September 14, 2020

By electronic mail to pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: **Regulatory Notice 20-24: FINRA Requests Comment on Proposed Changes to TRACE Reporting Relating to Delayed Treasury Spot and Portfolio Trades**

Dear Ms. Mitchell,

The Financial Information eXchange (FIX) appreciates the opportunity to comment on Regulatory Notice 20-24 (the Regulatory Notice) published by Financial Industry Regulatory Authority, Inc. (FINRA).[1] We will leave it to our member firms to reply on the specific requests for comment, but wish to offer the assistance of the FIX Trading Community in ensuring effective implementation of any regulation by use of prevalent industry standards. The FIX Trading Community is focused on promoting the use of standards; we look forward to the opportunity to work with FINRA and discuss the use of standardized FIX tags as a solution.

FIX Trading Community is the non-profit, industry-driven standards body (representing the entire industry including buy side, fintech providers, sell side, and trading venues) at the heart of global trading. The organization is independent and neutral, dedicated to addressing real business and regulatory issues impacting multi-asset trading in global markets through standardization, delivering operational efficiency, increased transparency, and reduced costs and risks for all market participants. Additionally, FIX is open to the support of all standards. Central to our mission is creating and maintaining robust open standards across the whole trading ecosystem. The FIX Trading Community's partnership with the Financial Information Forum (FIF) supports industry collaboration of compliance, technology and use of standards as solutions to address regulatory requirements.

The Regulatory Notice requests comment on two proposed changes to the TRACE reporting rules. The proposed changes were recommended by the Fixed Income Market Structure Advisory Committee (FIMSAC) established by the Securities and Exchange Commission.

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[1] FINRA Regulatory Notice 20-24 (July 16, 2020), available at https://www.finra.org/sites/default/files/2020-07/Regulatory-Notice-20-24.pdf ("Regulatory Notice 20-24") .

The first proposed change would require firms to "identify corporate bond trades where the price of the trade is based on a spread to a benchmark Treasury security that was agreed upon earlier in the day … and report the time at which the spread was agreed upon…."[2] . The second proposed change would require firms to "identify corporate bond trades that are a part of a larger portfolio trade."[3]

FIX involves core concepts that have supported regulatory reporting in the financial industry for many years. FIX introduced a practice of producing Extension Packs (EP) to address regulation in response to a CFTC regulation in 2012 (EP161). At that time, we created the field RegulatoryReportType(1934) to distinguish different use cases for TradeCaptureReport(35=AE) messages. It provides a regulatory context above more specific attributes such as TrdType(828) and TrdSubType(829), TrdType(828) = 50 identifies a portfolio trade that FINRA seeks to capture as an attribute.

The concept was re-used more than once since 2012 and for different regulatory environments. The first re-use was for MiFID 2 for the purpose of MMT (Market Model Typology), which ESMA is now considering to use as an EU standard for post-trade flagging. For example, it allowed to convey the fact that not all details of a trade were disclosed in the report or that a specific (deferred) report now contains full details of a trade.

The concept was used again in the context of CAT Phase 2A last year to identify the various CAT events, e.g. MENO for a new order. The purpose was again to support the distinction of use cases as defined by the regulator, in this case the SEC. The third re-use was also last year in the context of SFTR reporting in the EU. On a high level and from the perspective of the regulator, SFTR reports are about transactions and their corrections/modifications.

Another key concept is about timestamps and goes back all the way to FIX 4.4 in 2003. Since then, FIX has a dedicated component TrdRegTimestamps to capture any number of timestamps with regulatory importance. It was equally used/extended for CFTC reporting and CAT where it can now even convey the NBBO together with the timestamp of the regulatory event. Adding the capability for FINRA to capture the time of agreeing on a spread is a minimal extension to an existing concept in FIX.

More specifically relating to TRACE, FIX introduced EP209 in 2016 in support of trades executed on an Alternative Trading System (ATS) in support of FINRA TRACE and MSRB Reporting requirements. Since the publication of EP209, FIX has delivered an additional 50 extensions packs.

In summary, FIX has well-established concepts to support regulatory reporting in general. Specifically, FIX messages are able to convey characteristics of a trade that are relevant from a regulatory perspective, including timestamps for events related to a trade.

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[2] Regulatory Notice 20-24, p. 1.
[3] Regulatory Notice 20-24, p. 1.

Please reach out to me when convenient to discuss implementation of these rules and we can assist in developing standard solutions that benefit the industry.

Thank you for the opportunity to comment on Regulatory Notice 20-24.

Sincerely,

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Kathleen Callahan
FIX Operations Director
FIX Trading Community