

MEMO# 33053

January 19, 2021

SEC Approves FINRA Proposal on Corporate Bond New Issue Reference Data

[33053]

January 19, 2021 TO: ICI Members
Equity Markets Advisory Committee
Fixed-Income Advisory Committee
Investment Advisers Committee
Money Market Funds Advisory Committee
SEC Rules Committee SUBJECTS: Fixed Income Securities
Investment Advisers
Trading and Markets RE: SEC Approves FINRA Proposal on Corporate Bond New Issue Reference Data

Last week, the Securities and Exchange Commission (SEC or “Commission”) issued an order approving a proposed rule change by the Financial Industry Regulatory Authority (FINRA) to create a corporate bond new issue reference data service (“New Issue Reference Data Service”).[\[1\]](#)

Background

In March 2019, FINRA filed a rulemaking proposal with the SEC to create a New Issue Reference Data Service, based on a 2018 recommendation by the SEC’s Fixed Income Market Structure Advisory Committee (FIMSAC).[\[2\]](#) In December 2019, the SEC approved the proposal by delegated authority.[\[3\]](#) Subsequently, a petition for review was filed, which the Commission granted, and which stayed the approval order.[\[4\]](#) In response to the petition for review, the Commission conducted a *de novo* review of FINRA’s proposal and issued the Order, based on the Commission’s conclusion that FINRA’s proposal is consistent with the standards for approval under the Securities Exchange Act of 1934 (“1934 Act”).

New Issue Reference Data Service

The New Issue Reference Data Service will provide a central depository for public dissemination of new issue corporate bond reference data. Underwriters who are FINRA members and subject to FINRA Rule 6760 will be required to report to FINRA a number of data elements for new issues in corporate debt securities.[\[5\]](#) For a new issue in a corporate debt security,[\[6\]](#) the following information will be required to be reported, if applicable: (A) the International Securities Identification Number (ISIN); (B) the currency; (C) the issue

date; (D) the first settle date; (E) the interest accrual date; (F) the day count description; (G) the coupon frequency; (H) the first coupon payment date; (I) a Regulation S indicator; (J) the security type; (K) the bond type; (L) the first coupon period type; (M) a convertible indicator; (N) a call indicator; (O) the first call date; (P) a put indicator; (Q) the first put date; (R) the minimum increment; (S) the minimum piece/denomination; (T) the issuance amount; (U) the first call price; (V) the first put price; (W) the coupon type; (X) rating (TRACE Grade); (Y) a perpetual maturity indicator; (Z) a Payment In-Kind (PIK) indicator; (AA) first conversion date; (BB) first conversion ratio; (CC) spread; (DD) reference rate; (EE) floor; and (FF) underlying entity ticker.

Underwriters will be required to report all data fields for corporate debt securities prior to the first transaction in the security. FINRA will disseminate this corporate bond new issue reference data upon receipt. Prompt reporting and dissemination of data is intended to provide market participants with timely, basic information that is important for the identification, valuation, and settlement of a newly issued corporate bond in order to participate in trading in the secondary market without delay, whether through electronic trading venues, over the phone, or through other methods.

Fees related to the New Issue Reference Data Service have not yet been established. FINRA states that it will submit a separate filing to the SEC to establish fees related to the service at a future date and will implement the service after those fees are adopted.^[7]

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endnotes

^[1] See Order Setting Aside Action by Delegated Authority and Approving a Proposed Rule Change, as Modified by Amendment No. 2, to Establish a Corporate Bond New Issue Reference Data Service, 1934 Act Release No. 90939 (Jan. 15, 2021), *available at* <https://www.sec.gov/rules/sro/finra/2021/34-90939.pdf> (“Order”); Acting Chairman Elad L. Roisman, Statement on FINRA’s Corporate Bond New Issue Reference Data Proposal (Jan. 15, 2021), *available at* https://www.sec.gov/news/public-statement/roisman-statement-finra-new-issue-reference-data-proposal-011521?utm_medium=email&utm_source=govdelivery.

^[2] See 1934 Act Release No. 85488, 84 Fed. Reg. 13977 (Apr. 8, 2019); Fixed Income Market Structure Advisory Committee Recommendation (Oct. 29, 2018), *available at* <https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-corporate-bond-new-issue-reference-data-recommendation.pdf>.

^[3] See 1934 Act Release No. 87656, 84 Fed. Reg. 67491 (Dec. 10, 2019).

^[4] See 1934 Act Release No. 88214, 85 Fed. Reg. 9887 (Feb. 20, 2020).

^[5] The service will be limited to reference data regarding TRACE-eligible bonds.

^[6] Excluding bonds issued by religious organizations or for religious purposes.

[7] FINRA stated that any new fees will be filed with the Commission in advance of the implementation of the New Issue Reference Data Service and would be subject to applicable Commission rule filing requirements under the 1934 Act. It explains that it plans to price the data service as a utility, using a cost-based formula, meaning that it will tie the subscription price of the data service to FINRA's costs and that FINRA will allow all market participants to subscribe to the data service on reasonable, disclosed terms. Order at 79.

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