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February 15, 2024

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1091

Re: Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting) to Reduce the 15-Minute TRACE Reporting Timeframe to One Minute (Release No. 34-99404; **File No. SR-FINRA-2024-004**); Notice of Filing of a Proposed Rule Change to Amend MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB (Release No. 34-99402; **File No. SR-MSRB-2024-01**)

Dear Ms. Countryman:

The Investment Company Institute¹ is writing to respond to the Financial Industry Regulatory Authority's (FINRA) and the Municipal Securities Rulemaking Board's (MSRB) filings to reduce the trade reporting timeframe from as soon as practicable but no later than 15 minutes to no later than one minute for certain transactions reported to the Trade Reporting and Compliance Engine (TRACE) and the Real-Time Transaction Reporting System (RTRS), respectively.² ICI members are significant participants in the fixed income securities markets and may invest in, among other securities, corporate bonds, agency debt securities, asset-backed securities (ABS), and agency pass-through mortgage-backed securities traded to-be-announced for good delivery

¹ The [Investment Company Institute](https://www.ici.org) (ICI) is the leading association representing regulated investment funds. ICI's mission is to strengthen the foundation of the asset management industry for the ultimate benefit of the long-term individual investor. ICI's members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage \$33.2 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 100 million investors. Members manage an additional \$8.5 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as investment advisers to certain collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI has offices in Washington DC, Brussels, and London and carries out its international work through [ICI Global](https://www.ici.org).

² Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 6730 (Transaction Reporting) To Reduce the 15-Minute TRACE Reporting Timeframe to One Minute, Exchange Act Release No. 99404, 89 Fed. Reg. 5034 (Jan. 25, 2024), available at <https://www.govinfo.gov/content/pkg/FR-2024-01-25/pdf/2024-01395.pdf> ("FINRA Notice"); Notice of Filing of a Proposed Rule Change To Amend MSRB Rule G-14 To Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB, Exchange Act Release No. 99402, 89 Fed. Reg. 5384 (Jan. 26, 2024), available at <https://www.govinfo.gov/content/pkg/FR-2024-01-26/pdf/2024-01394.pdf> ("MSRB Notice").

(TBAs), transactions in all of which are reported to and publicly disseminated via TRACE. ICI members are also significant participants in the municipal securities market, transactions in which are reported to RTRS and publicly disseminated via the Electronic Municipal Market Access website (EMMA). Further, while ICI members may not bear the direct burden of trade reporting obligations, ICI members utilize TRACE and RTRS/EMMA data and some may use such data to inform trading or to conduct post-trade cost analysis. For all these reasons, ICI members have a strong interest in ensuring the integrity, quality, and well-functioning of the fixed income securities markets.

ICI previously filed a comment letter in response to FINRA's and MSRB's proposals requesting comment on shortening the reporting timeframes.³ While ICI members are generally in favor of increased transparency in the fixed income markets and more robust reporting that will increase the reliability of publicly available information, certain ICI members had concerns regarding the potential effects that broadly reducing the trade reporting timeframe to one minute may have.⁴ The ICI letter therefore recommended that FINRA and MSRB adopt a measured and phased approach in implementing any changes to trade reporting and dissemination, similar to what each has done over the past two decades, and that any shortened trade reporting timeframe should be implemented through an incremental, data-driven approach, with a focus on the impacts, by asset class and transaction size, that reduced reporting times may have on liquidity, market structure, and execution quality.⁵

ICI appreciates that both FINRA and MSRB have responded to ICI's comments and amended the filings accordingly. Both filings include trade data that has been analyzed, not merely from a

³ Letter from Sarah A. Bessin, Associate General Counsel, ICI, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, and Ronald W. Smith, Corporate Secretary, MSRB (Oct. 3, 2022), available at https://www.finra.org/sites/default/files/NoticeComment/Investment%20Company%20Institute_Sarah%20A.%20Bessin_10.3.2022_22-17.pdf ("ICI Letter"). ICI filed one letter in response to both FINRA's and MSRB's proposals: FINRA, *TRACE Reporting Timeframe*, FINRA Regulatory Notice 22-17 (Aug. 2, 2022), available at <https://www.finra.org/rules-guidance/notices/22-17#notice>; MSRB, *Request for Comment on Transaction Reporting Obligations under MSRB Rule G-14*, MSRB Notice 2022-07 (Aug. 7, 2022), available at <https://www.msrb.org/-/media/Files/Regulatory-Notices/RFCs/2022-07.ashx?n=1>.

⁴ Certain members of ICI raised concerns that an across the board one minute reporting timeframe could negatively affect liquidity and execution quality, as dealers may have insufficient time to hedge their positions or allocate risk with respect to large-sized trades or transactions in thinly traded securities and therefore lead to less willingness by dealers to provide liquidity for large-sized trades or transactions in thinly traded securities at competitive spreads. This could, in turn, result in reduced execution flexibility and forcing a significant notional volume of the fixed income markets to potentially migrate to electronic execution venues, even if that is not the best outcome. Additionally, there were also concerns with reliability of reported data if, from an operational standpoint, trades with a manual component could not be accurately reported within one minute.

⁵ ICI examined historical trade reporting times for corporate bonds and ABSs and found that significantly more of the trading volume would be affected by FINRA's proposal than the overall market impact FINRA suggested. See ICI Letter at 7-10. Based on these findings, ICI recommended that FINRA and MSRB should assess the data based on notional trade volumes to determine the overall market impact of shortened reporting timeframes and examine the attributes of large trades and trades in less liquid securities that are currently reported later than one minute before requiring a shorter reporting time for these transactions. According to feedback from ICI's members, these trades are often effected via voice or other non-electronic methods and requiring a one-minute reporting timeframe likely would have an outsized impact on these trades and associated liquidity and price volatility.

total trade count perspective, but based on volume and size as well. Further, FINRA has provided additional analysis in its filing with respect to security-type that was not included in the original proposal.⁶ FINRA's and MSRB's analysis appears to validate ICI's concerns that a unilateral reduction to a one-minute reporting timeframe could create undue burdens on execution quality and liquidity with respect to large volume trades or trades in less liquid securities where execution often involves manual processes. In response, FINRA and MSRB have proposed a "manual trade" exception that will maintain for manual trades the current 15-minute outer limit reporting timeframe for one year after the compliance date of any final amendments, followed by a 10-minute reporting timeframe for an additional year, and a 5-minute reporting timeframe thereafter.

ICI believes that FINRA's and MSRB's proposed manual trade exception, with a shortened reporting timeframe being implemented in a phased manner over time, is an appropriate balance between shortening reporting timeframes and avoiding disruption to the marketplace or causing undue burdens. However, ICI believes strongly that FINRA and MSRB must provide opportunities for funds, advisers, and other market participants to submit data and comments as the timeframe for reporting manual trades is reduced. FINRA states that it will "assess members' trade reporting in connection with manual trades to determine whether the five-minute trade reporting timeframe (to become applicable after two years) is appropriate, and will be prepared to make adjustments, as necessary."⁷ MSRB uses different language, but states a similar intent.⁸ Neither FINRA nor MSRB, however, states explicitly how each will engage with market participants and determine whether the manual trade exception reporting timeframe should continue to be reduced. ICI is concerned that this lack of precision could lead to an "autopilot" effect of reducing the reporting timeframe without funds, advisers, and other market participants having an opportunity to comment or provide data demonstrating the impact of reduced timeframes.

To address this issue, ICI recommends that FINRA and MSRB propose for notice and comment each reduced outer limit timeframe for the manual trade exception to allow funds, advisers, and other market participants the opportunity to submit valuable data and comments prior to FINRA or MSRB potentially shortening the reporting timeframe. Importantly, FINRA and MSRB must consider that these rules will not be implemented in isolation, but will be implemented alongside other significant rules that have recently been adopted, such as the shortened securities

⁶ Because MSRB only oversees municipal securities, security-type analysis was not lacking from its original proposal.

⁷ FINRA Notice, 89 Fed. Reg. at 5036.

⁸ See MSRB Notice, 89 Fed. Reg. at 5390 ("If the proposed rule change is approved, the MSRB [will] be reviewing the available trade reporting information and data arising from implementation of the changes to trade reporting introduced by the proposed rule change, including but not limited to the two exceptions to the one-minute reporting requirement, as well as marketplace developments, feedback from market participants, and examination or enforcement findings from the Commission, FINRA and the other appropriate regulatory agencies. Such monitoring would inform any further potential changes by the MSRB to the trade reporting requirements.").

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settlement cycle (T+1),⁹ and potentially other rules that have been proposed, such as Regulation Best Execution and rules related to the implementation of the Basel III framework.¹⁰ All of these rules, if adopted, will have a significant impact on fixed income market structure and available liquidity, particularly liquidity offered by dealers. Providing explicit provisions for market participants to submit data and comments reflecting any impact that shortening the reporting timeframe would have—prior to further reducing the timeframe—would allow FINRA and MSRB to assess market impact in a data-driven manner before proceeding, as both regulators have historically done. While data and comments submitted may support moving forward with the reduced reporting timeframe for manual trades, such information may also demonstrate that a longer timeline is necessary. Additionally, such information will likely be useful in informing future rulemakings as well.

We appreciate the opportunity to comment on the FINRA and MSRB filings to shorten the reporting timeframes in TRACE and RTRS, respectively. If you have any questions or require further information regarding our comments, please do not hesitate to contact Sarah A. Bessin, Deputy General Counsel, at sarah.bessin@ici.org, or Kevin Ercoline, Assistant General Counsel, at kevin.ercoline@ici.org.

Regards,

/s/ Sarah A. Bessin
Sarah A. Bessin
Deputy General Counsel

/s/ Kevin Ercoline
Kevin Ercoline
Assistant General Counsel

cc: Lauren Schreur, Associate General Counsel, Office of General Counsel, FINRA
Ernesto Lanza, Chief Regulatory and Policy Officer, MSRB
Haoxiang Zhu, Director, Division of Trading and Markets, SEC

⁹ Shortening the Securities Transaction Settlement Cycle, Exchange Act Release No. 96930, 88 Fed. Reg. 13872 (March 6, 2023), available at <https://www.govinfo.gov/content/pkg/FR-2023-03-06/pdf/2023-03566.pdf>.

¹⁰ Regulation Best Execution, Exchange Act Release No. 96496, 88 Fed. Reg. 5440 (Jan. 27, 2023), available at <https://www.govinfo.gov/content/pkg/FR-2023-01-27/pdf/2022-27644.pdf>; Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity, 88 Fed. Reg. 64028 (Sept. 18, 2023), available at <https://www.govinfo.gov/content/pkg/FR-2023-09-18/pdf/2023-19200.pdf>.