

MEMO# 26515

September 24, 2012

FINRA Notice on TRACE Dissemination Issues; Call Scheduled for September 27th

[26515]

September 24, 2012

TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 32-12
END OF DAY PRICING FORUM No. 8-12
EQUITY MARKETS ADVISORY COMMITTEE No. 22-12
FIXED-INCOME ADVISORY COMMITTEE No. 20-12
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 40-12 RE: FINRA NOTICE ON TRACE
DISSEMINATION ISSUES; CALL SCHEDULED FOR SEPTEMBER 27TH

FINRA has published a Regulatory Notice requesting comment on issues relating to the dissemination of information on Trade Reporting and Compliance Engine ("TRACE") eligible securities transactions. [\[1\]](#) In particular, the Notice seeks input on whether current TRACE dissemination caps should be maintained or modified. To the extent the caps are maintained, the actual size (volume) of a transaction over a certain par value would not be displayed in disseminated real time TRACE transaction data. The Notice also requests comment on whether transactions in TRACE-eligible securities effected pursuant to Securities Act Rule 144A ("Rule 144A transactions") should be disseminated, and if so, the scope and manner of such dissemination.

Comments are due to FINRA by October 10th. We have scheduled a call for Thursday, September 27 at 3:30 p.m. Eastern time to discuss the Notice. The dial-in number for this call is 1-888-790-2032 and the pass code is 65280.

The Notice contains specific requests for comment on several issues related to disseminating more TRACE data in real time, some of which are highlighted below.

Dissemination Caps for Investment Grade and Non-Investment Grade Debt Securities

1. What would be the impact of raising the dissemination caps for:
 - a. investment grade TRACE-eligible securities transactions to \$10 million, \$15 million,

\$20 million or higher; [2] and

- b. non-investment grade TRACE-eligible securities transactions to \$5 million, \$10 million, \$20 million or higher? [3]
2. Should FINRA set a dissemination cap applicable solely to agency debt securities in light of the larger size of many transactions in such securities? [4]
 - a. If so, should it be set at \$25 million, \$50 million, \$100 million or higher?
3. Should there continue to be different dissemination caps for investment grade and non-investment grade debt securities?
4. Should the dissemination caps for investment grade and non-investment grade debt securities be eliminated entirely?
5. Would the information available as a result of higher dissemination caps allow broker-dealers and institutional investors to better value positions?
6. Could alternative ways of determining dissemination caps—for example, by dollar value of transaction rather than par value—provide meaningful trade volume exposure while still limiting the transaction sizes displayed through the caps?

Dissemination Caps for TBA Transactions

1. Should there be a dissemination cap for TBA transactions? [5]
 - a. If yes, are the levels appropriate or should higher or lower caps be considered?

Rule 144A Transactions

1. Should Rule 144A transactions—private re-sales of securities to Qualified Institutional Buyers or QIBs—be subject to dissemination? [6]
2. If yes, should Rule 144A transactions be subject to dissemination in the same manner as other disseminated transactions in TRACE-eligible securities?
 - a. If yes, should they be disseminated subject to a dissemination cap?
 - b. If yes, what is the appropriate size (volume) at which to set the dissemination cap?

If yes, should FINRA distinguish between investment grade and non-investment grade securities, and set a higher dissemination cap for Rule 144A transactions in investment grade securities and a lower dissemination cap for Rule 144A transactions in non-investment grade securities?

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Deputy General Counsel - Securities Regulation

endnotes

[1] See Regulatory Notice 12-39 (September 2012) (“Notice”), which is available at <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p163711.pdf>.

[2] The current dissemination cap is \$5 million, and any transaction in excess of \$5 million is disseminated as \$5MM+.

[3] The current dissemination cap is \$1 million and any transaction in excess of \$1 million is disseminated as \$1MM+.

[4] The current dissemination cap is \$5 million, and any transaction in excess of \$5 million is disseminated as \$5MM+.

[5] According to the Notice, FINRA will begin disseminating transaction information on agency pass-through mortgage-backed securities traded to be announced ("TBA transactions") on November 5, 2012. For TBA transactions eligible for "good delivery," the dissemination cap will be \$25 million and a transaction in excess of \$25 million will be disseminated as \$25MM+. For TBA transactions "not for good delivery" the dissemination cap will be \$10 million, and a transaction in excess of \$10 million will be disseminated as \$10MM+.

[6] According to the Notice, Rule 144A transactions have been subject to TRACE reporting requirements since the introduction of TRACE in 2002, but they have not been disseminated.

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