely Disclosure and Trading Efficiency in the Muni Market," *Journal of Financial Economics*, January 2021.



MEMORANDUM

TO: Municipal Securities Rulemaking Board

FROM: John Bagley, Chief Market Structure Officer

RE: Supplemental Data with respect to MSRB Notice 2022-07 Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

DATE: September 12, 2022

The MSRB received an inquiry regarding data related to Tables 1 and 2 included in MSRB Notice 2022-07, the Request for Comment (RFC) on Transaction Reporting Obligations under MSRB Rule G-14. The MSRB is providing supplemental data for all stakeholders.

A copy of Table 1 from the RFC is provided below.

**RFC Table 1. Trade Report Time by Trade Size
January 2021 to December 2021¹**

Difference Between Execution and Reported Time	Cumulative Percentage				
	All Trades	\$100,000 or Less	> \$100,000 - \$1,000,000	> \$1,000,000 - \$5,000,000	>\$5,000,000
15 Seconds	26.1%	28.0%	17.8%	8.7%	4.0%
30 Seconds	51.6%	54.5%	39.5%	23.1%	13.2%
1 Minute	76.9%	80.3%	63.4%	40.1%	25.3%
2 Minutes	91.0%	93.4%	82.1%	64.1%	49.4%
5 Minutes	97.3%	98.1%	94.6%	87.6%	80.3%
10 Minutes	99.1%	99.3%	98.2%	96.2%	92.6%
15 Minutes	99.5%	99.6%	99.0%	98.1%	95.7%
30 Minutes	99.6%	99.7%	99.3%	98.7%	96.5%
1 Hour	99.7%	99.8%	99.5%	99.0%	96.9%
> 1 Hour	100.0%	100.0%	100.0%	100.0%	100.0%
Market Share	100.0%	83.8%	13.6%	2.1%	0.5%

¹ This analysis excludes trades that are exempt from the 15-minute reporting time including trades flagged as being executed at the List Offering Price, trades in Variable Rate Demand Obligations, as well as trades in commercial paper.

Commenters may find it helpful to have not only the percentages reflected in Table 1, but also the number of transactions that comprised the percentages. Such supplemental information is provided below.

**Supplemental Data for Table 1. Trade Report Time by Trade Size
January 2021 to December 2021²**

Difference Between Execution and Reported Time	\$100,000 or Less	> \$100,000 - \$1,000,000	> \$1,000,000 - \$5,000,000	>\$5,000,000	Total
15 Seconds	1,677,474	172,370	13,306	1,293	1,864,443
30 Seconds	1,589,934	211,169	21,918	3,020	1,826,041
1 Minute	1,545,981	232,322	25,825	3,964	1,808,092
2 Minutes	779,358	181,109	36,568	7,891	1,004,926
5 Minutes	282,938	121,015	35,803	10,126	449,882
10 Minutes	74,723	35,614	13,186	4,019	127,542
15 Minutes	17,712	7,809	2,864	1,001	29,386
30 Minutes	5,590	2,982	966	283	9,821
1 Hour	3,141	1,337	375	133	4,986
> 1 Hour	13,922	5,096	1,572	1,002	21,592
Total	5,990,773	970,823	152,383	32,732	7,146,711

A copy of Table 2 from the RFC is provided below.

**RFC Table 2. One-Minute Trade Reporting Time by Size of Dealers
January 2021 to December 2021**

	Percent of Trades	Percentage of Firms Reporting At Least 90% of Trades	Market Share of Trades
Group 1 - Firms that accounted for at least 1% of trades	81.2%	47.6%	67.7%
Group 2 - Firms that accounted for between 0.1% and 1% of trades	72.8%	40.3%	26.1%
Group 3 - Firms that accounted for between 0.01% and 0.1% of trades	48.0%	14.9%	5.5%
Group 4 - Firms that accounted for 0.01% or less of trades	52.0%	34.6%	0.7%

Commenters may find it helpful to have not only the percentages reflected in Table 2, but also the number of firms and transactions that comprised the percentages. Such supplemental information is provided below.

² *Id.*

**Supplemental Data for Table 2. Number of Firms and Trades
January 2021 to December 2021**

	Total Number of Firms	Number of Firms Reporting at Least 90% of Trades	Number of Trades
Group 1 - Firms that accounted for at least 1% of trades	21	10	4,838,323
Group 2 - Firms that accounted for between 0.1% and 1% of trades	77	31	1,865,292
Group 3 - Firms that accounted for between 0.01% and 0.1% of trades	148	22	393,069
Group 4 - Firms that accounted for 0.01% or less of trades	407	141	50,027

ALPHABETICAL LIST OF COMMENT LETTERS ON NOTICE 2022-07 (AUGUST 2, 2022)

1. American Securities Association: Letter from Kelli McMorrow, Head of Government Affairs, dated September 30, 2022
2. Amuni Financial, Inc.: Letter from Mike Petagna, President, dated August 23, 2022
3. Bailey, Bill: Email dated August 4, 2022
4. Belle Haven Investments, L.P.: Letter from Matt Dalton, Chief Executive Officer, dated October 3, 2022
5. Bernardi Securities, Inc.: Letter from Ronald P. Bernardi, President and CEO, dated September 30, 2022
6. BetaNXT: Letter from Will Leahey, Head of Regulatory Compliance, dated October 3, 2022
7. Bond Dealers of America: Letter from Michael Decker, Senior Vice President for Public Policy, dated October 3, 2022
8. Bryant Bank: Letter from David Long, Executive Vice President, Correspondent Banking/Capital Markets, and Vincent Webb, Managing Director, Bryant Bank Capital Markets, dated September 28, 2022
9. Cambridge Investment Research, Inc.: Letter from Seth A. Miller, General Counsel, President, Advocacy and Administration, dated October 3, 2022
10. Cantella & Co., Inc.: Email from Jay Lanstein, Chief Executive Officer and Chief Technology Officer, dated September 16, 2022
11. Cantone Research, Inc.: Email from Maryann Cantone dated August 2, 2022
12. Colwell, J.D.: Letter dated September 9, 2022
13. DeRobbio, Raymond: Email dated August 3, 2022
14. Dimensional Fund Advisors LP: Letter from Gerard O'Reilly, Co-CEO and Chief Investment Officer, and David A. Plecha, Global Head of Fixed Income, dated September 26, 2022
15. Estrada Hinojosa & Co., Inc.: Letter from Robert A. Estrada, Chairman (Emeritus), dated October 3, 2022
16. Falcon Square Capital, LLC: Letter from Melissa P. Hoots, CEO/CCO, dated October 3, 2022
17. Financial Information Forum: Letter from Howard Meyerson, Managing Director, dated October 3, 2022
18. Financial Information Forum: Letter from Howard Meyerson, Managing Director, dated April 27, 2023
19. Ford & Associates, Inc.: Letter from Jonathan W. Ford, Senior Vice President, dated September 9, 2022
20. Hartfield, Titus & Donnelly, LLC: Letter from Edward J. Smith, General Counsel and Chief Compliance Officer, dated September 14, 2022
21. Herbert J. Sims & Co., Inc.: Letter from Melissa Messina, Executive Vice President, Associate General Counsel, R. Jeffrey Sands, Managing Principal, General Counsel, and William Sims, Managing Principal, dated October 3, 2022
22. Higgins Capital Management, Inc.: Email from Deborah Higgins dated September 19, 2022
23. Hilltop Securities: Letter from Lana Calton, Executive Managing Director, Head of Clearing, dated October 3, 2022

24. Honey Badger Investment Securities, LLC: Letter from Joe Lee, CEO, dated September 30, 2022
25. ICE Bonds Securities Corporation: Letter from Robert Laorno, General Counsel, dated September 30, 2022
26. InspereX LLC: Letter from Robert D. Bullington, Vice President, Compliance Officer, dated October 3, 2022
27. Institutional Securities Corporation: Letter from Scott Hayes, President and CEO, and Chris Neidlinger, CCO, dated September 30, 2022
28. Investment Company Institute: Letter from Sarah A. Bessin, Associate General Counsel, dated October 3, 2022
29. Investment Placement Group: Email from Darius Lashkari dated August 2, 2022
30. Isaak Bond Investments: Letter from John Isaak, Sr. Vice President, dated August 16, 2022
31. Isaak Bond Investments, Inc.: Letter from Donald J. Lemek, VP-Operations and CFO
32. Kiley Partners, Inc.: Email from Mike Kiley, Owner, dated September 27, 2022
33. Madison Paige Securities: Letter from Gary Herschitz, CEO, dated September 30, 2022
34. Mayes, Christopher: Email dated September 27, 2022
35. Miner, Kathy: Letter dated October 2, 2022
36. Northland Securities Inc.: Letter from Randy Nitzsche, President and CEO, dated October 3, 2022
37. Oberweis Securities, Inc.: Letter from James W. Oberweis, President, dated September 28, 2022
38. Regional Brokers, Inc.: Letter from H. Deane Armstrong, CCO, and Joseph A. Hemphill III, CEO, dated October 3, 2022
39. Robert Blum Municipals, Inc.: Letter from Robert Blum, President, dated September 16, 2022
40. Roosevelt & Cross, Inc.: Letter from F. Gregory Finn, Chief Executive Officer, dated October 3, 2022
41. RW Smith & Associates, LLC: Letter from Christopher Ferreri, President, dated September 13, 2022
42. SAMCO Capital Markets, Inc.: Letter from Lee Maverick, Chief Compliance Officer, dated September 30, 2022
43. Sanderlin Securities LLC: Letter from Matthew Kamler, President, dated September 27, 2022
44. Securities Industry and Financial Markets Association and the SIFMA Asset Management Group: Letter from Kenneth E. Bentsen, Jr., President and CEO, dated October 3, 2022
45. Sentinel Brokers Company, Inc.: Letter from Joseph Lawless, CEO, dated September 30, 2022
46. Sheedy, Edward: Email dated August 2, 2022
47. Stern Brothers and Co.: Letter dated October 3, 2022
48. TRADEliance, LLC: Letter from Jesy LeBlanc and Kat Miller dated September 28, 2022
49. Tuma, William: Email dated August 8, 2022
50. Wells Fargo & Company: Letter from Nyron Latif, Head of Operations, Wells Fargo Wealth and Investment Management, and Todd Primavera, Head of Operations, Wells Fargo Corporate and Investment Bank, dated October 3, 2022
51. Wiley Bros.-Aintree Capital, LLC: Letter from Keener Billups, Managing Director, Municipal Bond Department, dated September 20, 2022
52. Wintrust Investments, LLC: Email from Thomas Kiernan dated August 2, 2022

53. Zia Corporation: Email from Glenn Burnett dated September 6, 2022



September 30, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street NW
Washington, DC 20006

Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Mr. Smith and Ms. Mitchell:

The American Securities Association (ASA)¹ submits these comments in response to proposals issued by the Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA) that would mandate corporate and municipal fixed income securities trades to be reported within one minute (the "Proposals"). As explained in more detail throughout this letter, the ASA is concerned that the MSRB and FINRA have failed to identify a market failure that warrants such a significant change, and that the Proposals would disproportionately impact smaller and mid-size broker-dealers and their customers.

Since 2005, MSRB Rule G-14 and FINRA Rule 6730 have required trades to be reported "as soon as practicable" but not later than 15 minutes after the time of trade. As noted in both of the Proposals, the vast majority of trades for both municipal and corporate securities are already reported sooner than 15 minutes. Since the previous amendments to Rule G-14 and Rule 6730

¹ The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.



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were adopted, MSRB's Electronic Municipal Market Access (EMMA) and FINRA's Trade Reporting and Compliance Engine (TRACE) systems have greatly improved the transparency in these markets and provided investors with decision-useful information. It is unclear how a shift to a uniform one-minute timeframe (for vastly different markets and products) would benefit investors when considering the costs such a mandate would create.

More concerningly, the Proposals are being put forward at a time when other changes to the regulation of the fixed income markets – for example Securities and Exchange Commission's (SEC) Rule 15c2-11 and a pending proposal to institute a T+1 settlement window – are coming online. The ASA remains concerned that these fundamental changes to rules that govern fixed income trading will disrupt otherwise well-functioning markets and are based upon incomplete or flawed assumptions.

The ASA wishes to provide the following views regarding the Proposals:

- I. The MSRB and FINRA have not properly identified or explained a market failure – or evidence of investor harm – that would justify the Proposals;**
- II. The costs of the Proposals are likely to be substantial on broker-dealers and their customers, while the benefits are unclear – a reality implicitly acknowledged in the Proposals;**
- III. The Proposals do not properly consider the different ways in which certain trades are executed (i.e. voice vs. electronic trading) and how that can impact trade reporting timelines; and**
- IV. The Proposals would create logistical challenges for firms that have not been fully analyzed by the MSRB and FINRA.**

These views are discussed in further detail below.

- I. FINRA and MSRB have not properly identified or explained a market failure – or evidence of investor harm – that would justify the Proposals.**

The Proposals are notable in that they offer scant evidence for why current reporting requirements are inadequate or how investors would benefit by a shift to a mandated one-minute time frame. FINRA posits that reducing the reporting time frame will “solidify the benefits of the technological advancements that have occurred since 2005 by requiring timelier reporting in the rule” while MSRB makes similar claims that improved technology is a justification for its proposal.



However, simply because technology may exist that allows dealers to report some, but not all, trades within one minute is not sufficient justification for a rulemaking. Neither FINRA or MSRB offer any empirical evidence or past research that would support a one-minute requirement, and neither self-regulatory organization (SRO) identifies any specific instances of investor harm due to current requirements.

The MSRB and FINRA should consider the significant amount of resources that broker-dealers have already expended over the last fifteen years to be able to report trades within this window. The data provided by both FINRA and MSRB shows that roughly 97 percent of municipal and corporate trades are reported within five minutes. This demonstrates that with today's technological capabilities, five minutes has become the de facto "as soon as practicable" standard for the vast majority of trades. When certain factors (e.g. trade size, voice trading) are all taken into account, five minutes is typically the fastest time on average for trades to be reported.

II. The costs of the Proposals are likely to be substantial on broker-dealers and their customers, while the benefits are unclear – a reality implicitly acknowledged in the Proposals.

As noted above, the Proposals offer little explanation as to the benefits of a one-minute requirement other than "increased transparency" in the municipal and corporate bond markets. The ASA has supported many past efforts by the SROs and SEC to promote transparency in the markets, however the Proposals do not offer any evidence which shows that a one-minute timeframe would make any material difference in price than current requirements and market practice. At the same time, the Proposals acknowledge many of the costs that would be imposed on broker-dealers for implementing these changes. According to FINRA's proposal:

FINRA believes that the proposal would likely result in direct and indirect costs for firms to implement changes to their processes and systems for reporting transactions to TRACE in the new timeframe. Firms that do not have automated reporting systems in place may incur costs from establishing such systems and infrastructure. Table 3 shows that, even for very active firms that most likely have a trade reporting infrastructure in place, some trades are still reported later than one minute from the time of execution. For these trades, firms may incur costs to modify their reporting procedures to report more quickly and monitor that the trades are reported in the required timeframe.

A higher percentage of less-active reporters submitted 95 percent of their trades within one minute than moderately active reporters, possibly suggesting that use of a third-party reporting system by less-active reporters may be associated with faster reporting. While members currently using a third-party reporting service may incur less costs, those that do not currently use a third-



party reporting service may opt to do so if the costs would be lower than building their own system.²

Similarly, MSRB's proposal states:

The MSRB acknowledges that dealers would likely incur costs, relative to the baseline state, to meet the new transaction reporting time of one minute outlined in the Proposal to Rule G-14. These changes would likely include the one-time upfront costs related to adopting new technologies or upgrading existing technologies to speed up the trade reporting for some dealers, as well as setting up and/or revising policies and procedures. Since 76.9% of all relevant trades already report within one minute, the cost to comply with the proposed change would not be as significant if the current one-minute compliance rate was substantially lower.

For the upfront costs, it appears smaller firms would have difficulty with the proposed one-minute reporting requirement. The MSRB is basing this assumption on an internal analysis showing smaller firms lagging behind larger firms in reporting time...³

Thus, the SROs acknowledge that: 1) smaller broker-dealers would have difficulty coming into compliance with the new rules; and 2) some firms may have to hire a third-party in order to meet the one-minute requirement. The ASA notes that several smaller firms have already submitted letters to FINRA and MSRB outlining the challenges and costs that would be created by a one-minute requirement. We implore FINRA and MSRB to consider these real and substantial costs and weigh them against the unsubstantiated purported benefits outlined in the Proposals.

III. The Proposals do not properly consider the different ways in which certain trades are executed (i.e. voice vs. electronic) and how that can impact trade reporting timelines.

As noted previously, under current rules and existing technological capabilities, the vast majority of corporate and municipal trades are reported within five minutes. There appears to be an underlying presumption in the Proposals that due to the increase in electronic trading, in many cases it would be relatively straightforward transition for firms to begin reporting trades in one minute. However, that presumption does not consider how certain trades – particularly larger ones – are executed and the logistical challenges that a one-minute mandate would impose. For example, the MSRB proposal states:

While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute.⁴

² FINRA Proposal at 13

³ MSRB Proposal at 10

⁴ MSRB Proposal at 4





american securities association

America's Voice for Main Street's Investors

Underlying this data is the fact that larger trades tend to be executed by voice, while smaller trades (including retail trades) have increasingly been done via electronic platforms. Voice brokerage can take substantial time to negotiate and report once the trade is executed. It is entirely possible and reasonable that large, voice-executed trades may not be able to be reported within one minute. The SROs must be careful not to equate for regulatory purposes smaller, retail trades that can be easily executed with the click of a button with larger institutional trades that take more time to be processed. Some firms may also use platforms that do not connect directly to BETA and would therefore have to take the time within one minute to manually enter trade information into BondWorks. For voice trading, doing all of this in a one-minute timeframe would in many cases be unrealistic.

Additionally, the Proposals' one-minute requirement is a hard and fast timeframe and would not provide any exception for bona fide errors when entering trades. The current time requirement allows traders to correct price or quantify numbers of transposed digits on a CUSIP. If the Proposals were adopted, firms may not have sufficient time to correct such errors and would technically be in violation of a rule if not corrected in time.

IV. The Proposals would create logistical challenges for firms that have not been fully analyzed by MSRB and FINRA.

If implemented, the Proposals would create several logistical hurdles that have not been adequately considered and would be challenging for firms to meet a one-minute reporting requirement.

For example, if a CUSIP has not been traded at a particular firm previously, that firm would have to set up a CUSIP prior to reporting the trade, something that it may eventually have to do for hundreds of securities it has not traded before. Similarly, if there is a dealer trading through an ATS that is not setup by another firm trading through the same ATS, that could create complexities for firms to comply with one minute.

Additionally, the Proposal could create an incentive for firms to "auto-route" more orders to help with compliance. This will mean that less individuals at firms are involved with handling orders which could have consequences for price improvement and best execution obligations. Firms may find themselves with no option other than to auto-route orders in order to meet the one-minute timeframe. As with other aspects of the Proposals, the ASA urges MSRB and FINRA to consider these unintended consequences before considering further action.



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Conclusion

The corporate and municipal fixed income markets have proven themselves to operate with increasing efficiency, even during times of stress that markets have experienced in recent years. We are concerned that significant regulatory changes – particularly when based upon incomplete assumptions – would be harmful to investors and threaten the participation of small and mid-sized broker-dealers in these markets. Accordingly, the MSRB and FINRA should drop the Proposals in their entirety.

Sincerely,



Kelli McMorrow
Head of Government Affairs
American Securities Association



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August 23, 2022

BY ELECTRONIC SUBMISSION

Re: Regulatory Notice 2022-07 Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

Dear Mr. Smith,

The following comments are submitted in response to 2022-07. Founded in 1980, Amuni Financial, Inc. (AMUNI) is a full-service broker-dealer specializing in the sale of individual fixed income securities. AMUNI is very active in fixed income, particularly in the secondary municipal bond market.

Although, I do believe that this amendment has been proposed in good faith, I feel strongly that the small broker-dealers still left in the municipal marketplace will be disproportionately penalized. My main area of concern involves circumstances where multiple transactions occur simultaneously at firms that have not fully automated their order flow. This can happen verbally as well as electronically. For example, if 10 bids are hit at one time and/or when numerous offers are lifted at one time, there is no way for a trader or a team of traders to manually enter those tickets within one minute. Many firms "release" batches of orders all at once and AMUNI is often on the other sides of these trades, providing liquidity. A trader can only manually enter so many trades in a given timeframe. It can be difficult to enter these types of trades in a 15-minute period without errors occurring, let alone one-minute.

Consider why "23.1% of trades" were not entered in the proposed one-minute window. I believe there are valid reasons why many of those orders could not be entered in less than one minute. The premise that every trade can be executed and reported in under one minute deserves further consideration. Perhaps trading that involves retail customers should be segmented from the dealer-to-dealer trading data. Dealer-to-dealer and institutional ticketing is a much different experience than what occurs during a retail order and trade. Some valid reasons for the time difference seen in the trades could involve lack of automation, necessary human intervention, multiple parties involved in the transaction, firm-mandated trader releases, counterparty data discrepancies in descriptive data, best execution verification across platforms, etc. I do believe that we should encourage accuracy over speed when ticketing.

Even with a very expensive order management system, like Bloomberg TOMS, I believe the proposed amendment would do more harm than good. I feel strongly that the trading statistics are skewed by automated trading occurring in certain parts of the market. For instance, our firm can automatically book trades that execute on a particular ATS due to that platform's relationship with our clearing firm. Those trades are reported instantly, matching the execution time of the counterparty (in this case, the platform) due to automated ticketing.

I do believe increased transparency in the municipal market is beneficial, but at what cost? Reducing market liquidity by forcing small broker-dealers out of the marketplace, despite the best of intentions, seems reckless.



I would suggest focusing regulatory resources on increasing transparency in verbal block trading that moves the market. As always, thank you for allowing the industry to comment on proposed rule changes.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "MPetagna", is written over a light blue horizontal line.

Mike Petagna
President
Amuni Financial, Inc.

From: Bill Bailey <beetlebailey005@gmail.com>
Sent: Thursday, August 4, 2022 9:08 AM
To: Leah Szarek <lszarek@msrb.org>
Subject: Request for comment - One minute reporting

To whom it may concern,

The MSRB has finally shown its hand: it does NOT care about the retail investor and only cares about the large institutional firms.

Case in point, the MSRB is willing to put the smaller dealers who cannot afford its regulations in favor of the larger institutions who are willing to pay for less competition. Does Goldman Sachs care about a trade on 25m? I don't think so. Do the algorithmic traders care about non-rated MUDs or small issuer bonds where the buyers are typically regional? They don't.

The individual investor is willing to invest in their home town even if it is non-rated because they "know" the credit. Larger firms of any variety do not care; therefor the increase in niche players that you are now so willing to abandon.

There is a reason that time of trade has decreased - ECNs and other electronic trading systems that are connected being the number one reason. If you have a connected system, trades flow automatically and timing is almost instantaneous.

For trades that occur over the phone, the process is slower, though should still be done within five minutes. Entering a cusip (verifying it is set-up on your system) verifying the counter-party is set-up on your system, manually entering all of the trade information and double checking before hitting enter...it all takes time.

There are some 70,000 different issuers unlike the less than 5,000 equity issuers. We are not there yet technologically to do one minute trading. I think the best course is to lay a plan (say go to five minute reporting now, two minute reporting in 5 years and one minute reporting in seven years) to get there if you think it is that important. I personally don't think it will help many as the MSRB pointed out, 70%+ are already printed within the one-minute time frame.

I leave with one last comment: the large players have you duped as to reporting large transactions: they still control when they want their trades to report and you let them; shame. And since the large transactions affect the generic scales most people base their trades on, those are the transactions you should be focusing on. They have more impact on the retail market than any random 25 or 50 bond trade ever will; even if the smaller trade is reported within a minute.

My last, last comment: This proposed plan is nothing but a cover story, a feel good piece. It will do nothing for the smaller retail player (either investor or dealer) but hurt them. Make the larger trades report in a timely manner, NOW you are helping everyone. Focus on the larger transactions, the smaller ones will fall into line as evidenced by the current timeliness of the trade reporting. Very few follow or will ever follow a small transaction but everyone follows the large ones. Please focus where you will do the most good and not just try for a headline piece that will not help the market.

Oh, I could go on and on about how wrong this “headline grabbing proposal” is and how it is such a bad idea but I think you get the point. Don’t be fooled by the large institutions tale of how hard it is to align all of the pieces to their transaction - it is simply not true in a majority of instances and is used to control when they report the trade that actually will affect and effect the market.

A concerned citizen.



October 3, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

RE: Comment on MSRB Regulatory Notice 2022-07

Dear Mr. Smith,

Belle Haven Investments, L.P. (MSRB ID: A3977, CRD# 29278), a dually registered investment advisor and broker-dealer, appreciates the opportunity to provide comments to the Municipal Securities Regulatory Board's ("MSRB(s)") Notice¹ requesting comment on its proposed alteration of MSRB Rule G-14 to require the reporting of municipal securities to the Real Time Transaction Reporting System ("RTRS") within 60 seconds of the time of trade, down from the long-standing 15-minute reporting requirement.

Belle Haven is particularly concerned that the MSRB's Proposal will have forecastable negative effects that may materially and irreparably alter the MSRB's membership, possibly reducing the current number of dealers by over 80% and all but eliminating small business dealers and thus reduce market liquidity and price competition. As shown below, the MSRB's own statistics reflect that the majority of dealers reporting to the MSRB are "small firms" for which it is a business impossibility to install and pay for such automated electronic system solely to meet an arbitrary reporting deadline of 60 seconds. As described below, by enacting such a proposal, not only will the MSRB not provide additional market transparency, the MSRB will have severely reduced market liquidity as many, if not most, dealers will have to leave (or be forced out of) the municipal security marketplace because they cannot meet this new arbitrary requirement. Without small firms, retail customers will have fewer options, reducing retail customer liquidity as well as reducing the retail customer's negotiating power. Such an anti-competitive alteration to the long established and demonstrably successful practice of trade reporting should only be undertaken under the most compelling and comprehensive showing of necessity. The MSRB's current proposal wholly fails to provide evidence that the rule proposal would result in a material improvement of the municipal securities markets or to provide a serious analysis of the substantial costs of such a fundamental change. For these reasons, Belle Haven joins the other commenters in urging strongly that the MSRB revisit its proposal. Below are our comments.

¹ MSRB, "Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14 (2022-07) (the "MSRB Proposal").



The MSRB Proposal's statistical data is evidence of a dealer industry which is compliance-minded.

The data that the MSRB uses to support its proposal to require nearly all municipal transactions to be reporting within 60 seconds of the time of trade reflects the fundamental lack of need or investor demand to warrant such draconian change. MSRB member firms are already steadily improving their report times and have been doing so for many years.

Table 1 of the MSRB Proposal provides an exemplary example of compliance-mindedness across all dealer firms, regardless of size, number of transactions, or number of employees. 99.5% of all reported trades between January 2021 and December 2021 were reported in compliance with MSRB Rule G-14 as it currently stands and has stood for the past 17 years. Not only does this reflect, in absolute percentages, a municipal dealer industry working to improve report times as soon as is practicable, but the table further shows that the report times are continuing to improve. As the table reflects, report times are 0.3% better than trade reporting within 15 minutes between October 1, 2011 through September 30, 2012, the last time the MSRB published this type of information.²

Table 1 also shows that, even *without a change* to the 15-minute reporting rule, the municipal dealer industry attempts to report as promptly as possible. The Table 1 reports that 76.9% (over three quarters) of all trades reported in 2021 were accomplished within 60 seconds. This too is an improvement of 3.5%, from the percentage of trades reported in 60 seconds between October 1, 2011 through September 20, 2012, just ten years ago.³

The data published by the MSRB plainly indicates that dealers are continuing to accelerate the speed of reporting without a rule change.⁴

The MSRB Proposal does not establish that any substantive clear benefit will result from reducing reporting time from 15 minutes to 60 seconds.

To justify such an enormous change to the longstanding practice for transaction reporting, one would expect the MSRB proposal to provide analysis of the clear and substantial benefit to the municipal securities marketplace. The proposal instead makes a fanciful and unverifiable claim that its proposal "would provide more immediate transparency from the remaining 23.1% of trades." It is not at all

² See MSRB Notice 2013-02, Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform," (January 17, 2013) [the 2013 Report].

³ See the 2013 Report.

⁴ The MSRB Proposal notes that "Over the past 17 years, with the ever advancing technologies in the marketplace, most trades are increasingly reported to RTRS in a much shorter timespan than required by Rule G-14, as discussed in Table 1...."



clear what the buzzword “transparency” is intended to precisely convey and the MSRB Proposal makes little, if any, attempt to support this assertion, as if this benefit is somehow self-evident.

The MSRB Proposal provides only one statistical example of the theoretical benefits to capturing the remaining 23.1% of trade reports (which are already reported within 15 minutes as per current Rule G-14) within 60 seconds. This example is apparently intended to support the notion that faster information equals more transparency, yet it does nothing to evidence an actual benefit. On page 7, the MSRB Proposal states the general supposition this way, “Under the proposed change, however, more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades.”

How much information can be obtained from the 23.1% remaining trade reports that are not submitted within 60 seconds? In an attempt to answer this question, in Table 3 the MSRB analyzed the total universe of trades with same-CUSIP number matched trades between January and December 2021, where a matched trade was executed before the analyzed trade’s execution, but the executed trade was reported after the analyzed trade’s execution. In other words, the MSRB identified trades executed without the benefit of prior trade information of an already executed trade. For the 2021 calendar year, the MSRB identified only 251,635 trades from a universe of 7,146,711 trade reports that theoretically could have benefited from execution information of a prior trade.

Of the 3.5% of reported trades that could have potentially benefited from the additional information derived from a single trade, fewer than one in three of these trades would have had the additional one trade report at time of execution had the prior trade been reported within one-minute. In other words, even with a one-minute reporting requirement, the MSRB has only demonstrated that in all of 2021, 0.95% (67,946 of 7,146,711 reported) of all trades reported would have had any additional trade information under the proposed 60 second rule.

The MSRB’s analysis does not provide any evidence to establish that the additional reported trade would have actually “benefited” any of the 67,946 trades, *i.e.*, that the additional information would have materially changed any of the 67,946 trades. In sum, the MSRB’s “benefit” argument relies solely on the notion that 0.95% of all trades reported will have one additional data point before execution and asks the industry to assume, without providing any analysis, that the additional data point would meaningfully affect the following trade. In this respect, the MSRB’s analysis is incomplete and fails to meet the requirement that a rule change proposal show its clear benefit.⁵ Moreover, even

⁵ The MSRB also asserts that “comparable securities” would also benefit from the one additional trade reported immediately prior to the 67,946 trades. Here again, the MSRB does not provide any analysis or data regarding how many “comparable securities” could have utilized the additional



if one assumes that all 67,946 trades would benefit from the additional information, the benefit to this tiny percentage of trades is a wholly inadequate basis upon which to impose this rule change.

The MSRB concludes that this "more immediate transparency" will "reduce customer trade effective spread" and "result in a savings of \$78.3 million annually." Based on the data provided, this outcome seems wholly implausible. The MSRB Proposal cites research that indicates that when the reporting requirement was shortened in January 2005 from the end of the day to 15 minutes after trade, there was an 11 to 20 basis point reduction in the effective spread. From this evidence, the MSRB Proposal then presumes that a reporting requirement shortened from 15 minutes to 60 seconds will necessarily produce an additional 5 basis points reduction in the effective spread. There is no reasonable basis to assume this will follow, and the MSRB Proposal provides no evidence in support of its claim of a 5 basis points narrowing of the spread other than to claim that it is "less-than-half of the lower end estimated impact from the 2005 changeover." A reporting time period that has been reduced by hours (from end of day to 15-minutes in January 2005) is a qualitatively different proposition than a reporting time period that has been reduced by minutes (the proposed 15 minutes to 60 seconds), particularly where, as today unlike pre-2005, 76.9% of all reported trades are already reported within the 60 seconds.

The MSRB, with its unsupported presumption of a 5 basis points spread reduction, then applies the 5 basis points to all "non-institutional-sized customer trades only with a trade size of \$1,000,000 or less" thereby calculating a notional savings of \$78.3 million annually. The MSRB Proposal does not provide any evidence or explanation as to how trade information on only 67,946 trades per year (with over 7.1 million transactions per year) could possibly reduce the effective spread for all non-institutional-sized customer trades only with a trade size of \$1,000,000 or less by 5 basis points. The MSRB's conclusion that the new rule will "result in a savings of \$78.3 million annually ..." has not been adequately substantiated.

The MSRB Proposal grossly underestimates the costs if the proposed rule is implemented.

Should the MSRB establish some incremental benefit to its rule change proposal, such modest benefit is dwarfed by the monumental costs to, and fundamental reshaping of, the municipal dealer community it would cause and the resulting adverse consequences to municipal securities investors arising from a severe contraction of market liquidity. The MSRB proposal does not adequately address the prohibitive costs to smaller dealers nor to the anti-competitive results of this proposal.

trade information, nor any data to show that the additional trade information would have materially changed the comparable securities which were executed.



Table 2 of the MSRB Proposal categorizes firms based on the number of trade reports submitted. With the supplemental information provided by the MSRB,⁶ the information identifies a total of 653 dealers reporting trade information from January 2021 through December 2021. Within this universe of 653 dealers, only 21 firms account for at least 1% of trades (collectively 67.7% of all 2021 trades reported), while 555 firms each account for 0.1% or less of trades (collectively 6.2% of all 2021 trades reported). These numbers indicate that the vast majority of dealers, approximately 85% of reporting dealers in business today and registered with the MSRB, are small firms.

We believe that the vast majority of these small firms, like ours, manually report trades to the RTRS through access to the web portal.⁷ Firms such as ours report in this fashion because the cost of automated electronic systems far exceeds the operating revenues of small businesses. In some instances, the small firms simply do not transact a sufficient number of trades to warrant such a costly purchase. At Belle Haven, when volume increases require a larger number of transactions be reported within the current reporting period, personnel are moved within the firm to adhere to the rule. Volume may simply increase, or it could be specific to large transactions with multiple trades, or receiving batched-orders, i.e., a group of transactions at one time.

Over the decades, we have observed that our securities professionals can enter the necessary information - cut and paste over the information to the portal, verify the accuracy of the information and submit the information - at a rate of approximately 10 trade reports per minute, assuming all necessary information is immediately available. Many issues arise that cause manual entry to be much slower. First, as should be apparent, manual entry does not necessarily begin immediately at Time of Trade. Not having the necessary information whether because of unfamiliar issues, new issuers in the system, or simply waiting for the information from the other side delays our ability to timely report. Large trades with multiple parties causing the entry of multiple trade reports, would require beginning entry of information on initial trades even before the completion of the overall large transaction in order to meet a new 60 second reporting clock.

The MSRB Proposal only acknowledges that "smaller firms" may have difficulty with the "upfront cost related to adopting new technologies or upgrading existing technologies to speed up the trading reporting for some dealers." This is a severe underassessment. A small firm such as Belle Haven being forced to spend approximately half a million dollars for an automated electronic system solely to meet an arbitrary reporting deadline of 60 seconds would be far more than difficult, it is a business impossibility. Further, the expense does not end with "upfront costs." Retention of third-party reporting systems such as Bloomberg does not solely involve a one-time expense; it is an ongoing

⁶ MSRB Memorandum, "Supplemental Data with respect to MSRB Notice 2022-07 Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14" (September 12, 2022).

⁷ The MSRB Proposal does not provide any data on the method of reporting either by size of firm or by report time.



expense. The MSRB proposal fails to consider the scope of this cost to small firms. It makes no reference to ongoing, annual expenses related to an electronic system that continues to evolve.

The MSRB Proposal suggests that small firms simply “increase human effort to ensure a shorter reporting lag after a trade execution to comply with the proposed change.” This is already done to the fullest extent possible in conducting business operations at Belle Haven, and we believe at the vast majority of other smaller firms, in order to meet regulatory requirements. This 60 second proposed reporting change would require a firm like Belle Haven to employ up to a team of 10 securities professions, each tasked with reporting 10 trades per 60 seconds in order to comply with the proposed rule. A small firm simply cannot double, triple or quadruple its personnel to comply with the proposed rule, and stay in business. As discussed below, this conclusion leads to the inevitable contraction in the number of municipal securities dealers who can provide trade execution and reporting services and the negative economic effects to municipal securities investors of such a profound reduction in the providers of such services.

The MSRB Proposal grossly underestimates the clearly forecastable negative consequences if the proposed rule is implemented.

As noted above, approximately 555 firms of the 653 reporting firms in 2021 are small businesses. The MSRB Proposal acknowledges at least 400 small firms and understates that some of them may find it difficult to meet the new reporting requirement. While the MSRB Proposal makes this overly delicate allowance, it speciously claims they only have a relatively minor presence and concludes, without any supporting evidence, that this massive culling will result in no significance change to competition. Clearly, this should be understood as the MSRB Proposal acknowledging that the imposition of the 60 second rule will, at minimum, force 400 smaller firms out of business, and simply presumes that this massive elimination of small businesses will not impact competition or change “the competitive landscape from investors’ perspective.”

We believe the MSRB Proposal grossly underestimates the effect of imposing the rule change. First, the MSRB rule proposal will have the immediate effect of forcing the overwhelming number of dealers registered with the MSRB to become habitual violators of the new rule. This consequence will leave such firms with only two choices: (1) close down their business; or (2) violate the rule until the MSRB imposes discipline (and eventually have their business closed down for them). In this way, the MSRB Proposal could have the effect, over time, of reducing reporting firms by 85% to approximately only 100. Second, eliminating 400 or more smaller firms eliminates the markets these firms create. While the MSRB Proposal argues that these firms only transaction 6.2% of all transactions reported, it should be understood that these firms also provide bids and asks on countless other issues, particularly smaller, local bonds and additionally generate market data on issues that transacted by other firms. Even where small firms are not the party executing the trade, their market data creates competition, which price benefits municipal securities investors.



We are also concerned that in a reduced competitive environment, the retail customer will be ignored by the surviving large firms which are increasingly focused on institutional trading, or program and algorithmic trading, which are their greater profit centers. The retail customer's liquidity and negotiating power will be reduced, when the customer is forced to go to a large firm. The competitive landscape for the retail investors will change for the worse.

The MSRB should not turn compliance-minded dealers into rule violators. The MSRB should consider alternatives.

Belle Haven is in complete agreement with the MSRB mission statement to "protect investors, issuers and the public interest by promoting a fair and efficient market and ensuring access to capital for communities across the country." The MSRB Proposal does not do this; rather, it harms these parties.

As described above, for the notional and unsupported "benefit" of less than 1% of all trades transacted in a year, the real world "cost" is the probable elimination of possibly 85% of the small firms registered with the MSRB. Under any reasonable analysis, the purported benefit of the new rule is not commensurate with its burden. As outlined above, the new rule would also unfairly discriminate against small firms, create a further barrier to entry which benefits the entrenched larger firms, and harm retail customers.

Belle Haven humbly suggests that if there is an actual concern that certain firms are manipulating trade reports within the 15-minute window of reporting, that certain firms are delaying reports, or that the MSRB does not have sufficient authority to review trade reporting activity within the 15 minute window, the MSRB should provide additional guidance that transactions will be examined and investigated to ensure that they are being reported as soon as practicable but no later than 15 minutes of the Time of Trade. This guidance can insure that trade reporting is not to be delayed for any purpose. Belle Haven believes that the MSRB should investigate trade reporting activity within the 15 minutes which appears manipulative or may compromise the efficient markets. Such an alternative action would not discriminate against small firms.

Whether or not the MSRB adopts this suggestion, in light of the MSRB Proposal failing to evidence the benefits to warrant a fundamental change, the failure to appreciate the enormous costs to municipal dealers, and the severe negative consequences to the municipal securities marketplace, Belle Haven strongly encourages the MSRB to revisit this proposal and conduct a more fulsome analysis before modifying the current rule.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Dalton", with a long horizontal stroke extending to the right.

Matt Dalton
Chief Executive Officer

BERNARDISECURITIES
MUNICIPAL BOND SPECIALISTS

September 30, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Re: MSRB Notice 2022-07- Request for Comment

Dear Mr. Smith:

Thank you for the opportunity to comment on the proposed shortening of the 15 minute trade reporting timeline.

The MSRB is a leading force helping improve market transparency and efficiency. Both are much improved since January 2005 when the 15 minute reporting timeframe became operational. The MSRB's leadership in these areas is commendable.

I believe additional measures can be implemented to further improve market transparency and efficiency. Reducing time of trade reporting from the current 15 minute requirement is one such improvement.

But at a more incremental and sensible pace than what is proposed.

As cited in the Notice, the proposal would require dealers to report transactions effected during the business day to "..... an RTRS Portal as soon as practicable, but no later than within one minute of the Time of Trade."

The proposed 1 minute reporting requirement is far too short.

It is an impractical standard given the limitations of current technologies combined with the ever evolving processes buy and sell side market participants rely on to trade municipal bonds.

A 1 minute requirement will negatively impact the market place, specifically mid-size and smaller broker-dealers and the investor and the issuer clients they serve.

If adopted, it will negatively impact the ability of many broker-dealers and broker's-brokers to comply. And it will increase compliance costs substantially for a large segment of the broker-dealer community. A portion of these costs will ultimately be borne by investors.

Many firms use semi-automated system and many others use a manual system to execute trades with their clearing firm. Converting to a fully automated system is far too expensive and therefore an impractical solution for many firms.

If enacted, the proposed change will force a number of firms to cease trading municipal bonds. And others will simply reduce their respective footprints. The supply and quality levels of services to investors will decline.

These are bad outcomes for a market in need of additional liquidity providers.

Our firm executes anywhere from 1200 to 1500 municipal bond trades monthly. We use a semi-automated system and execute trades in a variety of ways using Bloomberg VCONS, ATS and the telephone.

Many of the trade details for all of our trades require manually entering information into various data fields: a never before traded CUSIP, a new trading counter party, dollar price, par value. Entering this data, double checking before hitting the "Enter" key..... it all takes time.

For trades that occur telephonically, the process requires even more time.

Additionally, once a trade has been approved and executed, the trade details are electronically transmitted to our clearing agent which then transmits the data to RTRS. This transmission of data also cuts into the trade time reporting window.

In instances where multiple transactions occur, for example, a bid list of 5-10-15 different cusips: items are approved for sale essentially simultaneously. A trader can only enter so many trades in a given time period. Even by using a "semi-automated" system, it is not possible to meet the one-minute requirement.

In instances of trades executed through an ATS or Bloomberg VCON alerts: a trader receives a pop-up window alert regarding the pending trade. What happens if there is a malfunction and pop-up does not appear? Or the trader has stepped away from the desk for a few minutes or is momentarily distracted by another issue? The one-minute window leaves insufficient margin in these frequently occurring situations.

We built out a semi- automated system to incorporate the human element. Our best practice trade process purposely relies on a person to check and verify several factors before trade execution. Our trade process protocol reduces trade error frequency. Our process helps ensure compliance with due diligence, best execution and other obligations.

Mandating a 1 minute reporting requirement will obliterate this very successful best practice.

Mandating a 1 minute trade requirement would severely test our ability to accurately submit trades given our trading volume.

It is my view the MSRB should not mandate a rule that would compel us to abandon time tested, successful best practice procedures that benefit all parties with which we interact.

If the proposal is enacted, our likely response: reduce our secondary market bid and trading activity with broker's-brokers and broker-dealers most noticeably in smaller size block sizes.

The data provided in the MSRB Notice and its September 12, 2022 Memorandum is insightful. Here are several comments:

- a) 97.3% of all trades are reported within 5 minutes or less and 91% within 2 minutes.

These are impressive reporting percentages given the rule allows for a 15 minute window. These numbers demonstrate the industry is a reliable force and will continue to drive reporting times lower absent the proposed 1 Minute mandate.

- b) the reporting percentage falls to 77% for trades reported within 1 minute.

The disparity in reporting time between trades cited in a) versus b) leads me to conclude:

- parties are reporting trades in a timely manner, complying with the portion of the rule requiring trade reporting "...as soon as practical...".
 - the data tells me the 5 minute post is the present day reasonable threshold, not 2 minutes and certainly not 1 minute.
- c) 98.1% of trades \$ 100,000.00 or less and 94.6% of trades greater than \$100,000.00 but less than \$ 1,000,000.00 are reported within 5 minutes.

This is significant progress from a few short years ago.

Contrast with: only 87.6% of trades greater than \$1,000,000.00 to \$5,000,000.00 reporting within 5 minutes and only 80.3% of trades in excess of \$5,000,000.00 are reported within 5 minutes.

These trades represent the largest trades occurring in the market. These data points indicate the market is bifurcated regarding reporting times. Since much of the rest of the market looks to these large trades for pricing direction it makes sense to improve time of trade reporting on these largest transactions. Doing so will likely have a positive impact on transparency and efficiency throughout the marketplace.

In my view, MSRB efforts should focus on reducing time of trade reporting on these two largest trade buckets before moving ahead in any other respect.

Is it possible to get the reporting time of these trades in line with (or closer to) the 5 minute reporting metric as cited in a) above?

Is a maximum 5 minute timeline window reasonable for this bucket of trades or will trade execution be damaged if window is reduced from its current 15 minute requirement? Has the MSRB conducted robust discussions with active market participants on both the buy side and sell side of these large sized transactions seeking their input?

At this time MSRB efforts should focus solely on working to reduce time of trade reporting on these larger trades before moving ahead on any other issue.

First resolve how to improve reporting times on these buckets of trades and then re-assess a sensible next step.

The current proposal will result in faster report times, but at a significant cost to a wide swath of the marketplace, both buy side and sell side.

A thinner, more concentrated, less efficient market will ensue.

In my view, all of the above are bad outcomes.

I urge the MSRB to revise its proposal.

Sincerely,

Ronald P. Bernardi

President and CEO

Bernardi Securities, Inc.



October 3, 2022

Submitted via email to pubcom@finra.org and electronically to the MSRB website

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

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

Re: FINRA / MSRB request for Comments on Proposals to Shorten the Trade Reporting Timeframe for Transactions in Certain Fixed Income Securities From 15 Minutes to One Minute

Dear Ms. Mitchell & Mr. Smith:

BetaNXT¹ appreciates the opportunity to respond to the related Financial Industry Regulatory Authority (FINRA) and Municipal Securities Rulemaking Board (MSRB) requests for comment regarding a proposed shortening of the required trade reporting timeframe for transactions in certain fixed income securities from no greater than 15 minutes to no greater than one minute (the “Proposals”).² BetaNXT generally supports the broader Securities Industry and Financial Markets Association and Financial Industry Forum comments regarding the Proposal. In this letter, and detailed below, BetaNXT limits its comments to the infeasibility of Trade Reporting under one minute in instances where a security detail is not available in the reporting firm’s security master due to significant process and technology limitations. As outlined below, to the extent FINRA and MSRB move forward with the Proposals, BetaNXT recommends the exclusion of instances where security master data is not automatically available to a reporting firm from the shortened transaction reporting requirements.

Background

BetaNXT acts as a service bureau on behalf of many of its broker dealer customers (BetaNXT Firms). In this role, BetaNXT performs essential clearance, settlement, and data management functions, including the reporting of fixed income transactions to the FINRA Trade Reporting and Compliance Engine (TRACE), MSRB Real-time Transaction Reporting System (RTRS), and the Deposit Trust and Clearing Corporation Real Time Trade Matching (RTTM) system, where appropriate. Following the consummation of a fixed income transaction between a BetaNXT Firm and a counterparty, the data necessary to process and report a fixed income transaction on behalf of a customer may not be present within the reporting systems (e.g., complete security master data within the system reporting the trade) that would permit the immediate and automated processing and reporting of that transaction in less than one minute.

¹ BetaNXT is a full-service technology solutions provider for the wealth management industry with a 40+ year operating history. We support our customers as they service approximately six trillion dollars of assets, including the investments of over 50 million retail accounts. BetaNXT is comprised of the securities processing and enrichment backbone BETA, the tax solutions of Maxit, and the personalized investor experience offerings of Digital Investor. For more information, visit <https://betanxt.com/>.

² FINRA Regulatory Notice 22-17 (August 2, 2022); MSRB Notice 2022-07 (August 2, 2022).

Specifically, where necessary details of a fixed income security are not present in BetaNXT's systems, and not available through automated inquiries to available data sources, the manual intervention required to obtain the necessary data makes the proposed one-minute trade reporting infeasible.

Illustrative Example

The below example outlines how, following the execution of a transaction in a municipal fixed income security in the market, BetaNXT processes and reports an ordinary municipal fixed income transaction where a BetaNXT Firm (BDA) purchases a municipal fixed income security on behalf of an underlying customer (Isaiah Investor) from a selling broker dealer (BDB) through an electronic Alternative Trading System (ATS).³ The issues discussed below apply equally to the processing and reporting of TRACE eligible securities.

Scenario | BDA buys \$5000 par value lot of Allegheny County Maryland Refunding Bonds of 2020⁴ on behalf of its customer Isaiah Investor from BDB after matching on an ATS:

A. Execution of Transaction in the Market

- 1) A BDA representative (Alice Adviser) has a discussion with her customer Isaiah Investor in which Isaiah Investor directs Alice Adviser to purchase \$5000 par value of Maryland Municipal bonds with specific attributes (e.g., maturity, price, call provisions).
- 2) Alice Adviser enters the relevant criteria into an ATS, seeking counterparties offering to sell Maryland Municipal bonds with the attributes Isaiah Investor is seeking.
- 3) The ATS presents Alice Adviser with counterparties offering Maryland Municipal bonds, and sorts the offers based on the additional criteria Alice selects (e.g., from highest to lowest yield)
- 4) Alice selects an offer that best suits Isaiah Investor's needs, in this example \$5000 par value of Allegheny County Maryland Refunding Bonds of 2020 from BDB.
- 5) The ATS generates an electronic message – specifically a FIX message – with BDA as a buyer and BDB as a seller of \$5000 par value of Allegheny County Maryland Refunding Bonds of 2020 and sends the message to BDA and BDB for trade processing and required reporting.

B. Post-Execution Trade Processing and Reporting | BDA only

As BDA's trade processing and transaction reporting service provider, BetaNXT receives the FIX message from the ATS reflecting certain details of BDA's purchase of \$5000 par value of Allegheny County Maryland Refunding Bonds of 2020 from BDB.

- 1) Trade Processing | BetaNXT must build a trade that records (i) BDA's purchase of bonds from BDB; and (ii) BDA's sale of those bonds to its customer Isaiah Investor.
 - i. BetaNXT searches its security master for fixed income securities to find the necessary data to enrich the basic information contained on the fix message from the ATS. Enrichment detail includes information on a security's maturity date and coupon rate, among other things.

³ An ATS is a trading system that meets the definition of "exchange" under federal securities laws but is not required to register as a national securities exchange if the ATS operates under the exemption provided under Exchange Act Rule 3a1-1(a). See 17 CFR § 242.300(a) (Defining an alternative trading system).

⁴ Security information available at <https://emma.msrb.org/Security/Details/A5CA0993AC5179BE21B3487A7536CFA27>.

- ii. BetaNXT uses the detail from a complete security master record to perform necessary trade processing tasks, including calculating the yield and enriching the trade record with the metadata information necessary for MSRB and RTTM reporting, as well as customer confirm disclosure.⁵
 - iii. Once the trade is built in BetaNXT, and recorded on the relevant internal ledgers, BetaNXT directs relevant details regarding the trade to the RTRS system for transaction reporting and eventual submission to RTTM for comparison, where appropriate.
- 2) Transaction Reporting | Comparison and Regulatory Reporting
- o BetaNXT transmits two transaction reports to the MSRB via the RTRS system with appropriately formatted electronic (SWIFT)⁶ messaging that contains information required for reporting (e.g., quantity, settlement date, special condition indicators) on behalf of BDA:
 - BDA's purchase from BDB
 - BDA's sale to its customer Isaiah Investor
 - o The RTRS system directs the trade between BDA and BDB to RTTM for matching/comparison, in preparation for settlement.

Security Master Issues

A security master is a repository of current and accurate reference data about a security. It is maintained in a data structure that permits systematic interrogation for the purpose of processing and reporting on events in that security (e.g., trades, corporate actions). Each entity that processes an event in a security must maintain its own security master within its systems. Significant effort is required to maintain a current and accurate security master. Further, security master data is often considered proprietary and not freely available in a central location.

In the process outlined in the example above, the details necessary to build the trade within BetaNXT were already available within BetaNXT's security master. In such a circumstance, the entire process is automated, and generally proceeds from step to step within fractions of a second. However, there are frequent instances where, while the information about a security exists, it is not yet within BetaNXT's security master. In such instances, outlined in detail below, manual intervention may be required to assemble the necessary detail within BetaNXT's security master to permit the processing of a trade. As the processing of a trade must occur prior to reporting a trade, manual intervention generally prohibits the reporting of a transaction within one minute of its execution. This is not a BetaNXT specific issue.

Generally, the need to manually enrich BetaNXT's security master to process a trade in a fixed income security occurs when a BetaNXT Firm has never purchased or sold the security and the details regarding the security are not readily available in the sources BetaNXT automatically interrogates for security master data. The lack of data in these circumstances generally relates to how different the fixed income market is from the equities market, particularly as it relates to the enormous number of fixed income securities issued when compared to equities and the relative infrequency of trading in fixed income securities when compared to equities.

⁵ SEC Rule 10b-10 – Confirmation of transactions, 17 CFR § 240.10b-10.

⁶ Municipal Securities Rulemaking Board, "Specifications for Real-Time Reporting of Municipal Securities Transactions", Version 4.0 (October 2019), available at <https://www.msrb.org/sites/default/files/RTRS-Specifications.pdf> ("MSRB RTRS Specifications")(requiring SWIFT format for reporting to RTRS). See also, Society for Worldwide Interbank Financial Telecommunications, available at <https://www.swift.com/>.

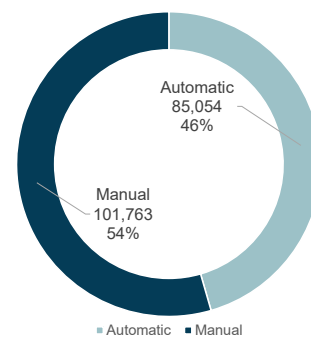
Where a BetaNXT Firm executes a trade in a security that is not set up in BetaNXT’s security master, BetaNXT performs an automated inquiry to available data repositories to attempt to automatically setup the security. If this process cannot automatically set up a security, it will result in a manual process to obtain the data necessary to set up the security. The manual process may require outreach to other data locations (particularly for new issues), which may include communication with the counterparty to the trade for reportable data points.

Specifically, a BetaNXT employee is alerted when BetaNXT has received a transaction in a fixed income security and that the automated process to obtain security master data from available sources has failed. The BetaNXT employee must then evaluate what information is present regarding the security within BetaNXT’s security master, and what information the BetaNXT employee must seek out from non-automated sources. Seeking out and obtaining the necessary information on a security may take several minutes in the best of scenarios and may take significantly longer.

BetaNXT Reportable Fixed Income Securities
(Jan. 1, 2021 – Sept. 1, 2022)

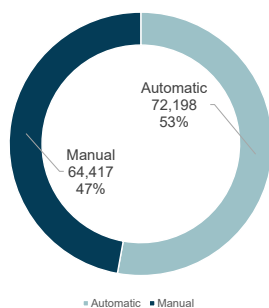
	<i>Automatic</i>	<i>Manual</i>	<i>Total</i>
<i>MSRB</i>	72,198	64,417	136,615
<i>TRACE</i>	12,856	37,346	50,202
<i>Total</i>	85,054	101,763	186,817

Reportable Fixed Income Securities
Security Master Setup Style
1/1/21 - 9/1/22 | 186,817 Securities



Based on BetaNXT’s analysis, of the 186,817 reportable fixed securities BetaNXT added to its security master during the period of January 1, 2021, up to and including September 1, 2022 (the Relevant Period), approximately 46% (85,054) were added without the need for manual intervention. However, approximately 54% (101,763) of reportable fixed income securities required manual intervention prior to BetaNXT’s processing of the first trade in that security. This is not a one for one map to the number of trades the manual process impacts but is a helpful and relevant indication of the scope of the impact.

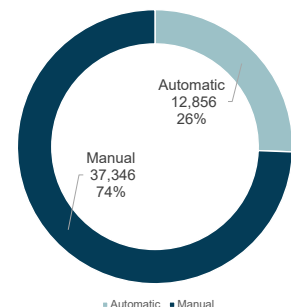
MSRB Securities
Security Master Setup Style
1/1/21 - 9/1/22 | 136,615 Securities



Also, BetaNXT has information regarding the breakdown of TRACE reportable and RTRS reportable securities based on securities type. For the relevant period, BetaNXT added 136,615 RTRS reportable securities to its security master. Of this number, approximately 53% (72,198) were automatically added to the BetaNXT security master, and approximately 47% (64,417) required manual intervention.

As it relates to TRACE reportable securities, during the Relevant Period BetaNXT added 50,202 TRACE reportable securities to BetaNXT’s security master. Of this number, approximately 26% (12,856) were automatically added to the

Trace Eligible Securities
Security Master Setup Style
1/1/21 - 9/1/22 | 50,202 Securities



BetaNXT security master, and approximately 74% (37,346) required manual intervention.

Separately, BetaNXT has experienced instances where a newly issued security is not available on the TRACE security master, causing BetaNXT to wait for FINRA to add the relevant security to report to TRACE or. It is unreasonable to hold reporting firms to a one minute reporting standard in where the delay in reporting is due to processing delays within FINRA.

Recommendation

Foremost, BetaNXT asks FINRA and the MSRB to consider the comments of SIFMA and FIF challenging the wisdom and necessity of the Proposals, especially in weighing the herculean challenges balanced against undefined benefits. Should FINRA and the MSRB decide to move forward with the Proposals, BetaNXT respectfully requests a mechanism for reporters to indicate that necessary detail regarding a security was not available with the reporting entity when the trade executed. Such a mechanism could take the form of a flag or modifier that indicates to FINRA or MSRB that, due to processing necessity, the timeliness of a specific report should not be measured against the Proposals' "no later than one minute" reporting timeframe.⁷ BetaNXT believes that such a flag or modifier is necessary, as FINRA and the MSRB should not include such transactions in compliance or other statistics regarding the timeliness of trade reporting.

Other Processing Issues – Example: Allocation of Block Trades

BetaNXT notes that while this letter focuses on security master issues, other significant processing challenges prevent the reporting of fixed income transactions in under one minute in many scenarios. One important scenario relates to challenges in allocation processing. As an illustrative example, an BetaNXT Firm customer places order for 1,000,000 bonds and asks the BetaNXT Firm to allocate of 100 lots of 10,000 bonds to 100 subaccounts. Under the proposals, both the 1,000,000 bond purchase in the market (the block trade), and the 100 sub-account allocations of 10,000 bonds each (the allocations) must be reported in under one minute. Even in a fully automated workflow with all data necessary to process and report the block and allocation trades, transition between automated systems and processing takes time, and the reporting of allocation trades late in the processing queue will likely exceed one minute in certain scenarios.

Notwithstanding issues with the automated processes, if there is any need for manual intervention, the trade reporting of allocation trades will almost certainly be well over one minute from the block trade. Should FINRA and the MSRB move forward with the Proposals, BetaNXT recommends that the MSRB and FINRA include in any final rules and specifications exclusions from the trade reporting threshold of one minute for reasonable processing issues, including the allocation example outlined above.

Implementation Timelines Recommendation

Should FINRA and the MSRB move forward with the Proposal, incorporating the recommendations regarding a flags or modifiers for processing issues outlined above, BetaNXT recommends at least 18 months from the publication of the final rules to permit the necessary system changes and testing required to meet the new rules and associated technical specifications. To the extent FINRA and MSRB move forward with the Proposals without a BetaNXT's recommendation, it is currently impossible for BetaNXT to determine the feasibility of sourcing real-time complete security master information necessary to ensure compliance with the Proposals.

⁷ Both TRACE and RTRS specifications include modifiers and other indicators that provide information to FINRA and the MSRB respectively regarding the processing details of the trade. See e.g., FIX Specifications for the Trade Reporting and Compliance Engine system: TradeModifier1, 2, 4 (available at <https://www.finra.org/sites/default/files/CA-trace-fix-specs-v1.4.pdf> page 21), and MSRB RTRS Specifications: Special Condition Indicator page 113 Appendix B.2.

Conclusion

As outlined above, BetaNXT requests FINRA and the MSRB examine, among other processing issues, challenges related to obtaining fulsome security master data within a reporting firm necessary to perform trade processing tasks preceding transaction reporting. Specifically, to the extent FINRA and the MSRB move forward with the Proposals, BetaNXT recommends that FINRA and the MSRB adopt rules and technical functionality that permits reporting firms to indicate on transaction reports that due to a processing issue a transaction should be excluded from the Proposals' one minute reporting timeframe.

* * *

BetaNXT appreciates the opportunity to comment on the Proposals and would be happy 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 will.leahey@betanxt.com / 201.351.6680.

Sincerely,

- /s/ -

Will Leahey
Head of Regulatory Compliance
BetaNXT



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 Washington, DC 20006
 202.204.7900
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October 3, 2022

Ronald W. Smith
 Corporate Secretary
 Municipal Securities Rulemaking Board
 1300 I Steet NW
 Washington DC 20005

Jennifer Piorko Mitchell
 Office of the Corporate Secretary
 FINRA
 1735 K Street NW
 Washington, DC 20006-1506

Dear Mr. Smith and Ms. Mitchell,

The Bond Dealers of America (“BDA”) is happy to provide comments on companion proposals from the MSRB and FINRA to shorten the time for dealers to report trades to the MSRB’s Real-time Trade Reporting System (“RTRS”) and FINRA’s Trade Reporting and Compliance Engine (“TRACE”). The MSRB proposal—Notice 2022-07, “Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14” (the “MSRB Proposal”)—and the FINRA proposal—Regulatory Notice 22-17, “FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute” (the “FINRA Proposal”, together the “Proposals”)—relate to very similar initiatives, and this letter addresses both. BDA is the only DC-based group exclusively representing the interests of securities dealers and banks focused on the US fixed income markets.

BDA and its 82 broker-dealer members support price transparency in the fixed income markets. Currently, FINRA Rule 6730 requires dealers to report most trades in covered securities to the TRACE platform as soon as practicable but no later than 15 minutes after execution. While MSRB Rule G-14 does not explicitly include this “as soon as practicable” provision, Rule G-14 does specify that dealers must report trades “promptly, accurately and completely.” In addition, MSRB staff have informed us they believe a dealer delaying a trade report longer than necessary would be in violation of MSRB Rule G-17. If true, that means municipal securities dealers are effectively required to submit trade reports as soon as practicable—and in no case later than 15 minutes, of course—as well. Since Rules G-14 and 6730 were adopted, BDA members have worked hard to ensure compliance with trade reporting requirements and to reduce trade reporting times even without new regulatory mandates. However, there are good reasons why dealers are not already reporting 100 percent of trades within one minute despite both Rules explicitly or effectively requiring trade reporting “as soon as practicable.” Reducing the mandated reporting time from 15 minutes to one minute would be overly burdensome for dealers to comply with. The potential benefits of the Proposals are speculative at best. For these reasons BDA strongly opposes the Proposals and we urge the MSRB and FINRA to abandon these initiatives and continue to allow the industry to improve reporting times organically.

Trade reporting times

Rule 6730 and, effectively, Rule G-14 already require dealers to report trades “as soon as practicable.” That means dealers are already reporting trades as fast as they can. Neither Proposal offers any suggestion that dealers are not submitting reports as soon as they are able. If it was possible for dealers

to report 100 percent of trades within one minute, they would already be adhering to that standard since the Rules explicitly or effectively require reporting as soon as practicable. If dealers are already reporting trades as fast as they can, it is unreasonable to impose a one-minute requirement they cannot always meet.

The industry has made consistent improvements in trade reporting times since the RTRS and TRACE schemes were put in place. As the MSRB Proposal demonstrates, the portion of municipal trades reported within one minute has grown from 69.5 percent in 2005 to 80.2 percent in 2019. Although the FINRA Proposal does not provide these time-series data for TRACE-eligible securities, we believe TRACE reporting times have improved by comparable margins since FINRA Rule 6730 was imposed. These improvements should be celebrated. They reflect the industry's ever-improving technologies and practices which benefit investors. There is every reason to believe dealers will continue to shorten trade reporting times, as we have for 17 years, without the imposition of one-minute reporting requirements.

Moreover, the additional compliance costs dealers would face if the Proposals are adopted would ultimately be borne by customers and clients. Although dealers cannot and do not pass through these costs directly, dealers obviously must cover all their expenses, including increased compliance costs associated with the Proposals, in order to remain profitable.

Constraints on shorter trade reporting

Dealers generally report trades as soon as they are able. Dealers do not sit on trade reports until the 15-minute deadline. Due to requirements that explicitly or effectively mandate trades to be reported as soon as practicable, purposely delaying a trade report would be a rule violation. When trades take longer than one minute to report, there are reasonable and legitimate reasons.

- If a firm has never traded a particular bond, before a trade in that CUSIP can be reported to the RTRS or TRACE, the dealer must enter or import a descriptive security record into its trade order management system, a step not necessary if a firm has traded the bond before. That virtually always means the trade cannot be reported within one minute.
- If a dealer clears transactions through a third-party clearing firm, that clearing firm generally performs the trade reporting function. That means before trades can be reported to RTRS or TRACE, they must first be transmitted to the clearing firm. This can cause a delay in the reporting process. In addition, the clearing firm must also have a security record in its system before the trade can be reported; if not, the record must be added before the trade report, consuming valuable seconds.
- Under TRACE reporting guidance, a broker-dealer who is dually registered as a Registered Investment Advisor ("RIA") must follow additional reporting steps for trades with the affiliated RIA for single trades that are allocated among numerous RIA accounts. The dealer must report both the single trade with the RIA and the allocations to the RIA's sub-accounts, which can number in the thousands. This process invariably takes longer than one minute.
- Some dealers, especially small firms, enter some or all trades into RTRS and TRACE manually. This virtually ensures trade reports take longer than one minute. This applies for some firms even for trades conducted on electronic platforms.
- Trades negotiated and executed by phone, still the predominant execution method for block-sized trades in municipals, corporates, asset-backed securities, collateralized mortgage

obligations (“CMOs”), mortgage-backed securities involving specified pools, and others, require human involvement and data entry, delaying the reporting process easily past one minute. Indeed, some TRACE-eligible products like certain structured mortgage- and asset-backed securities essentially do not trade electronically at all and likely will not in the near to medium future.

- Clocks on different systems—such as clocks on reporting firms’ systems versus clocks on clearing firms’ systems or clocks on the RTRS or TRACE systems themselves—can be set to times which are seconds apart. With a 15-minute reporting deadline, differences in seconds are relatively insignificant. If the reporting deadline becomes one minute, every second will count. Clocks off by a few seconds can mean the difference between being in or out of compliance.
- Bank dealers of all sizes who are not also FINRA members only recently as of September 1, 2022 started reporting certain trades to TRACE under Federal Reserve System rulemaking.¹ It would be unreasonable to expect these firms to reduce their reporting time as they are just becoming familiar with the requirements. Moreover, the Federal Reserve Rule applies not only to bank trading portfolios but also bank investment portfolios, which otherwise generally participate in the markets as customers, not dealers.
- Perhaps most important, reporting trades within one minute leaves no margin for error, especially for trades that are not fully automated. A 15-minute deadline gives firms time to correct erroneous or conflicting reports and still be in compliance with the Rule; one minute does not. Measuring regulatory compliance by seconds is fundamentally unwise.

Regulating dealers out of business

Many small broker-dealers manually input their trades into RTRS and TRACE because their volume of trades does not warrant the cost to employ automated solutions. As both Proposals demonstrate, manually inputting trades means the reporting process takes longer. As the FINRA Proposal cites, only 14 percent of trades entered via the TRACE Web portal and nine percent entered via Web Multi-entry are reported within one minute versus 83 percent of trades entered automatically via the FIX interface.

Shortening the reporting deadline would effectively eliminate manual entry entirely. It would force small firms, those with the thinnest compliance resources, to utilize expensive front-end trade order management systems in order to automate the reporting process. This undue pressure on small firms—effectively forcing them to contract with expensive technology vendors in order to automate trade reporting and comply with the amended Rules—would cause many to exit fixed income secondary trading altogether, inhibiting competition, concentrating risk among a smaller number of dealers, and empowering those remaining dealers with respect to prices.

Indeed, the MSRB Proposal even anticipates this outcome, stating “some smaller firms may find it difficult to meet the new reporting times due to the high costs relative to the amount of business they conduct.” The MSRB Proposal also states “if these dealers choose to relinquish their secondary market trading business, there should not be any significant reduction in the supply of services to investors.” It almost feels as if the MSRB and FINRA are *trying* to squeeze small firms out of the market with these Proposals.

¹ 86 *Federal Register* 59716.

Small dealers are a vital element of the capital markets. Small dealers provide services to issuer and investor clients who may otherwise be overlooked by larger firms. And forcing small dealers out of the secondary fixed income trading markets, as the Proposals would, would effectively block them from serving as underwriters as well. Both issuers and investors expect an underwriter to provide liquidity and support trading in securities they underwrite. It is simply not possible to run an underwriting business without a corresponding secondary trading business.

Regulating firms out of business would be an unacceptable outcome of the Proposals. Any marginal benefits associated with faster trade reporting would be undercut by negative outcomes for small firms and their customers. With some small dealers being forced out of business due to the Proposals, the MSRB and FINRA would effectively be compelling those firms' customers to change brokerage firms if they want to continue to participate in the fixed income markets. That is not an outcome consistent with investor protection.

Alternatives

We urge the MSRB and FINRA to abandon the Proposals entirely. Trade reporting times will continue to improve even without regulatory mandate as more of the fixed income markets move to electronic execution and firms continue to improve their technology and practices. One-minute trade reporting would be damaging and unnecessary.

If the MSRB and FINRA decide to move forward with one-minute reporting despite the predictable negative outcomes, we recommend significant changes to the Proposals, including maintaining 15-minute reporting for trades executed by telephone, manually inputted into RTRS or TRACE, cleared through third-party clearing firms, allocated to a dually registered RIA's sub-accounts, or trades that require a dealer to populate their security record before reporting. Without these changes, the Proposals are so burdensome that violations would spike and some firms would exit the secondary fixed-income markets altogether.

Summary

Trade reporting for RTRS- and TRACE-eligible securities has been a great success. The secondary fixed income trading markets are more transparent than ever, transaction costs have fallen, and trade reporting times have improved substantially. Rules G-14 and 6730 have performed exactly as regulators intended. Forcing one-minute reporting onto RTRS- and TRACE-reporting dealers is unnecessary. The benefits to investors would be marginal and would be eclipsed by substantial additional compliance costs to the industry and the withdrawal of small dealers from relevant fixed income markets.

The Proposals are unnecessary because dealers are already explicitly or effectively required to report trades as soon as practicable. Trades not reported within one minute are mostly those described above where the dealer must obtain a security record before reporting, enter the trade manually, execute the trade via telephone, etc. If dealers are already required to report trades as fast as they can, forcing a one-minute deadline would be unreasonable.

We strongly oppose the Proposals. We urge the MSRB and FINRA to abandon these initiatives and allow the industry to continue to improve trade reporting times on its own as we have for 17 years. If you determine to adopt the Proposals despite the expected negative fallout, we ask you to maintain 15-minute reporting for those categories of trades that require more than one minute as described above.

We are pleased to comment on the Proposals and we would welcome meetings with MSRB and FINRA staff to address questions and expand on the points made here.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Decker". The signature is fluid and cursive, with the first name "Michael" being more prominent than the last name "Decker".

Michael Decker
Senior Vice President for Public Policy



September 28, 2022

Submitted electronically via msrb.org

RE: REQUEST FOR COMMENT ON TRANSACTION REPORTING OBLIGATIONS UNDER MSRB RULE G-14

To the Municipal Securities Rulemaking Board:

We appreciate the opportunity to comment on the proposed amendment to Rule G-14 because it is a very serious matter to us. As a correspondent bank, one of the services we provide to our community bank customers is access to the municipal bond market. This is a service not typically provided to community banks by large institutions that have fully automated reporting systems, and it is therefore a critical role in the community banking industry as municipal bonds are a staple of almost any community bank's liquid assets.

Reporting is not a simple process for us, or for many other small municipal dealers and correspondent banks like us. Anytime we execute a municipal securities trade, we have to report the details of the transaction manually. Furthermore, since we typically act as riskless principal, we have to go through this process *twice* whenever a customer bank buys or sells—once when we transact upstream with a larger dealer, and again for the customer side of the transaction.

For transactions with upstream dealers, the system we report the trade through requires us to log out of everything else—the bank network, email, and anything else that requires an internet connection. It takes at least a minute simply to log in to the initial access point to begin to report a trade.

After that, navigating DTCC's portal to report takes several minutes because the process is, unfortunately, quite slow. If the site is particularly busy, or if we have to change a password, it is challenging to even meet the 15-minute requirement. And, again, this is only one side of the transaction. After manually entering all of the required information and waiting for approval confirmation, we then disconnect from the dedicated line and log back in to the bank network and finally the MSRB website, where we navigate to the RTRS page and enter all the same information again for the customer side of the transaction.

If we make any errors entering the trade data, it is not possible to correct them within the 15 minute window.

The transactions not already reported within 1 minute via an automated system are not sizable enough for faster reporting of them to affect market transparency in any meaningful way. Furthermore, they are not particularly representative of market movement since smaller dealers often do not hedge their positions, but rather attempt to sell at a dollar price gain regardless of what the rest of the market is doing. For those transactions, time of reporting is effectively meaningless. This proposed rule does significant harm to a significant proportion of municipal market participants without contributing any real value to the industry; it is clearly a net negative and should not be implemented.

Unbeatable Service. Legendary Results.™

If the reporting window is reduced to a single minute, we will be forced to incur expenses that have heretofore been well outside our operating budget. We will likely be forced to increase fees and use larger markups in our dealings with community banks, and we believe it's safe to assume other small municipal dealers and correspondent banks will be forced to do the same.

Our fear is that this rule change will effectively be a tax on our customers, who often play a vital role in communities that lie outside the target markets of large broker dealers. Community banks are already shouldering costly regulatory burdens designed for much larger institutions. Ultimately, it will contribute to industry consolidation, less competition, fewer and lesser banking services in smaller communities, and therefore more headwind to economic growth in those areas.

Please do not reduce the 15-minute reporting requirement. Thank you for your consideration.

Sincerely,

Electronically Signed

David Long
Executive Vice President
Correspondent Banking/Capital Markets

Electronically Signed

Vincent Webb, FRM
Managing Director,
Bryant Bank Capital Markets

**VIA ELECTRONIC SUBMISSION**

October 3, 2022

Ronald W. Smith
Corporate Secretary
MSRB
1300 I Street NW
Washington, DC 20005

Re: MSRB Notice 2022-07: Request for Comment on Transaction Reporting Obligations
under MSRB Rule G-14

Dear Mr. Smith,

Cambridge Investment Research, Inc. (“Cambridge”) appreciates the opportunity to comment on the proposed rule change contemplated in Notice 2022-07 (the “Proposal”) that would amend the Municipal Securities Rulemaking Board (“MSRB”) Rule G-14 with regard to the reporting and public dissemination of information regarding purchase and sale transactions effected in municipal securities. Cambridge understands that this proposed change would require firms to submit a report to the Real-Time Transaction Reporting System (“RTRS”) as soon as practicable, but no later than within one minute of the time of trade for transactions effected in municipal securities.

Cambridge recognizes and appreciates MSRB’s interest in rethinking the manner in which firms disseminate transaction data. However, for the reasons detailed below, Cambridge questions the practicality of the proposed one-minute limitation for the submission of reports to RTRS and requests that the MSRB consider the following recommendations and concerns related to the Proposal.

I. NECESSITY FOR THE PROPOSAL

Cambridge understands and appreciates the MSRB’s desire to improve price data transparency. However, Cambridge questions the necessity of a one-minute reporting requirement for municipal securities, as they are not quoted or traded with the same frequency or volatility as are stocks. As the MSRB indicates in the Proposal, the municipal market consists of “relatively illiquid

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cambridge@cir2.com | www.cir2.com

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securities” which “historically has been associated with low trading volume for a majority of CUSIP numbers,” where “only about one percent of municipal securities trade on a given trading day.”

Cambridge believes that as drafted the Proposal will create an increase in late-reported trades without meaningfully improving the transparency of price data for the great majority of municipal securities. For transactions executed in municipal securities, the MSRB notes that 76.9% of trades were reported within one minute of execution during 2021. The data sampled by the MSRB would, under the Proposal, cause 23.1% of reportable transactions to fail. These failure rates are heavily weighted toward smaller and less active firms, as those firms in Groups 3 and 4 met the one-minute threshold only 48% and 52% of the time, respectfully.

MSRB data reflects that in 2021 97.3% of trades required to be reported within 15 minutes were reported in five minutes or less, and that from 2005 to 2021, average overall reporting times quickened “so that a shorter reporting timeframe would have already been satisfied by most reported trades.” Cambridge recognizes that continued advances in technology and integration have improved significantly average reporting times over the past seventeen years. However, Cambridge urges the MSRB to consider the distortion created by reliance on data from the largest, most active firms: since 67.7% of trades were conducted by the largest firms in Group 1, while the smaller, less active firms in Groups 3 and 4 conducted only 5.5% and 0.7% of trades, respectively.

Cambridge also encourages the MSRB to consider which methods of transacting and reporting are more likely to face challenges under the shorter proposed reporting requirement, and which firms and business models will be disproportionately affected as a result. The difference between a one-minute, five-minute or even fifteen-minute reporting requirement is negligible in an environment where the great majority of securities will not trade for days, weeks, or even months.

Finally, Cambridge believes it would be beneficial for the MSRB to provide more granular detail regarding assumptions underlying the analysis of 251,635 “same-CUSIP number matched trades” from January through December of 2021. The MSRB indicates that 27.9% of analyzed trades had “at least one matched trade executed more than a minute before the analyzed trade’s execution” and implies that such trades would benefit from the execution information which would be provided if the reporting requirement was reduced to one minute or less.

It is important to understand how many of these trades involved initial allocations of new / newer issues and how many were executed by the same party or between the same parties. Without recognition of the potential for redundancy among the parties executing the analyzed transactions, it is unclear how many trades would benefit from the Proposal.

Based upon the data, it is clear that the Proposal, if enacted, would create a much greater percentage of reporting failures for firms. Cambridge believes that any potential benefit in shortening the trade reporting time appears to be outweighed by the increase in reporting failures and, as discussed in more detail below, reporting errors.

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II. BENEFITS TO INVESTORS

The MSRB cites research that concludes that the 2005 change from an end-of-day reporting requirement to a fifteen-minute requirement reduced average effective spreads for customer trades by between eleven and twenty-eight basis points. Further, while acknowledging the difference between that scenario and the fourteen-minute adjustment presently proposed – projects hypothetical benefits based on assumptions of an additional five basis point reduction in effective spreads, if fourteen minutes are cut from the current reporting timeframe.

Cambridge believes that the projection of estimated benefits to be gained through the proposed fourteen-minute reduction to the reporting timeframe are inflated in proportion to the estimated benefits derived from removing nearly a full business day from the reporting timeframe in 2005, per the research cited. Subsequently, assumptions regarding additional investment in the municipal markets based on the realization of those projected benefits may be less likely.

III. OPERATIONAL CONSIDERATIONS

Further, in response to the MSRB's specific question, Cambridge believes that the proposed changes, if adopted, would lead to more mistakes, since the potential for repairing an erroneous report without generating a true trade correction would shrink from fifteen minutes to one minute under the Proposal. Cambridge trusts that in all circumstances – but especially those which require manual keying for trade entry or allocation of transaction data – trading and clerical personnel will be more likely to make mistakes, generate more late reports, cause more cancellations and corrections activity, and create trading errors when attempting to comply with the proposed one-minute standard. Additionally, if a mistake is discovered, the chance of successfully rectifying an erroneous report within the proposed one-minute timeframe is minimal.

IV. COSTS AND BURDENS TO DEALERS AND MARKET PARTICIPANTS

The Proposal describes smaller firms having “difficulty with the proposed one-minute reporting requirement” based on MSRB analysis showing “smaller firms lagging behind larger firms in reporting time.” The Proposal supposes that the firms most likely required to make changes and efforts to comply with the proposed one-minute standard “tend to be smaller and sometimes privately-owned dealers,” that smaller firms “may find it difficult to meet the new reporting times due to the high costs relative to the amount of business they conduct,” and that although these firms “may be impacted by the proposed change,” the impact to the marketplace is “expected to be minor given these dealers’ relatively minor presence.” Most concerningly, the Proposal concludes that the reason this impact would be insignificant is because “if these dealers choose to relinquish their secondary market trading business,” their trades “would most likely migrate to other larger dealers.” Cambridge respectfully disagrees with the sentiment that smaller firms should be forced away from transacting in the marketplace by overly cumbersome requirements to submit reports on those transactions.

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October 3, 2022
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The Proposal further acknowledges that reducing the reporting timeframe would necessitate changes in efforts and behavior by firms in order to comply; however, the Proposal places continued emphasis on these concerns based on “technology upgrades, human efforts, compliance programs, revising policies and procedures, and education or training standards,” but does not contemplate the relevance of varied transaction methods underlying the methods utilized for reporting to RTRS.

Cambridge encourages the MSRB to consider variations in transaction types which necessarily affect reporting methods and reporting times. For many firms, a significant number of transactions are confirmed by voice, which requires manual keying for dealer and client sides of transactions. When multi-entry transactions require manual keying with numerous client allocations (such as a buy order involving allocations to twelve separate client accounts), it may be impossible to meet a one-minute reporting timeframe.

Similarly, if a series of individual executions (such as a group of fifteen sell orders when liquidating an account) are confirmed by voice, a one-minute reporting timeframe would require the transacting parties to confirm and synchronize trades, one at a time, then manually key them in a recurring series of individual transactions to avoid violating the one-minute reporting standard. Such scenarios can present challenges to timely reporting during many methods of transacting, even for firms with integrated RTRS reporting tools.

Cambridge encourages the MSRB to consider the potential for firms to choose limiting or even ceasing to work with contra parties providing beneficial access to fixed-income services and executions as a result of difficulties complying with the proposed one-minute reporting standard. Many firms and their financial professionals leverage numerous third-party relationships to ensure broader access to bonds and inventories when buying, to locate more bids when selling, and for assistance in constructing custom ladders or model portfolios for retail clients.

If these relationships were to become high-risk for reporting failures under a one-minute standard, firms may be faced with a choice between meeting the one-minute reporting standard and giving up access to valued services, broader market access, and potential price benefits provided by those third-party relationships. This can be especially valuable in the municipal securities market, where regional access and expertise are of great importance for firms striving to meet the specific needs of clients based on considerations of location and taxation.

Cambridge requests that the MSRB further evaluate the impact of the proposed one-minute reporting timeframe based on the numerous ways whereby transaction and allocation methods may necessitate additional time to comply with standards, and to again consider the disproportionate impact the proposed changes would cause for firms not among the largest and most active firms in Group 1. The Proposal creates an environment where firms can no longer consistently comply with transaction reporting requirements and will be subject to regulatory actions as a result of this non-compliance or, as noted in the Proposal, be forced away from secondary market trading or to migrate to larger dealers.

Mr. Ronald W. Smith

October 3, 2022

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Cambridge appreciates the opportunity to offer comments regarding the proposed rule to increase transparency and improve access to timely transaction data for municipal securities through RTRS. Cambridge would be happy to discuss further any of the comments or recommendations outlined in this letter.

Respectfully Submitted,

/s/ Seth A. Miller

Seth A. Miller

General Counsel

President, Advocacy and Administration

Comment on Notice 2022-07

from Jay Lanstein, Cantella & Co., Inc.

at email address jlanstein@cantella.com

on Friday, September 16, 2022

Comment:

To Whom It May Concern:

We are writing in opposition to shortening the reporting threshold for municipal bond trades. In a perfect world, trade information would be reported instantly, but that is not the relevant standard. The bond markets are not the equity markets, and there is little discernible benefit to investors from a shortened reporting time.

This proposal causes substantial harm to small and mid-size firms, who are more likely to be manually reporting trades, or manually entering executed trades with their clearing firms for reporting. These firms, including my firm, execute trades via Bloomberg, ATS, and sometimes the phone. The trade details are then re-keyed, as opposed to being sent to RTRS automatically. The only firms that could comply with a 1 minute threshold are those with fully integrated systems and automated reporting. Those firms those who can afford to build and maintain that infrastructure, which are far more likely to be the large, dominant players.

This change, if adopted, will further concentrate market power among those large firms, and disadvantage the small firms. Investors will see larger spreads with less competition. FINRA will then come along and add insult to injury with fines for late reporting, further sapping those firms with limited resources who try to keep up. The retail investor is most in need of service from smaller firms, as large firms do not want small clients. This change will be a net negative for investors and small firms.

While revisiting rules from time to time is a valuable exercise, this is a case of a solution in search of a problem. Thank you for your consideration.

Jay Lanstein
Chief Executive Officer
Chief Technology Officer
Cantella & Co., Inc.

Comment on Notice 2022-07

from Maryann Cantone, Cantone Research, Inc.

at email address MCantone@cantone.com

on Tuesday, August 2, 2022

Comment:

Re: the proposal for 1 min trade reporting

This is impossible to accommodate 100% of the time. A realistic goal is 10 min. We have been doing bond trades for decades.

This idea sounds like it came from a group of people that never had real-world experience inputting bond trades and dealing with the aftermath of it. Call me if you want more details on why. But this would be a nightmare for small firms. Please just dont do it.

Thanks,
Cantone

September 9, 2022

Comments on proposal reducing reporting times under MSRB Rule G-14 to one minute

Dear Board,

I appreciate the ability to enter my comments on the potential changes to reporting times under MSRB Rule G-14. As a person who has been around the municipal industry in many different capacities for close to four decades (think T+5 settlement and manual trade comparison and Monroe calculators), I feel a need to add some comments into the mix from all sides. These comments are not meant to single out any specific facet or member firm, nor will these comments be on behalf of any single member firm. The vision is strictly in an amicus curiae hope to see that all sides and sizes of the industry are represented. The comments are not in any specific order of importance.

The Board has stated on many occasions a directive to protect investors, issuers and the public interest, yet they also seem to discount the smallest 400 member firms and their customers in favor of those customers taking their bond business to larger more “electronically capable” firms - firms that may process more than a couple of trades a month. Some of these larger firms will not give you the time of day if you are a customer with less than half a million dollars in assets. Some of these larger firms may not care to underwrite a new bond issue with less than 8 digits to the left of the decimal. Some of these larger firms may not know the credit worthiness of the smaller issuers and therefore not bid on those items. This is where many of the smaller firms are needed and excel. I suggest there is a reason why some of these smaller firms exist – to protect those smaller investors and issuers and their public interest. Is the loss of 14 minutes time so egregious on reporting a 10M trade as to cause one of these smaller firms a large capital outlay or for them to make a business decision to leave bond markets? How many trades under 100M would even be considered in some firm’s algorithms or by the quants? Unless the regulatory bodies prohibit small municipalities from the market or second and third tier banks from buying locally familiar credits, maybe less competition is not such a good idea.

No doubt that certain groups with highly sophisticated price modeling programs might marginally benefit if trade reporting were accelerated in a similar manner to the stock exchanges. Is FINRA and the Board supporting this for the analytics or for the investor? Last time I looked there were under 3,000 issues traded on the NYSE. How many different municipal credits are traded daily? I don’t recall many of those stocks having sinking funds or extraordinary call features that had to be researched and verified, let alone adjustable interest rates or factors that even EMMA still does not have available in an easily readable or accessible format. Factored bonds will only be increasing in number. Granted, Bloomberg will usually have up to date factors so those users may have an edge, but where does that individual investor go to verify he/she is being correctly charged for 65% of the principal – instead of 60% because of a recent paydown?

While I don't know of a single person that likes to make a mistake, in a rush to avoid judgement and potential late trades, how many more keypunch and coding errors might occur? This will happen. Price discrepancies on dealer reportable trades would not post to EMMA until the difference was rectified and the trade matched. Erroneous prices on customer facing trades would post to EMMA and might skew the transparency you are trying to create. There is a finite point where expediency and accuracy won't meet.

Certain market inefficiencies to consider: 1) Firms needing or requiring a VCON. 2) Popup indications of a fill or execution – that may not popup or get completely missed by a trader stepping down the hall for a couple of minutes. 3) Some firms requiring a principle's authorization or at least a review by other personnel before a trade can be processed. 4) Other firms that utilize a different front-end system for their records and bookkeeping that inherently causes a minute (or more) delay in reporting to RTTM. This group of trades are not late by today's standards, and most would easily meet a 5 minute requirement.

Additional regulatory cost considerations: 1) My assumption is the allowed time difference to generate a Q22F mismatch will also be reduced to a one minute window from the current 15 minute window. I have no way to project this potential increase in Q22Fs, maybe MSRB would, but would not be surprised to see a five-fold increase in Q22F mismatches. 2) Add this to what may be a ten-fold increase in late trade documentation depending on the firm and their volume. 3) Some firms may not have a dependable automated process to set up new CUSIPs in their systems. 4) More late trade red tape – was a late trade caused by a now very brief outage or a problem in setting up the CUSIP or perhaps it was the 7th item in a 10 item bid list?

Another regulatory cost consideration would be in managing any communications issues along with reporting those real issues to MSRB and FINRA (the "outage") as required. I have in the past told MSRB and DTC and our internal IT groups of potential outages before they knew themselves, yet I have no clue how to determine a potential outage/communications issue in under a minute. I could envision a service bureau sending out several notifications daily – assuming they could identify the outages in a timely manner.

Bid lists pose their own unique problems. Where both sides to the trade are not completely automated it would be highly improbable that even the best keypunch operator/trader could post more than five trades in a minute. What do you do? Limit a bid list to two items and then an additional two items for execution five minutes later? That is not terribly efficient and might be more of a disservice to the customer. What of those trading desks that make a market call on a handful of hedged items in a proprietary or arb account? I could debate the pros and cons of the M020 end of day exemption for

syndicate trades – in the end how much does this M020 syndicate premise differ in concept from a trading desk or a trust department selling 20 different bonds at the same time?

With all due respect, I still find it somewhat hypocritical of MSRB/RTTM to deem the trade date as not being criteria for a trade match. Doesn't the actual date a contract is agreed upon have just as much validity as the time the trade is executed? It should certainly hold more weight in a price transparency debate. Maybe this is just me, but I find it absurd to be more worried about the current 15 minute discrepancies, let alone a proposed one minute discrepancy, than a 24 hour discrepancy.

In summation, it is my documented belief that the costs of compliance to the industry, as a whole, to such a proposal far outweigh any potential price transparency benefits. Many smaller firms would have to make difficult decisions on whether a sizable capital outlay makes business sense to them. Invariably some will not, and it is difficult to assess how little or how much impact this might have on market liquidity for certain sectors. My data suggests that "as soon as practicable" without undue burdens or ATS mandates could reasonably mean five minutes. Any less and the associated costs of dealing with the inherent new red tape affects everyone in the business. Be prudent and cautious in these decisions. See how five minutes works, gather that new data. Then maybe we look at two minutes. I believe if you were to look at 2022 data you would see a slight decrease in reporting times already from increased ATS activity, and likely would see a decrease just floating this balloon and causing firms to reassess their processes. Lastly, we need to be cognizant of the impending T+1 settlement cycle, and how much more time (and potentially staff) will need to be dedicated to the clearance of trades during the shortened cycle.

RAPID FIRE RESPONSES TO OPERATIONAL CONSIDERATIONS

1. Time of trade/execution time **and date** is the appropriate measure
2. Perhaps dealer/dealer trades vs. customer trades. I myself would love to see this data broken down in this capacity. If customer trades are included in the data represented, well, most of us know a customer trade should never be reported late. My concern is do the customer trades skew the percentages in the tables shown, and if so, how much?
3. Not necessarily my area of expertise – but it likely has a lot to do with the systems the traders use throughout the day. Busier traders will have access to better faster methods, whereas less active traders may not have access to those or similar methods. In some cases, those less active traders might even have to log on to a system BEFORE they can book a trade. I'd suggest that on a single "voice trade" it should take a trader the same amount of time it would on any other transaction they had to process – regardless of size. When all the trade details are confirmed, you are "done" and the clock starts. One small potential consideration on an institutional trade

might be a trader hoping for an allocation to a single account before they must give in and post to an allocation account. You can discount that possibility if reporting times go to one minute – virtually all institutional trades would have to initially post to allocation accounts.

4. The main reason is likely the sophistication in their method of trade input and familiarity with the screens. If you do something twice a month compared to twenty times a day, it will take longer.
5. The first word is “automated”. For those firms that can afford to use the automation, the processing will always be faster compared to manual input.
6. Purely a guess here, but if you have a firm that is using the RTRS Web interface these days, their volume would have to be minimal. This would mean they’d have to log on to the site every time they did a trade. That takes time. I could envision a firm using the method if they were experiencing a communications issue or other problem with their main system or to report a trade that somehow failed to report. Otherwise, I’d just as soon have a tooth pulled.
7. YES, due to the pressure associated with very little time.
8. Dependent on the size of the firms. Service bureaus should all be set up to automate new CUSIP setup upon entry of a new CUSIP, but you will invariably run across a bond that might have a missing piece of information causing manual intervention and research to complete the process.
9. The M020 end of day exemption was originally put in place for the benefit of the underwriters, many of whom balked at the premise of their firm booking a hundred trades within a short period of time. If this remains a valid concern, then under a one minute requirement, bid lists or simultaneous fills of more than three items in a minute should be given some consideration also.
10. Bid lists, multiple simultaneous fills, swaps. Seems like this would require another “M” code to remember – or, regulator forbid, maybe misuse. In addition, each one of these would require an additional note of explanation on the ticket (or however the individual firms recorded their exceptions).

Thank you for your consideration.

Respectfully submitted,

Comment on Notice 2022-07

from Raymond DeRobbio,

at email address RDerobbio@cantone.com

on Wednesday, August 3, 2022

Comment:

It takes longer than one minute to even write a ticket, let alone submit it to operations who has to send it to their respective clearing agent. 15 minutes is hard enough when dealing with a contra-broker. 1 minute would be insanely prohibitive, and close small Municipal firms trying to comply.



Dimensional Fund Advisors LP
6300 Bee Cave Rd., Building One
Austin, TX 78746

September 26, 2022

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Re: MSRB Notice 2022-07 – Request for Comment on Transaction Reporting Obligations under MSRB G-14

Dear Mr. Smith,

Dimensional Fund Advisors LP (“Dimensional”) appreciates the opportunity to provide the Municipal Securities Rulemaking Board (the “MSRB”) with our views on MSRB Notice 2022-07.¹ Dimensional is a registered investment adviser, and together with its advisory affiliates, has approximately \$575 billion in global assets under management.² We strongly support the MSRB’s proposal to amend Rule G-14 to require that transactions be reported as soon as practicable, but no later than within one minute of the time of trade.

Shortening the required reporting timeframe from 15 minutes to one minute will enhance transparency and reduce information asymmetries in the municipal securities market. At Dimensional, we strongly believe that transparency fosters a fair and efficient market and that market quality is improved when public information is disseminated evenly to all market participants. As the MSRB recognizes, the municipal securities market historically has been considered less liquid and more opaque than other securities markets, making post trade data the most important source of information for market participants.³ Transparency also enhances investors’ power to negotiate with dealers, leading to reduced transaction costs.⁴ For these reasons, we believe that more timely reporting will greatly benefit investors.

As we have learned since 2008 when post trade information was first made available on the Electronic Municipal Market Access (EMMA) website, transparency fosters a fair and efficient market, and we believe this transparency has helped fuel capital growth and increase investor confidence in the municipal securities market. We commend the MSRB for proposing to enhance market transparency by reducing the reporting timeframe. If we can be of further assistance, please do not hesitate to contact Stephanie Hui, Vice President and Counsel. We would welcome the opportunity to expand on our discussion of these issues.

Sincerely,

Gerard O’Reilly
Co-CEO and Chief Investment Officer

David A. Plecha
Global Head of Fixed Income

¹ *MSRB Notice 2022-07* (August 2, 2022), available at <https://www.msrb.org/sites/default/files/2022-09/2022-07.pdf> (“*Notice*”).

² As of June 30, 2022.

³ *Notice* at 7.

⁴ *Notice* at 8-9.

Monday, October 3, 2022

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

RE: Request For Comment on MSRB Notice 22-07 (Proposed RTRS/Rule G-14 Amendments)

Ron,
Dear Mr. Smith:

I am a former bond counsel that became a co-founder of a regional Minority / Women owned Business Enterprise (MWBE) Underwriter and Advisor. From October 1, 1997 until September 30, 2000, I was also the Chairman of the Municipal Securities Rulemaking Board. It is rare for me to make an official comment about current Board initiatives or operations, but rarely are major amendments proposed that create material compliance and operational issues for our firm and our small number of peers, without corresponding material benefit to the marketplace. I have read the Rule Amendment and the Board's stated rationale for it. After discussing the ramifications of this proposal with appropriate staff members, I concluded that there is not sufficient material benefit to MSRB constituents that justifies the additional resources brokerage firms will need to deploy in meeting the challenge of a 1-minute RTRS reporting standard. I object to the adoption of the proposed amendment.

By all industry metrics, the company I co-founded is a "small firm" with fewer than 50 Registered Persons and less than \$25MM of annual revenue. In 2021, we updated our trading system to what was billed as the most automated and modern system on the market to execute municipal bond trades. That system had been fully up and running for 6 months in August 2022. Our clearing firm provided us the trade reporting information for August 2022; it was enlightening:

CORR	COUNT	< 1 MIN	% < 1 MIN	> 1 MIN	% > 1 MIN	> 2 MINS	% > 2 MINS	> 5 MINS	% > 5 MINS
ESTR	xxx	xx	42.75%	xx	32.82%	xx	18.32%	x	6.11%

None of my company's trades were reported after the current 15-minute deadline and a mere handful of trades were reported after 5 minutes. Of concern to me, the compliance professionals, and the traders at our Firm is the >51% of the trades reported between 1 and 5 minutes. Discussions with my traders indicates that it is economically unfeasible to fully comply with G-14 if the reporting time is shortened to one minute.

The primary compliance issue is physical and operational. If both sides of a secondary market trade are participants in the same ECN (and there are MANY), reporting is done without human intervention and nearly instantaneously after the trade ticket is electronically submitted. My company pays a substantial amount of money annually to participate in one system. There are other ECN's out there that we could pay additional substantial amounts of money to join and increase our universe of fully automated trades. That would also make our trading operations economically unfeasible.

Without BOTH sides of a trade participating in the same ECN, trade entry (and resultant reporting) will be done manually for at least one side of a trade. Under a manual input situation, it is challenging to physically key in the ticket within 60 seconds of a "trade" happening.

Reading through Notice 22-07, I noted a valid and viable rule change within the document, with one simple change:

The MSRB is seeking comment on the Proposal to Rule G-14 to require that, absent an exception, dealers report transactions effected with a Time of Trade during the RTRS Business Day to an RTRS Portal as soon as practicable, but no later than within one minute of the Time of Trade.

No compliance staff in any MSRB member Firm has created designed their system to report municipal bond trades Fourteen minutes and Fifty-Nine seconds (14:59) after executing the trade. We are all currently reporting our trades 'as soon as practicable'.

Putting an artificial number on an activity that is done in a variety of ways by MSRB member firms smaller than mine and as large as Citigroup is not a practical 'fix' for a situation that has not been a significant 'problem'. 'As soon as practicable' may be within a second for a trade between Citi and PIMCO through the same ECN. A trade between the 'Jaydoe Family Office' (an SMMP) and Best Interest Capital Management (a registered advisor) brokered by my Firm will get reported within 5 minutes which is also 'as soon as practicable'.

One size never fits all. The Board that I was privileged to Chair understood that 25 years ago. Perhaps it is time to re-acquire that wisdom.

Sincerely,



Robert A. Estrada, Esq.
Chairman (Emeritus)
Estrada Hinojosa & Co., Inc.

*all my best,
BE*



**FALCON
SQUARE
CAPITAL**

October 3, 2022

Ronald W. Smith
Corporate Secretary, MSRB
1300 I Street NW,
Washington, DC 20005

RE: Comment on MSRB Regulatory Notice 2022-07

Dear Mr. Smith,

Falcon Square Capital, LLC appreciates the opportunity to provide comments to the Municipal Securities Regulatory Board's Notice requesting comment on its proposed alteration of MSRB Rule G-14 to require the reporting of requisite trade information to an RTRS Portal within 60 seconds of the Time of Trade (the "Proposal").

Falcon Square is a fixed-income broker dealer serving institutional investors, corporations, and municipalities. We trade the full spectrum of fixed-income securities, including corporates, municipals, treasuries, agencies, RMBS, CMBS, commercial paper, certificates of deposit, and structured products on an agency and riskless principal basis. We are certified Women Owned by the Women's Business Enterprise National Council (WBENC).

As discussed below, we believe the Proposal will drive the majority of firms – a large percentage of which are smaller broker-dealers like us – out of the municipal securities markets due to prohibitive costs. Further, the Proposal does not provide evidence to support how the change would result in a material improvement of the municipal securities markets. For these reasons, Falcon Square strongly urges that the MSRB revisit its proposal, especially as it relates to smaller firms and specialized fixed-income trading activity.

The Proposal would essentially require firms to implement costly electronic systems to report within the 60 second time period. Falcon Square and similar smaller firms simply do not transact a sufficient number of trades to warrant such a costly purchase. We believe we would have to spend approximately half a million dollars annually for an upgraded order management system ("OMS") to meet the 60 second reporting requirement as proposed. Even if we upgrade our OMS, we would still be unable to meet the 60 second reporting requirement for many trades because our "high touch" institutional agency and riskless principal trading activity is very personnel intensive: the same representatives engaged in trading are also involved in reporting the trades once agreed upon by all sides.

As a broker-dealer servicing institutional customers as an agent/riskless principal, we sometimes need more time than 60 seconds to confirm, execute, and report a transaction, as we must confirm both the buyer and seller sides of a transaction and, sometimes, a single trade can involve multiple buyers or sellers. For example, once a trade is agreed to by both sides, we must confirm several things, the CUSIP number, size, price, yield, trade and settle dates, the name, the firm, and accrued interest, often with multiple parties. Additionally, it is important to point out that for smaller firms or for firms that do not self-clear, the simple collection and transmission of data can take longer than one minute. Our system must capture execution data obtained

either electronically or manually, then send the trade data to our clearing firm. The clearing firm processes the trade into systems that match that trade information with other dealers and custodians. Simultaneously, the clearing firm transmits that trade data to the appropriate regulator for reporting. Data flows from our firm to the clearing firm, to the regulators, then back in the opposite direction with confirmation the data was received. If counterparties are not matched appropriately, any issues must be addressed and corrections made. This process is time consuming, but we have been able to meet the 15-minute reporting requirement of the current rule on a consistent basis. However, confirming both the sellers' tickets and buyers' tickets, sending the trades to our clearing firm for processing and reporting would be incredibly difficult, if not impossible, to perform for all of our trades in under 60 seconds, even with an upgraded OMS. The 60 second requirement would not allow sufficient time for review and correction of unmatched data within the reporting window. Additionally, if any of the systems went down or were experiencing system delays, our ability to report on time would be compromised.

We are concerned that the Proposal, as it is currently written, will reduce the number of, or eliminate, smaller brokerage firms like ours from the municipal securities market, as they will be unable to afford or adopt the changes suggested to meet the 60 second reporting requirement. In a reduced competitive environment, the small and midsize institutional customers who we service will be ignored by the surviving larger dealers who have the resources to fully automate. Although the Proposal states that "there should not be any significant reduction in the supply of services to investors, as these trades would likely migrate to other larger dealers," it is unlikely this would happen in practice. While larger institutional customers can trade on automated broker-dealers' municipal securities trading platforms or with the larger bond dealers, many of our smaller institutional clients are not a "fit" with these larger trading desks because they do not have enough volume or require the customized high-touch execution services that we provide. These clients are serviced by small to mid-sized broker-dealers like Falcon Square – which do not have the capacity to report every trade within 60 seconds. As such, our fear is that the Proposal will both eliminate smaller brokers like Falcon Square and harm the small and medium size institutional clients that we serve. If smaller brokerage firms like Falcon Square are forced out of the fixed income business, the overall market will be negatively impacted from a pricing and liquidity perspective.

In addition to harming an important segment of the existing municipal securities market, it is unclear, based on the data used in the Proposal, how a reduction in trade reporting time would improve transparency and reduce customer trade effective spread in the municipal securities market. The Proposal states that "investors...benefit from transparency (more and/or better information) by enhancing their negotiation power with dealers, therefore reducing customer trades' transaction costs," and includes references to research papers examining the effects of the 2005 change in reporting time from the end of a trading day to 15 minutes after trade execution to support the claim that a reduction in reporting time amounted in a statistically significant reduction in customer trades' average effective spread. These papers appear, however, to only discuss the effects that the reduction in trading time from reporting by the end of a trading day versus reporting within 15 minutes had on the municipal securities market. The Proposal seems to extrapolate the effects that the 2005 change to a 15-minute reporting

requirement had in the municipal securities market to support further reducing the reporting timeframe, without data to support this extrapolation.

As written, the Proposal would pose monumental costs to for small and midsize fixed income broker-dealers. The Proposal does not address the costs that smaller dealers will be forced to bear to implement more sophisticated and expensive automated reporting systems, nor the anti-competitive results that would consequently follow. As discussed above, a smaller firm like ours would have to spend hundreds of thousands of dollars more each year to establish and maintain an automated electronic system in order to meet the 60 second reporting deadline as proposed. Increasing human effort to be able to report trade executions within 60 seconds, as the Proposal suggests, is similarly unaffordable for every small to midsize firm. As previously discussed, the same representatives engaged in trading at Falcon Square are also involved in reporting the trades, given the nature of our institutional agency and riskless principal trading. Having more personnel would not reduce our reporting time to 60 seconds for every trade.

The Proposal acknowledges that firms will likely incur costs to meet the new reporting requirement, and that smaller firms may choose to relinquish their secondary market trading business due to high costs. The Proposal states, however, that the proposed change would not cause a “significant reduction in the supply of services to investors” because the smallest 400 firms accounted for less than one percent of all trades reported, and trades previously served by smaller firms would likely migrate to larger dealers. We believe the Proposal underestimates the effects of this rule change, as supplemental information provided by the MSRB identified a total of 653 dealers reporting trades in 2021. Thus, the Proposal will force a significant percentage – approximately 80%, based on MSRB-provided data – of broker-dealers to decide whether to close their business due to costs or risk violating the rule. Consequently, the Proposal would have the effect of reducing the number of reporting firms and thus competition. As discussed above, reducing competition among municipal securities brokers would also harm small and medium-sized asset managers.

Falcon Square is in agreement with the MSRB’s goal to “promote a fair and efficient market...that facilitates equal access to information and market transparency.” As outlined above, however, the new rule would be cost prohibitive to smaller firms, be incredibly difficult to meet with more complex or involved fixed income trades, and thus curtail customer access to the municipal securities market. We strongly encourage the MSRB to revisit this proposal and consider the economic challenges of smaller firms before modifying the current rule.

Sincerely,



Melissa P. Hoots, CEO/CCO

FINANCIAL INFORMATION FORUM

October 3, 2022

By electronic mail to pubcom@finra.org and through the MSRB comment form

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Ronald W. Smith
Corporate Secretary
MSRB
1300 I Street NW
Washington, DC 20005

Re: FINRA Regulatory Notice 22-17: FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute; MSRB Notice 2022-07: Request for Comment on Transaction Reporting Obligations under MRBR Rule G-14

Dear Ms. Mitchell and Mr. Smith,

The Financial Information Forum (“FIF”)¹ appreciates the opportunity to comment on Regulatory Notice 22-17 (the “FINRA Regulatory Notice”) published by the Financial Industry Regulatory Authority (“FINRA”).² In the FINRA Regulatory Notice, FINRA solicits comment “on a proposal to amend Rule 6730 to reduce the Trade Reporting and Compliance Engine (TRACE) trade reporting timeframe for transactions in all TRACE-Eligible Securities that currently are subject to a 15-minute reporting timeframe.”³ As proposed by FINRA, “members would be required to submit a report to TRACE as soon as practicable (as is currently the case), but no later than one minute from the time of execution, for

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include broker-dealers, exchanges, back office service bureaus, and market data, regulatory reporting and other technology vendors in the securities industry. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² FINRA Regulatory Notice 22-17, “TRACE Reporting Timeframe, FINRA Requests Comment on a Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute” (August 2, 2022), available at <https://www.finra.org/sites/default/files/2022-08/Regulatory-Notice-22-17.pdf> (“FINRA Regulatory Notice 22-17”).

³ FINRA Regulatory Notice 22-17, p. 1

transactions in corporate bonds, agency debt securities, asset-backed securities and agency pass-through mortgage-backed securities traded to-be-announced for good delivery.”⁴

FIF further appreciates the opportunity to comment on MSRB Notice 2022-07 (the “MSRB Notice”) published by the Municipal Securities Rulemaking Board (the “MSRB”).⁵ In the MSRB Notice, “the MSRB is seeking input on a potential amendment to Rule G-14 to require that, absent an exception, transactions are reported as soon as practicable, but no later than within one minute of the Time of Trade.”⁶

Given the parallel nature of the two regulatory proposals, FIF is submitting a single comment letter to FINRA and the MSRB that covers both regulatory proposals.

Providing an exception for manual trade executions

In most cases, it is not feasible for a firm to report a trade to the FINRA Trade Reporting and Compliance Engine system (“TRACE”) or the MSRB Real-Time Transaction Reporting System (“RTRS”) within one minute if the trade has been executed manually. Manual trading is common in fixed income securities for various reasons, including the very large universe of fixed income securities, the limited trading activity in many of these securities, the substitutability (i.e., correlations in pricing) of many of these securities, the use of fixed income trading in hedging strategies, trading that involves a basket or portfolio of bonds, intermediation by inter-dealer brokers, and the participation of smaller firms in this market where executing and reporting trades automatically is not financially feasible for these firms. Manual trading provides important value for retail and institutional investors. Absent an exception for manual trade executions, the FINRA and MSRB rule proposals would severely impair the ability of firms to continue to trade manually. Restricting how firms can trade will result in less liquidity and wider spreads and ultimately will be to the significant detriment of end investors. Requiring that manual trades be reported within one minute, in addition to adversely impacting larger dealers (including banks) and their customers, will adversely impact a very significant number of small and mid-size dealers (including banks) and their customers.

To address this challenge, FIF members recommend that FINRA and the MSRB provide different reporting timeframes for manual and electronic trade executions. More specifically, electronic trade executions would be reportable as soon as practicable and no later than within one minute of the trade time while manual trade executions would continue to be reportable within fifteen minutes after the trade time. This would require adding a field to the TRACE and RTRS systems for an executing dealer to report whether a trade was executed manually or electronically. One benefit of this approach is that a firm that cannot practically report on a manual basis within one minute still has a regulatory incentive to report within fifteen minutes.

⁴ FINRA Regulatory Notice 22-17, p. 1.

⁵ MSRB Notice 2022-07, “Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14” (August 2, 2022), available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx??n=1> (“MSRB Notice 2022-07”).

⁶ MSRB Notice 2022-07, p. 1.

Providing guidance on electronic and manual trade executions

To implement the recommendation in the preceding section, it would be important for FINRA and the MSRB to provide written guidance as to when a trade execution would be considered manual or electronic. The Participants of the Consolidated Audit Trail National Market System Plan (the “CAT NMS Plan Participants”), which include FINRA, have provided the following guidance as to when an execution should be considered manual or electronic: “[T]rade events and Order Fulfillment events must be marked as either manual or electronic using the manualFlag field. A Trade event is considered manual when the trade is executed outside of an OMS/EMS and must be manually entered before it can be trade reported.”⁷

FIF members support this guidance from the CAT NMS Plan Participants.⁸ Consistent with the guidance above, FIF members would consider a trade execution to be electronic if at the time of the agreement the material terms of the trade have been entered into a firm’s books and records in a structured format that can be automatically reported to TRACE or RTRS without manual action by a person. For example, if a dealer and a customer agree on a trade by telephone, and a trader at the dealer then enters the terms of the trade into the dealer’s books and records (whether through an electronic system or a written order ticket), this would be considered a manual trade execution. A trade agreed through IM or other “chat system” similarly would be considered a manual execution because the trade terms are not entered in the IM system or other chat system in a structured format (i.e., a format that can be reported to TRACE or RTRS without further manual input). Conversely, if a broker-dealer or customer electronically routes an order to a fixed income alternative trading system (“ATS”) or to a dealer system, and the ATS or dealer system automatically executes the order, this would be considered an electronic trade execution by the ATS or dealer because the terms of the trade can be automatically reported to TRACE or RTRS. If the counter-party routing to the ATS or dealer system is a broker-dealer, the counter-party would have an electronic execution if it were able to report the trade to TRACE or RTRS without manual action by a person and would have a manual execution if manual action by a person at the counter-party were required to report the trade. It might seem unexpected that a trade would be electronic for one side and manual for the other side, but this is a function of TRACE requiring double-sided reporting for scenarios where one side (the electronic side) is the executing firm. In contrast to the approach for TRACE, the Consolidated Audit Trail (“CAT”) requires single-sided reporting for these types of trade executions. In CAT, when one dealer routes an order to a receiving dealer, and the receiving dealer executes the order electronically, the receiving dealer and not the routing dealer is considered the executing party.⁹

⁷ “CAT Reporting Technical Specifications for Industry Members”, Version 4.0.0 r16 (July 29, 2022), available at https://catnmsplan.com/sites/default/files/2022-07/07.29.2022_CAT_Reporting_Technical_Specifications_for_Industry_Members_v4.0.0r16_CLEAN_0.pdf, pp. 35-36.

⁸ FIF members are focused on the guidance from the CAT Plan Participants as to when a trade execution is considered manual or electronic. FIF members are not focused on the guidance from the CAT Plan Participants as to when an order-related event, such as an order route, is considered manual or electronic, as guidance on order-related events is not directly relevant for a transaction reporting system like TRACE or RTRS.

⁹ “CAT Industry Member Reporting Scenarios,” Version 4.9 (March 9, 2022), available at https://catnmsplan.com/sites/default/files/2022-03/03.11.22_Industry_Member_Tech_Specs_Reporting_Scenarios_v4.9_CLEAN_0.pdf, pp. 8-13.

Another scenario to consider is where two dealers negotiate and execute a trade by telephone or chat, and one dealer enters the trade terms in its OMS/EMS and electronically confirms the trade terms to the other dealer. FIF members consider this to be a manual trade execution for both sides. FIF members note that portfolio trades typically are executed and reported electronically because of the challenges with manually inputting a large number of trades within a limited time period. There are a number of different workflows for how bond trades are executed. To ensure that proper guidance is provided, FIF members recommend that FINRA, the MSRB and industry members discuss the various workflows for executing bond trades, and that FINRA and the MSRB provide guidance on whether those workflows would be considered manual or electronic.

If FINRA and the MSRB do not continue to allow fifteen-minute reporting for manual executions, a firm that wants to continue to execute trades manually might need to reach an agreement or understanding with its customers that the execution time for a trade agreed to by phone, IM or chat is the time that the firm inputs the trade into the firm's books and records in a systematized format (i.e., a format that can be reported to TRACE or the RTRS without manual input).

FINRA should provide an option for firms to report non-disseminated data elements on an end-of-day basis

In connection with the proposals by FINRA and the MSRB to achieve one-minute reporting of executed trades, FINRA and the MSRB should provide firms the option to report non-disseminated data elements on an end-of-day basis. This is a best practice that has been adopted for other reporting systems, as discussed below. Trade reporting data elements are the data elements that are subject to public dissemination. These data elements could be subject to one minute reporting, based on the timeframes proposed by FINRA and the MSRB in their respective regulatory notices. Transaction reporting data elements are data elements that are not subject to public dissemination. Firms should have the option to report these transaction reporting data elements on an end-of-day basis.

For TRACE reporting, trade reporting data elements would include the following fields: Instrument/SecurityID; Instrument/SecurityIDSource; LastQty; LastPx; TradeDate (for execution date); TransactionTime (for execution time); and SpecialPricIndicator.¹⁰ For RTRS reporting, trade reporting data elements would include the following tags: 98C (relating to trade date and time); 90A (relating to deal price); 36B (relating to quantity); and 35B (relating to security identifier).¹¹

In contrast to one-minute reporting for the trade reporting elements identified above, firms should have the option to report transaction reporting data elements on an end-of-day basis, as these data elements

¹⁰ Financial Industry Regulatory Authority, "FIX Specifications for the Trade Reporting and Compliance Engine system (TRACE®) Trade Reporting for OTC Corporate Bonds and Agency Debt (Corporates & Agencies), Version 1.4" (March 5, 2018), available at <https://www.finra.org/sites/default/files/CA-trace-fix-specs-v1.4.pdf> ("TRACE FIX Specifications for Corporates and Agencies"), pp. 19 and 21-22.

¹¹ Municipal Securities Rulemaking Board, "Specifications for Real-Time Reporting of Municipal Securities Transactions", Version 4.0 (October 2019), available at [Specifications for Real-Time Reporting of Municipal Securities Transactions \(msrb.org\)](https://www.msrb.org/specifications-for-real-time-reporting-of-municipal-securities-transactions) ("MSRB RTRS Specifications"), pp. 55-56 and 58-59.

are not publicly disseminated. For example, firms should have the option to report the following data elements on an end-of-day basis:

- **Commissions.** The TRACE Commission and CommType fields.¹² The RTRS 19A tag relating to commissions.¹³
- **Settlement.** The TRACE SettIDate field.¹⁴ The RTRS 19A, 20C, 22F, 22H, 70C, 70E, 98A and 98B 19A tags relating to settlement, settlement counter-party and settlement amount.¹⁵
- **Capacity.** The TRACE OrderCapacity field.¹⁶ The RTRS 22F tag relating to capacity.¹⁷
- **New proposed data elements that would not be publicly disseminated.** FINRA has proposed certain new data elements for TRACE reporting, such as “a new trading desk or unit identifier field for U.S. Treasury securities reporting to identify the specific desk or unit within a member firm executing the transaction.”¹⁸ While FINRA has proposed this new data element specifically for Treasury securities, FINRA has solicited feedback on whether this data element should be required for other TRACE-reportable securities.¹⁹

The data elements above are examples of trade and transaction reporting elements and are not intended to represent the full list of data elements for each category. FIF members recommend further discussion among FINRA, the MSRB, industry members and service providers to identify which data elements should be subject to one-minute reporting and which data elements firms should have the option to report on an end-of-day basis. This end-of-day timing should be applied when determining whether a firm is late in reporting a transaction reporting data element. Firms that want to continue to report all data elements within one minute through a single transmission should continue to have the option to do so. One important benefit of allowing for these two stages of reporting is that a firm that inputs trades to TRACE manually through the TRACE portal will have fewer data elements to manually input within the required reporting timeframe.

FIF members note that the bifurcation of trade and transaction reporting has been implemented for other reporting systems. For example, the Commodity Futures Trading Commission rules for reporting swaps provide for real-time reporting of data that is to be publicly disseminated²⁰ and T+1 reporting of other transaction-related data.²¹ The Securities and Exchange Commission has permitted firms to report security-based swaps based on these same timeframes.²²

¹² TRACE FIX Specifications for Corporates and Agencies, p. 20.

¹³ MSRB RTRS Specifications, p. 58.

¹⁴ TRACE FIX Specifications for Corporates and Agencies, p. 20.

¹⁵ MSRB RTRS Specifications, p. 56-58.

¹⁶ TRACE FIX Specifications for Corporates and Agencies, p. 19.

¹⁷ MSRB RTRS Specifications, p. 57.

¹⁸ FINRA Regulatory Notice 20-43, “Trade Reporting and Compliance Engine (TRACE): FINRA Requests Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities” (December 23, 2020), available at <https://www.finra.org/sites/default/files/2020-12/Regulatory-Notice-20-43.pdf> (“FINRA Regulatory Notice 20-43”), p. 6.

¹⁹ FINRA Regulatory Notice 20-43, p. 18.

²⁰ 17 CFR §43.3(a)(1).

²¹ 17 CFR §45.3(a)(1).

²² Exchange Act Release No. 34-87780 (December 18, 2019), 85 FR 6270 (February 4, 2020), p. 6347.

The Markets in Financial Instruments Regulation (“MiFIR”) adopted by the European Parliament and Council similarly distinguishes between real-time trade reporting, for data that must be publicly disseminated in real-time, and T+1 transaction reporting, for data that is not subject to public dissemination.²³ Under MiFIR, this bifurcation of trade and transaction reporting applies to multiple financial instruments, including equities, ETFs, bonds, structured finance products and derivatives.²⁴

Electronic trade executions

FIF members note that firms also could have challenges with reporting electronic executions within one minute after execution because some trades are transmitted across multiple firm and vendor systems before they are reported to TRACE or RTRS. Some firms and reporting vendors will need to implement system and workflow changes to ensure that they can report all electronic executions within one minute. The need for firms to perform this work should be considered when setting the implementation timeframe for the proposed changes.

The current RTRS workflow is not suitable for reporting trades within a one-minute timeframe

The current workflow for reporting trades to RTRS is not suitable for reporting trades within a one-minute timeframe due to multiple layers that reports often pass through before they are received by RTRS. The first layer exists because a firm cannot submit a trade report directly to RTRS. Instead, a firm must submit a trade report to RTRS via the Real-Time Trade Matching system (“RTTM”), which is operated by the National Securities Clearing Corporation.²⁵ A second layer is introduced because an executing firm that is not a clearing firm is not able to report trades directly to RTTM. Instead, the executing firm can only report a trade to RTRS through its clearing firm. This is because the clearing firm, and not the executing firm, is the only firm permitted to submit to RTTM. A third layer is often introduced because clearing firms do not necessarily report to RTTM themselves, and instead use service providers to connect to RTTM. One reason for firms to outsource this function to service providers is that RTTM does not accept FIX and requires that messages be submitted in SWIFT format.²⁶

Before one-minute reporting can be implemented for municipal bonds, it is important that the regulators provide a mechanism to enable direct reporting of municipal bond trades by broker-dealers (including executing brokers that are not clearing firms) and their service providers. One approach that the MSRB should consider is to allow broker-dealers (including executing brokers that are not clearing firms) and service providers to report trades in municipal bonds directly to TRACE via FIX. In addition to reducing unnecessary delays in the current RTRS trade reporting process that result from the multiple layers described above, this approach would enable broker-dealers to report using FIX rather than

²³ “Regulation (EU) No 600/2014 of the European Parliament and of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012”, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0600&from=EN> (“MiFIR”), Articles 6 and 10.

²⁴ MiFIR, Article 26.

²⁵ MSRB RTRS Specifications, p. 10.

²⁶ MSRB RTRS Specifications, p. 12.

SWIFT.²⁷ Allowing firms to submit trades in municipal bonds directly to TRACE via FIX also will reduce the burden for firms in simultaneously implementing the TRACE and RTRS reporting changes and reduce the ongoing reporting burden for firms. FIF members note that in the past TRACE reporting was similarly effected through RTTM²⁸ and that FINRA subsequently updated TRACE reporting to provide for direct reporting to TRACE.

If the MSRB decides not to allow reporting of municipal bond trades through TRACE, FIF members recommend that the implementation period for the RTRS reporting changes be postponed until a reasonable period after the TRACE reporting changes have been implemented. This will avoid firms being overburdened with implementing reporting changes for two different systems at the same time.

Trades executed when the TRACE system is not open

In the FINRA Regulatory Notice, FINRA proposes that trades executed when the TRACE system is not open and trades executed between 6:29 and 6:30 pm on days when the TRACE system is open be reportable within one minute after the next opening of the TRACE system.²⁹

FIF members note that the FINRA rules for the FINRA/Nasdaq and FINRA/NYSE Trade Reporting Facilities (“TRFs”) provide for reporting of trades executed when the TRFs are not open by 8:15 am after the next opening of the applicable Trade Reporting Facility.³⁰ This fifteen-minute reporting period is provided for TRF reporting even though FINRA rules require that trades executed while the TRF systems are open be reported within 10 seconds.³¹ FINRA currently provides the same approach for TRACE reporting.³² FIF members recommend that FINRA maintain the same approach for TRACE reporting as currently applied by FINRA for TRF and TRACE reporting.

FIF members have found the fifteen-minute period for reporting overnight trades to be important in ensuring that an appropriate review of overnight trades is being performed by U.S.-based staff prior to submission to FINRA. FIF members also are concerned about technical challenges with reporting within one minute after the opening of TRACE.³³ One challenge with requiring firms to report to TRACE by 8:01 am is that firms are not able to connect to TRACE prior to 8:00 am. This means that connectively and reporting must occur within one minute at the same time as many other industry members are seeking connectivity to TRACE.

The MSRB Notice does not appear to propose a change to the current MSRB requirement that “transactions effected with a Time of Trade outside the hours of the RTRS Business Day shall be

²⁷ SWIFT is the required format for reporting to RTTM. MSRB RTRS Specifications, p. 12.

²⁸ FINRA, “Programming Specifications for Trade Reporting to the FINRA Trade Reporting and Compliance Engine (TRACE) via the NSCC RTTM System”, Version 2.4 (January 20, 2010), available at <https://www.finra.org/sites/default/files/AppSupportDoc/p120744.pdf>.

²⁹ FINRA Regulatory Notice 22-17, p. 4.

³⁰ FINRA Rules 6380A(a)(2)(C), 6380A(a)(2)(D), 6380B(a)(2)(C) and 6380B(a)(2)(D).

³¹ FINRA Rules 6380A(a)(1) and 6380B(a)(1).

³² FINRA Rules 6730(a)(1)(A), 6730(a)(1)(C) and 6730(a)(1)(D).

³³ FINRA Rules 6730(a)(1)(A), 6730(a)(1)(C) and 6730(a)(1)(D).

reported no later than 15 minutes after the beginning of the next RTRS Business Day.”³⁴ For the reasons discussed above, FIF members support this decision by the MSRB.

Securities that are not in a firm’s security master or the FINRA or MSRB security master

According to a 2017 report by the Plan Participants of the Consolidated Audit Trail National Market System Plan,

“... there are significantly more issuances of debt securities as compared with equity securities. Many public companies may have only one class of stock, but can issue numerous types of bonds with different yields, maturities, and denominations. For example General Electric has only one class of stock, but it has issued over 1,000 unique bonds (footnotes omitted).³⁵

The 2017 report indicates that the number of CUSIPs for debt securities greatly exceeds the number of CUSIPs for equity securities. According to the report, as of January 1, 2017 there were 1,600,831 CUSIPs for debt securities and 25,877 CUSIPs for equity securities.³⁶

Given the large number of CUSIPs for debt securities, it is challenging for some firms to maintain a full list of CUSIPs for debt securities. These FIF member firms request that FINRA and the MSRB provide an exception from the one-minute reporting requirement for a security that is not in a firm’s security master as of the trade time. This exception also should apply if the security is not in the security master maintained by the desk at the firm that is executing the trade. If a firm maintains separate security masters for different customers, this exception should apply where the security is not in the security master that the firm maintains for the customer that is executing the trade. In each of these scenarios, the firm will need the current fifteen-minute timeframe to add the security to its applicable security master and report the trade to TRACE or the RTRS, as applicable. At a minimum, FINRA should provide an exception from the one-minute reporting requirement for a security that is not in the FINRA or MSRB security master as of the trade time, as it would not be possible for a firm to report a trade within one minute in this scenario.

FIF members also request that FINRA post in a manner that can be accessed automatically by firms the most recent time that FINRA has updated its TRACE security master for each TRACE reporting system. Industry members need to synchronize their internal security masters with the FINRA security masters on an ongoing basis. This is a complex process and is necessary for firms to maintain the most up-to-date list of TRACE reportable securities. Providing this timestamp data will reduce unnecessary processing by firms and assist firms in maintaining updated security masters for TRACE reporting.

³⁴ MSRB Rule G-14 RTRS Procedures, paragraph (a)(iii).

³⁵ “Discussion of the Potential Expansion of the Consolidated Audit Trail Pursuant to Section 6.11 of the CAT NMS Plan Prepared by the Participants to the CAT NMS Plan” (prepared May 15, 2017, amended July 19, 2017), available at <https://www.sec.gov/divisions/marketreg/consolidated-audit-trail-expansion-report-amended-071917.pdf> (“CAT Plan Participant Discussion”), p. 6.

³⁶ CAT Plan Participant Discussion, p. 8.

The TRACE reporting rules currently provide for T+1 reporting for List and Fixed Offering Price Transactions and Takedown Transactions.³⁷ T+1 reporting is provided for these transactions because the CUSIP often is not known until end-of-day on trade date. For the same reason, FIF members recommend that FINRA also allow T+1 reporting of secondary-market transactions that occur on the first day of trading of a security. FIF members propose that this exception be available subject to the firm reporting a new modifier to be designated by FINRA. This could be achieved through the creation of a new “Trading Market Indicator” value.³⁸

The MSRB Rule G-14 RTRS Procedures similarly provide for end-of-day reporting for a List Offering Price/Takedown Transaction.³⁹ End-of-day reporting is provided for these transactions because the CUSIP often is not known until end-of-day on trade date. For the same reason, FIF members recommend that the MSRB also allow end-of-day reporting of secondary-market transactions that occur on the first day of trading of a security. FIF members propose that this exemption be available subject to the firm reporting a new modifier to be designated by the MSRB.

Cancel and corrects

FIF members request that FINRA and the MSRB provide additional clarification as to how cancels and corrects are reflected in the data provided in the respective regulatory notices on the percentage of transactions that are reported within specific timeframes. As an example, for purposes of the trade reporting statistics provided in the regulatory notices, if a trade is initially reported within 15 minutes and cancelled or corrected after 15 minutes, is this counted as one trade that is reported within 15 minutes and one trade that is reported after 15 minutes? Alternatively, is this only counted as one trade that is reported after 15 minutes? FIF members also would like to understand the impact of these cancels and corrects on the statistics set forth in the regulatory notices and the percentage of corrects that relate to transaction-reporting fields (as compared to the percentage of corrects that relate to trade reporting fields and the percentage of cancels).

FIF members recommend that FINRA count cancels and corrects separately from other late reports when reporting back to a firm and when evaluating a firm’s TRACE reporting compliance rate.

TRACE report cards

FIF members request that FINRA provide additional detail to firms on their TRACE report cards to indicate the percentage of trades that a firm reports within specific time intervals (for example, within one minute, five minutes, ten minutes, and fifteen minutes) and how the firm compares to the industry average for each time interval. This data can be broken out further by other relevant categories, such as trade size. This data will assist firms in better understanding how their reporting timeframes compare to the industry averages.

³⁷ FINRA Rule 6730(a)(2).

³⁸ TRACE FIX Specifications for Corporates and Agencies, p. 32.

³⁹ MSRB Rule G-14 RTRS Procedures, paragraph (a)(ii)(A).

Implementation timeframe

The implementation timeframe for firms will depend on the scope of the final rules that are adopted by FINRA and the MSRB. In particular, in connection with these proposals, FINRA and the MSRB should allow for bifurcated reporting of trade and transaction data, and sufficient time would be required to implement this. Further, if FINRA and the MSRB will require one-minute reporting for manual trades, this will mean a multi-year effort for many firms to change their trade execution workflows, implement new front-end trading systems and downstream books and records and reporting systems, upgrade existing front-end, downstream and reporting systems, implement new connectivity with counterparties, and upgrade existing connectivity with counterparties. If FINRA and the MSRB will continue to allow fifteen minute reporting for manual trades, this type of multi-year effort would not be required. To ensure that industry members will have sufficient time to properly implement any reporting changes that are adopted, any timetable should run from the date that FINRA and the MSRB publish technical specifications and interpretive FAQs.

FIF appreciates the opportunity to comment on FINRA Regulatory Notice 22-14 and MSRB Notice 2022-07. If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at howard.meyerson@fif.com.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

FINANCIAL INFORMATION FORUM

April 27, 2023

Submitted electronically through the MSRB comment form

Ronald W. Smith
Corporate Secretary
MSRB
1300 I Street NW
Washington, DC 20005

Re: MSRB Notice 2022-07: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

Dear Mr. Smith,

The Financial Information Forum (“FIF”)¹ is submitting this comment letter as a supplement to the comment letter that FIF submitted on October 3, 2022 in relation to MSRB Notice 2022-07 (the “MSRB Notice”) published by the Municipal Securities Rulemaking Board (the “MSRB”).² In the MSRB Notice, “the MSRB is seeking input on a potential amendment to Rule G-14 to require that, absent an exception, transactions are reported as soon as practicable, but no later than within one minute of the Time of Trade.”³ FIF appreciates the opportunity to submit this supplemental comment letter.

As discussed in the comment letter that FIF submitted on October 3, the current workflow for reporting trades to the MSRB’s Real-Time Transaction Reporting System (“RTRS”) is not suitable for reporting trades within a one-minute timeframe due to multiple layers that reports often pass through before they are received by RTRS. FIF is attaching a January 27, 2023 notice from DTCC relating to a delay in processing of trades in DTCC’s Real-Time Trade Matching system (“RTTM”). Currently the RTRS system only accepts trade reports for trades between broker-dealers if the reports are submitted via RTTM, and it is not possible for firms to report municipal bond trades between broker-dealers directly to RTRS. Accordingly, in the incident described in the attached notice, delays in RTTM processing resulted in delays in RTRS reporting.

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include broker-dealers, exchanges, back office service bureaus, and market data, regulatory reporting and other technology vendors in the securities industry. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² MSRB Notice 2022-07, “Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14” (August 2, 2022), available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx??n=1>.

³ Id. at 1.

This incident illustrates the importance of permitting executing firms to report trades directly to the RTRS system (or any other system that the MSRB develops for processing trade reports for municipal bonds). The need to remove the current dependency on RTTM, which is linked to clearing and only available to firms with specialized clearing membership,⁴ is one of multiple reasons discussed in FIF's October comment letter as to why direct reporting to RTRS is an important step in connection with any change to reduce the current MSRB reporting timeframes.

For the reasons discussed in our October comment letter, reporting trades within one minute of execution will be challenging even with direct reporting, but FIF members consider it important for the MSRB to enable direct reporting by executing firms in connection with any change to reduce the current MSRB reporting timeframes.

FIF appreciates the opportunity to submit this supplemental comment letter on MSRB Notice 2022-07. If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at howard.meyerson@fif.com.


Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

⁴ Only Government Securities Division (GSD) members, Mortgage Backed Securities Division (MBSD) members and National Securities Clearing Corporation (NSCC) members are eligible to use RTTM. See <https://www.dtcc.com/clearing-services/ficc-mbsd/mbsd-rttm>.

Attachment 1

 DTCC <small>ADVANCING FINANCIAL MARKETS. TOGETHER.™</small>	
Incident Notification Friday, Jan 27, 2023 08:02 AM	
<p>Summary of the Incident DTCC identified a residual issue that occurred as a result of yesterday s systems processing delay, which impacted Corporate, Municipal, and Unit Investment Trust (CMU) processing.</p> <p>Current Status of the Incident A subset of RTTM CMU trades accepted and reported to Members and MSRB were not processed into UTC on January 26, 2023. Today s UTC Cycle 1 processed these transactions.</p> <p>Client Impact These transactions will be reflected on UTC Cycle 1 output, as well as the Consolidated Trade Summary (CTS) Cycle 3 output.</p> <p>Action Required by the Client Members should review CTS Cycle 3 output available at approximately 12 PM EST.</p> <p>We appreciate your patience and apologize for any inconvenience this issue may have caused.</p>	<p>If you require further information regarding this issue, please contact The NSCC Production Support Hotline at 888-382-2721 (option 5, then 4).</p> <p><i>Please do not reply to this email, as it is specifically for delivery of outbound notification purposes. For prompt assistance please use the contact information indication above.</i></p>
<small>Copyright © 2023 DTCC. All rights reserved.</small>	



September 9, 2022

To: Municipal Securities Rulemaking Board
Re: MSRB Notice 2022-07

On behalf of Ford & Associates, Inc., a registered municipal advisory firm, thank you for the opportunity to respond to MSRB Notice 2022-07 (Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14). We have reviewed the proposed rule change as well as all other comments submitted as of the date of this letter. We believe shortening the order reporting deadline in the manner described will have a strongly negative impact on smaller broker-dealers ("B/Ds"), the retail clients of those firms, and indirectly on the smaller municipal issuers who are disproportionately served by smaller B/Ds when issuing debt securities.

We respect and admire the MSRB's desire to pursue increased market transparency and efficiency through faster trade reporting. Shortening the reporting period to just 60 seconds would contribute, in theory, to more readily available information and a more efficient market. That might be the case if municipal bonds were listed and traded across exchanges in a manner similar to equities, but that is not the case. This rule change should instead be recognized as a potentially significant increase in transaction costs that would unreasonably impact smaller B/Ds lacking the technological resources of larger firms. To the extent those firms exit the market or limit trading in response to new or amended regulation (both plausible alternatives to huge expenditures to ensure regulatory compliance), issuers and/or investors suffer. Transaction costs are always and eventually borne by issuers and/or investors, through issuance costs on new offerings, lower bond prices/liquidity, greater ongoing expenses associated with debt management, and/or lack of professional assistance.

This is problematic for the smaller retail investors and issuers disproportionately served by smaller B/Ds. The dynamic exists not because smaller B/Ds maintain some competitive advantage, but because larger firms find little economic incentive to serve small issuers. We have a long-standing concern that smaller local governments, often lacking the staff resources, experience, and/or continuity of larger issuers, are being indirectly regulated out of the municipal bond market. To the extent that a proposed rule makes it even more difficult/costly to for regulated entities to participate in the market, we oppose it on the basis of its negative impact on local governments, particularly the smaller ones least equipped to handle it.

Thank you for your consideration. Sincerely,

Jonathan W. Ford
Senior Vice President
Ford & Associates, Inc.


Hartfield, Titus & Donnelly, LLC.

Member FINRA, MSRB and SIPC
 111 Town Square Place, Suite 1500
 Jersey City, NJ 07310
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September 14, 2022

Ronald W. Smith
 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
 Washington, DC 20006

**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:

Hartfield, Titus & Donnelly, LLC (“HTD”)¹ welcomes the opportunity to respond to Notice 2022-07 (the “MSRB Notice”) and Regulatory Notice 22-17 (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 statistical figures provided in the Notices which describe trade reporting performance appear to be substantially similar among municipal securities and the various classes of TRACE eligible securities. HTD’s position with regard to the Notices is identical for the proposed changes to the Relevant Rules in that the proposed changes will have the same impact on voice brokers for TRACE eligible and municipal securities trades. In the interest of efficiency, HTD’s response to the Notices is intended for both SROs but will address the statistical figures provided in the MSRB Notice where applicable and will respond to the individual questions under the “Request for Comment” and “Operational Considerations” sections of the MSRB Notice as applicable to all of HTD’s municipal and TRACE eligible securities businesses.

There is a central narrative in the Notices that should be carefully considered. Specifically, MSRB Rule G-14 and FINRA Rule 6730 (together, the “Relevant Rules”) require transactions to be reported as soon as practicable, but not later than fifteen minutes from the time of execution. Systems, practices and procedures were developed over time by member firms to submit transactions as quickly as possible. These systems were not designed to hold transactions until the last allowable minute, but rather to report transactions as quickly as possible. In the Request for Comment, the MSRB notes that 97.3% of trades are currently reported within five minutes and then posits that little would be gained in reducing the transaction time to five minutes. To be clear, the industry as a whole has demonstrated that in 97.3% of trades, the fastest times that trades can be reported is, in fact, five minutes. Fifteen minutes is the time limit and “as soon as possible” is the approach. As soon as possible, for

¹ HTD has operated as a Municipal Securities Broker’s Broker since 1965 and as an inter-dealer broker in TRACE eligible securities since 2014, headquartered in Jersey City, New Jersey with offices in California, Texas, Illinois and Florida. HTD’s primary responsibility is to provide anonymity while facilitating liquidity in the institutional fixed income marketplace. HTD operates as a voice broker and transacts exclusively with broker-dealers, banks, SMMPs and institutional counterparties.

97.3% of trades executed, is five minutes. By way of analogy, this is akin to the four-minute mile. While many thought it impossible to achieve, Roger Bannister proved them wrong in 1954. Since then, it has been broken by nearly two thousand runners, but at best, has only been reduced by seventeen seconds. The point is that there are limits to everything and suggesting that trade reporting can be reduced to one minute by decree fails to recognize this reality. HTD believes that the data presented in connection with the Notices must be more fully analyzed in the context of the market activity behind this data in order to provide accurate and realistic conclusions.

A more complete analysis of the data discussed in the Notices must consider differences between institutional voice brokered fixed income markets and retail fixed income markets. Specifically, the material differences in how trades in these markets are negotiated, executed and processed. A general observation of the information that was provided in the Notices shows that no such consideration was made by the SROs when proposing to amend the Relevant Rules. There was no meaningful discussion of the fact that the vast majority of large volume trades are voice trades. There was no discussion of the verbal negotiation and manual processing of large volume (e.g., institutional) voice brokered trades compared with the comparatively simple pricing and execution of smaller volume trades that are more commonly executed on electronic trading platforms, much in the way equity transactions are executed.

From a purely operational standpoint, a one-minute reporting requirement is unrealistic in voice-brokered (e.g., intermediated) trades. These trades are verbally negotiated and manually executed and processed by brokers and traders and the operations personnel who support them. These trades consist of two or more counterparties buying and selling through the voice broker. Such trades are complicated and require manual processing from the point of execution through the final clearance and settlement of the trades. There are often delays in processing such trades that are beyond the control of the counterparties to the trades.

HTD addresses these points and others under the Request for Comment section below. It is HTD's position that these are points that must be fully considered in any discussion to amend the Relevant Rules as proposed in the Notices.

Request for Comment on the Proposal

1. In 2021, 76.9% of trades that were not exempt from the 15-minute reporting requirement were reported within one minute after a trade execution. By comparison, more than 97.3% of trades required to be reported within 15 minutes were reported in five minutes or less.

This is an important point to consider. With a regulatory requirement to report trades within 15 minutes, the industry implemented a variety of procedures, policies and technologies to report trades as quickly as practicable but no longer than 15 minutes from the execution of the trade. The result of this effort exceeded the regulatory requirements and as a result, the vast majority of trades are reported within five minutes or less from the time of execution. This is testimony to the industry's efforts across a variety of trade execution methods, trading platforms and post trade processing systems. This demonstrates that the trade reporting process has been optimized over the last 17 years, it does not indicate that the industry "targeted" five minutes as a goal. This accomplishment should properly be viewed as "state-of-the-art" and any adjustments to the Relevant Rules should reflect this accordingly.

2. While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute.

This is evidence that trade size impacts trade reporting times. In addition, some of these larger trades were made up of pieces of trades put together as part of the negotiation process. Additional trade participants involved in an intermediated multilateral transaction will also lead to longer trade capture, processing and reporting times.

3. By comparison, the differences in percentage of trades reported within two minutes and five minutes were smaller across the trade size groups, ranging from 49.4% for trades above \$5,000,000 par value to 93.4% for trades at \$100,000 par value or lower for two-minute reporting and 80.3% for trades above \$5,000,000 par value to 98.1% for trades at \$100,000 par value or lower for five-minute reporting.
The data reflects the results of industry efforts to report trades as quickly as possible, not to report these trades just shy of the 15-minute requirement. Systems, policies and procedures have optimized trade capture, processing and reporting and have exceeded the regulatory requirements. This is the result of member firms expending tremendous resources and working to maximize performance to achieve compliance with the Relevant Rules.
4. The main benefit for proposing the one-minute trade reporting would be improved transparency in the municipal securities market.
The SROs have not demonstrated that improved transparency would result from reducing the trade reporting time to one minute. There is no evidence or data presented in the contemporaneous trades of identical CUSIPs that show that they would have been closer in price as a direct result of a prior trade report for that CUSIP. In addition, trade size definitively impacts pricing and there is no data or evidence to the contrary.
5. Under the proposed change, however, more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades.
This is an assumption without supporting evidence. Unrelated contemporaneous trades in TRACE eligible and Municipal Securities represent a tiny percentage of trading in general, and unrelated contemporaneous trades of identical CUSIP with materially similar par amounts reflects an even smaller set of transactions. Trades that are intermediated by voice brokers will always result in contemporaneous trades in securities with identical CUSIPs. This fact was not included in the SROs' analysis. These trades will not benefit from a reduced reporting time because these trades are the components of transactions that are intermediated by voice brokers (e.g., the voice broker buying from the selling counterparty, and then the voice broker selling to the buying counterparty). The difference in price for these intermediated trades is the commission/brokerage fee paid.
6. Out of the universe of the trades (251,635 "analyzed trades") with same-CUSIP number matched trades between January and December 2021, where a matched trade was executed before the analyzed trade's execution but was reported after the analyzed trade's execution, 27.9% (100% - 72.1%) of those analyzed trades had at least one matched trade executed more than a minute before the analyzed trade's execution.
Once again, although same-CUSIP contemporaneous trades are referred to in this statistic, there is no consideration for trade size, which would indicate if the trade was institutional or retail. Without this information, the analysis provided here is incomplete and misleading.
7. By comparison, if the trade reporting requirement were shortened to five minutes, only 7.9% (100% - 92.1%) of analyzed trades would have benefited from the matched trades' execution information; and only 15.5% (100% - 84.5%) of analyzed trades would have benefited if the trade reporting requirement were reduced to two minutes.

This is a spurious observation. The SROs should consider the fact that the industry's efforts have resulted in the vast majority of trades being recorded in one-third of the time required by the Relevant Rules. The industry hasn't targeted five minutes as a goal, it targeted "as quickly as possible" which has resulted in a very small percentage of trades taking more than five minutes. This perspective is important to understanding how markets operate and how participants have maximized their performance with respect to trade reporting.

8. The percentage of trades reported within five minutes has risen from 86.4% in the latter half of 2005 to 97.3% by 2021, and from 77.9% to 91% for trades reported within two minutes during the same period. **This is a critically important point. With markets as diverse as the municipal and TRACE eligible securities markets reflected in the issues traded, participant profile and various execution methods, it took 16 years to achieve the improvements illustrated in this data. This isn't reflective of any changes in the trade reporting requirement, but arguably a reflection of the evolution of technology and best-practices. Simply ruling that the new target is one-minute without truly considering and understanding the current performance of market participants will introduce prohibitive costs and, for many firms, unmitigable burdens for no apparent benefit based on the presented analysis.**

9. One alternative the MSRB reviewed but deemed inferior was to introduce a five-minute trade reporting period. By MSRB's estimates, as shown in Table 1 above, 20.4% (97.3% - 76.9%) of all reported trades in municipal securities would have satisfied the five-minute reporting requirement but not the one-minute reporting requirement in 2021.

A five-minute requirement would reflect the state-of-the-art, not an improved target. In addition, a five-minute requirement reflects the industry's effort to optimize the post-trade process, not a target mutually agreed upon. It reflects the diverse nature of the municipal and TRACE eligible securities markets and the dedicated efforts of the market participants who operate there.

Operational Considerations

1. The time to report a trade is triggered at the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price; is this definition of "Time of Trade" the appropriate trigger? If not, what other elements of the trade should be established before the reporting obligation is triggered?

The primary consideration should be the business method used in trade execution. For example, when a dealer executes a trade with a customer, it is a one-on-one transaction between a buyer and a seller. Alternatively, when a voice broker intermediates a trade, it always acts as a matched principal and generates a broker-to-buyer and broker-to-seller ticket. In practice, the simplest trade has four tickets: selling dealer to broker and broker to buying dealer. In many cases there are multiple buyers and sellers on a trade with each piece creating two tickets. This in turn must acknowledge the fact that the parties to the trade may have, and in all likelihood do have, different technology/systems, policies and procedures in place. Requiring trade reports within a minute under these routine circumstances is not realistic. Put simply, voice brokers should have an accommodation to their unique business model under a one-minute reporting requirement. Perhaps an appropriate trigger in this context would be when the intermediated transaction is complete (e.g., when all underlying trades of the intermediated transaction are executed).

2. The data in Table 1 above indicates that 76.9% of trades reported to the MSRB were reported within one minute. Are there any commonalities with the trades (other than those noted above) that were reported within one minute or reported after one minute?

Although 76.9% of the trades were reported within one minute, this needs to consider the trading venue. The majority of trades in the Municipal Securities market are less than 100 bonds and these trades are executed electronically via ATS platforms. This clearly skews the data and ignores the high-volume trades that are executed in the institutional fixed income markets by voice brokers.

3. The data in Table 1 above indicates that larger-sized trades take longer to report than smaller-sized trades. What is the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (e.g., voice trades)?

Larger trades are the result of a verbally negotiated pricing process which is intermediated by a voice broker between buying and selling institutional counterparties. In these cases, voice brokers may not have the respective buyers and sellers on the phone at the same time. Confirming both sides of an intermediated transaction, often with multiple counterparties, and then processing these trades naturally takes longer in a negotiated market and the longer trade reporting times reflect this.

4. For dealers that report larger-sized trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?

It is not clear that there is anything that a dealer can do in terms of its processes that would reduce the time it takes for an executed trade to be reported. The timing of a trade report is a function of the complexity of the trade. The more complex the trade, the longer it will take to process. In many instances, delays in processing trades result from operational and system-related issues at clearing firms which are beyond the control of the voice broker or their institutional counterparties.

5. Would dealers need retail and/or institutional investors to modify any of their processes so that larger-sized trades could be reported in a shorter timeframe?

This would not address the time it takes to report a trade. The timing of a trade report is a function of the complexity of the trade. The more complex the trade, the longer it will take to process. As mentioned in 5., above, in many instances, delays in processing trades result from operational and system-related issues at clearing firms which are beyond the control of the voice broker or their institutional counterparties.

6. The data in Table 2 above indicates dealers that report a smaller number of trades per year, take longer to report trades than dealers that report a larger number of trades. What is the reason(s) it takes a firm that reports a small number of trades more time to report a trade? For dealers that report a small number of trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?

This reflects the heterogenous nature of the market. Not every participant employs the same technology, policies or procedures and as a result, may achieve varying trade reporting outcomes. This observation also speaks to the fact that dealers that report a larger quantity of trades are executing smaller volume trades and dealers that are reporting fewer trades are generally executing larger volume trades.

7. Based on the MSRB's analysis, trades conducted on ATS platforms are reported to RTRS in less time than non-ATS trades, with 84.4% of inter-dealer trades on an ATS platform being reported within one

minute while only 74.9% of non-ATS trades were reported within one minute. What is the reason(s) it takes more time to report trades executed away from an ATS?

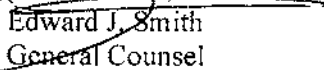
Simply put, this is the result of electronic trading. The SROs should note that these trades are generally 100 bonds and less and do not require negotiations or operational processing prior to reporting, which large volume voice brokered trades always require.

8. Submitting transactions to RTRS using a service bureau appears to result in faster trade reporting time than a dealer using the RTRS Web interface. On average how long does it take a dealer to report a trade through the RTRS Web interface? How could the MSRB improve the process for reporting through the RTRS Web interface? In what instance would a dealer choose to or need to use the RTRS Web interface?
HTD's trades are reported electronically by its clearing firm, which is the way regulatory reporting is often done by firms that are not self-clearing.
9. Would reducing the timeframe to as soon as practicable, but no later than within one minute affect the accuracy of information reported and/or the likelihood of potential data entry errors? If so, what is the reason for such impact?
Trade errors are a fact of life and in general, the trades that take longer to report do reflect some issue with the trade; for example, an incorrect price or par amount. Reducing the trade reporting time to one minute will have a detrimental effect on trade reporting accuracy because market participants will be primarily focused on reporting within one minute.
10. Are there any necessary process(es) a dealer needs to complete before trading a bond for the first time that could impact the ability to report a trade within a reduced timeframe (e.g., querying an information service provider to obtain indicative data on the security)?
It is not clear that any specific dealer-related process(es) completed prior to a trade would facilitate compliance with a voice broker's reporting obligations within a reduced timeframe. To answer the subsequent questions, it can take more than the fifteen-minute reporting time and can result in a late trade report. Items a., b., and c., below, are performed by HTD's clearing firm.
 - a. Please describe the process(es) and how often it is necessary to implement the process(es).
 - b. Please estimate the time necessary to complete such process(es).
 - c. Describe how, if at all, the process has changed in the last 10 years?
11. Rule G-14 currently provides exceptions for certain trades to be reported at end of day. Are these exceptions still necessary? If so, is end of day still the appropriate timeframe for reporting these transactions?
HTD rarely executes such trades.
12. Would reducing the reporting timeframe to one minute require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (e.g., 3 minutes)? If so, please identify the types of trades that would require an exception and why such are believed necessary? For example, do trades executed on swap rather than on a cash basis require more time to report?
In general, HTD's position is that voice brokered trades do represent a unique workflow and as a result should have a separate reporting requirement to address this. As stated earlier, market participants have made every effort to minimize their trade reporting times, and in the vast majority of cases have reported trades within five minutes. This is the state-of-the-art and should be used as the best-case scenario when contemplating amendments to the Relevant Rules. The SROs need to consider the unique business model and function of voice brokers in the institutional

fixed income markets. Voice brokers are essential to liquidity in this marketplace which ultimately effects liquidity in the retail fixed income marketplace. The business model and function of voice brokers are vastly different than those of a dealer accommodating a customer and taking a position on a trade.

In summary, HTD is supportive of improving processes as they relate to our role in the institutional fixed income markets. It is essential that any rule changes that are made to achieve the stated objectives are made with complete information and consideration of how such changes will affect all market participants. Voice brokers in the institutional fixed income marketplace serve an essential role in facilitating market liquidity, but are often overlooked when considering such proposals. HTD respectfully requests that the SROs engage the voice brokers in meaningful dialogue regarding their concerns with the proposed amendments to the Relevant Rules.

Sincerely yours,



Edward J. Smith
General Counsel
Chief Compliance Officer
Hartfield, Titus & Donnelly, LLC



2150 Post Road, Suite 301
 Fairfield, CT 06824-5669
 203.418.9000 office
 203.256.2377 fax
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October 3, 2022

Ronald W. Smith 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 Washington, DC 20006
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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:

Herbert J. Sims & Co., Inc. (“HJS”) appreciates this opportunity to respond to Notice 2022-07¹ (the “MSRB Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) and Regulatory Notice 22-17² (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 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,³ 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”).⁴ Except where otherwise specifically provided, our comments in this letter apply to both Proposals and with respect to both Reporting Systems.

HJS is a privately-owned wealth management, investment banking and institutional services firm that has been in operation since 1935. We fall on the line between Group 3 and Group 4 firms as identified in the MSRB Notice.⁵ In reviewing the Notices, we believe that the SROs failed to take into account several critical points that would

¹ MSRB Notice 2022-07 (August 2, 2022).

² FINRA Regulatory Notice 22-17 (August 2, 2022).

³ Reporting of trades in municipal securities to RTRS is governed by MSRB Rule G-14, on Reports of Sales or Purchases.

⁴ 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).

⁵ Group 3 firms are those firms that account for between 0.01% and 0.1% of trades, and Group 4 firms are those that account for 0.01% or less of trades. HJS accounts for approximately 0.011% of trades using 2021 trade volume.

alter the underlying basis for the Proposals and that these items require further research and review on the part of the SROs before implementation of the Proposals.

1. *The Notices assume that parties are not already reporting as soon as practicable and that a faster reporting time is possible and would not result in an increase of inaccurate trade data being submitted.*

While the advent of electronic trading systems and the improvements the industry implemented since the 15 minute rule was established have vastly decreased the time of reporting, we believe that the current data on trade reporting times represents the fastest practicable reporting time for trades. The heterogenous nature of the securities that fall within the jurisdiction of these Notices makes a “one-size-fits-all” approach (or “one-minute-fits-all” approach) inappropriate.

Numerous commentators have already submitted their perspectives regarding the reason that larger trades require additional time. As HJS has historically focused on underwriting and dealing in non-rated, high yield investments, our comments will focus on the inappropriate application of the Proposals to those scenarios. HJS does report via ATS for a portion of its trading business, but it also conducts a significant percentage of its business through voice trading, either directly or through a voice broker. In these circumstances the traders are communicating verbally and negotiating the price of a security. In addition to the basic components of a trade in a particular security (size, maturity, coupon), there are numerous other components of a security in the non-rated, high yield investing world – e.g. industry, issuer, conduit borrower underlying credit, state of issuance and tax environment in that state, authorized denominations, cash trades and forward settlement dates, distressed bonds that trade without accrued interest, Cinderella bonds (taxable municipal bonds that convert to tax-exempt status) – that impact the negotiations and price for a particular security. These items, as well as other matters specific to the individual buyer or seller or the type of trade (e.g. a fractional trade), are matters that are not manageable in an ATS world.

There is no data provided in the Notices that indicates that the SROs have taken into account the heterogeneous nature of the securities marketed and the importance of voice trading and voice brokerage to the market. Even if all systems were able to be modified to permit all securities to be traded electronically, the investing community, specifically some of our retail investors that refuse to use electronic media for trading, would not uniformly adopt electronic trading as its sole method to conduct trades.

With the inability to completely automate trading in certain securities, human intervention is still required. With multiple parties involved, dealer counterparties and brokers, the idea of a trade being entered within one minute becomes improbable. A one-minute reporting period also eliminates the ability for there to be second layer of human supervisory review and common sense checks. When you layer the number of corrections that are currently caught during the 15 minute trade reporting window that will no longer be able

to be caught and corrected prior to the end of the reporting window,⁶ the SROs are at risk of opening the market to much less accurate data, therefore hindering the goal of providing enhanced transparency.

The Notices assume, without evidence to the contrary, that it is possible for trades to be entered more rapidly than they already are. This is simply not our experience. In our experience, our traders already ensure that a trade is reported as soon as practicable to facilitate an ongoing efficient business process and to permit them to direct their attention to additional customer needs. Thus, there is no need to modify the rules to create additional efficiency in the market, as it is already as efficient as is practicable.

2. *The Notices do not adequately contemplate how a shorter reporting period would fit into the business model of managing retail customer accounts where the retail customer is uncomfortable using or unwilling to use electronic trading systems.*

SIFMA's response letter accurately covers this exact issue. We are repeating their response in our response as it reflects our experience with some of our retail client relationships and it represents the importance of providing access to all investors regardless of their preferred avenue of trading. See the following excerpt:

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

⁶ Common issues that can sometimes be corrected during the 15 minute trade reporting period but would not be caught in a 1 minute trade reporting period include issues with:

- Fractional trades (e.g. Puerto Rico bonds) where some counterparties have systems that cannot handle them and require breakdowns into two trades.
- Trades in bonds that are distressed and trade with no interest; sometimes one counterparty processes it properly while the other side inadvertently includes accrued interest.
- Trades in unusual denominations – for example, those that have an initial required purchase of \$100,000 followed by integral multiples of \$5,000.
- Trades that require manual entries. Even though platforms like Muni Center, ICE and TradeWeb all channel to Bloomberg TOMS, some will still require additional manual entries.
- A client changing the account into which the trade is to be booked.
- An auto-execute routes the trade to the wrong sales book.
- A counterparty changed its MPID identifier but has not notified HJS previously.

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.

- 3. *The Notices assume that implementation of a shorter reporting period would only require one-time systems upgrades, one-time legal costs to upgrade compliance policies and procedures and minor ongoing costs relative to ensuring compliance, all of which would be “relatively minor.”***

This set of assumptions, specifically discussed in the MSRB Notice on pages 10-13 and the FINRA Notice on page 13, completely ignores the voice trading and voice brokerage activities, which are a significant component of the fixed income securities markets. Due to the human factor of these activities and the impracticability, if not impossibility, of automating these modes of trading, any attempt to decrease reporting time would require additional personnel to essentially shadow traders, preparing tickets with the applicable information and performing simultaneous accuracy checks and best execution and suitability checks while the trader is verbally negotiating the terms of the transaction with the counterparty or broker. This cost would be ongoing, would not be minor, and still would not address the aforementioned concerns about the practicability of entering these types of trades within one minute and ensuring the accuracy of the information conveyed within a one minute window.

- 4. *The Notices assume that the increased transparency resulting from faster reporting times would provide investors with information that would impact their price negotiations.***

The MSRB notes that there were 251,635 “analyzed trades” with same-CUSIP number “matched trades” in 2021, where a matched trade was executed before the analyzed trade was reported but after the analyzed trade’s execution. This represents 3.5% of all trades executed in 2021. Of the analyzed trades, only 27.9% (70,206.165) had their matched trade executed more than a minute after the analyzed trade was reported. This data does not take into account that the analyzed trades may have had matched trades because voice brokers were involved making the trades – seller trades with voice broker and voice broker trades with buyer. Even if you assume that all 70,206 analyzed trades had matched trades arising from an unrelated, third-party trade, that accounts for less than 0.01% of the volume of trading for 2021 and presupposes that if the parties in the matched trade had knowledge of the analyzed trade it would have somehow impacted the pricing calculus.

While we support transparency in the markets and improving the efficiency of the markets, our experience has shown that traders already report trades “as soon as practicable.” We do not believe that, and the SROs have not provided sufficient data to support the idea that, a decrease in the reporting time (i) is possible or (ii) would provide any benefit to the investing community let alone a benefit that would outweigh the costs to the broker-dealer community. There was scant data in the Notices regarding the actual costs to the broker-dealer community or the benefit to the investing community. We have not been asked to, nor have we attempted to, undertake a comprehensive analysis of the projected costs involved.

If the SROs would like to reduce the reporting time, we would request that, in light of the lack of data available to analyze the cost and benefit of implementing such a reduction, the SROs (i) embark upon a broader data-gathering

mission to analyze the potential costs and benefits of such a proposal, (ii) implement any reduction in reporting time in stages to permit time for feedback to be provided and data to be gathered, and (iii) contemplate exceptions for trades that require human intervention – whether that is because the trade is conducted as a voice trade or with a voice broker, is of a size that requires internal human approval prior to reporting, or in a security, the nature of which requires personalized negotiation.

Thank you for your time and attention. We welcome the opportunity to respond to any questions and provide further information to help inform your decisions.

Melissa Messina, Esq.

R. Jeffrey Sands, Esq.

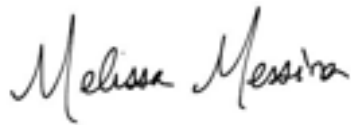
William Sims



Executive Vice President
Associate General Counsel

Managing Principal
General Counsel

Managing Principal



Comment on Notice 2022-07

from Deborah Higgins, Higgins Capital Management, Inc.

at email address debbie@higginscapital.com

on Monday, September 19, 2022

Comment:

We are a 2 principal firm; I do institutional fixed income and my husband does retail. I work with public agencies that buy taxable munis. When they come in, they may give 2-3 cusips to purchase on their behalf. Even if I allow the clearing firm to report to MSRB on our behalf, I can't physically enter the 3x buy from dealer/sell to customer trade tickets within 3 minutes. That is technically 6 tickets into the system within 1 minute. This move to 1 minute will hurt all small b/ds that manually enter trade reporting. We don't have the luxury of having our Bloomberg muni trade tickets flow to the clearing firm at a cost of ~200-250M per year. Dropping to 1 minute based on electronic trading does not consider the small firm that reports manually.



October 3, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street NW
Washington, DC 20006

**Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14;
Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for
Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute**

Dear Mr. Smith and Ms. Mitchell:

Hilltop Securities submits this letter in response to the proposals issued by the Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA) that would mandate corporate and municipal fixed income securities trades to be reported within one minute.

As a member of the American Securities Association, the Bond Dealers of America, and SIFMA, Hilltop shares many of the concerns and arguments included in their comment letters submitted on this topic. Additionally, as a clearing firm, we foresee the challenges this proposal would create for the Broker/Dealer community and the clients they serve. As such, we support the conclusions of the ASA, BDA, and SIFMA as outlined in their submissions and stand in opposition of this proposed rule change.

Sincerely yours,

A handwritten signature in blue ink that reads "Lana Calton". The signature is fluid and cursive.

Lana Calton
Executive Managing Director, Head of Clearing

Honey Badger Investment Securities, LLC

September 30, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street NW
Washington, DC 20006

Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Mr. Smith and Ms. Mitchell:

Honey Badger Investment Securities LLC submits this letter in response to the proposals issued by the Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA) that would mandate corporate and municipal fixed income securities trades to be reported within one minute.

As a member of the American Securities Association's Affiliate Member Division, Honey Badger shares the concerns and arguments included in the comment letter dated September 30, 2022 from the American Securities Association. Small firms such as ours simply cannot afford automated ticketing systems, which are clearly required in order to comply with the new proposed mandate. We cannot emphasize enough how lopsided this proposal would be in creating a devastating impact on small and mid sized firms, with little or no impact on big wirehouses. Such an effect would trickle down to the end investors that the MSRB and FINRA are out there to protect, with increased transactional costs to the customer in order to small firms to stay alive, and/or costly market bid side pricing due to the elimination of market competition.

Honey Badger supports the ASA's conclusions outlined in their submission and would strongly urge this proposal to be reconsidered. Thanks very much for your consideration.

Sincerely,

Joe Lee, CEO



September 30, 2022

Ronald W. Smith, Corporate Secretary
 Municipal Securities Rulemaking Board
 1300 I Steet NW
 Washington, DC 20005

Re: MSRB Regulatory Notice 2022-07 - Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

Dear Mr. Smith,

ICE Bonds Securities Corporation (CRD# 123635) (“**ICE Bonds**”)¹ appreciates the opportunity to respond to MSRB Notice 2022-07 (the “**Proposal**”)² issued by the Municipal Securities Rulemaking Board (“**MSRB**”) requesting comment on a proposal to shorten the trade reporting timeframe for transactions effected in municipal securities from fifteen minutes to one minute of the Time of Trade.³

ICE Bonds supports the MSRB’s efforts to provide more timely and informative data to enhance the value of disseminated transaction data and believes shortening the trade reporting timeframe is an important step in these efforts. However, we do not believe that the industry is prepared at this time to report all trades in municipal securities within one minute of Time of Trade.

According to the MSRB’s 2021 transaction reporting analysis, over 23% of transactions required to be reported within fifteen minutes were not reported within one minute of Time of Trade.⁴ Moreover, when the MSRB’s data is broken down by firms that account for more than one-percent market share of trades, only 81.2% of all trades were reported within one minute, and within this group, less than half (47.6%) of dealers reported at least 90% of trades in one minute,⁵ which further demonstrates that a significant percentage of the industry is not prepared to report within one minute of Time of Trade. By contrast, all but 2.7% of trades are reported by the five-minute mark,⁶ which demonstrates that the industry is prepared to report most trades within five minutes of execution.

¹ ICE Bonds is the operator of three (3) alternative trading systems (ICE BondPoint, ICE Credit Trade and ICE TMC) for the trading of fixed income products, is a broker-dealer registered with the U.S. Securities and Exchange Commission, pursuant to Section 15 of the Securities Exchange Act of 1934, and is a member of the Financial Industry Regulatory Authority and the Municipal Securities Rulemaking Board.

² See MSRB Regulatory Notice 2022-07 (Aug. 2, 2022) available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx?>.

³ “Time of Trade” as defined in Rule G-14(d)(iii), means the time at which a contract is formed for the sale or purchase of municipal securities at a set quantity and set price.

⁴ See Proposal at Table 1 on pg. 4.

⁵ See *id.* at Table 2 on pg. 5.

⁶ See *id.* at Table 1 on pg. 4.



We disagree with the MSRB's position that reducing the reporting requirements from within fifteen minutes to within five minutes of the Time of Trade would not advance the immediacy of information transparency by a meaningful amount.⁷ For instance, with respect to trades with a par value of \$100,000 or greater, the MSRB's analysis demonstrates that between 80% to 94% of trades are reported within five minutes of Time of Trade, which certainly leaves room for improvement in reporting for larger sized trades.⁸ As larger-sized trades have more of an impact on the direction of the market, the MSRB should seek to reduce the reporting timeframe for this category of transactions prior to shifting the entire industry to a one minute reporting deadline.

When the fifteen-minute reporting time period was implemented in 2005, the percentage of trades reported within fifteen minutes of Time of Trade was 93.6%, and as of 2021 that percentage stood at 99.5%. The industry required almost eleven years to improve its fifteen-minute Time of Trade reporting by only 6%. The MSRB now proposes to reduce the reporting period to under one minute, which according to the MSRB's data would require a 30% reporting improvement for all trade sizes and all counterparty types for compliance to be achieved. We believe the MSRB's proposal sets an unrealistic goal and the data do not support a conclusion that the industry is prepared for a one-minute reporting time period. Without further analysis by the MSRB, it's not clear that simply mandating a shorter reporting timeframe will necessarily address the structural deficiencies that may be the cause of these shortfalls.

While electronic trading coupled with straight-through-processing permitted the industry to make significant strides towards real-time reporting, further work is required to achieve this goal. For these reasons, we do not believe the MSRB should move from fifteen minutes to one minute, but instead take a phased approach to reduce reporting times. We recommend that MSRB first reduce the trade reporting to five minutes and, after further analysis demonstrates that the industry is ready for a shorter reporting deadline, propose a one-minute reporting deadline.

ICE Bonds hopes these comments are constructive to the MSRB as it considers further changes to reduce the trade reporting timeframe for transactions in municipal securities that are subject to a fifteen-minute reporting timeframe.

To the extent the MSRB should have any questions relating to this letter please feel free to contact us, as we would appreciate the opportunity to speak with MSRB about these issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Laorno'.

Robert Laorno
General Counsel, ICE Bonds Securities Corporation

cc: Peter Borstelmann, President, ICE Bonds Securities Corporation

⁷ See *id.* at pg. 3.

⁸ See *id.* at Table 1 on pg. 4.



October 3, 2022

Via MSRB Website

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

Re: MSRB Notice 2022-07 - Request for Comment

Dear Mr. Smith,

I am providing these comments in response to MSRB Notice 2022-07 on behalf of InspereX LLC (“InspereX” or “the Firm”), a registered broker-dealer headquartered in Chicago, Illinois. InspereX is responding only to those questions referenced below that are directly applicable to the Firm’s business model.

InspereX appreciates the opportunity to provide comments to MSRB Notice 2022-07 and share the Firm’s perspective on reducing the reporting timeframe for transactions in all municipal securities to the MSRB’s Real-Time Reporting Transaction Reporting System (“RTRS”) to no later than one minute from execution.

Executive Summary

By way of background, the Firm primarily engages in the underwriting, distribution and wholesaling of financial products. While many products distributed by the Firm are geared for retail investors, The Firm’s trading counterparties consist of registered broker-dealers and other financial institutions. The Firm does not solicit transactions for traditional retail customers.

InspereX generally supports the MSRB’s efforts to increase market transparency. However, for the reasons stated in this letter, the current data does not support, and we do not support, drastically reducing the reporting timeframe for municipal securities to no later than one minute from execution.

According to the MSRB’s 2021 trade reporting analysis, 76.9 % of trades that were not exempt from the 15-minute reporting timeframe were reported within one minute of execution. If this one-minute proposal were in effect in 2021, over 23% of trades would have been deemed late. This substantial percentage of late trades does little, if anything, to meet the goal of enhancing market transparency. The proposal also fails to consider the stark disparity in reporting times

200 South Wacker Drive | Suite 3400 | Chicago, IL 60606 | 312.379.3700

between firms. Currently, only ~50% of dealers in Groups 3 and 4 were able to report their trades within one minute of execution. It is unreasonable for the MSRB to impose a one-minute trade reporting timeframe when approximately half of the reporters did not readily meet such reporting timeframe.

MSRB Rule G-14 already requires dealers to report trades “as soon as practicable” and the current proposal does not specify that reporting firms are failing to adhere to this requirement. Moreover, the Firm is unaware of any empirical evidence that shortening the time reporting period to one minute will result in significant benefits for retail investors. Conversely, the costs in making material operational and technological changes to enable firms to comply with a one-minute trade reporting period may well result in a material increase in trading costs to retail investors.

For these reasons, InspereX strongly opposes the proposal and urges the MSRB to abandon this initiative and continue to allow the industry to improve reporting times organically.

Alternatively, if the MSRB a) confirms that retail investors will directly and materially benefit from a reduction in the 15-minute trade reporting timeframe, and 2) deems that regulatory action is necessary and required, we would strongly recommend that any reduction in the 15-minute trade reporting period be done so incrementally, over a period of years.

InspereX Request for Comment Responses - Benefits

MSRB Request:

1) What benefits would investors gain by the Proposal to reduce the time transactions are reported to RTRS from fifteen minutes to as soon as practicable, but no later than within one minute?

InspereX Response:

InspereX does not believe that the marginal benefits created by timelier dissemination of trade information will justify the challenges that such timelier dissemination for certain securities will impose on broker-dealers. Nearly all fixed income trading currently takes place through a decentralized over-the-counter (OTC) market. This OTC market is comprised of nearly 1 million individual bonds, many of which are traded on an infrequent basis. Shortening the 15-minute reporting timeframe for infrequently traded securities provides no additional benefit to investors since the information available to make an investment decision is often stale and not regularly updated given limited trade histories. Further, these infrequently traded securities are often sold to investors as a “buy and hold” strategy. If the investor needs to liquidate these illiquid securities for any purpose, it is unlikely that the investor will be able to rely upon transaction information when the security has no recent trade data. Therefore, from our perspective, materially shortening the reporting timeframe will provide no additional information or improve the quality of executions benefits for investors that purchase and sell certain illiquid securities.

MSRB Request:

4) What benefits would other market participants gain from more timely trade reporting (i.e., yield curve providers, evaluated pricing services etc.)?

InspereX Response:

The MSRB's stated intent for reducing the reporting timeframe is to "improve market efficiency by providing more immediate trade reporting transparency to the market." InspereX believes that an industry assessment determining which market participants utilize transaction data to evaluate pricing information prior to making investment decisions would be beneficial to qualify and quantify the intended benefits of this proposal.

InspereX Request for Comment Responses - Costs and Burdens**MSRB Request:**

1) Would a one-minute trade reporting requirement have any undue compliance burdens on dealers with certain characteristics or business models (e.g., large firms versus small firms, firms with greater trading volume versus lesser trading volume, bank dealers versus broker-dealers, etc.)? If so, please provide suggestions on how to alleviate the undue burdens.

InspereX Response:

In order to comply with the reduced reporting timeframe, there will be a significant increase in technology, compliance, and other costs. First, nearly all municipal trading will have to occur on an electronic platform, instead of through a voice broker, where a trading ticket is auto generated and pre-populated with certain customer information. In order to populate these electronic systems, InspereX will need to hire additional sales assistants and operational professionals to first implement and then maintain ever-changing customer data. Aside from the costs of these additional professionals, these electronic systems charge firms substantial fees for the use, maintenance, and retention of their systems.

Another consideration is that brokers who clear transactions through a third-party clearing firm are currently unable to directly report municipal transactions to RTRS. For transactions in FINRA TRACE-Eligible securities, trades can be directly reported to TRACE through third-party systems such as Bloomberg. When this trade is executed through the third-party system, the transaction is simultaneously reported to TRACE. This is not the reality for municipal trades. Municipal transactions are currently reported through backend systems such as a clearing firm which then reports to RTRS. Unlike TRACE, this chain of events leads to lags in the ultimate reporting time. Unless the municipal transaction can be simultaneously reported to RTRS, such as with FINRA TRACE, there can be no assurance that the trade will be submitted within one minute.

Further, violations for late trade reporting are black and white. Either the trade is reported within the specified time frame, or it is not. Akin to a speeding ticket, there are no other evidentiary measures necessary in order for the MSRB to bring an examination or an enforcement action against the late-reporting firm. Given the operational changes in meeting the one-minute reporting timeframe, the Firm will need to utilize additional compliance resources to monitor systems and procedures and to provide documentation to the MSRB when these examinations arise. This is also likely to increase the costs of any applicable fines for the violations or examination findings.

MSRB Request:

3b) If firms would have to make system changes to meet a new timeframe for trade reporting, how long would firms need to implement such changes?

InspereX Response:

While industry technology and operational capabilities have evolved since the launch of EMMA in 2008, InspereX believes that if the MSRB is to move forward with this proposal a staggered implementation period allows for a qualitative increase in market transparency while simultaneously allowing brokers sufficient time to comply to proposed changes to the reporting timeframe. InspereX believes that a one-year period before implementation and between each potential staggered interval is sufficient for traders, salespeople, operational professionals, compliance professionals, and third-party service providers to effectively comply with these rule changes. Concurrent with such time frame, InspereX also believes further empirical studies need to be conducted to determine the marginal benefits, if any, retail investors will achieve as a result of shortened trade reporting periods.

InspereX Request for Comment Responses - Operational Considerations

MSRB Request:

3) The data in Table 1 above indicates that larger-sized trades take longer to report than smaller-sized trades. What is the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (e.g., voice trades)? Might the reduced timeframe result in increased costs for large trades and, if so, might these costs be passed on?

InspereX Response:

Large volume trades are more likely to be executed through voice negotiations than through automated platforms, leading to longer reporting times. When large trades are negotiated, traders are more likely to execute the transaction with counterparties whom they have a preexisting relationship. This existing relationship helps ensure that the parties are receiving a fair price for the transaction and confirm that the bonds will be delivered on the specified delivery date. These voice trades often require manual ticket entry and processing by both traders and operational support staff. By the time the trader opens the ticket, manually fills out

the necessary ticket information, and confirms the trade with the counterparty the proposed one-minute window has likely elapsed. Another consideration is that these larger transactions are often for various trades at the same time, not just one CUSIP or bond. Therefore, multiple trade tickets need to be executed to memorialize the entirety of the transaction. Even if a trader is diligent in completing these tickets at the time the trade is confirmed, the sheer volume of reported transactions lead to delays in processing that are outside the control of the trading counterparties. Moreover, such activities only take into account the actions of the trading firm and its counterparty and does not account for any operational or other tasks to be completed by the trading firm's clearing broker-dealer (assuming such trading firm does not self-clear its own transactions). Smaller, introducing broker-dealers may struggle more so than larger firms in adhering to a shortened trade reporting period.

MSRB Request:

4) The data in Table 2 above indicates dealers that report a smaller number of trades per year, take longer to report trades than dealers that report a larger number of trades. What is the reason(s) it takes a firm that reports a small number of trades more time to report a trade?

InspereX Response:

A significantly reduced reporting timeframe would likely reduce competition among reporters of different activity levels in municipal securities. As shown in Table 2 of the proposal, 81.2% of all Group 1 trades were reported within one minute while approximately 50% of all trades conducted by Group 3 (48.0%) and Group 4 (52.0%) dealers were reported within one minute. In order to comply with a one-minute reporting timeframe, these firms will have to consider whether their current trading volume justifies the various compliance expenses associated with adhering to the reduced timeframe. If these firms decide that the costs to implement these systems exceed the benefits to the firm, they may very well decide to exit the fixed income market. Fewer market participants will undoubtedly lead to negative pricing and liquidity for retail investors.

MSRB Request:

7) Would reducing the timeframe to as soon as practicable, but no later than within one minute affect the accuracy of information reported and/or the likelihood of potential data entry errors? If so, what is the reason for such impact?

InspereX Response:

InspereX anticipates that reporting municipal transactions within one minute of execution will result in a significant increase in cancellations and corrections for both voice and electronic executions. The current 15-minute reporting timeframe allows for traders to adequately review trade tickets for errors in settlement, price, amount, etc. Even with the 15-minute window, human errors in completing trade tickets often leading to trade cancellations and modifications.

Reducing the trade reporting time to one minute will likely have a detrimental effect on reporting accuracy because market participants will solely be concerned with timely reporting and not reviewing for accurate trade information.

MSRB Request:

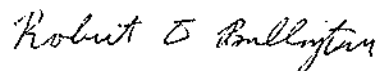
10) Would reducing the reporting timeframe to one minute require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (e.g., 3 minutes)? If so, please identify the types of trades that would require an exception and why such are believed necessary? For example, do trades executed on swap rather than on a cash basis require more time to report?

InspereX Response:

The majority of industry participants rely upon various third-party vendors, and clearing firms, to report municipal transactions (see Costs and Burdens Request #1 above). When relying upon these vendors, firms often have no ongoing assurance that the vendor will report within a specified timeframe. If a firm performs reasonable diligence and thus reasonably relies upon a third party to report eligible transactions, InspereX believes that there should be a permanent enforcement exception for trades reported late due to a lag in reporting, outage, or other disruption directly caused by the third-party. Enforcement should strictly review only the broker's conduct during the reporting timeframe, and perhaps independently review the conduct of the third-party reporting entities. Further, InspereX believes one-year grace period from any applicable effective date should be granted for late trading enforcement actions to allow the industry the opportunity to process and rectify any unforeseen technological or operational issues.

Thank you for the opportunity to present our views and perspectives.

Sincerely,



Robert D. Bullington
InspereX LLC
Vice President, Compliance Officer

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September 30, 2022

Re: Notice 2022-07, Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

Dear MSRB,

In response to the MSRB's proposed amendment to Rule G-14, we are respectfully providing comments as to why the amendment, which would change the reporting time from 15 minutes to 1 minute, is not a good idea, not practical, and will have adverse and discriminatory impacts to smaller sized firms and their customers.

There are two adverse consequences that would arise from moving the reporting time to one minute from the time of trade: (1) small to mid-sized firms would be financially harmed and could cease their municipal trading businesses; and (2) retail customers will be harmed through higher costs and less efficient markets for municipal bond transactions. The parties who would benefit from the proposed amendment are the large wire house firms and the vendors who provide automated reporting services and applications. Absent in the list of beneficiaries is the retail customer.

To the first point, while understanding that the MSRB is acting in good faith with their attempt to significantly reduce the reporting time limit (a decrease of 93%) for municipal bond transactions, it is also clear that the MSRB may not be aware of, or appreciate, how adversely this rule change will impact small and medium-sized broker-dealers and the basic dynamics of trading in municipal bonds.

For smaller sized firms, the only practical way that reporting the executions in municipal bonds can be reduced from 15 minutes to 1 minute is if all municipal bond trades completely by-pass human/manual entry and migrate 100% to electronic trading in these securities. This would disproportionately financially injure small and medium-sized firms who would be forced to invest an inordinate amount of capital to comply with the proposed rule. Given the amount of reduction in municipal bond spreads, it is highly unlikely that the smaller-sized firms trading municipals would be able to absorb this additional cost, and in many cases, would have to abandon this line of business. The consequences of such a rule change would be a further concentration of municipal bond trading among the largest firms in the industry.



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From the perspective of someone who actually sits and works on a municipal bond trading desk, the proposed rule provides multiple obstacles when trying to ensure that the execution, and associated reporting of a municipal bond transaction, occurs within 60 seconds. A plethora of issues arise that will inevitably cause firms to report late, beyond the 60-second requirement, making it virtually impossible for most firms to comply with the new rule. Causes of potential late trades (reported in more than 1 minute), arising under the new regime, would include:

- (1) multiple trades occurring simultaneously;
- (2) a CUSIP number not being currently set up on a clearing firm's system; or
- (3) any delay at all from noticing a pop-up confirmation from electronic bidding platform, just to name a few.

Realistically, the only way currently for a trade to be entered within the proposed 60 seconds is if two opposing traders are on the phone at the same time and they agree to drop their tickets at that very moment (and then of course both must be able to input the data within the 60-second time period).

To the second point, regarding harm to the customer, by reducing the execution time from 15 minutes to 1 minute, the proposed transaction reporting obligation change under MSRB Rule G-14 will reduce best execution for retail municipal bond customers, not increase it.

As indicated above, and before association with my current firm, I was employed by two wire houses where I had the opportunity to witness firsthand how large firms significantly widened the spreads between the bid and the ask, much to the detriment of retail clients. Every day, municipal bonds that are put out for the bid or offerings are advertised to the Street. Small and mid-sized broker dealers help provide multiple bids to ensure the market is more vibrant and municipal bond clients receive the best bid and offer sides on any given issue. If you force small and mid-sized firms to comply with the proposed reporting obligations, a significant amount of technology will be the only way to theoretically comply with the new rule. This significant additional cost borne by smaller and mid-sized broker-dealers will have to be passed onto customers or they simply will be forced to avoid doing municipal business altogether. The result will be a much less efficient market and one where the best execution for customers actually deteriorates.

It appears as if the intentions of the MSRB, through this proposed rule amendment, is to make the municipal bond market look and feel more like the equity markets; however, the dynamics do not allow for this without creating/purchasing a mechanism or application that can automate all municipal bond trades, which would come at a prohibitive cost to small and medium-sized broker-dealers. Equities can trade thousands of shares in seconds, making the need for price transparency in an extremely short period of time a necessity. However, specific municipal bond cusips vary



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rarely trade twice in the same day or even months let alone multiple times in 1, 5 or 15 minutes. Therefore, unlike stocks, there is no advantage gained by a customer by having a trade reported in 60 seconds versus 15 minutes. Some unintended consequences of this rule change may result in an elimination of this line of business at small to mid-size firms, a higher cost to the end retail investor, and a greater concentration of municipal bond trading at the largest firms in the industry. We do not believe this is the desired outcome of the MSRB and ultimately, not in the retail investor's best interest.

Sincerely,

Scott Hayes, President and CEO
Chris Neidlinger, CCO

Institutional Securities Corporation



1401 H Street, NW, Washington, DC 20005-2148, USA
202/326-5800 www.ici.org

October 3, 2022

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Mr. Ronald W. Smith
Corporate Secretary
MSRB
1300 I Street, NW
Washington, DC 20005

Re: Notices Seeking Public Comment on Shortening the TRACE Reporting Timeframe (FINRA Regulatory Notice 22-17) and Shortening the RTRS Reporting Timeframe (MSRB Notice 2022-07)

Dear Madam and Sir:

The Investment Company Institute¹ is writing to respond to the Financial Industry Regulatory Authority's (FINRA) and the Municipal Securities Rulemaking Board's (MSRB) proposals to reduce the trade reporting timeframe for certain transactions reported to the Trade Reporting and Compliance Engine (TRACE) and the Real-Time Transaction Reporting System (RTRS), respectively.² ICI members are significant participants in the fixed income securities markets for corporate bonds, agency debt securities, asset-backed securities (ABS) and agency pass-through mortgage-backed securities traded to-be-announced for good delivery (TBAs), transactions in which are reported to and publicly disseminated via TRACE. ICI members are also significant participants in the municipal securities market, transactions in which are reported to RTRS and

¹ The [Investment Company Institute](https://www.ici.org) (ICI) is the leading association representing regulated investment funds. ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. Its members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in Europe, Asia and other jurisdictions. Its members manage total assets of \$28.8 trillion in the United States, serving more than 100 million investors, and an additional \$8.1 trillion in assets outside the United States. ICI has offices in Washington, DC, Brussels, London, and Hong Kong and carries out its international work through [ICI Global](https://www.ici.org/global).

² See FINRA, *TRACE Reporting Timeframe*, FINRA Regulatory Notice 22-17 (Aug. 2, 2022), available at <https://www.finra.org/rules-guidance/notices/22-17#notice> ("FINRA Proposal"); MSRB, *Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14*, MSRB Notice 2022-07 (Aug. 7, 2022), available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx?n=1> ("MSRB Proposal," and collectively with the FINRA Proposal, the "Proposals").

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publicly disseminated via the Electronic Municipal Market Access website (EMMA). Further, while ICI members may not bear the primary burden of trade reporting obligations, ICI members utilize TRACE and RTRS/EMMA data and some may use such data to inform trading or to conduct post-trade cost analysis. For all these reasons, ICI members have a strong interest in ensuring the integrity, quality, and well-functioning of the fixed income securities markets.

The FINRA Proposal seeks comment on reducing the trade reporting timeframe for transactions in TRACE-eligible securities subject to a 15-minute reporting timeframe to as soon as practicable but no later than one minute from the time of execution. The MSRB Proposal seeks comment on a similar proposal to reduce the trade reporting timeframe for transactions in municipal securities subject to a 15-minute reporting timeframe to as soon as practicable but no later than one minute from the time of trade. Both FINRA and MSRB would continue to disseminate the reported trading data immediately, subject to the volume caps currently in place.³ For securities not currently subject to a 15-minute reporting timeframe, such as commercial mortgage-backed securities and collateralized debt obligations,⁴ the Proposals would not affect those securities' reporting and dissemination requirements. Both FINRA and MSRB believe that reducing trade reporting timeframes may lead to improved transparency in the fixed income markets and allow investors and other market participants to obtain and evaluate pricing information more quickly. FINRA and MSRB believe this would result in improved price discovery and formation, as well as enhanced negotiation power over dealers.

While ICI members are generally in favor of increased transparency in the fixed income markets and more robust reporting that will increase the reliability of publicly available information, many ICI members have concerns regarding the potential effects that broadly reducing the trade reporting timeframe to one minute may have. ICI therefore recommends that FINRA and MSRB adopt a measured and phased approach in implementing any changes to trade reporting and dissemination, similar to what each has done over the past two decades.⁵ Any shortened trade reporting timeframe should be implemented through an incremental, data-driven approach, with

³ Currently, FINRA places notional volume caps on TRACE-eligible securities trade data subject to dissemination. Trades over \$5 million in investment grade debt are disseminated as \$5 million+; trades over \$1 million in non-investment grade debt are disseminated as \$1 million+; trades over \$25 million in TBAs are disseminated as \$25 million+; and trades over \$10 million in ABSs are disseminated as \$10 million+. See *Notice of Filing of Amendment No. 1 and Order Granting Accelerated Approval of Proposed Rule Change, as Modified by Amendment No. 1, Relating to TRACE Reporting and Dissemination of Transactions in Asset-Backed Securities*, Exchange Act Release No. 71607 (Feb. 24, 2014), available at <https://www.sec.gov/rules/sro/finra/2014/34-71607.pdf>. MSRB places similar notional volume caps on municipal securities trade data subject to dissemination. Trades over \$5 million are disseminated as \$5 million+. See MSRB, *SEC Approves Enhancement to Large Trade Price Transparency*, MSRB Notice 2012-53 (Oct. 25, 2012), available at <https://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2012/2012-53.aspx?n=1>.

⁴ See FINRA Rule 6730(a)(3)(A).

⁵ See *infra* Section I (providing an overview of the gradual implementation of trade reporting and data dissemination that both FINRA and MSRB historically have taken).

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a focus on the impacts, by asset class and transaction size, that reduced reporting times may have on liquidity, market structure, and execution quality.⁶

We recommend that FINRA and MSRB assess the notional trade data, in addition to the total trade count analysis currently provided in the Proposals, to better assess the market impact that the Proposals will have. Further, we recommend that FINRA and MSRB examine the attributes of large trades and trades in less liquid securities that are currently reported later than one minute before requiring a shorter reporting time for these transactions. Based on the data provided by FINRA and MSRB in the Proposals, large trades and trades in thinly traded securities are often reported later than a minute⁷ and, according to feedback from our members, are often traded via voice or other non-electronic methods.⁸ While we agree that a one-minute trade reporting timeframe may be reasonable for certain corporate bonds or smaller notional trade sizes executed

⁶ As FINRA recently noted in its comment letter to the US Treasury:

FINRA's experience also has involved tailoring transparency approaches based on different TRACE products and their unique trading characteristics and liquidity profiles. A careful and measured approach to data collection, study, and dissemination has allowed FINRA to successfully adjust increases in transparency with particular product types in mind. Thus, FINRA has carefully implemented a range of dissemination approaches over time that have been customized to the characteristics of the particular security (*e.g.*, implementing dissemination caps, periodic dissemination, aggregate dissemination, and approaches that combine aspects of various measures).

FINRA Comment Letter to US Treasury in Response to Department of Treasury Notice Seeking Public Comment on Additional Transparency for Secondary Market Transactions of Treasury Securities (Aug. 23, 2022), *available at* <https://www.regulations.gov/comment/TREAS-DO-2022-0012-0007>. We ask that FINRA and MSRB take a similar approach with respect to potentially shortening trade reporting timeframes for TRACE-eligible securities and municipal securities, respectively.

⁷ For example, when analyzing reporting times by asset type, FINRA noted that ABSs, which are generally less liquid than corporate bonds, only had 52% of total trades reported within a minute as compared to corporate bonds which had 82% of total trades reported within a minute. When analyzing large trades, FINRA noted that only 61% of total trades greater than \$25 million for corporate bonds were reported within one minute and MSRB noted that only 25.3% of total trades greater than \$5 million for municipal securities were reported within one minute, as compared with 86% of trades less than \$100,000 for corporate bonds and 80.3% of trades \$100,000 or less for municipal securities, respectively.

⁸ For example, one member noted that where a trade requires back-and-forth negotiations, such as negotiating price and size on a large trade or inventory trades for less liquid municipal securities, voice execution generally is the preferred method as electronic platforms have more rigid protocols. Another member noted that they execute trades in ABSs, which are generally less liquid than corporate bonds, by non-electronic methods.

While FINRA does provide data regarding the percentage of total trades executed on an ATS as compared to trades not executed on an ATS, we note that non-ATS trades include trades executed electronically, such as through RFQ protocols, and therefore this data does not distinguish clearly between electronic and non-electronic means of execution. According to our members, non-electronic trades are often large trades and/or for less liquid securities, require more time for negotiation, and represent a significant percentage of notional trading volume. Data metrics for such trades are not reflected in the Proposals' analysis. We acknowledge, however, the potential difficulty in quantifying trades made electronically or non-electronically, as there are protocols available to process non-electronic trades electronically.

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via electronic platforms, some members feel that transactions in less liquid securities or of larger notional volume, which are often executed through voice protocols, may not be appropriate for reporting and dissemination within a minute.⁹ Further, some members believe that reporting and disseminating data regarding large trades and trades in less liquid securities within one minute may result in reduced liquidity and increased price volatility in the fixed income markets. We urge FINRA and MSRB to consider these characteristics of the fixed income markets in determining whether market participants should have more than one minute to report certain transactions. Given the greater fragmentation of liquidity in the fixed income markets, preserving the flexibility to choose among different trading protocols, including traditional voice methods offering competitive spreads, is critical to enabling market participants, such as funds, to efficiently trade less liquid securities or larger transaction sizes with minimal execution costs.

Section I of our letter summarizes the historically gradual implementation of trade reporting timeframes and data dissemination by FINRA and MSRB. Section II addresses the current fixed income market structure and the potential market structure impact these Proposals could have, if adopted. Section III analyzes how requiring a one-minute reporting timeframe and associated data dissemination, regardless of asset class or transaction size, could negatively affect liquidity and execution quality. Section IV cautions that broadly imposing a one-minute reporting timeframe, as FINRA and MSRB propose, without adequate consideration of the implications for less liquid securities or larger size transactions may result in reduced execution flexibility for some market participants and an artificial flow of order volume to electronic platforms. Section V emphasizes the importance of having accurate trade data reported and the impact that shortened reporting timeframes may have on the accuracy of reported data.

I. FINRA and MSRB Historically Have Taken an Incremental Approach to Trade Reporting and Public Dissemination

To promote transparency without negatively impacting liquidity, FINRA and MSRB historically have adopted a measured and phased approach to fixed income trade reporting and public dissemination.¹⁰ FINRA, for example, began collecting and disseminating trade information in fixed income securities in 2002 through TRACE.¹¹ Reporting initially was required for trades in

⁹ One minute reporting may raise practical challenges for certain asset classes. For example, the municipal securities market is characterized by a large number of individual CUSIPs, many of which are infrequently traded. Currently in this market, dealers often have to re-upload CUSIPs into their trading systems if the CUSIP has not been traded recently. Because this process typically takes more than a minute, a one-minute trade reporting timeframe may not be appropriate for certain less liquid or infrequently traded municipal securities.

¹⁰ E.g., FINRA, *FINRA Requests Comment on a Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination*, FINRA Regulatory Notice 19-12 (April 12, 2019), available at <https://www.finra.org/rules-guidance/notices/19-12> (“To promote transparency without negatively impacting liquidity, FINRA adopted a measured, phased approach to corporate bond trade dissemination that began in 2002 with the most actively traded and liquid bonds.”).

¹¹ FINRA, *SEC Approves Rules to Require Fixed Income Transaction Reporting and Dissemination*, FINRA Regulatory Notice 01-18 (March 11, 2001), available at <https://www.finra.org/rules-guidance/notices/01-18>. While

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most corporate debt securities, but public dissemination was limited to trades in the most actively traded and liquid bonds.¹² Trades were required to be reported within 75 minutes and were publicly disseminated immediately upon receipt.¹³ FINRA gradually reduced the trade reporting timeframe, establishing the current reporting timeframe of not later than 15 minutes in 2005.¹⁴ Over time, FINRA added reporting and dissemination of trades in other fixed income securities, including non-investment grade corporate bonds,¹⁵ agency debt,¹⁶ ABSs,¹⁷ TBAs,¹⁸ and Rule 144A bonds.¹⁹ Similar to corporate bonds, the initial trade reporting timeframe was gradually

the initial reporting time was proposed to be one hour, that was later extended to 75 minutes. *Order Approving Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 2 and 3 to the Proposed Rule Change by the National Association of Securities Dealers, Inc., Relating to the Rule 6200 Series or the TRACE Rules*, Exchange Act Release No. 46144 (June 28, 2002).

¹² See FINRA Regulatory Notice 01-18, *supra* note 11 (stating that while all trades in TRACE-eligible corporate bonds must be reported, NASD (the predecessor to FINRA) would disseminate trade information only for the most liquid investment grade corporate bonds, *i.e.*, those with an initial issuance of \$1 billion or greater).

¹³ *Id.*

¹⁴ FINRA, *SEC Approves Amendments to TRACE Rule 6230 to Reduce the Reporting Period to 45 Minutes*, FINRA Regulatory Notice 03-36 (June 30, 2003), available at <https://www.finra.org/rules-guidance/notices/03-36> (reducing the trade reporting timeframe to 45 minutes); FINRA, *SEC Approves Amendments to TRACE Rule 6230 to Reduce the Reporting Period to 30 Minutes on October 1, 2004, and to 15 Minutes on July 1, 2005*, FINRA Regulatory Notice 04-51 (July 14, 2004), available at <https://www.finra.org/rules-guidance/notices/04-51> (establishing a temporary reporting timeframe of 30 minutes to later be replaced with a reporting timeframe of 15 minutes).

¹⁵ FINRA, *SEC Approves Amendments to TRACE Rules to Disseminate Transaction Information on All TRACE-Eligible Securities, Modify and Supplement Defined Terms, and Enhance Notification Requirements*, FINRA Regulatory Notice 04-65 (Sept. 8, 2004), available at <https://www.finra.org/rules-guidance/notices/04-65>.

¹⁶ FINRA, *SEC Approves Amendments Expanding TRACE to Include Agency Debt Securities and Primary Market Transactions*, FINRA Regulatory Notice 09-57 (Sept. 29, 2009), available at <https://www.finra.org/rules-guidance/notices/09-57>.

¹⁷ FINRA, *SEC Approves Reporting Asset-Backed Securities Transactions to TRACE and Related Fees*, FINRA Regulatory Notice 10-23 (April 23, 2010), available at <https://www.finra.org/rules-guidance/notices/10-23>.

¹⁸ FINRA, *SEC Approves Amendments to TRACE Reporting Requirements and Dissemination of Agency Pass-Through Mortgage-Backed Securities Traded to Be Announced and Related Fees*, FINRA Regulatory Notice 12-26 (May 21, 2012), available at <https://www.finra.org/rules-guidance/notices/12-26>.

¹⁹ FINRA, *SEC Approves Amendments to TRACE Rules and Dissemination Protocols to Disseminate Rule 144A Transactions in TRACE-Eligible Securities and Related Fees*, FINRA Regulatory Notice 13-35 (Oct. 30, 2013), available at <https://www.finra.org/rules-guidance/notices/13-35>. FINRA continues to assess whether trade information for other securitized assets should be publicly disseminated, given such securities' liquidity profile. See FINRA, *SEC Approves Amendments to Disseminate Collateralized Mortgage Obligation (CMO) Transactions and to Reduce the Reporting Time for CMO Transactions*, FINRA Regulatory Notice 16-38 (Oct. 17, 2016), available at <https://www.finra.org/rules-guidance/notices/16-38> ("Over the past several years, FINRA has taken a phased approach to disseminating transaction information for securitized products, which were the last group of TRACE-eligible securities to be reported to FINRA but not disseminated. FINRA began with the most liquid types of securitized products Today, there are three types of securitized products not yet subject to dissemination[.]'). Accordingly, certain securities, such as collateralized debt obligations and commercial mortgage-backed securities, are not subject to a 15-minute reporting timeframe and are not affected by the FINRA Proposal. See, e.g., FINRA Rule 6730(a)(3)(A).

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reduced over time until the current 15-minute reporting timeframe was established. The MSRB adopted a similarly measured and phased approach for trade reporting and publicly disseminating data on transactions in municipal securities and has, over time, requested comment on whether the trade reporting timeframe should be shortened.²⁰

FINRA and MSRB have acknowledged, however, that public transparency may potentially have negative effects on market liquidity, particularly for large transactions.²¹ As noted by FINRA in 2019:

[O]bservational evidence [has been presented] that finding block-size liquidity in the current market (i.e., the baseline) may be difficult because of the relatively quick publication of post-trade prices. . . . When larger trades are publicly disseminated, dealers with recently acquired blocks may be more vulnerable to adverse price movements from traders who are aware of these recent executions. This may cause larger trades to incur greater costs for dealers, which could reduce the incentive for them to provide liquidity in blocks or require them to receive greater compensation for providing block liquidity.²²

FINRA addressed this concern in the context of an unadopted 2019 proposed pilot program that would have considered changes to corporate bond block trade dissemination rules based on recommendations of the SEC's FIMSAC.²³ Although such concerns were raised only three years ago, FINRA does not address in the current Proposal the concerns that were raised by some in the context of the proposed pilot. Similarly, in its Proposal, MSRB does not address any information gathered from its 2013 request for comment regarding potentially changing trade reporting timeframes and data dissemination with respect to large transactions.

²⁰ See MSRB, *Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform*, MSRB Notice 2013-02 (Jan. 17, 2013), available at https://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-02.aspx#_ftn2 (requesting comment on whether trade reporting for municipal securities transactions should be shortened). While MSRB has, since 2005, required reporting no later than 15 minutes after a municipal security trade, it has, over time, changed the manner in which such trade information is disseminated. Initially, trade information was disseminated over a real-time transaction pricing service requiring a subscription but, beginning in 2008, was disseminated via EMMA at no charge. *See id.*

²¹ Most recently, the US Securities and Exchange Commission (SEC) asked FINRA to address concerns regarding potential negative effects that transparency has had on large trade liquidity, based on a 2018 recommendation by the SEC's Fixed Income Market Structure Advisory Committee (FIMSAC). FINRA Regulatory Notice 19-12, *supra* note 10; *see also* Statement of Mr. Prager, Transcript of the SEC's FIMSAC Meeting (Jan. 11, 2018), available at www.sec.gov/spotlight/fixed-income-advisory-committee/fimsa-011118-transcript.txt ("I think the market still has some challenges with blocks, and we should -- the Commission consider some sort of pilot to look at the right calibration and the right delay.").

²² FINRA Regulatory Notice 19-12, *supra* note 10.

²³ *Id.*

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II. FINRA and MSRB Should Further Analyze Market Data Before Shortening Reporting Timeframes

FINRA and MSRB should adopt a measured and phased approach with regard to reducing trade reporting times, similar to what each has done over the prior two decades, with a focus on market structure impact and execution quality for market participants. The fixed income markets still rely heavily on “high touch” trading methods, such as voice protocols, to execute a substantial portion of the notional trading volume.²⁴ Because trades executed via electronic platforms and protocols are generally smaller in size and more numerous compared to those that are executed through “high touch” methods, electronic executions can constitute a significant portion of the total number of fixed income trades even though they account for a smaller portion of the overall notional market volume.²⁵ While FINRA and MSRB note that 81.9% of total trades in TRACE-eligible securities and 76.9% of total trades in municipal securities subject to a 15-minute reporting timeframe are reported within one minute of execution, neither FINRA nor MSRB provide data regarding the percentage of the notional volume those trades constitute or the execution method (*i.e.* electronic or non-electronic).²⁶ Certain ICI members are concerned that the trades that are reported later than one minute—18.1% and 23.1%, respectively—while a relatively small percentage by trade count, likely represent larger trades and, in the aggregate, a significant notional amount of trading activity executed via voice and other non-electronic methods.

To illustrate this issue, ICI examined corporate bond trades reported during 2021.²⁷ ICI calculated, in one-minute increments, the proportion of trades and their notional values that were reported within one minute through 15 minutes. This analysis shows that while 82% of the total number of corporate bond trades were reported within one minute, only 67% of the notional

²⁴ See, e.g., Bessembinder, Spatt, and Venkataraman, *A Survey of the Microstructure of Fixed Income Markets*, 55 *Journal of Financial and Quantitative Analysis* at 1-14 (Feb. 2020) (noting that except for US Treasuries and TBAs, relatively little fixed income trading occurs on electronic platforms). See also Kozora, Mizrach, Pepppe, Shachar, and Sokobin, *Alternative Trading Systems in the Corporate Bond Markets*, Federal Reserve Bank of New York Staff Report No. 938 (Aug. 2020), available at https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr938.pdf (estimating that corporate bond trades on ATS platforms accounted for only 2.1% of the trading volume and 16.1% of the trades in their sample).

²⁵ MSRB Proposal at 10 (“Smaller-sized trades are more likely executed electronically[.]”). See also Kozora Mizrach, Pepppe, Shachar, and Sokobin, *supra* note 24 (finding that ATS platforms in the corporate bond markets primarily facilitate smaller trades and stating that “[t]he median trade size reported on ATS platforms is \$15,000, compared to \$35,000 across all reported trades”).

²⁶ While FINRA does provide data regarding the percentage of the total number of trades executed on an ATS and reported within one minute as compared to trades not executed on an ATS, those “non-ATS trades” include trades executed electronically, such as through RFQ protocols. See *supra* note 8. Therefore, the comparison of electronic executions to non-electronic executions is not provided for analysis in either Proposal.

²⁷ To be consistent with FINRA’s data analysis, ICI examined trades that were executed between 8:00 am ET and 6:15 pm ET. ICI calculations also filtered out trades that were reported in error by following the steps outlined in Dick-Nielsen, *How to Clean Enhanced TRACE Data* (Dec. 3, 2014), available at <https://ssrn.com/abstract=2337908> (working paper).

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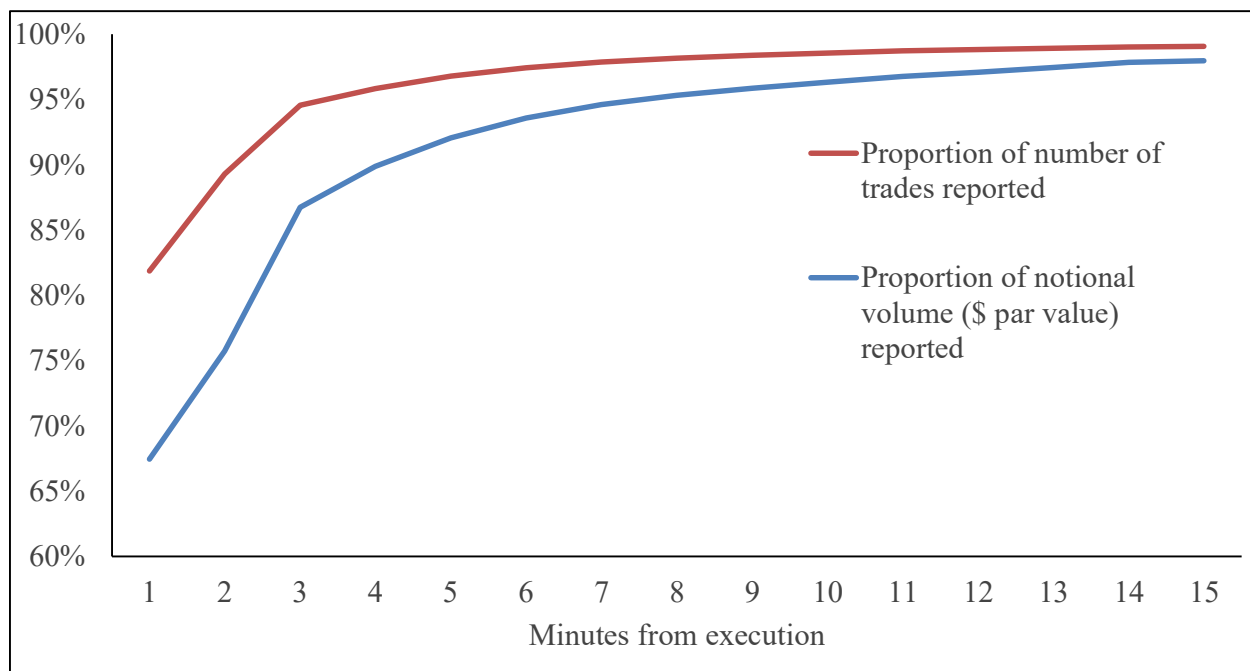
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value of all corporate bond trades were reported within one minute (Figure 1). This data shows that for the corporate bond markets nearly one-third of the corporate bond trade volume will be impacted by the FINRA Proposal. Such an impact is nearly twice as large as the overall market impact suggested by the FINRA Proposal. Further, beyond one-minute reporting, notional volume reporting lagged behind total trade reporting percentages across all reporting times, as shown in Figure 1.²⁸

Figure 1: Reporting Times for Corporate Bond Trades



Source: ICI calculations of TRACE data

ICI also examined trade reporting times for transactions in ABSs during 2020.²⁹ This analysis shows that only 49% of the total number of ABS trades, which accounted for only 38% of the notional ABS volume, were reported within one minute (Figure 2). Thus, nearly two-thirds of the ABS market trade volume currently is reported later than one minute. Accordingly, the FINRA Proposal will affect nearly two-thirds of the ABS market, which is greater than the market

²⁸ These lower proportions for notional values are consistent with data in the FINRA and MSRB Proposals demonstrating that large trades are generally reported later than one minute. For example, when analyzing large trades, FINRA noted that only 61% of total trades greater than \$25 million for corporate bonds were reported within one minute, and MSRB noted that only 25.3% of total trades greater than \$5 million for municipal securities were reported within one minute, as compared with 86% of trades less than \$100,000 for corporate bonds and 80.3% of trades \$100,000 or less for municipal securities, respectively. *See supra* note 7.

²⁹ 2020 is the most recent year available for this analysis as TRACE data on structured products, including ABSs, is available publicly with an 18-month delay. We note that FINRA's analysis is based on 2021 data, and as a result reporting times based on the total number of trades in Figure 2 differ slightly from FINRA estimates.

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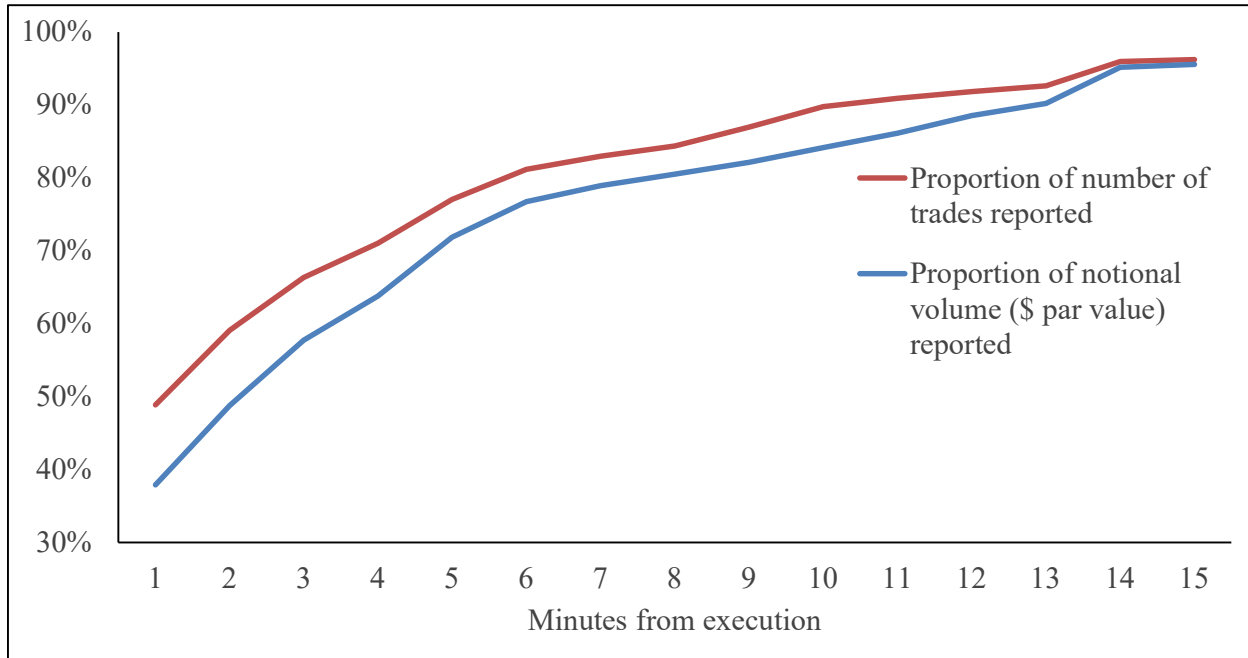
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impact FINRA suggests in its proposal. Additionally, the percentage of notional volume reporting lagged behind the total trade reporting percentages across all reporting times.

Figure 2: Reporting Times of ABS Trades



Source: ICI calculations of TRACE data

The Proposals therefore will affect a much larger portion of the fixed income markets, in particular less liquid markets such as the ABS market, than FINRA and MSRB suggest. Before making any changes to reporting timeframes, FINRA and MSRB should assess the data on notional trade volumes to determine the overall market impact shortened reporting timeframes may have. Additionally, FINRA and MSRB should analyze characteristics of trades, particularly large trades and trades in less liquid securities, that are reported later than a minute to better understand the potential impacts that shortened reporting timeframes may have on the fixed income markets. Based on anecdotal comments from some of our members, large trades and trades in less liquid securities are often done via “high touch” methods, such as voice protocols.³⁰ As discussed in Section III, many members believe that shortened reporting timeframes will

³⁰ For example, one member noted that large trades often involve negotiation as to price and size of the trade, and thus lend themselves to voice trades or other “high touch” methods. That member estimated, on a market-wide basis, potentially up to 60% of the investment grade corporate bond market was traded via “high touch” methods and up to 70% of the high yield corporate bond market was traded via “high touch” methods. Another member noted that up to 90% of their fixed income volume in certain asset classes is sometimes traded via “high touch” methods. Regarding less liquid securities, one member noted that they trade ABSs via “high touch” methods. Further, several members noted that the municipal securities market is primarily traded via “high touch” methods. *See also* Kozora, Mizrach, Pepppe, Shachar, and Sokobin, *supra* note 24 (showing that only a small portion of corporate bond trades are executed on ATSS, thus suggesting that the vast majority are done via “high touch” methods).

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result is less liquidity or increased price volatility for large trades and trades in less liquid securities traditionally executed via “high touch” methods.

After assessing the data, FINRA and MSRB should determine which securities and/or trade characteristics, such as certain corporate bonds or small notional trade sizes executed through electronic platforms, would be appropriate for shortened reporting timeframes, consistent with the gradual approach each regulator historically has taken. As recently as August of this year, FINRA reiterated its “careful and measured approach to data collection, study, and dissemination [which] has allowed FINRA to successfully adjust increases in transparency with particular product types in mind.”³¹ Before FINRA and MSRB require a shorter reporting time, they should further analyze the data based on asset class, liquidity, and trade size.³²

III. Requiring One-Minute Reporting and Dissemination Regardless of Asset Class or Transaction Size Could Negatively Affect Liquidity and Execution Quality

Many ICI members are concerned that reducing the trade reporting and dissemination timeframes for transactions in TRACE-eligible and municipal securities covered by the Proposals would detrimentally affect market participants’ ability to transact in large sizes or thinly traded securities.³³ Specifically, some members are concerned that reducing the trade reporting timeframe to one minute would likely result in dealers having insufficient time to hedge their positions or allocate risk with respect to large-sized trades or transactions in thinly traded securities.³⁴ Some of our members believe that increasing the challenges to dealers’ ability to hedge and allocate risk will likely lead to less willingness by dealers to provide liquidity for large-sized trades or transactions in thinly traded securities at competitive spreads, thus reducing important flexibility in how fixed income securities are traded.³⁵ If the reduction in trade

³¹ FINRA Comment Letter to US Treasury, *supra* note 6.

³² We note that under MiFID, although the framework is complex, European markets utilize the guiding principles that securities categorized by regulators as liquid and non-block (based on security and asset class specific size thresholds) are subject to real-time dissemination of completed transactions. *See* Bessembinder, Spatt, and Venkataraman, *supra* note 24, at 30. Other transactions are not subject to such real-time dissemination. FINRA and MSRB should adopt shorter reporting and public dissemination timeframes using a similar phased approach, in line with their historical practices.

³³ Both the FIMSAC and FINRA have acknowledged that there have been challenges with large trade liquidity as trade data dissemination times have shortened, although neither went so far as to say such correlation necessarily meant causation. *Supra* notes 21 and 22 and accompanying text. On a related theme, some ICI members have noted the potential difficulty in reporting trades in certain less liquid municipal securities within one minute given the current CUSIP management infrastructure. *Supra* note 9.

³⁴ For example, due to concerns related to potential frontrunning, dealers taking on large trades may be more concerned about losing money when trying to sell the position as a result of other traders re-pricing their spreads to capture price advantages from the downward market pressure caused by the immediate reporting of the trade.

³⁵ One member estimated that, since the 2008 global financial crisis, broker-dealer holdings of municipal bonds have come down from approximately \$50 to \$60 billion to approximately \$10 to \$15 billion, while mutual fund and ETF holdings have grown from approximately \$400 billion to \$1.1 trillion. The member expressed concern that shortened

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reporting times results in dealers exiting the fixed income markets for these transactions, market participants will lose access to a crucial source of liquidity, particularly in times of significant market stress.³⁶ Additionally, if dealers continue to make markets but at less competitive spreads, these increased spreads would likely result in increased price volatility for funds and increased execution costs, harming funds and their investors.

Further, if dealers are unwilling to provide liquidity at favorable prices for large trades, funds may be forced to break up large trades into a number of smaller trades and execute the trades across multiple electronic execution venues, protocol systems, or counterparties. In addition to the broader market structure impact discussed in Section IV, the potential reduction in liquidity for large trades would have a direct impact on execution costs and execution flexibility for funds. Instead of executing a large trade with a dealer via voice protocols, a fund would likely need to break up the trade into a series of smaller trades executed over an extended period of time. This could result in potential information leakage for funds and would also introduce market fluctuation and price uncertainty as the order is worked throughout the day as opposed to executed as a single transaction. Ultimately, the associated variable execution costs could increase expenses, lower performance, and harm funds and their investors. As noted above, for less liquid securities, dealers may offer spreads that are significantly larger to reflect increased hedging risk and risk of information leakage, thus negatively affecting execution costs for funds and their investors.

IV. Broadly Imposing a One-Minute Reporting Timeframe Would Likely Result in More Trading Moving to Electronic Venues and Potentially Reduce Execution Flexibility for Some Market Participants

If dealers are less willing to transact large and less liquid trades via traditional voice methods at competitive spreads, some members believe execution flexibility will be negatively affected and that a significant notional volume of the fixed income markets may potentially migrate to

reporting timeframes will only further decrease dealer liquidity and reduce execution flexibility as dealers avoid taking on additional risk due to the implications of having less time to hedge and allocate their risk before reporting the trade.

³⁶ For example, as part of a review of trading during the COVID-19 market crisis, ICI noted that liquidity in the credit markets had dried up by mid-March 2020. ICI, Report of the COVID-19 Market Impact Working Group – The Impact of COVID-19 on Economies and Financial Markets at 1 (Oct. 2020), *available at* https://www.ici.org/system/files/private/2021-04/20_rpt_covid1.pdf. Many ICI members anecdotally noted that they had to resort to voice trades because dealers had limited auto-streaming of quotes over electronic protocols. *See also* ICMA, The European Investment Grade Corporate Bond Secondary Market & the COVID-19 Crisis – An ICMA Secondary Market Practices Committee (SMPC) Market Report at 18 (May 2020), *available at* <https://www.icmagroup.org/assets/documents/Regulatory/Secondary-markets/The-European-investment-grade-corporate-bond-secondary-market-and-the-COVID-19-crisis-280520v2.pdf> (“[F]or the most part, electronic trading in the European corporate bond markets broke down as participants resorted to voice trading”).

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electronic execution venues.³⁷ While ICI supports a regulatory framework that encourages growth and greater access to electronic trading platforms and functionalities in the fixed income markets, the regulatory framework must account for the liquidity profiles and trading dynamics of the existing fixed income markets. Electronic trading protocols have helped provide an additional means for asset managers to develop a broader view of liquidity across different trading platforms and asset types, which has become more important as the fixed income market landscape has changed.³⁸ While electronic trading execution volume continues to grow, it is critical that such growth continue to be organic in response to the development of the market and the needs of market participants, rather than the result of shortened trade reporting timeframes. Electronic platforms may be less desirable for trading less liquid instruments or for obtaining liquidity in large-sized trades, due in part, for example, the greater risk of information leakage on these platforms.³⁹ Additionally, without further analysis, it is unclear whether a significant portion of non-electronic execution volume could adequately be handled by the existing electronic platforms and protocols.⁴⁰

V. Implications of Shortened Reporting Timeframes for Late Reporting, Revisions, and Data Accuracy

Data accuracy is important, both to the usefulness of the data that is reported and the data that is disseminated publicly. If a sizable percentage of trades must be revised or are reported late due

³⁷ Certain ICI members believe that, in the municipal securities market, which is characterized by numerous CUSIPs and inventory trades that generally require negotiation, order flow for certain municipal securities is likely not amenable to being traded over electronic platforms at this time. Nonetheless, as discussed above in Section III, some members believe that reducing trade reporting timeframes may still result in negative market impacts to the municipal securities market, such as price volatility as dealers increase their spreads to reflect the additional risk of data leakage and potential reduced liquidity.

³⁸ Economic and regulatory changes have led dealers to hold fewer corporate bonds in inventory and make markets more frequently in an agency capacity. Letter from Dan Waters, Managing Director, ICI Global, to Alp Eroglu, International Organization of Securities Commissions, on Examination of Liquidity of the Secondary Corporate Bond Markets at 2 (Sept. 30, 2016), available at <https://www.iosco.org/library/pubdocs/537/pdf/ICI%20Global.pdf>.

³⁹ Kozora, Mizrach, Pepppe, Shachar, and Sokobin, *supra* note 24. The authors note that while ATS platforms reduce search costs by providing access to more counterparties, traders on these platforms also face higher risk of information leakage, which is an important issue for large trades. Consistent with this trade-off, the authors find that the size of trades on ATSs are smaller and only 2% of trades with a notional value of more than \$1 million are traded on these platforms.

⁴⁰ One concern with large order flow migrating to electronic execution venues suddenly as opposed to over time is that the fixed income markets may not be prepared to respond to potential instantaneous drops in liquidity, such as “flash crashes,” that have occurred in other primarily electronic markets. See Report of the Staffs of the CFTC and the SEC to the Joint Advisory Committee on Emerging Regulatory Issues, Findings Regarding the Market Events of May 6, 2010 at 1 (Sept. 30, 2010), available at <https://www.sec.gov/files/marketevents-report.pdf> (discussing the 2010 flash crash in US equity markets); Joint Staff Report: The U.S. Treasury Market on October 15, 2014 at 1 (July 13, 2015), available at <https://home.treasury.gov/system/files/276/joint-staff-report-the-us-treasury-market-on-10-15-2014.pdf> (analyzing the 2014 flash crash in US Treasuries). Not knowing how the fixed income markets would respond to a flash crash is another reason why we recommend that FINRA and MSRB continue to utilize their historically incremental approach to trade reporting timeframes and data dissemination.

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to practical limitations regarding dealer operational workflow, that may result in inaccurate data being reported to FINRA and MSRB and disseminated publicly, thus undercutting a key purpose of adopting the shortened reporting timeframes. To the extent that FINRA and MSRB shorten the trade reporting timeframes for any transactions, we encourage FINRA and MSRB to analyze operational workflow issues raised by dealers with respect to such shortened reporting timeframes.⁴¹ We support measures that seek to ensure that reported data is accurate and that provide adequate flexibility for manual “high touch” execution trade reporting.

* * *

⁴¹ For example, in 2013, MSRB requested comment on changing trade reporting and dissemination. *See* MSRB Notice 2013-02, *supra* note 20. MSRB provided data showing that, between 2011 and 2012, 73.4% of all trades were reported within one minute but only 40.9% of trades larger than \$1 million were reported within one minute. In the current MSRB Proposal, released nearly 10 years later, only 40.1% of trades larger than \$1 million dollars but less than \$5 million were reported within one minute. While technology has evolved dramatically over the last 10 years, large municipal trades have not been reported more quickly. In considering whether to shorten reporting timeframes, we encourage FINRA and MSRB to analyze the reasons for delayed reporting for large trades, including any operational challenges dealers may face.

Further, we note that some of our members engage in portfolio trades, which requires members to give certain information to the dealers. Many members also send large trades to dealers that are worked throughout the day. These trading practices, among others, may have implications for dealers’ ability to report transactions within one minute or an otherwise shortened timeframe. We encourage FINRA and MSRB to explore these potential operational issues fully.

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We appreciate the opportunity to provide input on the FINRA and MSRB Proposals to shorten the reporting timeframes in TRACE and RTRS, respectively. Please let us know if we and our members may be of assistance. We would be glad to discuss our comments with you or answer any questions you may have. You may contact me at (202) 326-5835, Nhan Nguyen at (202) 326-5810, or Kevin Ercoline at (202) 326-5410.

Sincerely,

/s/ Sarah A. Bessin

Sarah A. Bessin
Associate General Counsel

cc: Chris Stone, Vice President, Transparency Services, FINRA
Joseph Schwetz, Senior Director, Market Regulation, FINRA
Adam Kezsbom, Associate General Counsel, Office of General Counsel, FINRA

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

Haoxiang Zhu, Director, Division of Trading and Markets, SEC

Comment on Notice 2022-07

from Darius Lashkari, Investment Placement Group

at email address dlashkari19@yahoo.com

on Tuesday, August 2, 2022

Comment:

I feel that reducing the time to 1 minute will be very difficult on much of the industry; I recommend reconsideration of imposing such small time limit. This will force many small and medium sized firms to have to also invest more capital into expensive technology which would stain such companies who are trying to work to increase capital to levels eventually to implement more sophisticated systems.

ISAAC BOND INVESTMENTS



August 16, 2022

To the MRSB regarding the proposed change to a 1-minute reporting rule

The proposed change to one minute will put most small broker dealers out of business and thus create less liquidity in the market. With the current rule 97% of trades are reported within 5 minutes. I do not believe in the shortening of the requirement adds any liquidity to the market. The municipal bond market is so diverse, and the issues are generally small so that learning a trade happened within 15 minutes or within one minute will not matter. I do think that 15 minutes is reasonable however manual entry systems can normally match up within that time. The technology a small firm would have to implement to comply with a 1-minute reporting would be cost prohibitive. I believe the marginal improvement in trade reporting will eliminate small players and reduce the liquidity in the marketplace

The biggest factor here is automated ticketing. The reason that trades are reported so fast is that on the ATS systems and electronic platforms trades are reported instantaneously. We currently must match those trades within 15 minutes not to be late. The automated system that most of the big guy's use is Bloomberg TOMS and eTOMS. We have investigated the cost for us to get that platform and the cost is somewhere around 500k per year. An annual cost like that would be too much for us to afford. We have hired additional personnel to be able to enter our tickets on a timely manner.

The largest problem will be for voice trades. If we do a voice trade and then must write the ticket and that process takes usually over one minute. If we do multiple trades at the same time, then it further complicates the process as each trade takes around a minute to input in our manual system. If one were to examine IB conversations that say done and then the clock starts, my guess is the larger dealers will even have trouble as they will have to instantaneously have the bond up and price it, take off hedge if any, select the account, and send a vcon. This is just not possible if one is doing multiple trades.

The municipal bond market is quite diverse and there are regional specialists that operate in small firms that have the knowledge to make markets in lesser know credits. The prohibitive cost would force many out of business. The larger firms will also have trouble reporting their voice trades. I appreciate the opportunity to comment on the proposed rule change and oppose any change to the current 15-minute rule.

Best,

A handwritten signature in black ink, appearing to be 'John Isaak', written over a horizontal line.

John Isaak

Sr. Vice President

Isaak Bond Investments

john@isaakbond.com

ISAAC BOND INVESTMENTS
 Municipal Securities Rulemaking Board
 1300 Street, NW, Suite 1000
 Washington D.C. 20005



RE: MSRB Notice 2022-07: MSRB Requests for Comment on a Proposal to Shorten the Trade Reporting Timeframe....

To Whom It May Concern,

I do not agree that timelier dissemination would be beneficial for any types of RTRS-Eligible Securities that are currently subject to the 15-minute reporting timeframe for most medium to small firms and retail investors. By subjecting the industry to a one-minute reporting requirement for RTRS-Eligible debt securities, this will benefit the bigger institutions and bond traders at the expense of the smaller broker-dealer and retail client due to consequences MSRB is not accounting for and an incentive structure that will hurt the retail investor.

In your analysis, you reference research done in 2005 as evidence that RTRS Dissemination improved price discovery and reduced spreads for municipal bond investors after reporting was changed from the end of the day to 15 minutes after execution time. This to me is comparing apples to elephants; in other words, this is not a comparable situation in any way since one changed from no reporting until after markets closed while the current request involves reporting throughout the day in either case. I look at the statistics shown by MSRB and the impression to any reasonable person must be, why can't 100% be reported on time and accurately within 15 minutes? Do we need to give more time to report trades to ensure they can be done correctly and timely? Although it's a fact that technology is vastly improved, there is still a lot of human involvement and where there's humans, mistakes are made. I can assure you that cancel and rebills will be far more numerous if this revised requirement is implemented since at a firm our size, we still feel the pressure to get trades reported timely and accurately within 15 minutes. A shorter reporting timeline may have the unintended consequence of reducing the percentage of trades reported within one minute accurately than is currently reported even now. Why? Cancel and rebills being increased could affect what would otherwise be properly reported trades. When speaking with a retail client, it's quite easy to hit the "buy at market" button for an equity execution while continuing to speak with your client on the phone however, it's another thing when trying to execute a bond trade to ensure the position you recommend the client invest in is still available and at the best price due to the nature of bond trading since there is no central bond exchange with quotes as there are with equities. Since bonds tend to be a more complicated investments for the average investor to understand and more numerous with each debt security having unique qualities, it can be quite an effort at times to initiate a bond trade for a retail client. Put simply, there are more steps and there is more human involvement to getting bonds reported accurately and timely. Does the street side still have it available? Can I find a better price for the client? Do we still have it available at the best price in our inventory? Does the client understand what they are investing in and how it works? Did I provide all the risk disclosures before execution for the appropriate debt security? Do I know the security well enough?

There are some retail clients that are day traders and swing traders in the equity markets however, I do not see any advantage to a retail client when trying to rush a bond trade report because bonds are designed to be held as an investment longer than days or weeks, or even months. The bond market, in my opinion, should not be implemented like the equity markets and by shortening the debt trade reporting time without the advantage of an efficient exchange utilized in the equity markets, how can one implement best execution? With 15 minutes, after



a trade is executed, we currently have time to check the various ATS's and other posted offer sheets to confirm best execution when there would be no time to double-check under a one-minute reporting time rule. This can harm retail investors.

Although technology is much better, it is still cost-prohibitive to implement straight-through processing in an efficient and accurate manner for smaller firms. There is little competition in the back office for bond trading software designed for reporting executed debt trades within one minute. In fact, it seems to be quite a monopoly since Bloomberg is the only system available that could possibly handle one minute or less reporting time for most debt security trades. Our firm would no doubt have many more trades to cancel and rebill or we'd need to increase our technology costs by tens of thousands of dollars which will not help with any of the aforementioned items I've already discussed. This increased workload and stress would make it more difficult to service our clients, both retail and institutional, more difficult to remain compliant despite our best efforts, and make life less pleasant for all of us at the smaller broker-dealer. And for what? More theoretical transparency on securities that are supposed to be held as medium or long-term investments for the retail client? Do yields change so dramatically within 15 minutes? In my experience they do not. I do not know if this shorter reporting timeline would cause more price volatility in the bond market or not but I do not see it helping nor see it as beneficial. Typically, bond prices are not changing minute to minute or even hour to hour for the vast majority of issues that trade with low volume since we do not see interest rates jumping up and down throughout the day so again, there would be no more transparency than is already the case.

This will monopolize the bond market to be handled by the "big guys", which would provide less competition for the retail client and could, and most likely would, increase investment costs for most of the smaller retail clients. Most bigger firms do not want to consider you if your portfolio is not at least \$500 thousand. As the smaller broker-dealer continues to be scarcer, rules like this only make that more likely. Where will the teacher go who has \$50 thousand put away, or the construction worker, the restaurant manager or employee, the service industry persons who were lucky and smart enough to save some money? Do they download an app and start day-trading? Maybe get in on the crypto-currency craze? There are hundreds of thousands of folks out there that will not get any help from the larger banks and broker-dealers. Although I will not mention names with the understanding that smaller firms can be culpable as well, we all know of firms that have incentivized their employees to open accounts that clients do not want or need, charged fees that customers may not know about because they did not read the small print and their RR can't find the time for them since they do not have enough money to be bothered with. Do you really believe this will be beneficial to the small retail client? If so, how? That was not made clear in your proposal.

In conclusion, I encourage MSRB to keep the debt trade reporting requirements as-is now and going forward. This is not a need, not a benefit for most, and will even be deleterious for the smaller firm and consequently, the less wealthy retail investor. I appreciate your consideration and hope you do the right thing.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Donald J. Lemick'. The signature is fluid and cursive, written over a light blue horizontal line.

Donald J. Lemick
VP-Operations & CFO

Comment on Notice 2022-07

from Mike Kiley, Kiley Partners, Inc.

at email address mike@kileypartners.com

on Tuesday, September 27, 2022

Comment:

Please do NOT change this rule. One minute is not realistic. Unless we have sophisticated software, manual entry will not be possible in one minute. This rule will benefit Bloomberg as we will have to subscribe to their trading platform. Fast entry does not protect the investor or allow rogue traders to hurt others. Please do NOT pass this new shorter time limit.---Mike Kiley
---MSRB member and owner of institutional fixed income broker dealer Kiley Partners.

Madison Paige Securities

September 30, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street NW
Washington, DC 20006

Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Mr. Smith and Ms. Mitchell:

Madison Paige Securities submits this letter in response to the proposals issued by the Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA) that would mandate corporate and municipal fixed income securities trades to be reported within one minute.

As a member of the American Securities Association's Affiliate Member Division, Madison Paige Securities shares many of the concerns and arguments included in the letter dated September 30, 2022, comment letter from the American Securities Association.

As such, we support the ASA's conclusions outlined in their submission.

Sincerely,



Name Gary Herschitz

Title CEO

Comment on Notice 2022-07

from Christopher Mayes

at email address cmayes@calton.com

on Tuesday, September 27, 2022

Comment:

I manually enter trades into our system. It is impossible for me to submit trades within one minute.

October 2, 2022

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

RE: MSRB Notice 2022-07 – Request for Comment on Proposal to Shorten Trade Reporting Timeframes

Dear Board:

Thank you for the opportunity to respond to MSRB Notice 2022-07, proposed rule change G-14. As operations manager of one of the 400 investment firms facing substantial harm, I fear our ability to survive the 1-minute rule. This rule will disproportionately impact smaller broker-dealers and the MSRB has shown little data or analysis as to how this rule benefits investors. While I appreciate the benefits of technological advancements, I fail to see to the point of doing something simply because you can rather than acting on tangible evidence.

In my experience, the current 15-minute rule allows operations to act as an additional control to verify trade details are accurate and make corrections if necessary. There would be no control function with the 1-minute rule; thus, reporting inaccurate information to the market which is currently avoided. The 15-minute rule allows time to correct frivolous errors without sacrificing transparency.

Much like other small firms, I am concerned about our continued ability to serve our small investors. One would argue, organizations such as the MSRB have a higher calling to protect novice investors. In fact, our clients consistently report larger financial institutions lack interest in servicing their portfolios. These clients require and prefer the personal touch a smaller firm provides. Advising clients on

financial matters is a personal business and advisors become an extension of their family during difficult times. I would hate to see these investors without the support they deserve because implementing this rule is so cost prohibitive.

It is concerning the very organization with the responsibility of protecting investors can be so cavalier about the effect of this decision. A decision that will affect so many and for what purpose? Perhaps the MSRB should look to the oath of the medical practitioners and "first, do no harm".

Respectfully,

Kathy Miner



October 3, 2022

To: Municipal Securities Rulemaking Board
Re: Proposal to change to 1 minute reporting

Thank you for allowing us to provide our comments on MSRB proposal, Notice 2022-07. We believe the proposed 1-minute reporting rule change must be evaluated on a cost versus benefit basis. Although the rule may help add liquidity to some areas of the market, it will simultaneously, and severely, harm other parts of an already functional and efficient marketplace. As proposed, the rule is overreaching and will sharply increase many dealer's costs, specifically small firm such as ours. We must, therefore, assess if the harm is justifiable considering any intended improvements.

The proposed rule's stated benefits are improved transparency, price relevance, and immediate impact on market direction are relevant to large block trades, large issue sizes and ubiquitously viewed credits. These "relevant" trades can be market leading, telling, and important for comparison. Conversely, very little market direction can be gained or learned by small, or infrequently traded credits when viewed in light of a one minute or 15-minute reporting period.

Moreover, the industry currently lacks a cost-effective software solution for all dealers to comply with the rule. There is no centralized single solution available, and any new system would have to be implemented over existing technology. The prohibitive cost would reduce participation and efficiency. Other small, liquidity providing firms, will simply close in the face of the added expenses.

The current 15-minute window already provides ample insight to market levels, changing it to one minute will add negligible benefit to the majority of its participants.

We must keep in mind the innate differences between the municipal marketplace and the equity marketplace: the depth of the municipal market must be supported by a breadth of participants. Does shortening the reporting period on *all* transactions really help decision making? Are these 14 minutes on inconsequential trades worth the prohibitive costs and unintended consequences?

Respectfully,

Randy Nitzsche
President and CEO
Northland Securities INC. Minneapolis, MN



Sept 28, 2022

Mr. Ronald Smith
Corporate Secretary
MSRB
1300 I Street NW
Washington, DC 20005

Dear Mr. Smith:

As a smaller broker-dealer that has been active in municipal bond trading for the last 20 years, I am writing to provide comment on the proposed MSRB Rule G-14 governing trade reporting. The MSRB initially looked into the compression of trade reporting with a Request for Comment in 2013. With the new Request for Comment, the Board is looking to determine if market practices and technology have advanced to the extent that this may be an appropriate time to shorten the time frame for reporting of trades.

Before going into the current structure of the market and whether the market as a whole would be able to handle a significant change in reporting, we would like to review the data showing the change in the market from 2012 to 2021. In 2012, there were 1,841 registered dealers with the MSRB who executed 9,713,065 trades for a total par amount of 3,225,803M. Of these trades, according to the Request in 2013, 73.4% of trades were reported within the proposed 1-minute time frame. In 2021, there were 1,363 dealers, who have executed 7,647,333 trades for a total par amount of 2,259,105M. According to the new request, 76.9% of trades were reported within the proposed 1-minute time frame. Notwithstanding the changes in market structure and evolving technology from 2012 to 2021, there has been an increase of only 3.5% of trades reported within 1 minute. While that is an increase, that still leaves 23.1%, or 1,766,533 trades, that would not fall within the new time restraint. That is a very large hurdle to overcome, given that in 9 years the increase has only been 3.5%.

The current market participants that are able to report trades within 1-minute are set up around full automation of systems and ticket processing. This can be from a large retail brokerage, where a customer would log into their account, search bond offerings and place an order online, and have this fulfilled by an ATS that is tied in with the firm's systems. This is full automation that does not require human input along the process on a normal trade. Automation can also be provided by full integration, such as Bloomberg TOMS, where different execution venues are all tied together and tickets are processed straight through to clearing companies. This is a very costly system. Many smaller firms do not have full automation and would not be able to economically justify implementing it. Such firms' ability to reliably and consistently report each trade inside of one minute would not be realistic. As a simple example, in a situation where multiple trades are executed at the same time, manually entering each would take longer to process the trade than what would be allowed. The proposed rule would necessarily require a fully integrated and automated trading system with almost no manual input. For a small firm this is a VERY large cost to overcome, and it is an unfair burden. It disadvantages small firms and will likely to lead to fewer small-firm market makers. A reduction in market participants has historically led to less competition, increased spreads and higher transaction costs for the end investor.



The number of MSRB registered dealers has steadily declined by 4.5%-5% annually in the recent years. The additional cost of integration, automation, and compliance would all but guarantee the number of registered dealers to decline significantly. While, as stated in the Request for Comment, a large portion of trades are done by a small number of larger firms, the smaller dealer network provides a very important part of market liquidity and competition. A smaller number of firms participating in the secondary market will lead to less competition and less fair pricing of bonds. Firms that utilize automated pricing and highly capitalized firms provide a baseline for most bonds out there. Smaller firms are able to concentrate on portions of the market that do not get as much attention and provide important liquidity in times of market turmoil where large market participants may "turn off" trading. The importance of these small firms place in the market cannot go unnoticed and be hardest hit in meeting compliance with the proposed rule.

The purported benefit of the decrease in reporting time is more transparency. It is not our belief that retail clients will materially benefit by having trades posted within one minute as opposed to the current fifteen minutes. How often would a retail customer be looking at previous trading levels that would not show up under the current system? This will have a very small impact on market transparency but will be a very large cost for smaller firms. The obvious outcome of this proposal, if implemented, would be a large increase in operational costs and a decrease in market participants. It is our view if this rule is implemented as proposed, the result will be fewer dealers and therefore less competition, which will lead to wider trading spreads at a net detriment to end customers such as retail participants.

While we share the MSRB's goal of promoting efficient markets through transparency, we urge the MSRB to consider whether implementation of this rule would actually be effective in increasing market efficiency and whether the cost of compliance is reasonable. We also urge the MSRB to consider the relatively unfair burden that this rule will place upon small firms relative to their larger competitors. From our vantage point, due to lower economies of scale, the cost of compliance for a small-firm will be very high in absolute terms and much higher in relative terms than for large firms who are likely to already have in place the systems required to comply.

In short, we believe this rule systemically disadvantages small-firms, which runs contrary to a spirit of promoting fair competition between firms large and small. But more importantly, the retail investor will be disadvantaged. Many small firms will exit the market, reducing market competition and resulting in increased spreads and higher transactions costs to the end investor. While we also favor market transparency, we believe the proposed rule has been weighed against its potential costs, which for smaller-firms will be materially burdensome.

Sincerely,

A handwritten signature in cursive script that reads "James W. Oberweis". The signature is written in dark ink and is positioned to the left of the typed name and title.

James W. Oberweis
President

Regional Brokers, Inc
2 Executive Campus
Suite 105
Cherry Hill, NJ 08002

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

10. 3. 22

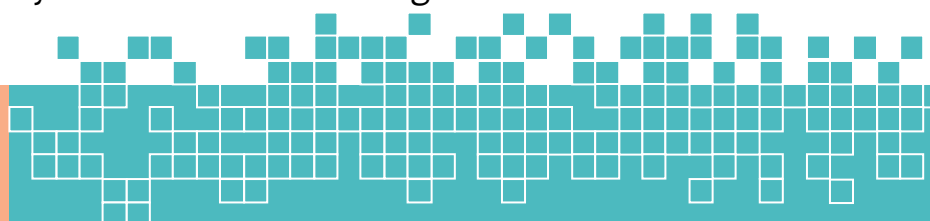
Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street NW
Washington, DC 20006

Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Mr. Smith and Ms. Mitchell:

Regional Brokers, Inc. (RBI) submits this letter in response to the proposals issued by the Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA) that would mandate corporate and municipal fixed income securities trades to be reported within one minute.

As a member of the American Securities Association's Affiliate Member Division, RBI shares many of the concerns and arguments



included in the letter dated September 30, 2022, comment letter from the American Securities Association.

As such, we support the ASA's conclusions outlined in their submission. We will be submitting our own, separate letter to outline some specific concerns regarding these proposals.

Sincerely,

H. Deane Armstrong

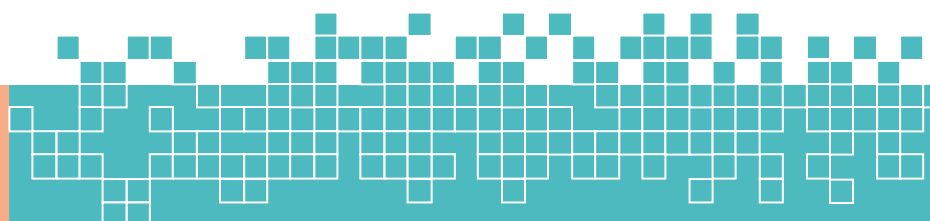
CCO

Regional Brokers, Inc.

Joseph A. Hemphill III

CEO

Regional Brokers, Inc.



September 16, 2022

Ronald W. Smith
Corporate Secretary
MSRB
1300 I Street NW
Washington, DC 20005

Dear Sir:

I have been a municipal bond professional for 37 years and have had my own firm for the past 27 years. My firm transacts with dealers, broker-brokers and institutional clients exclusively. I support more disclosure and transparency.

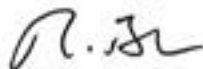
However, the requirement to shorten trade reporting to one minute would put an undue burden on smaller firms. Like many dealers, our firm clears trades through a clearing firm who then transmits the trade data to the MSRB. We trade only in the secondary market. Trades occur over the phone and through various platforms such as the Muni Center and Bloomberg and then have to be entered into the clearing firms' system which usually requires more than one minute especially when handling multiple trades occurring simultaneously.

The MSRB notes that the rule will cause a financial burden on small firms and probably cause consolidation within the industry, but this is dismissed as insignificant. However, MSRB data for 2021 show the number of firms that account for less than 1% of trades equals 555 or 96% of MSRB member firms. It is reasonable to assume that by reducing competition (i.e. consolidation) the rule change will create a less liquid and less efficient secondary market.

As for reducing spreads, it might be wrong to assume spreads will tighten in any significant way with a one minute rule. The studies cited by the MSRB analyze data from 2005, i.e. 17 years ago, when the market was much different and when the reporting time was reduced significantly: from all day to 15 minutes. Having discussed this matter with our institutional customers, we were told that reducing the reporting time to one minute will have no impact on how they trade bonds in the secondary market. Moreover, the MSRB RTRS data is rife with examples of sizable trades where the dealer buy and the sell to customer are reported and occur simultaneously (i.e. within the same minute) and where the spread is LARGE. Those trades will comply with the new rule.

Lastly, the MSRB notes that the industry is moving to quicker trade reporting without another burdensome regulatory mandate, so why the need for change now? Especially when the cost burden will fall primarily on smaller firms and create a large number of non-compliant trade reports. Forcing consolidation will engender less competition and less liquidity with very uncertain benefit in terms of spread tightening.

Respectfully,



Robert Blum
President

ROOSEVELT & CROSS
INCORPORATEDF. GREGORY FINN
CHIEF EXECUTIVE OFFICERONE EXCHANGE PLAZA
55 BROADWAY -22ND FLOOR
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TEL: (212) 504-9283

October 3, 2022

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington DC 20005

Dear Mr. Smith,

Roosevelt & Cross Incorporated is a broker-dealer that is a significant participant in northeast local government municipal finance. Municipal securities have been our sole focus since we were founded in 1946. While dynamics and practices have evolved, the municipal market continues to be substantially supported by small regional broker-dealers like Roosevelt & Cross.

In response to the Request for Comment within MSRB Notice 2022-07, Roosevelt & Cross strongly supports both BDA's and SIFMA's detailed concerns that accurately describe the excessive burdens that will be shouldered by broker-dealers and, particularly, small regional broker-dealers as a result of the proposed one minute trade reporting deadline. In addition to the points raised by BDA and SIFMA, we believe that the impact will be detrimental to issuers, particularly small issuers.

There are thousands of unique municipal issuers that vary from large and sophisticated to small and infrequent. If adopted, the one minute trade reporting deadline will reduce the number of broker-dealers because of increased burdens and costs. The proposed one minute trade reporting deadline will be especially difficult for firms that use clearing agents; one minute is simply not enough time for effective and accurate communications between customers, broker-dealers, clearing agents, and the MSRB. Small issuers that come to market now already cannot be consistently supported by large broker-dealers. Small regional broker-dealers are critical to servicing small and infrequent issuers throughout the United States; a smaller pool of broker-dealers in the municipal market will translate to fewer competitive bids which will lead to higher interest costs for these small municipal issuers.

We hope that the MSRB takes our concerns, along with BDA's and SIFMA's, into consideration. While we understand the MSRB's goal to make the municipal market more efficient and transparent, the proposed one minute trade reporting deadline will impose excessive costs on both small regional broker-dealers and small issuers. We believe that a fair resolution can be crafted that will not unduly burden this important sector of the market.

Sincerely,



F. Gregory Finn



September 13, 2022

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

**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:

RW Smith & Associates, LLC (“RWS”)¹ welcomes the opportunity to respond to MSRB Notice 2022-07 (the “Notice”). RWS’s position with regard to the Notice is that the proposed changes to MSRB Rule G-14 will have a substantial negative impact on the ability of Municipal Securities Broker’s Brokers (“MSBBs”), which are voice brokers, to comply with their RTRS reporting obligations.

MSRB Rule G-14 currently requires that municipal securities trades are to be reported as soon as practicable, but not later than fifteen minutes from the time of execution. Firms developed technology designed to report trades as quickly as possible – typically reporting trades immediately when processed after execution. The MSRB’s request for comment mentions that the vast majority (more than 97%) of trades are currently reported within five minutes of the time of execution. This observation demonstrates what firms like RWS have been able to accomplish with respect to their reporting obligations using their best efforts to report trades as soon as practicable. There are often times when trades are not reported within five minutes of execution when firms use best efforts to report their trades as soon as practicable. This is especially so when a trade between multiple counterparties (e.g., buyer and seller is intermediated by a MSBB). Processing of such trades is typically manual given the complexities of intermediated institutional transactions. These are voice brokered trades that require manual intervention and processing from the point of execution through the clearance and settlement processes. After many years of operating under the current G-14 requirements, with firms using their best efforts to meet the reporting requirements, the vast majority of trades are being reported within five minutes of execution. It is only logical that a five-minute reporting window should be the revised requirement under G-14. A one-minute reporting requirement is not possible for firms that are not purely electronic trading firms, which are many and include all of the MSBBs which are essential to institutional market liquidity. RWS believes that the analysis presented by the MSRB is incomplete in that it does not make any meaningful distinctions between electronic retail level trading and large volume institutional trading that often involves MSBBs. The data used by the MSRB needs to be properly analyzed so that the differences between institutional voice brokered municipal security trades and retail level municipal security trades are properly identified and accounted for in any decision to modify the requirements under G-14.

¹ RWS has operated as a Municipal Securities Broker’s Broker since 1985, headquartered in Jersey City, New Jersey with offices in California, Minnesota, New Mexico and Illinois. RWS’s primary responsibility is to provide anonymity while facilitating liquidity in the institutional municipal fixed income marketplace. RWS operates as a voice broker and transacts exclusively with broker-dealers, banks, SMMPs and institutional counterparties.

Specifically, the material differences in the volume of trades that are executed in these markets; how trades in these markets are negotiated, executed and processed, and; the contemporaneous execution of multiple transactions in a single CUSIP when a voice broker intermediates a trade. A general observation of the information that was provided in the Notice shows that no such consideration of these factors was made by the MSRB when proposing to amend MSRB Rule G-14. There was also no meaningful discussion of the fact that the vast majority of large volume trades are voice trades.

RWS addresses these points and others in the items, below:

1. **Request for Comment on the Proposal** In 2021, 76.9% of trades that were not exempt from the 15-minute reporting requirement were reported within one minute after a trade execution. By comparison, more than 97.3% of trades required to be reported within 15 minutes were reported in five minutes or less.
As provided above, these statistics should be interpreted to recognize that five minutes is what the majority of the industry is able to do with respect to reporting trades. A one minute reporting requirement is arbitrary and unrealistic and is not supported by the data cited by the MSRB.
2. While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute.
What is demonstrated by this data is that larger trades are generally voice brokered and require more time to negotiate, execute and process. The data also shows that smaller volume trades are executed electronically on ATS platforms, which are similar to equity trades in the manner that these trades are executed and processed (instantaneously with no intervention or complexity in processing).
3. By comparison, the differences in percentage of trades reported within two minutes and five minutes were smaller across the trade size groups, ranging from 49.4% for trades above \$5,000,000 par value to 93.4% for trades at \$100,000 par value or lower for two-minute reporting and 80.3% for trades above \$5,000,000 par value to 98.1% for trades at \$100,000 par value or lower for five-minute reporting.
This data shows the result of firms using their best efforts to report trades as soon as practicable, resulting in the vast majority of trades being reported within five minutes of the time of execution. It logically follows from this data that five minutes should be the new reporting requirement if the time limit under G-14 is to be amended.
4. The main benefit for proposing the one-minute trade reporting would be improved transparency in the Municipal Securities market.
The MSRB has come to this conclusion without providing a complete or meaningful analysis of the data presented. The MSRB's analysis appears to completely disregard the essential role of voice brokers in the institutional (e.g., wholesale) municipal fixed income market. If the MSRB does not believe that voice brokers are essential to institutional market liquidity, then it needs to explain this position in its analysis and let the market participants provide their commentary on this position.
5. Under the proposed change, however, more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades.
This assumption is not supported by the provided data. As a general matter, yes, transparency benefits the market. However, unrelated contemporaneous trades in municipal securities

represent a tiny percentage of trading in general, and unrelated contemporaneous trades of identical CUSIPs with materially similar par amounts reflects an even smaller percentage of such trades. Trades that are intermediated by voice brokers will always result in contemporaneous trades in municipal securities with identical CUSIPs. This fact was not included in the MSRB's analysis. Such trades would not, in fact, benefit from a reduced reporting time because these trades are components of a transaction that is intermediated by a voice broker (e.g., they are the buy and sell legs of the same transaction).

6. Out of the universe of the trades (251,635 "analyzed trades") with same-CUSIP number matched trades between January and December 2021, where a matched trade was executed before the analyzed trade's execution but was reported after the analyzed trade's execution, 27.9% (100% - 72.1%) of those analyzed trades had at least one matched trade executed more than a minute before the analyzed trade's execution.

The MSRB analysis has provided no consideration for trade size and how these particular trades are likely intermediated (e.g., negotiated) voice brokered trades. Any analysis that does not take this into consideration is incomplete and misleading.

7. By comparison, if the trade reporting requirement were shortened to five minutes, only 7.9% (100% - 92.1%) of analyzed trades would have benefited from the matched trades' execution information; and only 15.5% (100% - 84.5%) of analyzed trades would have benefited if the trade reporting requirement were reduced to two minutes.

The MSRB appears to misinterpret the data in this observation. What the MSRB should take away from this is that reporting trades within five minutes of execution is what most of the industry is able to do when using best efforts to report trades as soon as practicable. To suggest that "since this is already happening, it's not good enough" is obtuse to the reality of what most firms are currently able to do with respect to trade reporting.

8. The percentage of trades reported within five minutes has risen from 86.4% in the latter half of 2005 to 97.3% by 2021, and from 77.9% to 91% for trades reported within two minutes during the same period.

Addressed in item 7, above.

9. One alternative the MSRB reviewed but deemed inferior was to introduce a five-minute trade reporting period. By MSRB's estimates, as shown in Table 1 above, 20.4% (97.3% - 76.9%) of all reported trades in Municipal Securities would have satisfied the five-minute reporting requirement but not the one-minute reporting requirement in 2021.

Again, the MSRB is misinterpreting the data. Five minutes is not "inferior", it is what most firms are capable of doing using best efforts. The MSRB dismisses this reality and proposes an arbitrary one-minute requirement and fails to demonstrate any actual benefit to the marketplace that would result from this revision to G-14. More troubling is how the MSRB simply dismisses the economic hardship, market distortions and likely shuttering of smaller firms that will certainly be caused by this arbitrary reporting requirement.

Operational Considerations

1. The time to report a trade is triggered at the time at which a contract is formed for a sale or purchase of Municipal Securities at a set quantity and set price; is this definition of "Time of Trade" the appropriate trigger? If not, what other elements of the trade should be established before the reporting obligation is triggered?

It is worth considering that the time to report a trade should be related to the market function of the parties to a trade. Under this criterion, there could be a different reporting time requirement for institutional voice brokered trades than there is for fully automated ATS

system trading. Such a criteria would be driven by the complexity of the trading model (e.g. voice brokered/MSBB trades and other trades that are not executed on a fully automated basis by other market participants would have a five-minute reporting window and fully automated trades would have a one-minute reporting window). A uniform requirement works best when it leaves enough room for all participants to be able to comply. A one-minute reporting requirement will not accomplish this.

2. The data in Table 1 above indicates that 76.9% of trades reported to the MSRB were reported within one minute. Are there any commonalities with the trades (other than those noted above) that were reported within one minute or reported after one minute?

The MSRB needs to clarify the information provided in this item. For example, it is necessary to know what the average volume was for the 76.9% of the trades that were reported to the MSRB within one minute. It is likely that these were smaller volume trades since they were clearly executed electronically to have been reported within one minute of execution. Larger volume trades were likely reported later than one minute from execution for reasons described in RWS's response, above. It should also be noted that larger block-sized trades are priced differently than are the smaller retail-sized trades and the dissemination of price data for the institutional block-sized trades does not provide meaningful pricing transparency to retail investors.

3. The data in Table 1 above indicates that larger-sized trades take longer to report than smaller-sized trades. What is the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (e.g., voice trades)?

Larger-sized trades are verbally negotiated and then manually executed and processed. There are often issues to resolve involving clearing firms that the parties to the trade do not control (e.g., when a CUSIP and description of the security are not in the clearing firm's master securities list and need to be added, resulting in the clearing firm having to manually report the trades once the product is set-up). These issues are compounded in a multi-lateral trade environment where there are many variables that can affect trade processing.

4. For dealers that report larger-sized trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?

The MSRB needs to acknowledge the unique business model and essential function of voice brokers in the institutional municipal securities market. Voice brokers are essential to enabling wholesale liquidity which ultimately provides liquidity in the retail municipal securities marketplace.

5. Would dealers need retail and/or institutional investors to modify any of their processes so that larger-sized trades could be reported in a shorter timeframe?

The internal processes of counterparties are not what causes a voice-brokered trade to take longer to negotiate, execute and process. The time in which a brokered trade can be reported is driven by the complexity of the trade. Since there are multiple counterparties to an intermediated trade, there is a greater likelihood that there will be circumstances requiring additional time to report the trade.

6. The data in Table 2 above indicates dealers that report a smaller number of trades per year, take longer to report trades than dealers that report a larger number of trades. What is the reason(s) it takes a firm that reports a small number of trades more time to report a trade? For dealers that report a small number of trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how?

Dealers that report a larger quantity of trades are executing smaller volume trades and dealers that are reporting fewer trades are executing larger volume trades. It is not that dealers that execute larger trades are using inefficient processes. As discussed, such trades are typically executed by institutions using voice brokers to preserve anonymity and manage the complexities of the larger trades which require human intervention for execution, processing and settlement.

7. Based on the MSRB's analysis, trades conducted on ATS platforms are reported to RTRS in less time than non-ATS trades, with 84.4% of inter-dealer trades on an ATS platform being reported within one minute while only 74.9% of non-ATS trades were reported within one minute. What is the reason(s) it takes more time to report trades executed away from an ATS?

The shorter reporting times of the ATS trades are the result of smaller volume trades being executed on a fully automated trading venue. Smaller volume trades on ATS platforms do not require manual intervention and are processed instantaneously. Institutional (wholesale) fixed income markets do not operate this way.

8. Submitting transactions to RTRS using a service bureau appears to result in faster trade reporting time than a dealer using the RTRS Web interface. On average how long does it take a dealer to report a trade through the RTRS Web interface? How could the MSRB improve the process for reporting through the RTRS Web interface? In what instance would a dealer choose to or need to use the RTRS Web interface?

RWS's trades are reported electronically by its clearing firm. RWS does not report trades via the RTRS Web interface.

9. Would reducing the timeframe to as soon as practicable, but no later than within one minute affect the accuracy of information reported and/or the likelihood of potential data entry errors? If so, what is the reason for such impact?

Moving to a one-minute trade reporting requirement would undoubtedly result in an increase in trade reporting errors as firms executing non-ATS trades would be primarily focused on getting trades reported in less than a minute from execution.

10. Are there any necessary process(es) a dealer needs to complete before trading a bond for the first time that could impact the ability to report a trade within a reduced timeframe (e.g., querying an information service provider to obtain indicative data on the security)?

As described above, there are many factors in an intermediated trade that can affect trade reporting that are beyond the control of the counterparties. Among these factors are CUSIPs not being on the securities master list of clearing firms, different technology platforms being used by multiple participants on intermediated trades, trade errors made by counterparties (e.g., settle date, par amount, price). None of these are factors that can be addressed by a MSBB on a pre-trade basis, but all can cause a MSBB's trade report to be initially entered or corrected late.

11. Rule G-14 currently provides exceptions for certain trades to be reported at end of day. Are these exceptions still necessary? If so, is end of day still the appropriate timeframe for reporting these transactions?

RWS rarely executes such trades.

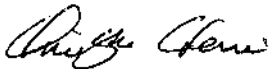
12. Would reducing the reporting timeframe to one minute require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (e.g., 3 minutes)? If so, please identify the types of trades that would require an exception and why such are believed necessary? For example, do trades executed on swap rather than on a cash basis require more time to report?

As a general matter, MSBBs should have a different reporting requirement that takes into consideration the unique function and essential role that MSBBs provide in the institutional

municipal security marketplace. This is especially so if the MSRB is going to implement the changes to MSRB Rule G-14 as described in the Notice.

In summary, RWS has and will always support efforts to improve the Municipal Securities market. It is not clear, based on the data and analysis provided, that the proposed changes to G-14 will do anything towards this objective. What is clear about this proposal in its current form is that it will force smaller firms and MSBBs (many of which are smaller firms) into an environment where compliance with reporting obligations under G-14 may not be possible. This presents an existential problem for MSBBs, the institutional market participants that depend on the unique services provided by MSBBs, and the broader Municipal Securities market at large that will be impacted by the resulting market dislocation that will impact market liquidity at all levels. The MSRB needs to have a separate dialogue with the MSBB community to ensure that any changes to reporting obligations under G-14 are made on a fully informed basis and acknowledge the essential role of MSBBs in the Municipal Securities market.

Sincerely yours,



Christopher Ferreri
President
RW Smith & Associates, LLC



September 30, 2022

SAMCO Capital Markets, Inc. (SAMCO) is a broker dealer registered with FINRA, the MSRB, and the SEC. Our primary business is in the Municipal market: SAMCO acts in various capacities such as municipal bond sales, trading, Municipal Advisor, and Municipal Underwriter. **SAMCO believes the impact of moving to 1-minute reporting will have disastrous effects on institutional business – the underlying backbone of the municipal market – and the instance of error trades, with no appreciable benefit to transparency. It is a solution looking for a problem.** And further, that the negative impact of the proposal will ultimately hurt the retail investor through higher costs and fewer market participants.

SAMCO has five areas of concern: Institutional/large trades, verbal/manual trades, errors, security master/CUSIP, and benefit. Below are the main points for each of these concerns. We understand that in some cases we duplicate or reflect the opinions of other market participants.

- Institutional/Large trades
 - SAMCO's trades are reported electronically by its clearing firm. SAMCO does not normally report trades via the RTRS Web interface.
 - Dealers that report a larger quantity of trades are executing smaller volume trades and dealers that are reporting fewer trades are executing larger volume trades. It is not that dealers that execute larger trades are using inefficient processes. Rather, such trades are typically executed by institutions using voice brokers.
 - There is a difference between institutional voice brokered fixed income markets and retail fixed income markets, specifically, in how trades in these markets are negotiated, executed and processed.
 - There was no meaningful discussion of the fact that most large volume trades are voice trades.
 - There was no discussion of the verbal negotiation and manual processing of large volume (e.g., institutional) voice brokered trades compared with the comparatively simple pricing and execution of smaller volume trades that are more commonly executed on electronic trading platforms, much in the way equity transactions are executed.
 - There does not appear to be any consideration of the trading venue. Most trades in the Municipal Securities market are less than 100 bonds and these trades are executed electronically via ATS platforms. This clearly skews the data and ignores the high-volume trades that are executed in the institutional fixed income markets by voice brokers.

- If the MSRB does not believe that the institutional market's liquidity is important, then it needs to explain this position in its analysis and let the market participants provide their commentary on this position.
- The current time frame is not inferior--it reflects the reality of what most firms can do using best efforts. The MSRB dismisses this reality and proposes an arbitrary one-minute requirement and fails to demonstrate any actual benefit to the marketplace.
- Finally, the MSRB dismisses or ignores the economic hardship, market distortions and likely shuttering of smaller firms that will certainly be caused by this arbitrary reporting requirement.
- Verbal/manual
 - One-minute reporting will effectively eliminate ability to do "voice trades".
 - Larger trades are generally voice brokered and require more time to negotiate, execute and process. Smaller volume trades are executed electronically on ATS platforms: ATS platforms are more similar to equity trades in that the trades are executed and processed without the manual process prevalent in large institutional trades.
 - Institutional transactions often include multiple transactions simultaneously; this can happen verbally as well as electronically.
 - Some valid reasons for the time difference seen in the trades could involve necessary human intervention, multiple parties involved in the transaction, firm-mandated trader releases, counterparty data discrepancies in descriptive data, best execution verification across platforms, and more.
 - While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute.
- Errors
 - Moving to a one-minute trade reporting requirement will result in an increase in trade reporting errors as firms executing non-ATS trades would be primarily focused on getting trades reported in less than a minute from execution. Many firms "release" batches of orders all at once. A trader can only manually enter so many trades in a given timeframe, and back-office verify. It can be difficult to enter these types of trades in a 15-minute period without errors occurring, let alone one-minute.
 - Trade errors are a fact of life and in general, the trades that take longer to report do reflect some issue with the trade; for example, an incorrect price or par amount. Reducing the trade reporting time to one minute will have a detrimental effect on trade reporting accuracy because market participants will be primarily focused on reporting within one minute.

- If municipal bonds were listed and traded across exchanges in a manner like equities, it might be possible. However, it is not a centralized exchange of market makers, or even a centralized exchange of dealers; it is not an exchange at all, it is a decentralized, dispersed, regionalized collection of market participants. If we make any errors entering the trade data, it is difficult to correct them within the 15-minute window. It will be impossible in a one-minute window.
- Security Master/CUSIP
 - There are some 70,000 different Issuers of bonds unlike the less than 5,000 equity Issuers. Most market participants, including large clearing firms, do not have the entire municipal market CUSIP's in their data base. And even if they did, new CUSIPs are created daily and old CUSIPs mature and fall off.
 - If a CUSIP is not set up in security master, it is because there has not been a past transaction at the broker dealer or clearing firm. There is a process to set up a CUSIP in the security master; the process to do so greatly exceeds one minute. This penalizes the institutional market.
 - One-minute reporting is not feasible in a manual order execution and reporting process.
- Benefit
 - There is no clear indication as to how such a shortened reporting time frame would benefit investors or increase market transparency. Due to the fact that most municipal securities are not traded on a daily basis, reducing the trade reporting period from 15 minutes to one minute would have limited impact on transparency.
 - Contributing factors to transactions being reported outside of one minute from time of trade could include manual orders, lack of straight through processing, security master CUSIP setups, and trade corrections which would not be considered a modification to the trade report. These reasons may not be easy or cost effective to fix, especially for smaller, introducing brokerage firms.
 - SAMCO believes that retail clients will not materially benefit by having trades posted within one minute as opposed to the current fifteen minutes.
 - There is a point of diminishing returns: there are limits to everything and suggesting that trade reporting can be reduced to one minute by decree fails to recognize this reality. The cost of one-minute reporting is negated by the higher costs and fewer market participants.
 - Neither FINRA nor the MSRB have demonstrated that improved transparency would result from reducing the trade reporting time to one minute. There is no evidence or data presented in the contemporaneous

trades of identical CUSIPs that show that they would have been closer in price as a direct result of a prior trade report for that CUSIP. In addition, trade size definitively impacts pricing and there is no data or evidence to the contrary.

- In the notice it is suggested that “more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades.” This is an assumption without supporting evidence. Unrelated contemporaneous trades in TRACE eligible and Municipal Securities represent a tiny percentage of trading in general, and unrelated contemporaneous trades of identical CUSIP with materially similar par amounts reflects an even smaller set of transactions. Trades that are intermediated by voice brokers will always result in contemporaneous trades in securities with identical CUSIPs. This fact was not included in the analysis. These trades will not benefit from a reduced reporting time because these trades are the components of transactions that are intermediated by voice brokers (e.g., the voice broker buying from the selling counterparty, and then the voice broker selling to the buying counterparty). The difference in price for these intermediated trades is the commission/brokerage fee paid.

For the reasons SAMCO respectfully asks that this rule change not be implemented.

Sincerely,

Lee Maverick
Chief Compliance Officer
SAMCO Capital Markets, Inc.

SANDERLIN SECURITIES LLC

5050 Poplar Avenue – Suite 618 – Memphis, Tennessee 38157
Phone (901) 683-1903

September 27, 2022

To: Municipal Securities Rulemaking Board

Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

I am president of Sanderlin Securities, a municipal bond broker dealer in the secondary market. I appreciate this opportunity to comment on the proposed amendment to MSRB Rule G-14. I believe that there is no benefit to making the proposed change, and that if it is passed, it will actually harm municipal securities investors.

Sanderlin Securities is a “small” broker dealer, but we do handle what we feel is a fairly significant amount of trading volume in our part of the municipal bond market. In 2021, we traded over \$300 million par amount of bonds in 8594 trades, making the average size of trade: \$35m par amount. Based on this average size, we feel like we provide liquidity to retail investors—the mom and the pops—when they put their bonds out for the bid with their financial representative.

We tracked our trades in August to see how well we would have done remaining compliant with the reduced time requirement to report trades. We did 537 trades in the month of August (a slow month for our firm). We reported 47 (8.75%) in less than one minute; 298 (55.49%) trades were reported between one minute and two minutes; 160 (29.8%) trades were reported between two minutes and five minutes; and 32 (5.96%) trades reported in greater than five minutes. Less than ten percent of the trades we did this past August would have been compliant with the proposed change to MSRB Rule G-14.

In order for Sanderlin Securities to be compliant with this proposed change, we would have to purchase TOMS, Bloomberg’s Order Management System, at a price tag of \$250,000 per year¹. We’ve engaged Bloomberg on the matter to see if there was a trimmed down version. There is, but for the number of trades we do, we don’t qualify for that version. There are other order management systems available, but they all come with a hefty price tag. An additional expense of \$250,000 per year would be very difficult for us to take on. In the MSRB write up on the matter, they seem to acknowledge this and appear to be apathetic to losing *more*² small firms, when it is stated: “as these trades would likely

¹ Currently, Sanderlin Securities enters our trades using our clearing firms provided order entry system.

² In the five year period of 2017-2021, there was a 9% decline in FINRA Registered Firms. The small firms (firms with fewer than 150 registered representatives) were the overwhelming majority of this decline (305 out of the 332). In the time period of 2012-2021, the decline in FINRA Registered Broker Dealers is 21%. I could not locate the data to show what percentage of this decline in the ten year period was attributed to small firms, but based on the percentage from 2017-2021, we can estimate that it is an overwhelming majority.

migrate to other large dealers.” I can assure you, our trades would not migrate to “other large dealers”. Our customers were unable to obtain the service they require at the large firms they previously patronized. Sanderlin provides a bespoke service in small lots that is simply unavailable elsewhere. Our customers will not migrate to large firms, they will simply go to Treasurys.

Let me put this in even more practical terms to show the negative impact on the municipal securities investor. I did a query through one of the ECNs we use to buy and sell bonds, to get a “color recap” for the bonds we bid in August 2022 (as mentioned previously, a slow month). We put a bid on 4778 bid wanteds in the month of August on this ECN. The color recap shows how many bidders there were on each bid wanted. I exported the data to find the average number of bidders on the 4778 bid wanteds we bid. The average was 5 bidders.

If Sanderlin Securities is forced to cease operations, due to the additional cost of this change, our bids will no longer show up on these 4778 bonds put out for the bid in August. So, instead of the municipal security investor getting five bids on their bid wanted, they get four, a 20% decline. More bids equals better pricing³! On an average day, the two traders at our firm bid over 600 bonds. Those 600 bids would no longer be available to the municipal securities investors and are most certainly not migrating to larger firms.

Sanderlin Securities has been in business over twenty years. During that time, we have never had a complaint or been part of a settlement for anti-competitive or disallowed practice. Our record with all regulatory bodies is immaculate. A fact very few, if any, of the larger firms can state.

On numerous occasions during Sanderlin’s existence as a broker dealer, we experienced markets where liquidity in the municipal bond market declined significantly⁴. Our firm has always remained a bidder during times of market turmoil. During the COVID pandemic, we’ve remained in the office since Day 1⁵, bidding bonds as always before. The firms that exited the markets (stopped bidding) during these tumultuous times were the “larger firms.” Sanderlin’s percentage of aggregate indebtedness (AI) to net capital (NC) is 1.65%⁶. In our twenty plus years of existence, our AI to NC has always been around this number. This is why we are always bidders, no matter the market we find ourselves in. We don’t use absurd leverage for our trading operations, allowing us to always remain active in the markets.

The MSRB’s explanation for this amendment suggests that the Board has identified a correlation between size of trade and reporting of greater than one minute: see Table 1 Trade Report Time by Trade Size. We don’t usually transact in large lots, so I cannot comment on what is going on regarding the correlation between lot size and reporting time. If it is the Board’s feeling that something iniquitous is occurring during that time period that is harmful to the retail investor, I suggest one minute trade reporting requirement to trades that have a par amount of one million or greater. Why punish broker dealers that aren’t even part of the problem? Migrating trades to larger firms will result in fewer firms

source: <https://www.finra.org/sites/default/files/2022-03/2022-industry-snapshot.pdf>

³ A fact that is empirically proven later in this comment letter.

⁴ The two most significant examples being the post Lehman collapse (Global Financial Crisis) and during the early months of the COVID pandemic.

⁵ We are fortunate to have an office that allowed us to depart from our traditional trading desk setup and pivot to a work space where each employee was safely segregated from their coworkers. We were able to never work from home and as a result of this spacing, we suffered no COVID transmission among our employees.

⁶ Source: Sanderlin’s July 2022 FOCUS Report Part IIA

and less competition. These firms have never offered services in small areas of the market the many firms like us do.

Keeping with the argument that this change hurts municipal securities investors, while providing no benefit, I'd like to provide further empirical evidence. I randomly chose a trading day⁷ for this example. Using the software⁸ we use to track our trading activity, I can see that on May 4, 2022, Sanderlin had 18 purchase trades. I then looked at each CUSIP to see when after our purchase that bond traded again. Below is a table showing the results:

<u>Bot Date</u>	<u>CUSIP</u>	<u>Bot Qty</u>	<u>BOT Time</u>	<u>Next time (or date) of Trade*</u>
5/4/2022	56682PBC4	5	10:32:45	6/27/2022
5/4/2022	5515625V9	2.5	10:39:04	No trade since
5/4/2022	20774YKN6	5	11:01:00	5/24/2022
5/4/2022	65821DLJ8	35	11:33:01	5/5/2022
5/4/2022	13032UGN2	35	11:57:04	5/5/2022
5/4/2022	072024UR1	50	12:15:53	5/5/2022
5/4/2022	37855PHJ4	5	12:56:02	No trade since
5/4/2022	45204EA40	10	13:03:17	5/9/2022
5/4/2022	154872AU9	200	14:03:12	6/1/2022
5/4/2022	74526QPL0	30	13:34:13	5/9/2022
5/4/2022	56036YDH5	10	13:35:14	15:04:08
5/4/2022	745190UK2	30	14:02:30	5/10/2022
5/4/2022	64542UCN2	10	14:08:43	9/16/2022
5/4/2022	841531DE3	10	14:17:20	5/5/2022
5/4/2022	34061QAH0	45	14:24:01	15:35:06
5/4/2022	34153PR42	85	15:52:10	5/10/2022
5/4/2022	927793WN5	20	16:31:00	5/5/2022
5/4/2022	13032UGP7	25	14:05:12	5/5/2022

*if we sold the bond to one of our customers or the trade was associated with our trade e.g., purchase from customer, I didn't include that time of trade in the analysis.

Of the 18 purchases made on May 4th, a randomly select trading day, the closest time that another trade went off on one of the CUSIPs was 71 minutes later. I fail to see how any of the subsequent municipal

⁷ Actually, I asked the other trader to randomly choose a trading day within the past six months.

⁸ Cost of software: \$900 per year, a doable expense.

security investors in these bonds would have gained any benefit from me reporting these trades in less than sixty seconds. I will gladly provide similar data for any trading day; I feel certain we will draw the same conclusion: No benefit to the investor.

As a result of passing this amendment, you will have less firms like Sanderlin Securities in the municipal market. The MSRB Notice for this amendment seems to indifferently acknowledge this point when it states:

*if these dealers [small broker dealers] choose to relinquish their secondary market trading business, there **should** [emphasis mine] not be any significant reduction in the supply of services to investors, as these trade would **likely** [emphasis mine] migrate to other larger dealers.⁹*

I hope in the above examples I have been able to elucidate how investors will not only see a reduction in the supply of services they receive, but these trades will not migrate to other larger dealers.

“The Municipal Securities Rulemaking Board was established by Congress in 1975 and charged with a mandate to protect municipal securities investors, municipal entities, obligated person and the public interest.”¹⁰ It seems to me that in order to uphold this mandate, the Board would do all that is possible to ensure the “municipal securities investors” are protected. It is my opinion, that if the amendment to MSRB Rule G-14 is passed, it will do significant harm to municipal securities investors.

I would like to conclude by giving further empirical evidence of the harm this proposed amendment will have on municipal securities investors. Literally, as I finished writing this comment letter (first draft), I had a bond confirmed to me from an ECN. We bought 290m of CUSIP 71885FCJ4. We were the high bid with only one other bid¹¹. Our bid was \$100.844 per bond; the cover bid was \$100.47 per bond. Since reporting the trade (in greater than a minute, I should note), I can see from the tape that the bond was purchased from a customer at my bid price of \$100.844. That customer would have gotten \$1084.60 less if my bid was not there¹². That seems pretty clear evidence of the harm done to a municipal securities investor as a result of less bids/liquidity. Where were the larger firms on this trade to ensure there were no “reduction in the supply of services to investors”? As an investor myself, I can assure you the main service I am concerned with offered by my broker dealer is the price I pay for bonds and the price I get when I decide/need to sell bonds.

I will now attempt to reply to each of the questions asked at the end of the request for comment by the MSRB:

Benefits:

I hope I’ve been clear in my above response that I see no benefit to any parties (other than the entities selling the automated order entry systems and the larger firms who will enjoy less competition) regarding this proposed amendment. Ergo, this section is left blank.

⁹ Source: <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx??n=1>

¹⁰ Source: <https://www.msrb.org/msrb1/pdfs/Role-and-Jurisdiction-of-MSRB.pdf>

¹¹ The market has been selling off considerably recently due to a myriad of reasons causing bidders to stay away, but as mentioned earlier, Sanderlin is always a bidder for bonds that meet our parameters. The trade I am citing is from 9/22/22.

¹² My bid 100.844 – cover bid 100.47= \$3.74 per bond *290=\$1084.60

Costs and Burdens

1. Would a one-minute trade reporting requirement have any undue compliance burdens on dealers with certain characteristics or business models (e.g., large firms versus small firms, firms with greater trading volume versus lesser trading volume, bank dealers versus broker-dealers, etc.)? If so, please provide suggestions on how to alleviate the undue burdens.

The one-minute trade reporting requirement would absolutely create an undue compliance burden on smaller firms that don't already pay the hefty price tag for Bloomberg TOMS or another similar product that automates the processing of your trades.

As stated previously, the burden could be alleviated by putting the minimized time requirement on trades of one million or greater.

2. Are these undue compliance burdens unique to minority and women owned business enterprise (MWBE), veteran-owned business enterprise (VBE) or other special designation firms? If so, please provide suggestions on how to alleviate any undue burden or impact.

I suspect not. They are unique to firms that cannot afford the hefty price tag of an automated order entry system.

3. What are the likely direct and indirect costs associated with the Proposal? Who might be affected by these costs and in what way? a. Is there data on these costs that the MSRB should consider? If so, please provide such information. b. If firms would have to make system changes to meet a new timeframe for trade reporting, how long would firms need to implement such changes?

I hope the answer to these questions was made clear in my above response. As with any of this, if not, please contact me to discuss further.

Operational Considerations

1. The time to report a trade is triggered at the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price; is this definition of "Time of Trade" the appropriate trigger? If not, what other elements of the trade should be established before the reporting obligation is triggered?

It is my feeling that this "Time of Trade" trigger is appropriate.

2. The data in Table 1 above indicates that 76.9% of trades reported to the MSRB were reported within one minute. Are there any commonalities with the trades (other than those noted above) that were reported within one minute or reported after one minute?

I feel the commonality is that 76.9% of trades reported in less than one minute are reported using an automated order entry system. For larger firms, the cost of \$250k per year for this automation is nominal when spread out amongst their greater than five hundred registered representatives. For a smaller firm, it is burdensome at best, crushing at worst.

3. The data in Table 1 above indicates that larger-sized trades take longer to report than smaller-sized trades. What is the reason(s) it takes a firm that reports larger-sized trades more time to report a trade (e.g., voice trades)? a. For dealers that report larger-sized trades, would the process(es) for executing and/or reporting those trades need to change to be able to report those trades in a shorter timeframe? If so, how? b. Would dealers need retail and/or institutional investors to modify any of their processes so that larger-sized trades could be reported in a shorter timeframe?

Our data shows no correlation between the reporting time of a trade at Sanderlin Securities and the size of the trade.

4. The data in Table 2 above indicates dealers that report a smaller number of trades per year, take longer to report trades than dealers that report a larger number of trades. What is the reason(s) it takes a firm that reports a small number of trades more time to report a trade?

I suspect it is the same reason it takes us longer to do anything we don't do often: If you only do something every now and then, you have to essentially remind yourself what you are doing every time. With increased frequency of any activity comes increased efficiency¹³.

5. Based on the MSRB's analysis, trades conducted on ATS platforms are reported to RTRS in less time than non-ATS trades, with 84.4% of inter-dealer trades on an ATS platform being reported within one minute while only 74.9% of non-ATS trades were reported within one minute. What is the reason(s) it takes more time to report trades executed away from an ATS?

I would venture a guess that firms that are executing exclusively on ATS platforms have automated their order entry. Sanderlin transacts on ATS platforms, with Brokers' Brokers, and off the MBWD bid lists on Bloomberg. It takes us the same amount of time to report a trade regardless of the venue we bought or sold it on.

6. Submitting transactions to RTRS using a service bureau appears to result in faster trade reporting time than a dealer using the RTRS Web interface. On average how long does it take a dealer to report a trade through the RTRS Web interface? How could the MSRB improve the process for reporting through the RTRS Web interface? In what instance would a dealer choose to or need to use the RTRS Web interface?

Sanderlin's clearing firm handles the reporting of our trades to RTRS. I can say with confidence they do this reporting within one minute of the time we submit our trade using their order entry system. I know this because I just looked at a trade I had earlier today and from the time I submitted the trade to our clearing firm using their order entry system to the time I received the affirming email from RTRS was less than one minute.

7. Would reducing the timeframe to as soon as practicable, but no later than within one minute affect the accuracy of information reported and/or the likelihood of potential data entry errors? If so, what is the reason for such impact?

ABSOLUTELY! The reason is the trader would be rushed to input the data in under 60 seconds. What happens when you do anything in a hurry? Mistakes.

8. Are there any necessary process(es) a dealer needs to complete before trading a bond for the first time that could impact the ability to report a trade within a reduced timeframe (e.g., querying an information service provider to obtain indicative data on the security)? a. Please describe the process(es) and how often it is necessary to implement the process(es). b. Please estimate the time necessary to complete such process(es). c. Describe how, if at all, the process has changed in the last 10 years?

The most notable process I would cite is when your clearing firm's security master doesn't have a CUSIP set up. You have to then contact their security master department, alerting them for the need to set up a CUSIP. This can usually be done in under fifteen minutes. There is no possible way it could be done in under sixty seconds.

¹³ To the extent a firm's equipment and software allow e.g., we processed an average of 34 trades per day in 2021, but we still wouldn't be able to meet the one minute time requirement on 90% of those trades due to we don't have the automated order entry system.

9. Rule G-14 currently provides exceptions for certain trades to be reported at end of day. Are these exceptions still necessary? If so, is end of day still the appropriate timeframe for reporting these transactions?

I'm not aware of these exceptions, so I can't comment on them.

10. Would reducing the reporting timeframe to one minute require additional trade reporting exceptions, other than end of day exceptions, to allow for certain trades to be reported at a different time (e.g., 3 minutes)? If so, please identify the types of trades that would require an exception and why such are believed necessary? For example, do trades executed on swap rather than on a cash basis require more time to report?

This is an operational element I have no experience with, so I cannot comment intelligently upon it.

Market Structure Considerations

1. Would approval of this Proposal have an impact on any current trading patterns or processes not already identified above? Would certain types of trades be less likely to occur? If so, what type of trades would be most impacted, and would that impact the fairness and efficiency of the market?

I'm hopeful my above comments on this matter have sufficiently answered this question. I would add that I feel the trades most impacted are the one of belonging to the "Mom and Pops"—the odd lot trades. The larger firms, from my experience, don't want to mess with lot sizes less than 100m.

2. The MSRB is aware of differences in the market structure in the municipal bond market compared to other fixed income markets. These differences include the substantial number of issuers and individual securities as well as the lack of uniformity for the structure of many municipal bonds including optional and mandatory redemption provisions.¹⁴ Do these differences cause municipal bond trades to take longer to report than the reporting of other fixed income trades, such as corporate bonds? If so, why?

For our firm, the nuances of different municipal bonds don't cause us a longer amount of time to report a trade.

3. Are there any other potential market structure implications the MSRB should be aware of? For example, could the Proposal alter the competitive balance in the current market?

I am very hopeful that my position on this question was made clear in my overall response. If not, allow me to summarize it: This proposed amendment will cause great harm to the smaller firms, putting more of them out of business due to the cost burden to remain compliant. Less participants in the municipal market means less liquidity, among other things. This will harm the municipal securities investors.

Sincerely,

Matthew Kamler

Matthew Kamler
President
Sanderlin Securities



SUBMITTED ELECTRONICALLY

October 3, 2022

Ronald .W. Smith
 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
 Washington, DC 20006

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,¹ jointly with its Asset Management Group² (collectively, “SIFMA”), appreciates this opportunity to respond to Notice 2022-07³ (the “MSRB Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) and Regulatory Notice 22-17⁴ (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

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

² 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 MSRB Notice 2022-07 (August 2, 2022).

⁴ FINRA Regulatory Notice 22-17 (August 2, 2022).

Ronald W. Smith, MSRB
Jennifer Piorko Mitchell, FINRA
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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,⁵ 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").⁶ 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.

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

⁶ 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).

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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.⁷ 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

⁷ 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.

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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.

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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

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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

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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.⁸ 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.⁹

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.

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

⁹ 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.

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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.¹⁰ 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”).¹¹ The SEC, in turn, would itself be subject to required economic analysis consistent with SEC policy,¹² its statutory mandate under the Exchange Act¹³ 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.

¹⁰ 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, and MSRB, Policy on the Use of Economic Analysis in MSRB Rulemaking (undated), available at www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking.

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

¹² 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.

¹³ See Exchange Act Section 3(f).

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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

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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.¹⁴ 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.

¹⁴ 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.

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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

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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.¹⁵ 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

¹⁵ 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.

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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.

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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.

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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

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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.

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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

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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

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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

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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

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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

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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

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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.¹⁶ 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.

¹⁶ 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.

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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.¹⁷ 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,¹⁸ 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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¹⁷ 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.

¹⁸ 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.

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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



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September 30, 2022

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1735 K Street NW Washington, DC 20006

Re: Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities From 15 Minutes to One Minute

Dear Mr. Smith and Ms. Mitchell:

Sentinel Brokers Company, Inc. (SBC) would like to comment in response to proposals issued by the Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA) that would mandate corporate and municipal fixed income securities trades to be reported within one minute from the current 15-minute limit (the "Proposals"). SBC and virtually every contra party that we have discussed this proposal with (scores) are concerned that the MSRB and FINRA have failed to identify a market failure that warrants such a significant change, and that the proposals would disproportionately impact smaller and mid-size broker-dealers and their customers, as have other rules that have been enacted.

The MSRB Rule G-14 and FINRA Rule 6730 were enacted in 2005 requiring trades to be reported "as soon as practicable" but not later than 15 minutes after the time of trade. This prompted a huge expense for smaller and mid-sized firms, but they obliged despite only spurious evidence that this "increased transparency" actually benefited anybody in a tangible way, let alone the retail investor. As noted in both proposals, the vast majority of trades for both municipal and corporate securities are already reported in a very timely manner. In fact, your own statistics show that, currently, over 97% of all municipal and corporate securities transactions are reported within 5 minutes. This high success rate demonstrates that technology and human resources are already pushed to the limits and trades are already being reported "as soon as practicable".

Complicating your proposal further is that the rule makes no allotment for the difference between electronic trading and voice-brokers, or Institutional and Retail trades which is perplexing given that you must have concrete knowledge there are differences between them that may, at times, require a slightly larger time window yet won't stop all trades from being reported very promptly. If your goal, as seems to be the case, is to eliminate all but electronic transactions, then please just have the transparency to do that now, but you would no doubt see Best Execution tossed away as well.

The "arguments" that 1-minute reporting rather than the current 15-minute window would improve price transparency have simply not been made by the SROs so enacting yet another draconian rule simply "because" is not only unfounded, but unfair. It is widely being viewed as just another way for the SROs to fine, censure, or otherwise "ding" its members for yet another arbitrary and impossible-to-fully-follow rule.

In summary, it seems that your desire to have trades reported "as soon as practicable" has already been fulfilled to an incredibly high degree and is very effective by any metric of comparison available. Attempting to impose another more stringent rule on top of this that would cause hardship for all firms, but mostly the mid-sized and smaller firms and would be needless, biased, and inequitable, and I would urge you to reconsider.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph Lawless", with a long, sweeping horizontal flourish extending to the right.

Joseph Lawless

CEO

Sentinel Brokers Company, Inc.

Comment on Notice 2022-07

from Edward Sheedy,

at email address tsheedy@macg.com

on Tuesday, August 2, 2022

Comment:

This is far too short of a reporting period. Municipals are often booked en masse and manually. This rule would result in a huge amount of inefficiencies as traders will have to drop everything they are doing every time a muni order is booked in order to avoid running afoul of this horrendous rule.



October 3, 2022

To: Municipal Securities Rulemaking Board

RE: MSRB Notice 2022-7 Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

Stern Brothers & Co appreciates the opportunity to respond to Notice 2022-07 (the “MSRB Notice”) issued by the Municipal Securities Rulemaking Board (“MSRB”) and Regulatory Notice 22-17 issued by the Financial Industry Regulatory Authority (“FINRA”).

Stern Brothers is a woman owned investment bank. Among the MWBE firms participating in the municipal market Stern consistently ranks in the top 10 MWBE municipal underwriters. As a co-manager, Stern ranked 18th overall in the nation based on par amount of bonds sold in 2021, behind only four other MWBE firms, according to IPREO data. We are well capitalized and have continued to reinvest in the firm.

The proposed rule change for rule G-14 from the current 15 minutes for trade reporting down to one minute will have a deleterious effect on the MWBE firms. The MWBE firms that participate in the municipal market generally tend to be smaller firms. While they may have the technology and personnel to handle trades within 15 minutes, the move to one minute may be beyond the reach of many. If these firms cease to be able to trade in the secondary municipal market, there will likely be unintended consequences.

Many municipal issuers and institutional buyers want, and in some instances are mandated to do some percentage of business with MWBE firms. The ability of our firms to participate in the secondary market is vital to our ability to be relevant to both buy side and borrower clients.

By way of example, there is a platform called Market Access. They have a program that allows institutional investors to allocate trades to MWBE firms to help investors meet their MWBE goals. The cost of implementing this technology is significant, though it allows for faster trade processing. Absent buying the technology, trades can still be processed within the current time frame, but not within one minute. Were the new rule to be implemented, it would not only preclude many MWBEs from executing this business, but it would impact institutional investors seeking to do business with MWBE firms and help them build their business.

We provide liquidity to the market in the context of what our capital allows. Stern carries inventory in the range of \$7-10 million on a regular basis. We routinely buy from customer bid lists providing liquidity for pieces of \$1 million or less.

As institutional investors and municipal issuers strive to work with MWBE firms and provide opportunities for our growth, it would be unfortunate if the impact of the change to rule G-14 would be to drive some firms out of the municipal market.

Thank you for your consideration.



Ronald Smith, MSRB
1300 I Street NW.
Washington, DC 20005

09/28/2022

To whom it may concern,

Thank you for extending the offer for stakeholders to contribute comment to MSRB RN 2022-07. TRADEliance is a consulting firm with a mission to support firms in the capital markets. Our expertise and background is largely in the Compliance, Operations and Trading space, so we have an immense appreciation for the MSRB's goals as it pertains to this proposal.

When the industry initially moved to 15-minute trade reporting, firms faced several challenges to support conformance. Some of those challenges were identified in the MSRB's request for comment. However, we think there was, and still is, a certain level of ambiguity that the MSRB would be well served to address for industry participants through this exercise.

The request for comment indicates that all transactions, absent of an exception, would be required to be reported as soon as practicable, but no later than one minute from the time of trade. Time of trade is defined as "the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and a set price." While this definition is technically clear, in practice it presents challenges, particularly for dealer transactions. The request for comment only addresses the requirement for firms to report their trades within one minutes of the time of execution established by that firm. The process of confirming the time of execution varies from firm to firm, and thus, could create inconsistency in the time of execution outside of a one-minute window.

The MSRB's current framework indirectly recognizes this inconsistency. Dealer trades are not considerable questionable unless the time of trade differs by more than 15 minutes from their counterparty. The request only opines on the change to the 15 minute reporting window, while being silent on the concept of the 15 minute time of trade difference. Furthermore, it does not address on any impact to the RTRS error code Q22F: Seller and buyer times of trade differ by more than 15 minutes. If the intention is to align the 15-minute time of trade difference to the one-minute requirement, it would create considerable difficulty for firms to comply.

TRADEliance appreciates the research conducted by both the MSRB and the FINRA identifying the support and perceived need to align on a one minute reporting time frame for nearly all fixed

income securities. Generally speaking, a consistent framework across all fixed income securities would be preferable. However, according to the MSRB's request for comment, nearly 77% of trades were reported within one minute in 2021. Conversely, nearly 82% of TRACE eligible securities were reported within one minute in 2021 according to the FINRA request for comment.

The analysis of those reported securities was thorough; however, the MSRB analysis did not appear to truly examine the transactions that were reported outside of the various thresholds. The data did not appear to analyze dealer and customer trade reports separately, for which there would be considerable differences. Contributing factors to transactions being reported outside of one minute from time of trade could include manual orders, lack of straight through processing, security master cusip setups, and trade corrections which would not be considered a modification to the trade report. These reasons may not be easy or cost effective to fix, especially for smaller, introducing brokerage firms. The MSRB should further review these scenarios before proceeding with a rule change.

Lastly, the MSRB should re-evaluate the potential benefits of this rule change. The proposal states that the goal for this change is to enhance transparency. While that is a fair goal to have, it's unlikely that individual retail customers a) have the insight to check EMMA for price discovery, and b) that they are individually and personally frustrated at having to wait 15 minutes to see their prints displayed. The impact to firms in terms of time, cost and resources, but also in the increased chance of enforcement is an outweighed negative for firms to a very minor positive change for retail clients.

The request for comment clearly demonstrates that a decrease from 15 minutes to five would be far easier to comply with for all security types and market participants than a decrease to one minute. If FINRA and the MSRB are determined to narrow the reporting window, it may be more palatable to consider a five minute threshold as opposed to one.

TRADEliance appreciates that both the MSRB and FINRA are looking to decrease this reporting window based on the perceived enhancements in transparency. However, the MSRB should consider that the very nature of the fixed income markets works in contravention to this stated goal. The manual and decentralized nature of fixed income trading will make a one minute reporting threshold extraordinarily difficult to obtain with the same compliance rates as firms are achieving in the current structure.

We sincerely appreciate the time and consideration of our comments and would be happy to engage further.

Thank you,

Jesy LeBlanc and Kat Miller, TRADEliance, LLC.

Comment on Notice 2022-07

from William Tuma,

at email address bill.tuma@ihsmarkit.com

on Monday, August 8, 2022

Comment:

As a fixed income analyst (I evaluate municipal bonds, and my company's customers are the investment houses that manage municipal bond funds), I am strongly in favor of this, as it is important to see all sides of the trades in a particular bond (purchase from customer, inter-dealer, and sale to customer) as soon as possible in order to accurately evaluate bonds.



Wells Fargo & Company
420 Montgomery Street
San Francisco, California

October 3, 2022

Submitted Electronically

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006

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

Re: FINRA Regulatory Notice 22-17 and MSRB Notice 2022-07: Requests for Comments on Proposals to Shorten Fixed Income Trade Reporting Timeframes under FINRA Rule 6730 and MSRB Rule G-14

Dear Ms. Mitchell and Mr. Smith:

Wells Fargo & Company¹ appreciates the opportunity to provide comments in response to Financial Industry Regulatory Authority Regulatory Notice 22-17 (the “FINRA Notice”) and Municipal Securities Rulemaking Board Notice 2022-07 (the “MSRB Notice”) (together, “the Notices”). The Notices request comments on proposals to require certain fixed-income trades to be reported “as soon as practicable,” but no later than one minute from the time of trade execution. Wells Fargo supports the goal of enhancing fixed-income market transparency. However, a one-minute trade reporting requirement is a significant acceleration and many critical fixed-income market practices, and operational processes are not currently compatible with a one-minute reporting timeframe. We recommend FINRA and the MSRB take a measured approach that seeks to improve transparency without harming market efficiency or creating significant operational and technology challenges. The purpose of our comment letter is to highlight priority market practices and processes that are currently incompatible with a one-minute reporting regime. A one-minute trade reporting rule will necessitate the consideration of exceptions and alternative regulatory approaches to best support fixed income market transparency and avoid negative outcomes for meaningful segments of the market and investors.

I. Wells Fargo supports enhancing fixed-income-market transparency.

The Notices highlight that most trades (as measured by a percentage of overall trade count) are reported to FINRA’s Trade Reporting and Compliance Engine (TRACE) and MSRB’s Real-time Transaction Reporting System (RTRS) within one minute. The statistics in the Notices highlight that broker-dealers, in general, are not reporting trades at the outer limit of the current 15-minute timeframe. The Notices suggest that all trades can and should

¹ Wells Fargo (NYSE: WFC) is a leading financial services company that has approximately \$1.9 trillion in assets. It proudly serves one in three U.S. households and more than 10% of small businesses in the U.S., and is a leading middle-market banking provider in the U.S. In the communities we serve, the company focuses its social impact on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy. Wells Fargo submits this letter on behalf of Wells Fargo Bank, N.A. Municipal Finance Group, Wells Fargo Clearing Services, LLC, Wells Fargo Advisors Financial Network, LLC, Wells Fargo Securities, LLC, and Wells Fargo Prime Services, LLC.

be reported within one minute. We encourage FINRA and the MSRB to examine the varied reasons why certain segments of trades are not currently reported within one minute to better understand the existing obstacles to rapid trade reporting.

II. A trade-reporting exception is necessary for block trades executed by a broker-dealer and allocated to client accounts of a registered investment adviser that is part of the same legal entity.

Wells Fargo Advisors² is dually registered with the U.S. Securities and Exchange Commission as a broker-dealer and investment adviser. We recommend that FINRA and the MSRB create an exception to any accelerated trade-reporting requirement to facilitate the timely reporting of trades executed by broker-dealers that are subsequently allocated to sub-accounts of a registered investment adviser (RIA) that is part of the same legal entity. An exception for these transactions will more closely align fixed-income trade reporting rules with FINRA's equity trade reporting rules, which do not require broker-dealers to report sub-account allocations to the tape within 10 seconds.³

As a dual registrant, Wells Fargo Advisors regularly executes and reports block trades and allocates portions of those trades to individual Wells Fargo Advisors RIA client accounts. Under current FINRA rules, broker-dealers are required to report the initial block-size purchase (or sale) no later than 15 minutes.⁴ As outlined by TRACE Frequently Asked Question 3.1.47, the broker-dealer must also report each RIA sub-account allocation within 15 minutes even if the account is at the same legal entity as the broker-dealer.⁵ These allocations frequently result in thousands of additional trade reports. Wells Fargo Advisors uses an automated process to report these allocations and reporting thousands of sub-account allocations is a significant challenge, even under the current 15-minute reporting requirement.

The sub-account allocations are at the same price as the initial block trade. The investment advisory accounts, including related to Separately Managed Account programs, are fee-based accounts. The sub-account allocation trades are reported to TRACE with a "no remuneration" indicator to identify that the broker-dealer received no commission, markup, or markdown related to the transaction. Therefore, the thousands of trade reports provide no additional information to the marketplace beyond what was included in the initial block trade report; and arguably create an inaccurate picture of transaction volume in a security.

Accelerating trade reporting timeframes to one minute would create a significant and costly challenge for timely reporting of these sub-account allocations, with no additional transparency benefit. As FINRA and the MSRB consider this significant acceleration of fixed-income trade reporting, careful consideration should be given to the downstream effects of more rapid reporting. Conforming amendments to rules and guidance to ensure an orderly transition to an accelerated reporting regime will be necessary. Wells Fargo recommends that FINRA and the MSRB create an exception for these sub-account allocations under any accelerated reporting regime.

² Investment products and services are offered through Wells Fargo Clearing Services, LLC. Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC (WFCS), Member SIPC/FINRA, a separate registered broker-dealer and non-bank affiliate of Wells Fargo & Company. WellsTrade® and Intuitive Investor® accounts are offered through WFCS.

³ See FINRA Trade Reporting Frequently Asked Questions, Section 303 "Reporting Agency Transactions," Question 303.12, <https://www.finra.org/filing-reporting/market-transparency-reporting/trade-reporting-faq>. As outlined in the FAQ, these trades are not reported to the tape or for non-tape, regulatory purposes.

⁴ FINRA Rule 6730 requires a member to report a transaction "as soon as practicable, but no later than within 15 minutes of the Time of Execution." MSRB Rule G-14 requires trades to be reported "within 15 minutes."

⁵ See Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), FAQ 3.1.47 (Scenarios 1 and 3) outlines FINRA's guidance on sub-account allocations.

III. An accelerated trade-reporting regime will negatively impact market participants that continue to prefer manually negotiated trades for some portion of their fixed-income trading activity.

The fixed-income markets have evolved and the volumes of trades that are executed electronically have risen. However, many investors still prefer to trade with broker-dealers by voice or electronic message (manually negotiated trades), rather than on an electronic platform. Investors continue to trade this way to benefit from market color, including credit information and information about comparable bonds trading in the market. They may also prefer to negotiate on price directly because they are executing block-size trades or portfolio trades. As a practical matter, trades negotiated and executed manually (by voice or electronic message) take longer to input and report in comparison to trades executed electronically.

A one-minute reporting requirement would present a variety of process oriented, timing, and operational challenges, especially for a trading desk engaging with multiple clients simultaneously. Therefore, the proposed acceleration of reporting could alter the efficiency of the fixed income markets, particularly related to liquidity provision in the institutional marketplace. While a significant acceleration of trade reporting rules may not unduly burden most electronic, retail-size trades, the marketplace will face immediate challenges under a one-minute trade-reporting requirement, especially for block-size institutional trades.

Manually negotiated trades rely on communication, coordination, and multiple procedural steps by sales and trading personnel on trading desks. For example, for each manual trade with an institutional customer, the salesperson or trader confirms the trade details with the customer by voice or electronic message. The salesperson then enters the trade details, which include multiple fields on a trade ticket, double checks the information for accuracy, and submits the trade ticket to a trader. In the next step, the trader double checks the trading ticket, approves it, and submits it for processing and reporting to TRACE or RTRS.

In isolation, it may not be a significant challenge to report a single manually negotiated trade in one minute. A challenge of one-minute reporting will be when a desk is attempting to provide liquidity to multiple counterparties simultaneously, or in multiple securities with the same counterparty. Under a one-minute reporting requirement, broker-dealer sales and trading staff may only have the capacity to focus on a few executions at a time. This will especially impact larger broker-dealers to whom the markets look for liquidity and product availability. In situations where customers want to manually buy or sell multiple bonds at one point in time, broker-dealers may not be able to execute as quickly as they do today if personnel need to prioritize trade reporting at the expense of trade execution for customers. Indeed, because of the timing conflicts that can arise when sequencing trades in multiple securities, accelerating the trade reporting timeframe may have unintended consequences for customer execution quality, especially when prevailing market conditions are changing. Additionally, the tight timing might cause an increased number of late trade reports, which is counterproductive to the goal of enhancing fixed-income market transparency.

As the Notices highlight, most block-size trades are not reported within one minute. MSRB data states that 40.1% of \$1-5 million trades in municipal securities are reported within one minute and 25.3% of municipal securities trades in block sizes of greater than \$5 million are reported within one minute. Most of these block-size trades are reported within five minutes. FINRA's Notice states that 61% of block-size trades in corporate bonds of \$25 million or greater are reported within one minute today.

While block-size trades represent a small portion of the overall trade count, block trades have the most influence on indexes, evaluations, and overall market conditions. As such, any adverse change to the liquidity in the block market liquidity could have additional negative impacts to the overall market that spans beyond those who

typically engage in block trades. We encourage FINRA and the MSRB to further analyze the impact of accelerated reporting on block-size trades and manually negotiated trades.

IV. A significant acceleration of required trade reporting timeframes highlights the importance of exceptions for specific transactions and operational processes.

Wells Fargo recommends that FINRA and the MSRB preserve existing exceptions to trade reporting rules that provide market participants with additional time to report certain transactions. For example, under an accelerated reporting regime, the requirements for transactions executed at the “list or fixed offering price” should not be accelerated, given that the conditions that originally led FINRA and the MSRB to exempt such transactions from 15-minute reporting have not changed. Furthermore, FINRA and the MSRB should engage with the industry to identify challenges with other transactions and operational processes due to a one-minute reporting rule. Wells Fargo recommends FINRA and the MSRB consider the challenges related to the following issues:

1. **Security Master Issues:** There are over 1,500,000 individual fixed-income numerical identifiers issued by the Committee on Uniform Securities Identification Procedures (CUSIP). Broker-dealers may not hold every fixed-income CUSIP number in their security master. This is especially true if the dealer is trading the bonds for the first time, including related to a new issuance. Current FINRA and MSRB trade reporting rules allow for end of day or T+1 reporting of list and fixed offering prices transactions. We recommend that FINRA and the MSRB create an exception for transactions in securities that are not included in the broker-dealer’s security master at the time of trade.
2. **Reverse Inquiry Agency Security Transactions:** A reverse inquiry is a method of issuance that is common for Agency securities in which a dealer engages an issuer and requests a certain quantity and type of debt. Under current FINRA rules these transactions are required to be reported within 15 minutes. A one-minute reporting rule would create challenges for these types of transactions, which are comparable to transactions in a new issuance at a list offering price. We recommend that FINRA create an exception from trade reporting rules for these transactions due to the challenges with executing and reporting these trades within one minute.
3. **Portfolio Trades:** Broker-dealers often provide liquidity for portfolios of bonds, including portfolios with over one hundred individual bonds. Under a one-minute reporting rule, broker-dealers may not be able to execute these types of portfolio trades at one point in time. FINRA and the MSRB should consider an exception to ensure investors continue to benefit from timely executions of portfolio transactions and instances where market participants solicit actionable bids or offers on multiple securities, such as a portfolio trade or a “bid wanted” list.
4. **Impact on Correspondent Firms:** Wells Fargo provides clearing and custody services to correspondent broker-dealers. Many of these firms are small broker-dealers. While these firms do execute fixed income trades electronically on platforms, some firms also execute manually negotiated trades. These trades are executed by the correspondent firm and the trade details are transmitted to Wells Fargo for reporting to TRACE or RTRS. A one-minute reporting rule will be a significant challenge for the correspondent firms that do not execute exclusively electronically.

V. Conclusion.

Wells Fargo supports the goal of enhancing transparency in the fixed-income markets. However, the proposal represents a significant acceleration of trade reporting and will create a series of significant problems related to reporting trades on time. As FINRA and the MSRB continue to pursue enhancements to fixed income transparency, we recommend consideration be given to creating exceptions to any accelerated trade reporting

rule. In addition, we encourage regulators to scrutinize the potential impacts on manually negotiated trades and seek to avoid a negative impact to market efficiency.

We appreciate the opportunity to share our feedback on the Notices. If you would like to discuss these items further or need additional information, please contact John Vahey, Wells Fargo Public Policy, at john.vahey@wellsfargo.com.

Sincerely,

Nyron Latif
Head of Operations
Wells Fargo Wealth and Investment Management

Todd Primavera
Head of Operations
Wells Fargo Corporate and Investment Bank

WILEY BROS.
AINTREE CAPITAL, LLC

40 BURTON HILLS BOULEVARD

September 20, 2022

NASHVILLE, TENNESSEE 37215

To : Municipal Securities Rulemaking Board

RE: : Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14

On behalf of Wiley Bros.-Aintree Capital, thank you for the opportunity to respond to MSRB Notice 2022-07.

Founded in 1945, Wiley Bros.-Aintree Capital is a full-service broker-dealer, engaged extensively in the primary and secondary municipal bond markets. We work with small to medium size issuers as an underwriter for their municipal bond issues.

The proposed amendment to shorten the current 15-minute reporting period to "as soon as practicable, but no later than within one minute of the Time of Trade" will have a strong negative impact on smaller broker-dealers, as well as the clients and issuers that we service. There is no clear indication as to how such a shortened reporting time frame would benefit investors or increase market transparency. Due to the fact that most municipal securities are not traded on a daily basis, reducing the trade reporting period from 15 minutes to one minute would have limited impact on transparency.

In order to comply with one-minute reporting, small firms such as ours will need to assess whether the cost of automating or hiring additional support staff is financially feasible. Many firms will decide that the costs exceed the benefit and exit the market.

The shortening of the longstanding 15-minute time frame which Firms have to book and execute a transaction would be punitive to smaller broker dealers who do not have the volume of transactions to justify the expense of electronic platforms that provide an automated process. Our firm's process of taking orders, filling out trade tickets, and entering orders into the trade system is done manually, which takes more than a minute. In order for a small firm to comply with 1 minute reporting, we would be required to incur significant cost to invest in technology that would allow us to comply with the reporting requirement with no benefit to our clients. Additionally, if we have a trade in a bond that is not in the security master, our clearing firm will have to manually enter the information on the bond, which cannot be done with a one-minute timeframe. One-minute reporting is not feasible in a manual order execution and reporting process.

As a registered broker/dealer, we are required to make every effort to determine that the price at which we are executing is the Prevailing Market Price at any given time. Often obtaining best pricing for smaller transactions involves a manual process that does not lend itself well to automation. Reducing the reporting time will not have the anticipated impact on execution price or market liquidity; it will simply create additional challenges for small firms.

According to the statistics provided in this notice, 97.3% of trades are currently reported within 5 minutes. If the Board is simply seeking to reduce reporting time, 5 minutes would be a better alternative than the proposed 1-minute rule. With improved technology and increased support staff, I believe that most broker-dealers could make the transition to 5-minute reporting. If we move to a 1-minute reporting time, I believe that the overall costs and the reduction of liquidity associated with this change will more than offset any marginal benefits that may arise from "increased transparency".

The proposed rule will have the greatest negative impact on the retail clients and issuers served by smaller broker-dealers.

There will be a significant impact to small issuers if small firms are forced out of the market. Generally, large firms do not have a financial incentive to serve small municipalities. Moreover, the larger firms often lack the regional expertise necessary to serve these smaller issuers. Our firm specializes in the trading and underwriting of tax-exempt bonds on behalf of regional issuers. Like us, there are many other small firms that specialize in underwriting in their specific regions. These small firms, with regional expertise, are essential to the effective functioning of municipal bond markets.

In 2009 there were 1,967 MSRB-Registered dealers. That number has dropped every year and was last recorded as 1,125 in 2021. In the event that the one-minute rule is implemented, even more small firms will be forced out of the market, resulting in a reduction of market liquidity which will ultimately negatively impact investors and the municipal issuers that are served by these firms.

I appreciate the opportunity to provide comments and voice my opposition to this proposed rule change for a 15-minute reporting time to a 1-minute reporting time.



Keener Billups

Managing Director

Municipal Bond Department

Wiley Bros. – Aintree Capital, LLC

Comment on Notice 2022-07

from Thomas Kiernan, Wintrust Investments, LLC

at email address tkiernan@wintrustwealth.com

on Tuesday, August 2, 2022

Comment:

The shortening of the longstanding 15 minute time frame in which to book and execute a municipal bond transaction would be punitive to the smaller broker dealers who do not have the volume of transactions to justify electronic platforms such as Bloomberg TOM's that provide a straight through process. We still transact trades verbally on the phone and through various platforms such as The Muni Center and Bloomberg and TradeWeb. These transactions require manually entering trades to our back office. In the instance of a multi item bid wanted list that gets marked for sale, we are scrambling to match those trades with the proper platform or BD and to get them executed within 15 minutes (let alone 1 minute). Changing this rule will force further consolidation in our industry and will be another nail in the coffin of the smaller broker dealers.

Comment on Notice 2022-07

from Glenn Burnett, Zia Corporation

at email address glenn@zia.com

on Tuesday, September 6, 2022

Comment:

As a provider of an order management system the proposed rule would eliminate the ability for dealers to conduct 'voice trades'. Even with an automated system such as hours it takes at least a minute to enter an executed trade. And that assumes the both the contra party and security master had been updated if not already in the system.

Some back-office systems that provide the connection to MRRB for reporting of correspondent trades also need to have the security master update performed manually and therefore cannot report a received trade within one minute.

The only trades that could possibly meet a one-minute reporting are those done via an ATS which increases the cost of trading for a dealer.

Increasing the cost of operation for dealers will cause some to either merge with larger firms, become financial advisors/money managers or just close their firm. How could this be beneficial to retail customers... less firms to bid some of the lesser traded munis will not help the retail customer.

What is the perceived benefit of this proposed change to retail customers who mostly have a relationship with the smaller dealers who trade in their local, state and regional securities who have served them well? It's important to retail these these firms can survive in an already expensively regulated environment.

Rule G-14: Reports of Sales or Purchases

(a) - (b) No change.

Rule G-14 RTRS Procedures

(a) General Procedures.

(i) No change.

(ii) Transactions effected with a Time of Trade during the hours of the RTRS Business Day shall be reported as soon as practicable but no later than [within 15 minutes of]one minute after the Time of Trade to an RTRS Portal except in the following situations:

(A) End of Trade Day Reporting Exceptions.

[(A)] (1) “List Offering Price/Takedown Transaction,” as defined in paragraph (d)(vii) of Rule G-14 RTRS Procedures, shall be reported by the end of the day on which the trade is executed.

[(B)] (2) A dealer effecting trades in short-term instruments maturing in nine months or less, variable rate instruments that may be tendered for purchase at least as frequently as every nine months, auction rate products for which auctions are scheduled to occur at least as frequently as every nine months, and commercial paper maturing or rolling-over in nine months or less shall report such trades by the end of the RTRS Business Day on which the trades were executed.

[(C)] (3) A dealer reporting an “away from market” trade as described in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions shall report such trade by the end of the day on which the trade is executed.

(B) Post-Trade Day Reporting Exceptions.

[(D)] (1) A dealer reporting an inter-dealer “VRDO ineligible on trade date” as described in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions shall report such trade by the end of the day on which the trade becomes eligible for automated comparison by a clearing agency registered with the Commission.

[(E)] (2) A dealer reporting an inter-dealer “resubmission of an RTTM cancel” as described in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions shall resubmit identical information about the trade cancelled by the end of the RTRS Business Day following the day the trade was cancelled.

(C) Intra-Trade Day Reporting Exceptions.

(1) A dealer with “limited trading activity” as defined in paragraph (d)(xi) of Rule G-14 RTRS Procedures must report its trades within the time period specified in Supplementary Material .01 of this rule.

(2) A dealer reporting a “trade with a manual component” as defined in paragraph (d)(xii) of Rule G-14 RTRS Procedures must report the trade within the time periods specified in Supplementary Material .02 of this rule.

(iii) Transactions effected with a Time of Trade outside the hours of the RTRS Business Day, or transactions that are inter-dealer “invalid RTTM trade date” as described in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions, shall be reported no later than 15 minutes after the beginning of the next RTRS Business Day.

(iv) Transaction data that is not submitted in a timely and accurate manner in accordance with these Procedures shall be submitted or corrected as soon as possible. Transactions not reported within the specified timeframe will be designated as “late.” A pattern or practice of late reporting without exceptional circumstances or reasonable justification may be considered a violation of this rule.

(v) - (vi) No change.

(b) Reporting Requirements for Specific Types of Transactions.

(i) - (iii) No change.

(iv) *Transactions with Special Conditions*. Reports of transactions affected by the special conditions described in the RTRS Users Manual in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions shall be reported with the “special condition indicators” [shown]described, and in the manner specified, therein and as follows:[.]

(A) Conditionally Optional Special Condition Indicators. The following [S]special condition indicators designated as “optional” in Section 4.3.2 of the [these]Specifications for Real-Time Reporting of Municipal Securities Transactions are nonetheless required for the Submitter to obtain the corresponding [an]extended reporting deadline[under paragraphs (a)(ii)(B)–(C) of Rule G-14 RTRS Procedures], but may be omitted if a deadline extension is not claimed[.], including:

(1) a “short term instrument exception” indicator for transactions identified in paragraph (a)(ii)(A)(2) of Rule G-14 RTRS Procedures; and

(2) an inter-dealer “resubmission of an RTTM cancel” indicator for resubmissions of transactions identified in paragraph (a)(ii)(B)(2) of Rule G-14 RTRS Procedures.

(B) Mandatory Special Condition Indicators. All other special condition indicators are mandatory regardless of whether the Submitter seeks to obtain an available extended reporting deadline, including:

(1) the List Offering Price/Takedown Transaction indicator for transactions identified in paragraph (a)(ii)(A)(1) of Rule G-14 RTRS Procedures;[,]

(2) an “away from market” indicator for transactions identified in paragraph (a)(ii)(A)(3) of Rule G-14 RTRS Procedures;

(3) an inter-dealer “VRDO ineligible on trade date” indicator for transactions identified in paragraph (a)(ii)(B)(1) of Rule G-14 RTRS Procedures;

(4) a “trade with a manual component” indicator for transactions identified in paragraph (a)(ii)(C)(2) of Rule G-14 RTRS Procedures;

(5) a “traded flat” indicator for securities traded on terms that do not include accrued interest as described in the RTRS Users Manual in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions;

(6) an “alternative trading system transaction” indicator for transactions defined in paragraph (d)(ix) of Rule G-14 RTRS Procedures;[,] and

(7) a “non-transaction-based compensation arrangement” indicator for transactions defined in paragraph (d)(x) of Rule G-14 RTRS Procedures.

(c) No change.

(d) Definitions.

(i) - (x) No change.

(xi) A dealer with “limited trading activity” is a dealer that, during at least one of the prior two consecutive calendar years, reported to an RTRS Portal fewer than 1,800 transactions, excluding transactions exempted under Rule G-14(b)(v) and transactions specified in Rule G-14 RTRS Procedures paragraph (a)(ii)(A)-(B).

(xii) A “trade with a manual component” means for the purposes of this rule a transaction that is manually executed or where the dealer must manually enter any of the trade details or information necessary for reporting the trade directly into an RTRS Portal or into a system that facilitates trade reporting to an RTRS Portal.

Supplementary Material

.01 Exception from the One-Minute Reporting Requirement for Dealers with Limited Trading Activity. As described below, dealers with “limited trading activity” are excepted from the one-minute reporting requirement of this rule.

(a) A dealer relying on the exception in this Supplementary Material .01 shall confirm on an annual basis that it meets the criteria for a dealer with “limited trading activity” as set forth in paragraph (d)(xi) of Rule G-14 RTRS Procedures. If a dealer no longer meets these criteria as of the beginning of a calendar year, such dealer must comply with the one-minute reporting requirement of Rule G-14 RTRS Procedures paragraph (a)(ii) on and after April 1 of such calendar year.

(b) Except for a transaction qualifying for an exception from the one-minute reporting requirement pursuant to Rule G-14 RTRS Procedures paragraph (a)(ii)(A)-(B), a dealer reporting a transaction in reliance on the exception for dealers with “limited trading activity” in this Supplementary Material .01 must report the transaction as soon as practicable but no later than 15 minutes after the Time of Trade.

.02 Exception from the One-Minute Reporting Requirement for Manual Trades. As described below, a dealer is excepted from the one-minute reporting requirement of this rule with respect to a “trade with a manual component”.

(a) In no event may a dealer purposely delay the execution of an order, introduce any manual steps following the Time of Trade, or otherwise modify any steps to execute or report the trade by handling a trade manually to delay reporting if such actions are for the purpose of claiming this exception.

(b) Except for a transaction qualifying for another exception from the one-minute reporting requirement pursuant to RTRS Procedures paragraph (a)(ii)(A)-(B) or (a)(ii)(C)(1), a dealer relying on the exception for a “trade with a manual component” in this Supplementary Material .02 must report the transaction as soon as practicable but not later than within the applicable time period set forth below:

(i) 15 Minutes. For a period of one calendar year from the effective date of this Supplementary Material .02, the transaction must be reported no later than 15 minutes after the Time of Trade;

(ii) 10 Minutes. For the second calendar year from the effective date of this Supplementary Material .02, the transaction must be reported no later than 10 minutes after the Time of Trade; or

(iii) 5 Minutes. Following the conclusion of the second calendar year from the effective date of this Supplementary Material .02, the transaction must be reported no later than 5 minutes after the Time of Trade.

.03 Policies and Procedures For Complying With As Soon As Practicable Reporting Requirement.

(a) Each dealer with an obligation to report a transaction “as soon as practicable” pursuant to Rule G-14 RTRS Procedures must adopt policies and procedures reasonably designed to comply with the “as soon as practicable” standard by implementing systems that commence the trade reporting process without delay upon execution. Where a dealer has reasonably designed policies, procedures and systems in place, the dealer generally will not be viewed as violating the “as soon as practicable” requirement because of delays in trade reporting due to extrinsic factors that are not reasonably predictable and where the dealer does not purposely intend to delay the reporting of the trade. Dealers must not purposely withhold trade reports, for example, by programming their systems to delay reporting until the last permissible minute or by otherwise delaying reports to just before the deadline if it would have been practicable to report such trades more rapidly.

(b) Because the trade reporting process for trades with a manual component may not be completed as quickly as, for example, where an automated trade reporting system is used, it is expected that the regulatory authorities that enforce and examine dealers for compliance with the “as soon as practicable” requirement will take into consideration the manual nature of the dealer's trade reporting process in determining whether the dealer's policies and procedures are reasonably designed to report the trade “as soon as practicable” after execution.

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Rule G-12: Uniform Practice

(a) – (e) No change.

(f) Use of Automated Comparison, Clearance, and Settlement Systems

(i) Notwithstanding the provisions of sections (c) and (d) of this rule, an Inter-Dealer Transaction Eligible for Comparison by a Clearing Agency Registered with the Commission (registered clearing agency) shall be compared through a registered clearing agency. Each party to such a transaction shall submit or cause to be submitted to a registered clearing agency all information and instructions required from the party by the registered clearing agency for automated comparison of the transaction to occur. Each transaction effected during the RTRS Business Day shall be submitted for comparison [within 15 minutes] as soon as practicable but no later than one minute after [of] the Time of Trade, unless the transaction is subject to an exception specified in the Rule G-14 RTRS Procedures paragraph (a)(ii), in which case it shall be submitted for comparison in the time frame [specified] described in the Rule G-14 RTRS Procedures paragraph (a)(ii). Transactions effected outside the hours of an RTRS Business Day shall be submitted no later than 15 minutes after the beginning of the next RTRS Business Day. In the event that a transaction submitted to a registered clearing agency for comparison in accordance with the requirements of this paragraph (i) shall fail to compare, the party submitting such transaction shall, as soon as possible, use the procedures provided by the registered clearing agency in connection with such transaction until such time as the transaction is compared or final notification of a failure to compare the transaction is received from the contra-party. A broker, dealer or municipal securities dealer ("dealer") that effects inter-dealer transactions eligible for comparison by a clearing agency registered with the Commission shall ensure that submissions made against it in the comparison system are

monitored for the purpose of ensuring that correct trade information alleged against it is acknowledged promptly and that erroneous information alleged concerning its side of a trade (or its side of a purported trade) is corrected promptly through the procedures of the registered securities clearing agency or the MSRB.

(ii) - (iv) No change.

(g) - (j) No change.

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IF-1: Real-Time Transaction Reporting and Price Dissemination (The "Real-Time Transaction Reporting System" or "RTRS")

RTRS Functionality

Lateness Checking. The time taken to report the trade is measured by comparing the [t]Time of [t]Trade reported by the dealer with the timestamp assigned by RTTM or RTRS. The submitter may [has the option to]include an appropriate indicator in the trade report, that shows that the submitter believes an extended reporting deadline set forth in Rule G-14 applies to the trade report, otherwise RTRS assesses each trade for timeliness by comparing the timestamp against the applicable [15-minute]reporting deadline and any exceptions specified by[provided for in]Rule G-14. Trade reports not received by the [appropriate]applicable reporting deadline are considered late. If a trade is reported late, an error message indicating this fact is sent to the submitter. RTRS produces statistics on dealer performance related to the timely submission of transactions and timely correction of errors and provides these statistics to dealers, as well as to regulators.

Transaction Dissemination by RTRS

No change.

MSRB Real-Time Transaction Data Subscription Service

No change.

MSRB Comprehensive Transaction Data Subscription Service

No change.

MSRB Historical Transaction Data Product

No change.

MSRB Academic Historical Transaction Data Product

No change.