

**MEMO# 30116**

August 4, 2016

# **Draft ICI Comment Letter to SEC on Proposed FINRA Rule Change Relating to the Reporting of U.S. Treasury Securities to TRACE; Comments Requested by August 11**

[30116]

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TO: FIXED-INCOME ADVISORY COMMITTEE No. 21-16  
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 17-16  
SEC RULES COMMITTEE No. 34-16 RE: DRAFT ICI COMMENT LETTER TO SEC ON PROPOSED  
FINRA RULE CHANGE RELATING TO THE REPORTING OF U.S. TREASURY SECURITIES TO  
TRACE; COMMENTS REQUESTED BY AUGUST 11

ICI has drafted a comment letter to the Securities and Exchange Commission ("SEC") in response to its request for comment on a proposed rule change by the Financial Industry Regulatory Authority, Inc. ("FINRA") to extend TRACE reporting requirements to transactions in U.S. Treasury securities. [\[1\]](#) Comments on the proposed rule change are due to the SEC on August 15. ICI's draft letter is attached and is summarized briefly below. Please provide any comments in writing by Thursday, August 11, to Sarah Bessin at [sarah.bessin@ici.org](mailto:sarah.bessin@ici.org) and George Gilbert at [george.gilbert@ici.org](mailto:george.gilbert@ici.org).

The proposed rule change would require all FINRA members involved in transactions in U.S. Treasury securities, as defined in the TRACE rules, to report most transactions in those securities to TRACE. Transactions that do not involve a FINRA member would not be subject to the proposal and, therefore, would not be reported to TRACE. The proposed rule change would not require public dissemination of transaction information for U.S. Treasury securities. [\[2\]](#)

ICI's draft comment letter commends FINRA for proposing to extend TRACE reporting requirements to transactions in U.S. Treasury securities involving FINRA members. The letter notes that FINRA's proposal to require its members to report their transactions in U.S. Treasury securities is appropriate given the interconnectedness of these intermediaries and their ability to efficiently report transactions in other fixed income markets. The draft notes, however, that FINRA's proposal will provide the official sector with only partial information

about the U.S. Treasury cash market because, as FINRA recognizes, not all intermediaries in this market are FINRA members. The letter urges regulators not to advance rules that could fundamentally change the U.S. Treasury market structure without a more complete understanding of the present functioning of the market than this rule proposal will provide. The draft letter also strongly supports FINRA's decision not to propose a public dissemination requirement at this time for transactions in U.S. Treasury securities.

Sarah A. Bessin  
Associate General Counsel

George M. Gilbert  
Counsel

### [Attachment](#)

#### **endnotes**

[1] Notice of Filing of a Proposed Rule Change Relating to the Reporting of U.S. Treasury Securities to the Trade Reporting and Compliance Engine, Securities Exchange Act Release No. 78359 (July 19, 2016), available at <https://www.sec.gov/rules/sro/finra/2016/34-78359.pdf>. The proposed rule text associated with the Release is available at <https://www.sec.gov/rules/sro/finra/2016/34-78359-ex5.pdf>.

[2] For a more complete summary of the proposal, including the particular data elements that FINRA proposes to require its members to report, see ICI Memorandum No. 30068 (July 21, 2016), available at [https://www.ici.org/my\\_ici/memorandum/memo30068](https://www.ici.org/my_ici/memorandum/memo30068).