

MEMO# 35510

November 17, 2023

FINRA Proposes End-of-Day Dissemination of Transaction Data in On-the-Run Nominal Coupon US Treasury Securities: ICI Member Call on Monday, November 27 at 2:00 p.m. (ET)

[35510]

November 17, 2023

TO: Fixed-Income Advisory Committee

Money Market Funds Advisory Committee

SEC Rules Committee RE: FINRA Proposes End-of-Day Dissemination of Transaction Data in On-the-Run Nominal Coupon US Treasury Securities: ICI Member Call on Monday, November 27 at 2:00 p.m. (ET)

On November 3, FINRA filed a proposed rule change with the SEC to amend its rules to allow it to disseminate transaction-level data in US Treasury securities that are On-the-Run Nominal Coupons on an end-of-the-day basis.[\[1\]](#) Comments on the proposal are due on Thursday, November 30, 2023. FINRA has not specified an implementation date, but states rather that it will announce the effective date in a future Regulatory Notice.[\[2\]](#)

Given the short comment period provided for FINRA's filing, ICI plans to submit a brief initial comment letter before the due date requesting additional time for public comment in accordance with Section 19(b) of the Exchange Act, which governs filing and review process for SRO rules.[\[3\]](#) ICI will also hold a member call on Monday, November 27 at 2:00 p.m. (ET) to discuss any initial comments that it could provide in this comment letter, as well as other feedback to be considered for a follow-up ICI letter.

FINRA Proposal for Dissemination of US Treasury Transaction-Level Data

FINRA currently disseminates aggregated US Treasury trading volume data on a daily basis,[\[4\]](#) but it does not disseminate transaction-level information.[\[5\]](#) FINRA has held the view that publishing aggregated data mitigates concerns about information leakage of market participants' proprietary trading strategies,[\[6\]](#) but it now proposes to disseminate data on individual transactions based on a recommendation from the US Treasury

Department, as informed by various input from market participants.[\[7\]](#) Based on the perceived benefits of disseminating transaction-level details, along with the protections described further below, the US Treasury Department and FINRA view transaction-level data dissemination is an "appropriate next step" in increasing US Treasury market transparency, which they believe will benefit market liquidity and resilience. Specifically, FINRA believes that the proposal may also "create a more level playing field, increase understanding of market activity, [] reduce transaction costs, and assist in price efficiency and valuation."

In disseminating transaction-level Treasury information, FINRA includes several measures that it believes would mitigate information leakage concerns. First, FINRA notes that this information would be limited to On-the-Run Nominal Coupons[\[8\]](#)--which it considers to be highly liquid and to represent a significant portion of Treasury trading volume—and reported on an end-of-day basis only (and not immediately upon receipt from a reporting firm). Second, FINRA proposes to apply specific transaction size dissemination caps to larger reported transactions based on the maturity of the coupon at issuance. These caps would indicate that the size of a reported transaction exceeds that designated threshold.[\[9\]](#) FINRA states that it devised these cap sizes in consultation with the Treasury Department and calibrated them to the maturity, liquidity and trading concentration to preserve the anonymity of counterparties transacting in large sizes.[\[10\]](#) Across all maturities, FINRA estimates that 0.09 percent of transactions during the specified sample period would be capped.[\[11\]](#)

Maturity

Cap Size

Two Years

\$250 million

Three Years

\$250 million

Five Years

\$250 million

Seven Years

\$150 million

Ten Years

\$150 million

Twenty Years

\$50 million

Thirty Years

\$50 million

FINRA further emphasizes that the disseminated information would be anonymized to exclude market participant identifiers or other identifying characteristics of the parties to a transaction.[\[12\]](#)

FINRA also proposes to expand the existing fee framework for the TRACE End-of-Day Transaction File and Historic TRACE Data product to include fees for transaction data that will be available for On-the-Run Nominal Coupons in each respective data product.[\[13\]](#) The fees will be similar to those that are currently charged for these TRACE data sets for other TRACE-eligible securities.[\[14\]](#)

Nhan Nguyen
Assistant General Counsel, Securities Regulation

Notes

[\[1\]](#) Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to Dissemination of Information on Individual Transactions in U.S. Treasury Securities and Related Fees, Exchange Act Release No. 34-98859 (Nov. 3, 2023), 88 Fed. Reg. 77388 (Nov. 9, 2023) ("FINRA Proposal").

[\[2\]](#) Proposal at 77392.

[\[3\]](#) The SEC must approve or disapprove the proposed rule filing, or institute proceedings to determine whether to disapprove, within 45 days of publication in the Federal Register, with a possible 45-day extension.

[\[4\]](#) Starting in March 2020, FINRA posted aggregate data on US Treasury trading volume reported to TRACE on a weekly basis. Based on favorable feedback, FINRA increased the frequency of this reporting to daily starting in February 2023, along with introducing additional reporting elements (e.g., trade counts and volume-weighted price information for On-the-Run Nominal Coupons). FINRA had received prior approval from the SEC to establish daily reporting in August 2022.

[\[5\]](#) FINRA Rule 6750(c)(5). FINRA members and certain banks that are not FINRA members, however, are currently required to report transaction data to TRACE for regulatory and other official sector purposes. FINRA makes this data available to the official sector to monitor and analyze the US Treasury market.

[\[6\]](#) Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 6750 Regarding the Publication of Aggregated Transaction Information on U.S. Treasury Securities, Exchange Act Release No. 34-95165 (June 27, 2022), 87 Fed. Reg. 39573, 39574 (July 1, 2022) ("FINRA Daily US Treasury Reporting Proposal").

[\[7\]](#) FINRA states that it received this input from a survey of primary dealers, recommendations from the Treasury Borrowing Advisory Committee (consisting of buy-side and sell-side market participants), and responses that the Treasury Department received to its 2022 Request for Information on additional transparency of secondary market trading of US Treasury securities.

[8] As part of its proposal, FINRA proposes to define "On-the-Run Nominal Coupon" as the most recently auctioned US Treasury Security that is a Treasury note or bond paying fixed rate nominal coupons starting after the close of the TRACE system on the day of its [a]uction of a new issue for the next US Treasury security of the same maturity." As defined, this would not include Treasury bills, STRIPS, TIPS, floating rate notes, or off-the-run nominal coupons. Based on analysis of secondary market data from September 2022 through February 2023, FINRA shows that the average daily number of trades and average daily dollar volume of On-the-Run Nominal Coupons were substantially higher than those in off-the-run nominal coupons and accounted for more than half of the total daily number of trades and total daily volume. See FINRA Proposal at 77393.

[9] FINRA plans to provide historical TRACE data with uncapped transaction sizes on a six-month delay. Proposal at 77391 n.25.

[10] Specifically, FINRA states that it considered both the percentage of traded market volume that would be disseminated (versus reported) across each maturity along with the daily number of unique intermediaries trading each security at or above each cap size.

[11] FINRA Proposal at 77395.

[12] FINRA notes, however, that it would report counterparty type (i.e., dealer, customer, affiliate or ATS), whether the transaction occurred on an ATS, and other trade modifiers and indicators.

[13] The data for On-the-Run Nominal Coupons in the Historic TRACE Data set will be subject to a six-month delay, which is similar to the existing Historic Corporate Bond and Historic Agency Data sets.

[14] The fee for the End-of-Day TRACE Transaction File is \$750 a month per data set and \$2,000 per calendar year for Historic TRACE data.