

MEMO# 30771

July 7, 2017

FINRA Proposes New Data Report for Corporate and Agency Bonds

[30771]

July 7, 2017 TO: ICI Members

Fixed-Income Advisory Committee SUBJECTS: Fixed Income Securities

Investment Advisers

Trading and Markets RE: FINRA Proposes New Data Report for Corporate and Agency Bonds

The Financial Industry Regulatory Authority (FINRA) recently proposed to amend its rules to make available a new report containing more granular information about corporate or agency bond transactions reported to the Trade Reporting and Compliance Engine (TRACE).^[1] FINRA believes that the information in the proposed report, known as a TRACE Security Activity Report, may be useful for business as well as regulatory purposes. FINRA notes, for example, that registered investment companies may find the proposed report useful in connection with satisfying their obligation to assess, classify, and review the liquidity risk of individual securities pursuant to Rule 22e-4 under the Investment Company Act of 1940.

The proposed TRACE Security Activity Report would provide recipients with aggregated monthly statistics on a security-by-security basis pertaining to the level of activity in corporate and agency bonds. The report would contain a basic description of each corporate or agency bond and provide recipients with transaction totals, information about market concentration, and aggregate par value volume information about each security. The report also would provide information on the par value volume of inter-dealer transactions, customer buys, and customer sells.

The proposal details measures that FINRA would take in connection with releasing TRACE Security Activity Reports to protect the confidentiality of market participants and their trading strategies. First, the report would be provided on a 90-day delay, which would be designed to ensure that the report does not cause market liquidity to decrease. Second, the report would mask the aggregate par value volume information, unless certain transaction and volume thresholds are satisfied. Put differently, the report would disclose the actual par value traded only if a specified number of large-size transactions occur during the period covered by the report. Third, the report would mask the identity of market participants and, in some cases, would mask the number of market participants transacting in a particular corporate or agency security.

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endnotes

[1] Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 7730 To Make Available a New TRACE Security Activity Report, 82 Fed.Reg. 29602 (June 29, 2017), available at <https://www.gpo.gov/fdsys/pkg/FR-2017-06-29/pdf/2017-13582.pdf>. Comments on the proposal are due by July 20, 2017.

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