

MEMO# 35613

February 12, 2024

SEC Approves FINRA End-of-Day Dissemination of Transaction Data in On-the-Run Nominal Coupon US Treasury Securities

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TO: Fixed-Income Advisory Committee

Money Market Funds Advisory Committee

SEC Rules Committee RE: SEC Approves FINRA End-of-Day Dissemination of Transaction Data in On-the-Run Nominal Coupon US Treasury Securities

On Wednesday, February 7, the SEC approved a proposed rule change from FINRA 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.[\[1\]](#) ICI submitted a letter expressing support for FINRA's proposed approach, which the SEC approved as proposed, based on the inclusion of measures to address information leakage concerns. These measures include (1) limits on the scope to On-the-Run Nominal Coupons[\[2\]](#)—reported on an end-of-day basis only—and (2) specific transaction size dissemination caps that will apply to larger reported transactions based on the maturity of the coupon at issuance.[\[3\]](#) Further, FINRA's dissemination of information would be anonymized to exclude market participant identifiers or other identifying characteristics of the parties to a transaction.[\[4\]](#) The SEC states that these measures are "reasonably designed" to protect confidentiality of market participants and transactions; in particular, it views the limit on scope as a "reasonable first step" to increasing price transparency in the US Treasury securities market.

The approved rule change also amends 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.[\[5\]](#) The fees will be similar to those that are currently charged for these TRACE data sets for other TRACE-eligible securities.[\[6\]](#)

The approved rule change does not specify an implementation date, but FINRA has previously stated that it will announce the effective date in a future Regulatory Notice.[\[7\]](#)

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Notes

[1] Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change Relating to Dissemination of Information on Individual Transactions in U.S. Treasury Securities and Related Fees, Exchange Act Release No. 34-99487 (Feb. 7, 2024), available at <https://www.sec.gov/files/rules/sro/finra/2024/34-99487.pdf>.

[2] FINRA defines "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 through the close of the TRACE system on the day of the [a]uction of a new issue for the next US Treasury security of the same maturity. FINRA Rule 6710 (Definitions)." 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.

[3] These caps are as follows: (1) Two Years: \$250 million; (2) Three Years: \$250 million; (3) Five Years: \$250 million; (4) Seven Years: \$150 million; (5) Ten Years: \$150 million; (6) Twenty Years: \$50 million; and (7) Thirty Years: \$50 million.

[4] FINRA notes 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.

[5] 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.

[6] 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.

[7] 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, 77392 (Nov. 9, 2023).