



October 3, 2022

*Via Electronic Mail ([pubcom@finra.org](mailto:pubcom@finra.org))*

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

Re: FINRA Regulatory Notice 22-17; Request for Comment on Proposal to Shorten the Trade Reporting Timeframe for Transactions in Certain TRACE-Eligible Securities

Dear Ms. Mitchell:

The Wholesale Markets Brokers' Association, Americas ("WMBAA")<sup>1</sup> appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") proposal to shorten the trade reporting timeframe for transactions in certain TRACE-eligible securities from 15 minutes to one minute (the "Proposal").<sup>2</sup>

The WMBAA supports FINRA's efforts to increase transparency and agrees that timely trade reporting is critical in today's markets. However, we believe that shortening the reporting timeframe to one minute would interfere with WMBAA members' ability to operate fair and orderly markets. For the following reasons, the WMBAA respectfully requests that FINRA withdraw the Proposal to evaluate its impact on certain TRACE-eligible securities that have significant manual trade processing and reporting components and consider whether an exception for manually reported transactions is appropriate.

### **Overview**

While the WMBAA supports FINRA's efforts to provide timely data, we do not believe the industry is equipped to report all trades in TRACE-eligible securities within one minute. We ask that FINRA evaluate the Proposal's impact on member firms and that FINRA explore alternative methods to achieve its goals of real-time reporting. The WMBAA believes that rather than shortening the timeframe to the blunt and somewhat arbitrary deadline of one minute,

---

<sup>1</sup> The WMBAA is an independent industry body representing the largest inter-dealer brokers. The members of the group – BGC Partners, GFI Group, Tradition, and TP ICAP – operate globally, including in the North American wholesale markets, in a broad range of financial products, and have received registration as swap execution facilities. The WMBAA membership collectively employs approximately 4,000 people in the United States; not only in New York City, but in Stamford and Norwalk, Connecticut; Chicago, Illinois; Jersey City and Piscataway, New Jersey; Raleigh, North Carolina; Miami and Juno Beach, Florida; Burlington, Massachusetts; and Dallas, Houston and Sugar Land, Texas.

<sup>2</sup> FINRA Regulatory Notice 22-17 TRACE Reporting Timeframe (Aug. 2, 2022), available at <https://www.finra.org/sites/default/files/2022-08/Regulatory-Notice-22-17.pdf>.

reporting should be required as soon as technologically practicable, but not greater than 15 minutes. If data can establish that certain transactions that are consistently reported within a shorter time period, then a shorter “not greater than” limit may be appropriate. But, simply put, requiring **all** TRACE-eligible securities to be reported within one minute is not reasonable across the board and risks introducing unnecessary disruption to market liquidity and price discovery, limiting timely competitive prices to participants.

As described below, the WMBAA believes that the current 15-minute reporting timeframe is adequate given the manual processes and time-consuming nature of certain transaction protocols.

### **Discussion**

The WMBAA believes that the Proposal lacks consideration of some key components of market operation and liquidity formation that must be considered when fashioning a post-trade reporting framework. Interdealer bond brokers are intermediaries and either arrange bilaterally settled transactions between counterparties or act as a matched principal counterparty. Transaction matching and reporting is largely done manually.

Once brokers agree on prices and quantities with counterparties to the trade and the brokers agree to the details amongst themselves, their clerks compare details with the counterparties. Upon all parties agreeing on the details, the trade is reported to TRACE. Trades are then confirmed to the counterparties. The Proposal would have a disproportionate impact on firms that follow this manual process of entering and negotiating transactions, which includes all WMBAA firms in some manner. Shortening the reporting timeframe from 15 minutes to one-minute places an undue burden on brokers who are manually entering all of the information required to report a transaction. The impact of such time constraints only increases in instances of complicated, multi-party transactions, particularly in a busy market where a desk may have several transactions matching simultaneously across multiple bonds and could impact, among other things, data quality in the name of expediency over accuracy.

For example, the following transaction protocols alone require increased time and attention:

- For multiple counterparty trades, tickets must be written for each individual trade and counterparty. There may be a single counterparty on one side with multiple counterparties on the other, or multiple counterparties on both sides of the transaction.
- Each interdealer transaction will include, at a minimum, two separate reporting requirements. In many cases, there may be multiple counterparties and/or securities involved in a “trade,” exponentially increasing the number of required transactions to be reported within one minute under the Proposal. (See IG bonds below).
- The work-up trade process can take several minutes, assuming that all counterparties are on the desk to respond to the administrative aspects of a trade after the economic terms have been agreed.

- Work-ups occur in a real-time, live market environment and are exposed to error risk if the process is halted at intervals for reporting, or for reporting error risk if matching transaction data is hurried.
- Investment-grade (“IG”) bonds are quoted as a basis against an equivalent treasury security and trades in the dealer market are packaged with an accompanying hedge trade in U.S. Treasury securities. For every IG bond transaction, four tickets (buy and sell IG bond plus buy and sell UST hedge), must be produced, and the details matched prior to reporting. The Treasury trades are reported with a modifier to identify that it was a hedge for a bond trade.
- The material terms of a multi-counterparty trade are not determined until after an order has been filled so as not to disadvantage the initiator of the order.
- Bond swap trades, which include multiple instruments along with multiple buyers and seller, are time-consuming to match and compare details.
- Auction or matching session trades may not be reported until the auction or matching session has ended.

Disrupting trades to meet a reporting requirement will only hurt liquidity. In addition, it appears unlikely that member firm customers will be able to comply with a one-minute reporting requirement for manual trades. The interdealer bond market operates differently and should not be compared to the institutional or retail bond markets, stock, swap or futures markets. Many clearing and processing fees are also calculated on a per-ticket basis. Disaggregation of transactions would cause a large increase in ticket or clearing costs. The costs of upgrading or changing systems to comply with a one-minute reporting requirement may cause some intermediaries and participants to leave the market, which would also fragment liquidity.

The WMBA believes the one-minute trade reporting will forestall any potential desired disaggregation of the affected markets. Since April 12, 2019, alternative trading systems (“ATs”) have been required to report to TRACE each transaction in U.S. Treasury securities executed in trading sessions on an ATs on a disaggregated basis. Subsequently, there have been informal discussions regarding the feasibility of doing the same for other markets. If the reporting times for these markets is reduced to one-minute, we believe it will become impossible to disaggregate the markets. In a disaggregated market, the ATs owner-operator will know the exact time each transaction is matched and executed on its system. However, the member firm subscribers will remain unaware of the execution time until the matched transactions are entered into the ATs’s middle office system and post-trade messaging is sent to the subscriber by the ATs. If an ATs were able to process the trade and send the post-trade message to the subscriber within one minute, the processing lag time would likely leave the subscriber with mere seconds to receive the execution time details, process the trade, and report it. Thus, shortening the reporting time to one minute would effectively terminate any possibility of future disaggregation of these markets.

According to data provided in the Proposal, 80 to 84 percent of transactions across all types and platforms are reported within one minute of execution, as opposed to 99 to 100 percent of the industry reporting within 15 minutes.<sup>3</sup> Rather than shortening the timeframe to one minute,

---

<sup>3</sup> Proposal at 6.



reporting should be required as soon as technologically practicable, but not greater than 15 minutes. Such a requirement would still allow for timely and informative reporting of data.

\* \* \*

The WMBAA appreciates the opportunity to comment on the Proposal. We look forward to continuing to work with FINRA and its staff on future amendments or guidance.

Please feel free to contact the undersigned with any questions you may have on our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "William Shields", is written over a light grey rectangular background.

William Shields  
Chairman, WMBAA