

Trade Reporting and Compliance Engine (TRACE)

SEC Approves Rule Amendment to Create a New TRACE Security Activity Report and End-of-Day TRACE Transaction File

Effective Date: February 1, 2018

Summary

A new End-of-Day TRACE Transaction File and TRACE Security Activity Report will be made available to subscribers, each for a fee, beginning on February 1, 2018. The rule text is available in the online FINRA Manual.

Questions regarding this *Notice* should be directed to:

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- ▶ Alié Diagne, Director, TS, at (212) 858-4092 or by email at alie.diagne@finra.org; or
- ▶ for legal and interpretive questions, Cara Rosen, Counsel, Office of General Counsel, at (202) 728-8852 or by email at cara.rosen@finra.org.

For inquiries regarding how to access TRACE Data products, please contact TRACE Data Services at (888) 507-3665.

Background and Discussion

On July 11, 2017, the SEC approved an amendment to FINRA Rule 7730 to create a new End-of-Day TRACE Transaction File,¹ and on August 4, 2017, a new TRACE Security Activity Report.² FINRA's TRACE data product offerings include both real-time as well as historic data for most TRACE-eligible securities. The new TRACE data products each will be made available to members and any others that choose to subscribe for a fee, as further discussed below.

November 3, 2017

Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Fixed Income
- ▶ Research
- ▶ Trading

Key Topics

- ▶ Agency Bonds
- ▶ Corporate Bonds
- ▶ Fees
- ▶ TRACE-eligible Securities
- ▶ TRACE Transaction Data

Referenced Rules and Regulatory Notices

- ▶ FINRA Rule 6710
- ▶ FINRA Rule 7730

End-of-Day TRACE Transaction File

The new End-of-Day TRACE Transaction File is a daily file that includes all transaction data disseminated as part of Real-Time TRACE transaction data on that day.⁴ The End-of-Day TRACE Transaction File will be provided to subscribers after the TRACE system closes at the end of each trading day, and will be separately available for each data set for which Real-Time TRACE transaction data is available (*i.e.*, the Corporate Bond Data Set, the Agency Data Set, SP Data Set and Rule 144A Data Set).⁵ The new data product will include the same transaction data elements as those disseminated in Real-Time TRACE transaction data, such as the CUSIP, price, size and contra-party identifier.⁶

The End-of-Day TRACE Transaction File will be available for a fee of \$750 per month per data set, or \$250 per month per data set if the subscriber is a qualifying tax-exempt organization. Subscribers to the Vendor Real-Time Data Feed may receive at no charge the End-of-Day TRACE Transaction File for the Vendor Real-Time data set(s) to which they have subscribed.⁷

TRACE Security Activity Report

The new TRACE Security Activity Report is a monthly report, provided on a 90-day delayed basis, that provides aggregated statistics by security for corporate and agency bonds (“CA Bonds”).⁸ Specifically, the TRACE Security Activity Report will contain basic descriptive security elements for each CA Bond, such as the issuer’s name and the security’s coupon and maturity date, and the following volume and transaction related information for each security:

- ▶ total par value traded (reflecting actual volume of capped transactions (if six or more) and uncapped volume);
- ▶ par value traded of customer buys;
- ▶ par value traded of customer sells;
- ▶ par value traded of inter-dealer transactions;
- ▶ aggregate par value volume of transactions with sizes up to the dissemination cap (*i.e.*, “uncapped transactions”);
- ▶ if six or more capped transactions⁹ were disseminated during the calendar month, the aggregate par value volume of capped transactions will reflect the actual trade size of each underlying transaction within size categories of up to and including \$10 million, and over \$10 million;¹⁰
- ▶ number of unique reporting market participant identifiers (MPIDs) for trades of any size (displaying the actual number of unique MPIDs where there are six or more unique MPIDs or “1 to 5,” as applicable);

- ▶ number of unique MPIDs for disseminated capped transactions (displaying the actual number of unique reporting MPIDs where there are six or more unique MPIDs, “0” or “1 to 5,” as applicable);
- ▶ total number of transactions;
- ▶ number of customer buys;
- ▶ number of customer sells;
- ▶ number of inter-dealer transactions;
- ▶ total number of transactions with sizes over the dissemination cap;
- ▶ total number of transactions with sizes up to the dissemination cap (*i.e.*, “uncapped transactions”); and
- ▶ if six or more capped transactions, the number of capped transactions within size categories of up to and including \$10 million and over \$10 million—displayed within incremental ranges of less than or equal to 5, less than or equal to 10, less or equal to 25, less than or equal to 50, or over 50, as applicable.

The report also includes a “top five” snapshot for each CA Bond showing the percentage of the total number of transactions that is represented by the activity of the top five MPIDs for each CUSIP, and the percentage of total par value traded by the top five MPIDs for each CUSIP. The percentage of the total number of transactions and total par value traded for the top 5 MPIDs will be provided, irrespective of the number of capped transactions (*e.g.*, where there is only one MPID, the number of unique MPIDs will be displayed as “1 to 5” and both the number of transactions and par value percentages will be displayed as 100 percent). The market participants that engaged in the transactions will not be identified.

The TRACE Security Activity Report will be made available for a fee of \$750 per month, or \$250 per month for qualifying tax-exempt organizations.

Effective Date

FINRA will make both the End-of-Day TRACE Transaction File and the TRACE Security Activity Report available to subscribers beginning February 1, 2018. Thus, on February 1, 2018, the End-of-Day TRACE Transaction File will be available daily after the TRACE system closes. The TRACE Security Activity Report available on February 1, 2018, will cover statistics for the month of October 2017 due to the 90-day delay.

File layouts for the End-of-Day TRACE Transaction File and the TRACE Security Activity Report will be made available on the FINRA website by January 2, 2018.

Endnotes

1. See Securities Exchange Act Release No. 81114 (July 11, 2017), 82 FR 32728 (July 17, 2017) (Order Approving File No. SR-FINRA-2017-015).
2. See Securities Exchange Act Release No. 81318 (August 4, 2017), 82 FR 37484 (August 10, 2017) (Order Approving File No. SR-FINRA-2017-021).
3. Rule 6710 (Definitions) provides that a “TRACE-Eligible Security” is a debt security that is United States (U.S.) dollar-denominated and issued by a U.S. or foreign private issuer, and, if a “restricted security” as defined in Securities Act Rule 144(a) (3), sold pursuant to Securities Act Rule 144A; or is a debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); or a U.S. Treasury Security as defined in paragraph (p). “TRACE-Eligible Security” does not include a debt security that is issued by a foreign sovereign or a Money Market Instrument as defined in paragraph (o).
4. FINRA currently makes available a Real-Time TRACE transaction data product, which provides subscribers with access to all disseminated transactions as they are reported throughout the trading day.
5. Transaction data for U.S. Treasury securities, as defined in Rule 6710, is not disseminated as part of Real-Time TRACE transaction data, and thus, is not included in the End-of-Day TRACE Transaction File data product.
6. The data elements disseminated in Real-Time TRACE transaction data are described in the technical specifications, available at: <http://www.finra.org/industry/trace-vendor-subscriber-agreement-information>.
7. See Securities Exchange Act Release No. 81995 (November 1, 2017) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2017-033).
8. CA Bonds do not include U.S. Treasury securities and thus, are not included in the TRACE Security Activity Report.
9. Due to transaction confidentiality concerns, FINRA has applied “dissemination caps” and does not disseminate in its real-time TRACE transaction data the actual size (volume) of transactions over a certain par value. Specifically, for transactions in investment grade corporate bonds and in agency bonds over a 5 million dollar par value, TRACE disseminates the size as “5MM+.” For transactions in non-investment grade corporate bonds over a 1 million dollar par value, TRACE disseminates the size as “1MM+.” For capped transactions, actual volumes for CA Bonds are not made available today until 6 months after the transaction in the Historic TRACE Data Product.
10. These incremental ranges and size categories may be adjusted in the future based on FINRA’s experience with the data product.