

[Securities Regulation Daily Wrap Up, BROKER-DEALERS—FINRA seeks TRACE reporting of secondary Treasury transactions, \(Jul. 20, 2016\)](#)

Securities Regulation Daily Wrap Up

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FINRA has filed a proposed rule change with the SEC to expand the Trade Reporting and Compliance Engine (TRACE) reporting rules to include most secondary market transactions in marketable U.S. Treasury securities. Under the proposed rule change, transaction information would only be reported to official sources and would not be disseminated to the public.

"Flash crash" response. The [proposing release](#) notes that despite being the world's deepest and most liquid government securities market, no complete public repository or audit trail exists for information on transactions in U.S. Treasury securities. Following the "flash crash" in Treasury securities on October 15, 2014, an interagency working group led by the Treasury Department analyzed both the conditions that contributed to the unusual volatility and the structure of the market for Treasury securities more generally. The Treasury Department then [solicited public comment](#) on the need for structural changes to the market, including whether public dissemination of transaction data would be beneficial.

Following receipt of the comment letters, the Treasury Department and the SEC [announced](#) on May 16 that they were requesting that FINRA consider a proposal to require member broker-dealers to report Treasury cash market transactions to a centralized repository. The proposed rule change represents FINRA's proposal in response to that request.

Proposed reporting requirements. FINRA is proposing to amend the TRACE rules to require the reporting of transactions in all Treasuries with the exception of savings bonds. The amendments would require reportable TRACE transactions in U.S. Treasury Securities generally to be reported on the same day as the transaction on an end-of-day basis. Because FINRA is not currently proposing to disseminate any trade-level information to the public regarding transactions in U.S. Treasury Securities, the proposed rule change generally imposes a same-day reporting requirement as opposed to a more immediate requirement, such as 15 minutes.

The proposed rule change follows the current TRACE reporting structure, which requires that any party to the transaction that is a FINRA member report the transaction to TRACE. If two or more FINRA members are parties to the transaction, then each member will have an independent obligation to report. FINRA believes that this reporting structure helps to ensure the accuracy of reported transactions and significantly enhances the quality of the audit trail.

Debate over public dissemination. The release notes that substantial disagreement exists concerning the potential benefits of public dissemination of information on transactions in U.S. Treasury Securities. Although the responses expressed broad support for more comprehensive reporting to regulators, many commenters had expressed concerns about public dissemination of these transactions. These concerns are heightened when some, but not all, market participants are reporting transactions, since Treasuries are traded not only by broker-dealers but by commercial bank dealers and principal trading firms that are not registered as broker-dealers with the SEC or FINRA. Consequently, FINRA has proposed to add transactions in U.S. Treasury Securities to the list of transactions for which information will not be disseminated to the public.

Effective date. If the SEC approves the proposal, FINRA will announce the effective date of the rule change in a Regulatory Notice published no later than 90 days following Commission approval. The implementation date will be no later than 365 days following Commission approval.

RegulatoryActivity: BrokerDealers ExchangesMarketRegulation