

MEMO# 34245

August 9, 2022

FINRA and MSRB Request Comment on Proposals to Shorten Transaction Reporting Timeframes

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TO: Fixed-Income Advisory Committee
Municipal Securities Advisory Committee RE: FINRA and MSRB Request Comment on Proposals to Shorten Transaction Reporting Timeframes

On August 2, FINRA and the MSRB (the "self-regulatory organizations" or "SROs") each issued a request for comment on proposals to shorten the current timeframe for reporting transactions to TRACE and the RTRS, respectively, from generally no later than fifteen minutes after execution to generally no later than one minute.[\[1\]](#) If adopted, these rule changes, which are subject to SEC approval and would apply to FINRA members and brokers, dealers, and municipal securities dealers subject to MSRB reporting requirements, would lead to faster public dissemination of transaction data on corporate bond, municipal bond, and other types of fixed income securities.[\[2\]](#)

Comments are due to FINRA and MSRB respectively no later than October 3. ICI will host a member call via Zoom to discuss the proposals on Tuesday, August 16 at 2:00 p.m. (ET).

Purpose of Proposal and Analysis of Current Reporting Practices

The SROs state that faster reporting and public dissemination of transaction data would enhance transparency in the fixed income market and provide market participants with more timely data, which would help to improve price discovery and formation.[\[3\]](#) The SROs also believe that technological advances and related changes in market practice may facilitate faster reporting. With respect to municipal securities, MSRB believes that its proposal would further reduce effective spreads for both retail and institutional investors; for example, it estimates that faster transparency of data on retail-sized trades could result in a savings of \$78.3 million annually to investors based on 2021 trading volumes.[\[4\]](#)

FINRA and MSRB assert that reducing the timeframe from fifteen minutes to one minute may not be a significant departure from current reporting practices. Based on recent data, they point out that most transactions have already been reported within one minute:

- FINRA found that in 2021, 81.9 percent of trades in TRACE-eligible securities subject

to its fifteen-minute requirement were reported within one minute of execution.^[5] In the case of corporate bonds, which represented 87 percent of the sample, FINRA observed that 82.2 percent of trades were reported within one minute and 80 percent of customer trades (as opposed to interdealer trades) were reported within one minute. However, FINRA observed a larger difference in reporting within a minute between smaller and larger trades: 86 percent of corporate bond transactions smaller than \$100K par value were reported within one minute, compared to 61 percent of trades larger than \$25M par value.^[6] FINRA also noted high levels of reporting within one minute among both investment grade (84 percent) and non-investment grade bonds (78 percent).

- MSRB found that in 2021, 76.9 percent of municipal securities transactions subject to its fifteen-minute requirement were reported within one minute of execution, with 97.3 percent of transactions reported within 5 minutes or less.^[7] However, MSRB also observed a large difference in reporting within a minute between smaller and larger trades: 80.3 percent of municipal bond trades at \$100K par value or smaller were reported within one minute, compared to 25.3 percent of trades larger than \$5M par value.^[8]

Requests for Comment

The SROs request comment on several aspects of their respective proposals, including

- Whether the benefits of the proposals would vary depending on the type of security and/or market participant (retail investors, institutional investors, and dealers), and whether there should be any exceptions based on participant type and/or trading volume; and
- Whether faster reporting and dissemination timeframes benefit or increase costs with respect to large trades, including whether they would affect market liquidity.

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endnotes

^[1] FINRA Regulatory Notice 22-17 (August 2, 2022) ("FINRA Proposal"), available at <https://www.finra.org/rules-guidance/notices/22-17#notice>; MSRB Notice 2022-07 (August 2, 2022) ("MSRB Proposal"), available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx??n=1>.

^[2] Currently, FINRA publicly disseminates reported transaction information on TRACE-eligible securities immediately upon receipt of a trade report through TRACE. FINRA Rule 6750. "TRACE-eligible securities" subject to this proposal include, with certain exceptions, corporate bonds, agency debt securities, asset-based securities, and agency pass-through mortgage-backed securities traded to-be-announced for good delivery. MSRB publicly disseminates reported information on municipal securities reported to its Real-Time

Transaction Reporting System (RTRS) promptly through its Electronic Municipal Market Access (EMMA) website and technology systems. MSRB Rule IF-1.

[3] FINRA states that faster reporting would enable "fairer pricing and better execution from [] dealers." FINRA Proposal at 13. MSRB similarly suggests that greater transparency would help enhance negotiation power over dealers. MSRB Proposal at 8.

[4] MSRB Proposal at 9.

[5] FINRA Proposal at 4-5. FINRA notes that its sample primarily focuses on transactions executed on business days between 8:00 a.m. (ET) and 6:30 p.m. (ET), during which time transactions must be reported within 15 minutes of execution. Transactions executed outside that timeframe are generally provided with additional reporting delays. FINRA Rule 6730(a)(1).

[6] FINRA further noted that 98 percent of trades smaller than \$100K par value and 88 percent of trades larger than \$25M par value were reported within five minutes. FINRA Proposal at 6.

[7] MSRB Proposal at 4.

[8] MSRB further noted that 93.4 percent of trades at \$100K par value or smaller and 49.4 percent of trades larger than \$5M par value were reported within two minutes, while 98.1 percent of trades at \$100K par value or smaller and 80.3 percent of trades above \$5M par value were reported within five minutes. *Id.*