

Trade Reporting and Compliance Engine (TRACE)

SEC Approves Amendments to TRACE Reporting Requirements to Conform With Requirements in the Multi Product Platform

Effective Date: February 6, 2012

Executive Summary

The SEC approved amendments to FINRA Rule 6730 regarding member firms' reporting obligations when reporting transactions in TRACE-eligible securities other than asset-backed securities.¹ FINRA amended the reporting requirements in connection with the consolidation of all TRACE-eligible securities transaction processing and data management on a single technology platform, the multi product platform (MPP).

The amended rule text is available at www.finra.org/notices/11-53.

Questions regarding this *Notice* may be directed to:

- ▶ FINRA Operations at (866) 776-0800;
- ▶ Patrick Geraghty, Director, Market Regulation, at (240) 386-4973;
- ▶ Elliot R. Levine, Associate Vice President and Counsel, Transparency Services, at (202) 728-8405; or
- ▶ Office of General Counsel at (202) 728-8071.

Background & Discussion

Currently, FINRA receives TRACE transaction reports for TRACE-eligible securities that are asset-backed securities and manages the TRACE data regarding those securities (*e.g.*, the TRACE daily list) on FINRA's enhanced technology platform, MPP.² FINRA intends to migrate TRACE-eligible securities that are not currently on the MPP—corporate bonds and agency debt securities—to the MPP, and, in connection with the migration, has amended certain reporting requirements in FINRA Rule 6730 to conform to the requirements of the MPP.³ The migration and the rule amendments will take effect on February 6, 2012.

November 2011

Notice Type

- ▶ Rule Amendment

Suggested Routing

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

Key Topics

- ▶ Multi Product Platform
- ▶ TRACE-Eligible Security
- ▶ Transaction Reporting

Referenced Rules & Notices

- ▶ FINRA Rule 6710
- ▶ FINRA Rule 6730
- ▶ Regulatory Notice 11-20

The substantive amendments to FINRA Rule 6730, which apply to transactions other than transactions in asset-backed securities, are as follows:

- ▶ **Transactions executed on a non-business day.** FINRA Rules 6730(a)(1)(D) and 6730(a)(2)(B) are amended to permit a firm to report the actual date of execution when reporting a transaction that is executed on a Saturday, a Sunday, a holiday or any day that the TRACE system is not open.⁴
- ▶ **Size (volume).** FINRA Rules 6730(c)(2) and 6730(d)(2) are amended to require a firm to report the size (volume) of a transaction as the total par value or principal value traded, rather than as the number of bonds, as required under the legacy TRACE system.
- ▶ **Commission.** FINRA Rules 6730(c)(11) and 6730(d)(1) are amended to require a firm to report the total dollar amount of the commission, rather than the points per bond, as required under the legacy TRACE system.
- ▶ **Settlement.** A new provision in FINRA Rule 6730(c)(12) requires a firm to report the date of settlement. FINRA Rule 6730(d)(4)(B), requiring the use of settlement modifiers for certain settlements, is deleted, as are references to the settlement modifiers in FINRA Rule 6730(d)(4)(C).⁵

Endnotes

1. See Securities Exchange Act Release No. 65791 (November 18, 2011), ___ FR _____ (November __, 2011) (SEC Order Approving File No. SR-FINRA-2011-053).
2. Asset-backed securities have been reported via MPP since reporting requirements went into effect. (See Securities Exchange Act Release No. 64364 (April 28, 2011), 76 FR 25385 (May 4, 2011) (SEC Order Approving File No. SR-FINRA-2011-012) and [Regulatory Notice 11-20](#) (May 2011).) “TRACE-eligible security” and “asset-backed security” are defined in FINRA Rule 6710(a) and FINRA Rule 6710(m), respectively.
3. “Agency debt security” is defined in FINRA Rule 6710(l).
4. The legacy TRACE system did not recognize such days as valid dates of execution.
5. Under the legacy TRACE system, FINRA Rule 6730(d)(4)(B) required reporting a transaction that would settle on any day other than T + 3 with a specified settlement modifier.

The amendments also combine FINRA Rules 6730(a)(1)(B) and 6730(a)(1)(D) as renumbered amended FINRA Rule 6730(a)(1)(D), and delete current FINRA Rule 6730(a)(1)(B). In addition, the amendments reorder the reporting requirements in FINRA Rule 6730(a)(1)(A) through (C) chronologically (*i.e.*, the reporting requirements for transactions that are executed at any time from midnight through 7:59:59 a.m. Eastern Time are in FINRA Rule 6730(a)(1)(A); the reporting requirements for transactions that are executed during TRACE system hours are in FINRA Rule 6730(a)(1)(B); and the reporting requirements for transactions executed less than 15 minutes before the TRACE system closes are in FINRA Rule 6730(a)(1)(C)).