

MEMO# 22571

May 30, 2008

FINRA Proposes to Expand Data Elements Available in TRACE

[22571]

May 30, 2008

TO: FIXED-INCOME ADVISORY COMMITTEE No. 13-08
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 23-08 RE: FINRA PROPOSES TO
EXPAND DATA ELEMENTS AVAILABLE IN TRACE

The Financial Industry Regulatory Authority (“FINRA”) has filed a proposed rule change with the Securities and Exchange Commission to adopt a policy to expand the data elements disseminated through its Trade Reporting and Compliance Engine (“TRACE”). [\[1\]](#) Specifically, the proposal would show, for each disseminated transaction, the side on which a dealer acts in a transaction – that the member referenced is a buyer or seller – and information identifying the transaction as an inter-dealer transaction or a customer transaction.

The Release states that adding the two data elements will allow TRACE users to distinguish those transactions that do not include a mark-up/mark-down or a commission from transactions displayed as “all-in-prices” that do. This added information will enable institutional investors, retail investors, and dealers to assess, compare, and negotiate transaction prices, and will assist dealers to comply with fair pricing and best execution obligations. The Release also suggests that improving the quality of available information to investors may stimulate price competition among dealers.

The Release describes the comparable dissemination of such information in the municipal securities markets. It discusses two comment letters opposed to disseminating the additional data elements on the basis that the corporate bond market is “sufficiently

distinct from the municipal bond market” and such information would hinder corporate bond dealers and their customers. The Release disagrees with the commenters, concluding that, even if the commenters contentions could be established, they do not outweigh the legitimate and necessary purposes of the proposal.

Heather L. Traeger
Assistant Counsel

endnotes

[1] See SEC Release No. 57866 (May 23, 2008) (the “Release”). The Release may be found at: <http://www.sec.gov/rules/sro/finra/2008/34-57866.pdf>. The Release proposes to announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 90 days following Commission approval, if approved. The effective date would be no later than 120 days following publication of the Regulatory Notice.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.