

MEMO# 27702

November 14, 2013

ICI Letter on FINRA Proposal to Increase ATS Transparency

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TO: EQUITY MARKETS ADVISORY COMMITTEE No. 23-13
ETF (EXCHANGE-TRADED FUNDS) COMMITTEE No. 35-13
SEC RULES MEMBERS No. 103-13 RE: ICI LETTER ON FINRA PROPOSAL TO INCREASE ATS
TRANSPARENCY

FINRA recently filed a proposal with the SEC to require each alternative trading system (“ATS”) to report to FINRA weekly volume information and the number of trades regarding securities transactions within the ATS. The proposal also would require each ATS to acquire and use a single, unique market participant identifier (“MPID”) when reporting information to FINRA. ICI filed a comment letter on the proposal; the most significant aspects of the comment letter are summarized below.

In general, the letter supports FINRA’s proposal. The letter states that transparency of market information is vital for investors to making informed investment decisions and can enhance FINRA’s ability to surveil for compliance with the requirements of Regulation ATS. At the same time, the letter states that while information regarding trades taking place in ATSs should be transparent to the public, regulators should closely examine the potential unintended consequences of increasing transparency of certain trade information, particularly the impact of the premature disclosure of critical information about fund orders in ATSs. The letter therefore supports the proposal to initially publish the information reported to FINRA on a delayed basis on FINRA’s website.

The letter also supports applying the proposed rule change beyond ATSs to require trading information for other over-the-counter executions of FINRA broker-dealers and making this information public in the same manner as is proposed for ATS trade information. Similarly, the letter supports applying the proposal to other non-displayed executions, regardless of the type of entity providing such execution, in the same manner as proposed for ATS trade information.

The letter recommends that FINRA clarify the specific costs surrounding receiving and accessing the reported information under the proposal. Given the significance of the reported information, particularly to investors navigating the current choices among trading

venues, the letter also recommends that FINRA reconsider charging a fee for use of the reported information by professional users, at least for the basic trading volume information available on FINRA's website.

Finally, the letter recognizes that some issues have been raised by commenters regarding the operation of the MPID. The letter therefore encourages the SEC to work with market participants to minimize any operational burdens associated with the MPID requirements.

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[Attachment](#)

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