

**MEMO# 26603**

October 23, 2012

## **ICI Draft Comment Letter on FINRA Notice Regarding Trace Reporting; Your Views Requested By October 31st**

[26603]

October 23, 2012

TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 38-12  
END OF DAY PRICING FORUM No. 9-12  
EQUITY MARKETS ADVISORY COMMITTEE No. 31-12  
FIXED-INCOME ADVISORY COMMITTEE No. 25-12  
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 44-12 RE: ICI DRAFT COMMENT LETTER  
ON FINRA NOTICE REGARDING TRACE REPORTING; YOUR VIEWS REQUESTED BY OCTOBER  
31ST

As we previously informed you, FINRA published a regulatory notice requesting comment on issues related to dissemination of information on securities transactions eligible for reporting on the Trade Reporting and Compliance Engine ("TRACE"). [\[1\]](#) Comments are due to FINRA no later than November 9, 2012. Summarized below and attached for your review is the Institute's draft comment letter on the Notice. The draft letter reflects the majority of member views that have been expressed to me to date. [\[2\]](#)

Please provide any comments on the draft letter to Dorothy Donohue by email at [ddonohue@ici.org](mailto:ddonohue@ici.org) or phone at 202-218-3563 no later than October 31st.

The draft letter recommends that FINRA retain the current dissemination cap of \$5M for investment grade TRACE-eligible securities, and the current \$1M dissemination cap for non-investment grade TRACE-eligible securities. The draft letter explains that the Institute is concerned that increasing or eliminating the current dissemination caps might negatively affect liquidity for these securities, particularly given that liquidity in the corporate bond markets has declined since the financial crisis in 2008, and other pending regulatory changes, have potentially negative, as yet unknown, implications for liquidity in the fixed-income market.

The draft letter also recommends retaining the current dissemination cap of \$5M for agency debt securities and that Rule 144A transaction information be disseminated to the same extent as other disseminated transactions in TRACE-eligible securities. [\[3\]](#)

Dorothy M. Donohue  
Deputy General Counsel - Securities Regulation

[Attachment](#)

**endnotes**

[1] See Institute Memorandum to Closed-End Investment Company Committee No. 32-12, Equity Markets Advisory Committee No. 22-12, Fixed-Income Advisory Committee No. 20-12, Municipal Securities Advisory Committee No. 40-12, and End of Day Pricing Forum No. 8-12, dated September 24, 2012 [[Memorandum No. 26515](#)] (summarizing Regulatory Notice 12-39 (September 2012) (“Notice”)).

[2] While the consensus on a September 27th ICI member conference call the call seemed to favor increasing the dissemination caps, views expressed to me since then indicate that a majority of members favor retaining the current caps.

[3] In particular, the draft letter recommends that the transaction information for investment grade TRACE-eligible securities sold in Rule 144A transactions disseminated from TRACE include the exact par value on all transactions with a par value of \$5M or less and include an indicator of “5MM+” in place of the exact par value on transactions where the par value is greater than \$5M. With respect to non-investment grade TRACE-eligible securities sold in Rule 144A transactions, the draft letter recommends that the exact par value on all transactions with a par value of \$1M or less be disseminated and an indicator of “1MM+” be used to describe any transaction in excess of \$1M.

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