

Trace Reporting and Compliance Engine (TRACE)

SEC Approves Amendments to Establish Two Optional TRACE Data Delivery Services and Related Fees

Effective Date: June 10, 2013

Executive Summary

The SEC approved amendments to FINRA Rule 7730 to establish two optional TRACE data delivery services and fees in connection with such services.¹ The effective date is June 10, 2013.

The amended rule text is set forth on Attachment A.

Questions regarding this *Notice* may be directed to:

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Background and Discussion

The FINRA Automated Data Delivery System (FINRA ADDS) is a secure website that provides a FINRA member firm, by market participant identifier (MPID), access to the MPID's TRACE trade journal files for a specified date (transaction reports).

FINRA ADDS provides a report—a file containing all transaction reports to which the MPID was a party on a specified date—to an MPID in response to the MPID's request.² The MPID may also request "reject" files (*i.e.*, transaction reports submitted by the MPID that were not accepted by the system due to missing or inaccurate information). The transaction report date of the file requested must be within 30 calendar days of the date of the request. The FINRA ADDS service is free, and there are no limits on the number of requests for reports that a firm may make or the number of firm personnel associated with a specified MPID that may submit such requests.

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Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Fixed Income
- ▶ Legal
- ▶ Operations
- ▶ Systems
- ▶ Trading

Key Topics

- ▶ Automated Data Delivery System (ADDS)
- ▶ TRACE Data

Referenced Rules & Notices

- ▶ FINRA Rule 7730

In response to requests from firms for increased flexibility to access more of a firm's TRACE transaction history, FINRA has established two additional, optional data delivery services, TRACE Data Delivery Plus and TRACE Data Delivery Secure File Transfer Protocol (SFTP), and fees in connection with such services.

TRACE Data Delivery Plus

TRACE Data Delivery Plus allows an MPID subscriber to:

- ▶ download reports on demand for transaction reports and reject files³ to which the MPID was a party that were reported or rejected more than 30 calendar days prior to the date of the MPID's request⁴ (*i.e.*, transaction data not available through the free FINRA ADDS service) and within the prior two calendar years;⁵ and
- ▶ obtain automated daily delivery of the subscriber's TRACE transaction reports and reject files to the FINRA ADDS website (eliminating the need for the user to submit file requests).⁶

Once a firm subscribes to the optional service, FINRA will assign the subscriber to one of four tiers based on the TRACE transactions reported in the previous year to which the MPID was a party. A subscriber will be charged a variable monthly fee based on: (1) the average number of transactions per month to which the MPID subscriber was a party that was reported to TRACE in the prior calendar year;⁷ and (2) the number of FINRA ADDS reports received in a given month for transaction reports and reject files that were reported or rejected more than 30 calendar days prior to the date of the MPID's request (*i.e.*, transaction data not available through the free FINRA ADDS service) (Plus reports). The monthly fees for Plus reports are set forth in the table below:

Tier Based on Average Number of Transactions per Month MPID Subscriber Was a Party to in Prior Calendar Year	0 – 5 Plus Reports Received per Month	6 – 25 Plus Reports Received per Month	> 25 Plus Reports Received per Month
Tier 1: 10,000 +	\$60	\$80	\$100
Tier 2: 3,000 – 9,999	\$40	\$55	\$70
Tier 3: 500 – 2,999	\$20	\$30	\$40
Tier 4: < 500	\$10	\$15	\$20

TRACE Data Delivery SFTP

The TRACE Data Delivery SFTP service provides an MPID subscriber with an automated interface to retrieve (without sending a request) its prior day's TRACE transaction reports and reject files daily from FINRA ADDS. The fee for the optional service is \$200 per month, plus a one-time \$250 set-up fee.

Endnotes

1. See Securities Exchange Act Release No. 68675 (January 16, 2013), 78 FR 4917 (January 23, 2013) (SEC Approval Order of File No. SR-FINRA-2012-053).
2. The TRACE transaction reports in FINRA ADDS are available for two data archives—asset-backed securities transactions and separately for corporate bonds and agency debt securities (corporate/agency debt securities) transactions. FINRA ADDS generates a separate report for each data archive (asset-backed securities or corporate/agency debt securities) requested as well as a separate report for each date requested.
3. For example, if on February 1, 2013, a subscriber requested its transaction activity in asset-backed securities and corporate/agency debt securities reported on December 3, 2012, and December 4, 2012, the subscriber will receive four reports—one for the asset-backed securities transactions reported on December 3, 2012, a second report for asset-backed securities transactions reported on December 4, 2012, and two additional reports for the corporate/agency debt securities transactions reported for the respective dates.
4. As with the free FINRA ADDS service, firms interested in TRACE Data Delivery Plus must subscribe per MPID. To access transaction information for multiple MPIDs, a firm must obtain a subscription for each MPID.
5. Transactions in corporate and agency debt securities became available on FINRA ADDS as a result of the migration of the reporting of these securities and related data functions from legacy TRACE technology to the Multi-Product Platform (MPP), which occurred on February 6, 2012. See [Regulatory Notice 11-53](#) (November 2011). Accordingly, the FINRA ADDS transaction reports for corporate and agency debt securities transactions are available only for transactions that are reported on or after February 6, 2012, and will be maintained on FINRA ADDS for two rolling calendar years. Firms began reporting transactions in asset-backed securities to TRACE on May 16, 2011. See [Regulatory Notice 11-20](#) (May 2011). As with corporate and agency debt securities transaction reports, asset-backed securities transaction reports will be maintained on FINRA ADDS for two rolling calendar years (*i.e.*, on June 10, 2013, a firm may request data from June 9, 2013, back to June 10, 2011).
6. The automated daily delivery of the subscriber's TRACE trade journal files to the website does not constitute a request for a report for purposes of calculating the monthly fee.
7. Once assigned to a tier, a subscriber remains in the tier for the remainder of the calendar year. For example, an MPID that subscribes in September 2012 will be assigned to a tier based upon the TRACE transactions reported in 2011 to which the MPID was a party, and will remain in that tier until December 31, 2012. In 2013, the MPID will be re-evaluated and assigned to a tier for 2013 fee purposes, based upon the MPID's trading in TRACE-eligible securities in 2012.

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Attachment A

New text is underlined; deletions are in brackets.

7730. Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine (“TRACE”):

System Fees	Transaction Reporting Fees	Data Fees
<p>Level I Trade Report Only Web Browser Access — \$20/month per user ID</p> <p>Level II Full Service Web Browser Access — Subscription for a single user ID or the first user ID — \$50/month (includes one Data Set); \$80/month (includes two Data Sets)</p> <p>Subscription for additional user IDs — \$80/month per user ID (includes one Data Set); \$140/month per user ID (includes two Data Sets)</p>	<p>Trades up to and including \$200,000 par value — \$0.475/trade. (For Asset-Backed Securities where par value is not used to determine the size (volume) of a transaction, for purposes of trade reporting fees, size (volume) is the lesser of original face value or Remaining Principal Balance (or the equivalent) at the Time of Execution of the transaction.)</p> <p>Trades over \$200,000 and up to and including \$999,999.99 par value — \$0.000002375 times the par value of the transaction (i.e., \$0.002375/\$1000). (See note above regarding certain Asset-Backed Securities.)</p> <p>Trades of \$1,000,000 par value or more — \$2.375/trade. (See note above regarding certain Asset-Backed Securities.)</p> <p>All transactions in Asset-Backed Securities that are Agency Pass-Through Mortgage-Backed Securities traded to be announced (“TBA”) (“TBA transactions”) — \$1.50/trade.</p>	<p>Market Data: Professional Real-Time Data Display — \$60/month per display application per Data Set of Real-Time TRACE transaction data, except as may be subject to a waiver set forth below, or a flat fee of \$7,500/month per Data Set of Real-Time TRACE transaction data, entitling Professionals to make unlimited internal use of such Data Set(s) through any number of display applications.</p>
<p>CTCI/FIX/Third Party — \$25/month/ per firm</p>	<p>Cancel/Correct — \$1.50/trade</p>	<p>Market Data: Vendor Real-Time Data Feed — \$1,500/month per Data Set of Real-Time TRACE transaction data for receipt of continuous Real-Time TRACE transaction data in such Data Sets, except for qualifying Tax-Exempt Organizations, or \$250/month per Data Set of Snapshot Real-Time TRACE transaction data for daily receipt of such Data Set(s).</p>
	<p>“As/of” Trade Late — \$3/trade</p>	<p>Market Data: Vendor Real-Time Data Feed — \$400/month per Data Set of Real-Time TRACE transaction data for such Data Set(s) for qualifying Tax-Exempt Organizations.</p>
		<p>Market Data: Non-Professional Real-Time Data Display — No charge.</p>

System Fees	Transaction Reporting Fees	Data Fees
		Historic TRACE Data: Set-Up Fee — a single fee of \$2,000 for development and set-up to receive Historic TRACE Data, except for qualifying Tax-Exempt Organizations.
		Historic TRACE Data: Set-Up Fee — a single fee of \$1,000 for development and set-up to receive Historic TRACE Data for qualifying Tax-Exempt Organizations.
		Historic TRACE Data: Fee — \$2,000/ calendar year per Data Set for receipt of Historic TRACE Data, except for qualifying Tax-Exempt Organizations. The data is enabled for internal use and internal and/or external display application. Bulk re-distribution of data is not permitted.
		Historic TRACE Data: Bulk Re-Distribution Fee — except for qualifying Tax-Exempt Organizations, \$1/CUSIP per calendar year (or part thereof) within a single Data Set of Historic TRACE Data per each recipient of re-distributed data; maximum fee per Data Set of \$1,000/ calendar year (or part thereof) per each recipient of re-distributed data.
		Historic TRACE Data: Bulk Re-Distribution Fee — for qualifying Tax-Exempt Organizations, \$500/calendar year per Data Set for receipt of Historic TRACE Data. The data is enabled for internal use and internal and/or external display application. Bulk re-distribution of data is permitted with certain restrictions.
		<p><u>FINRA ADDS: TRACE Data Delivery Plus</u> <u>A variable monthly fee charged per MPID subscriber, based upon the average number of transactions per month to which the MPID subscriber was a party in the prior calendar year, and the number of Plus reports received by the MPID subscriber per month</u> (see paragraph (g)).</p>
		<p><u>FINRA ADDS: TRACE Data Delivery SFTP</u> <u>\$250 per MPID – one time set-up fee;</u> <u>and</u> <u>\$200 per MPID per month</u></p>

(a) through (f) No Change.

(g) FINRA ADDS Fees

The FINRA Automated Data Delivery System (“FINRA ADDS”) provides a member access to TRACE trade journal files. The following fees are for two optional FINRA ADDS services: TRACE Data Delivery Plus and TRACE Data Delivery Secure File Transfer Protocol.

(1) TRACE Data Delivery Plus Fee

The TRACE Data Delivery Plus fee is charged per month to a market participant identifier (“MPID”) that is a subscriber, for TRACE Data Delivery Plus reports (“Plus reports”) provided to the MPID in response to requests by the MPID. (Plus reports do not include a report in response to a request for a TRACE trade journal file for a specified date, if the specified date is within 30 calendar days of the date of the request, which are provided to an MPID at no charge.) The fee is based on the average number of transactions per month to which the MPID was a party in the prior calendar year, which number is used to assign the MPID to one of the four tiers, and the number of Plus reports the subscriber receives in a month as follows:

<u>Tier Based on Average Number of Transactions per Month MPID Subscriber Was a Party to in Prior Calendar Year</u>	<u>0 – 5 Plus Reports Received per Month</u>	<u>6 – 25 Plus Reports Received per Month</u>	<u>> 25 Plus Reports Received per Month</u>
<u>Tier 1: 10,000 +</u>	<u>\$60</u>	<u>\$80</u>	<u>\$100</u>
<u>Tier 2: 3,000 – 9,999</u>	<u>\$40</u>	<u>\$55</u>	<u>\$70</u>
<u>Tier 3: 500 – 2,999</u>	<u>\$20</u>	<u>\$30</u>	<u>\$40</u>
<u>Tier 4: < 500</u>	<u>\$10</u>	<u>\$15</u>	<u>\$20</u>

(2) TRACE Data Delivery Secure File Transfer Protocol Fee

The TRACE Data Delivery Secure File Transfer Protocol (“TRACE Data Delivery SFTP”) fees are charged to a market participant identifier (“MPID”) that is a subscriber and are:

(A) Set-Up Fee – a one-time fee of \$250 per MPID that subscribes to the service.

(B) Monthly Fee – a monthly fee of \$200 per MPID that subscribes to the service.

1. No Change.
2. No Change.

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