Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2025 - * 008
Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☑	☐	☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting)

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Lauren
Last Name * Schreur
Title * Associate General Counsel
E-mail * lauren.schreur@finra.org
Telephone * (240) 386-6881
Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 06/10/2025

By Racquel Russell
(Name *)

(Title *)
Senior Vice President & Director Capital Market

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Racquel Russell
Digitally signed by Racquel Russell
Date: 2025.06.10 15:23:58 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View FINRA-2025-008 19b-4.docx	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View FINRA-2025-008 Exhibit 1.docx	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2- Notices, Written Comments, Transcripts, Other Communications Add Remove View	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. ☐ Exhibit Sent As Paper Document
Exhibit 3 - Form, Report, or Questionnaire Add Remove View	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. ☐ Exhibit Sent As Paper Document
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View FINRA-2025-008 Exhibit 5.docx	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act"),[1] the Financial Industry Regulatory Authority, Inc. ("FINRA") is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change to amend FINRA Rule 6730 (Transaction Reporting) to maintain the currently effective 15-minute outer limit timeframe for reporting TRACE-eligible securities covered by File No. SR-FINRA-2024-004 and to provide a streamlined alternative for reporting and dissemination in connection with specified allocations of an aggregate order in a TRACE-eligible security to multiple managed customer accounts.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Chief Legal Officer of FINRA authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. The effective date of the proposed rule change also will apply to the provisions amended in File No. SR-FINRA-2024-004, as further amended by the instant filing.

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[1] 15 U.S.C. 78s(b)(1).

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Background

On September 20, 2024, the Commission issued an order approving proposed rule change SR-FINRA-2024-004, as modified by Partial Amendment No. 1, to amend FINRA Rule 6730 to reduce the 15-minute TRACE reporting outer limit timeframe for fully electronic trades to one minute, with a later deadline for manual trades and firms with limited trading activity.[2] As approved by the Commission, where a trade qualified for the manual trades exception, a 15-minute outer limit would apply for the first year following implementation; a 10-minute outer limit would have applied for the second and third years; and a five-minute outer limit would have applied thereafter.[3] Under File No. SR-FINRA-2024-004, FINRA also adopted a requirement that members append a new manual trade indicator to identify all manual trades. The amendments were intended to modernize the TRACE reporting rules, while providing additional time for reporting trades that were not fully electronic from end to end and for firms with limited trading activity.

Following the approval of File No. SR-FINRA-2024-004, FINRA continued its engagement with members regarding TRACE reporting timeframes, and members raised

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2 See Securities Exchange Act Release No. 101121 (September 20, 2024), 89 FR 78930 (September 26, 2024) (Order Approving File No. SR-FINRA-2024-004) ("Approval Order"). The reporting timeframe reductions of File No. SR-FINRA-2024-004 would only have applied to TRACE-eligible securities that are currently subject to the 15-minute outer limit reporting threshold under Rule 6730(a)(1).

3 See Rule 6730.09(b); see also, Approval Order, 89 FR 78930, 78931.

several additional concerns and questions in connection with aspects of the approved reporting regime. Specifically, members provided additional insights into the workflows that impact the current feasibility of one-minute reporting for certain fully electronic trades and five-minute reporting for manual trades. In this regard, members discussed, among other things, challenges to reporting within one-minute fully electronic transactions with more complex workflows (such as allocations to managed customer accounts or portfolio trades).

Members also discussed challenges to faster reporting for trades executed by telephone, email, or through a chat/messaging function where some or all of the trade details must be manually entered to book the trade or report it to TRACE. Firms' challenges varied depending on firm characteristics, such as firm size and business model. Members further noted that the amendments compounded compliance concerns given the rigors of the condensed reporting timeframes. In this context, members also noted FINRA's current approach to late report marking, which marks as late any corrections made to a disseminated field if such corrections were entered outside of the reporting timeframe (even where the initial trade was reported within the reporting timeframe).[4]

As a result, FINRA has determined that it is appropriate at this time to maintain the currently effective TRACE reporting standard requiring members to report

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4 In response to these comments, FINRA is updating TRACE system logic with respect to trade corrections so that trade report timeliness is determined based only on the time of submission of the original trade report. Therefore, a member's trade report will no longer be marked late if the member makes a correction to a disseminated field outside of the reporting timeframe applicable to the original transaction (so long as the transaction was reported originally on a timely basis).

transactions as soon as practicable, but no later than within 15 minutes of the Time of Execution[5] of the transaction for all types of trades (i.e., manual, hybrid, and fully electronic trades) that are currently subject to Rule 6730(a)(1). In addition, FINRA is proposing to implement additional responsive measures to address concerns raised to FINRA during its engagement process. Therefore, FINRA is filing this proposed rule change to: (1) amend Rule 6730 to maintain the currently effective 15-minute outer limit timeframe for reporting transactions in the securities impacted by File No. SR-FINRA-2024-004; and (2) adopt new Rule 6730.08 to provide a streamlined alternative for reporting and dissemination in connection with specified allocations of an aggregate order in a TRACE-Eligible Security to multiple managed customer accounts.

Proposed Changes

Reporting Timeframes

As discussed above, FINRA is proposing amendments to Rule 6730 to maintain the currently effective TRACE reporting outer limit timeframe for the securities transactions subject to Rule 6730(a)(1)—i.e., continuing to require that members report impacted transactions to TRACE as soon as practicable, but no later than within 15 minutes from the Time of Execution. Therefore, FINRA is amending Rule 6730(a) and subparagraphs (a)(1)(B) and (C) to delete references to "one minute" and replace them with "15 minutes." FINRA also is amending Rule 6730 to: (i) delete paragraph (d)(4)(I)

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5 See Rule 6710(d). Under Rule 6710(d), the "Time of Execution" generally means the time when the parties to a transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade. For transactions involving TRACE-Eligible Securities, as defined by Rule 6710(a), that are trading "when issued" on a yield basis, the "Time of Execution" is when the yield for the transaction has been agreed to by the parties to the transaction.

(Manual Trade Indicator) to remove the requirement that members append a manual trade indicator; (ii) delete Supplementary Material .08 (Exception for Members with Limited Trading Activity), which would have retained a 15-minute outer limit reporting timeframe for firms with de minimis trading activity; and (iii) delete Supplementary Material .09 (Exception for Manual Trades), which would have provided additional reporting time for trades other than fully electronic trades.

To continue to work with members to support timely and efficient trade reporting, FINRA has an established dedicated email inbox—"bondreporting@finra.org"—where members and their service bureaus can self-identify reporting issues. This proactive engagement can help to avoid late trade reporting inquiries from FINRA, reducing the time firms spend responding to inquiries. Self-reporting in this manner is voluntary but continues to be encouraged. FINRA is exploring ways to enhance its processes to improve the ability of members and their service bureaus to identify different types of challenges or issues, including those that may not be systematic or widespread (e.g., manual errors).

FINRA remains committed to encouraging timely reporting—i.e., as soon as practicable following the execution of a transaction—to facilitate the benefits to transparency that result. As discussed above, FINRA believes that the proposed rule change is appropriate at this time in light of the additional information obtained since File No. SR-FINRA-2024-004 was approved, to be responsive to members' concerns, and to ensure that FINRA takes a measured and informed approach to significant modifications to TRACE reporting requirements. FINRA also anticipates that members who elect to avail themselves of the proposed reporting alternative for allocation trades will benefit from a more streamlined approach that should improve their trade reporting processes and efficiency. In addition, the modifications to TRACE system marking logic should provide for a focused view on the timeliness of the initial report. FINRA will continue its engagement with members and monitor and study developments in the market for TRACE-Eligible Securities, including changes in reporting timeframes.

Aggregate Reporting for Allocation Trades

FINRA is proposing to amend Rule 6730 to add new Supplementary Material .08 (Reporting Allocation Trades) to permit a member that is both a broker-dealer and an investment adviser ("BD/IA") to report allocations of specified orders to managed customer accounts in a streamlined manner. Specifically, proposed Supplementary Material .08 would provide that a member BD/IA may report allocations of an aggregate order in a TRACE-Eligible Security to multiple managed customer accounts in a single, aggregate TRACE trade report (in lieu of separately reporting allocations to each managed customer account). Under the proposal, an aggregate TRACE trade report must reflect allocations with the same price and Time of Execution and be submitted to TRACE within the timeframes specified in Rule 6730(a).[6] In addition, Rule 6730(c)

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6 See, e.g., FAQ 3.1.47, Scenario 1, FINRA Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at https://www.finra.org/filing-reporting/trace/faq, ("When reporting the sales of securities to the various managed customer accounts, the time of execution is the time the material terms of the transaction are determined. If BD/IA A finalizes the allocation with respect to each managed customer account (thereby establishing the material terms of the transaction as to each customer) before or at the same time it submits the aggregate order to its trading desk (to purchase from the Street), the time of execution of the sales to individual managed customer accounts is the same time of execution reported for the aggregate purchase. If such allocations (as to the material terms with respect to each managed customer account) are not finalized before or at the same time as the aggregate order (to

would be updated to require that the aggregate trade report include the number of managed customer accounts to which the TRACE-Eligible Security is being allocated.

The below examples illustrate the operation of the proposed reporting alternative.

- Scenario 1: BD/IA A is both a BD and an IA and operates as one legal entity. BD/IA A directs its trading desk to purchase an aggregate amount of $5 million (par value) in bonds from the Street (or otherwise obtain the bonds). BD/IA A then sells portions of the aggregate amount to 20 managed customer accounts at BD/IA A ($250,000 to each account, in accordance with the allocation instructions). The sales to the managed customer accounts are all executed at the same price and do not reflect a mark-up or commission.
    - TRACE reporting under the proposal: BD/IA A reports the purchase (from the Street or another source) of the $5 million in bonds to TRACE, as it would today. In the above scenario, if BD/IA A chooses to report the sale to the 20 managed customer accounts pursuant to proposed Rule 6730.08 in lieu of reporting to TRACE 20 separate sales to its customers' managed accounts, BD/IA would report a sale of $5 million in bonds to a customer in a single aggregate trade report and include the number of managed accounts to which the aggregated order is being allocated pursuant to proposed Rule 6730(c)(14) (i.e., 20). The BD/IA also would include the "no renumeration" indicator pursuant to Rule 6730(d)(4)(F) and all other

purchase from the Street), the time of execution of the sales to individual managed customer accounts is the time such allocations are finalized.").

information required to be reported pursuant to Rule 6730(c) and the TRACE User Guide and Technical Specifications.

- Scenario 2: BD/IA A is both a BD and an IA and operates as one legal entity. BD/IA A directs its trading desk to purchase an aggregate amount of $6 million (par value) in bonds from the Street (or otherwise obtain the bonds).
    - BD/IA A purchases $3 million in bonds from BD B at 11:57:03am
    - BD/IA A purchases $2 million in bonds from BD C at 11:57:07am
    - BD/IA A purchases $1 million in bonds from BD D at 11:57:14am

  At 11:57:15am, BD/IA A then sells portions of the aggregate amount to 20 managed customer accounts at BD/IA A ($300,000 to each account, in accordance with the allocation instructions). The sales to the managed customer accounts are all executed at the same price and do not reflect a mark-up or commission.

    - TRACE reporting under the proposal: BD/IA A reports the purchases from BD B of the $3 million in bonds, BD C of the $2 million in bonds, and BD D of the $1 million in bonds to TRACE, as it would today. In the above scenario, if BD/IA A chooses to report the sale to the 20 managed customer accounts pursuant to proposed Rule 6730.08 in lieu of reporting to TRACE 20 separate sales to its customers' managed accounts, BD/IA would report a sale of $6 million in bonds to a customer in a single aggregate trade report,[7] include the number of managed accounts to which

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[7] Dissemination is subject to transaction size caps over which the actual size of a transaction will not be included in the real-time TRACE transaction data (i.e., $5 million (par value) for investment grade corporate bonds and $1 million (par value) for non-investment grade corporate bonds). For trades above the

the aggregated order is being allocated pursuant to proposed Rule 6730(c)(14) (i.e., 20), include the "no renumeration" indicator pursuant to Rule 6730(d)(4)(F), and include all other information required to be reported pursuant to Rule 6730(c) and the TRACE User Guide and Technical Specifications.[8]

FINRA believes that the proposed alternative approach will streamline reporting, thereby improving efficiency and removing unnecessary burdens. The proposed rule change also may improve transparency by removing reports with low utility from dissemination (to the extent that firms avail themselves of this alternative), while continuing to ensure that the allocation associated with the aggregate order is reported and disseminated to the market, without the loss of price information. FINRA also notes that reporting pursuant to this alternative approach is voluntary; therefore, depending on a member BD/IA's business and determinations regarding burdens and benefits, a member may choose to continue to report individual allocations as it does today or to modify its practices to begin reporting on an aggregate basis pursuant to this proposed rule change. Member BD/IAs also will have the flexibility on a case-by-case basis to choose whether

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dissemination caps, FINRA disseminates the size of the trade as "5MM+" (for investment grade) and "1MM+" (for non-investment grade). The uncapped transaction sizes become available as part of the Historic Corporate Bond Data Set six months after the calendar quarter in which the transactions are reported. See Rule 7730(d).

8 FINRA's TRACE FAQs currently address a variety of allocation scenarios. FINRA will update its FAQs to illustrate the operation of new Supplementary Material, if the proposed rule change is approved by the Commission. See FINRA Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at https://www.finra.org/filing-reporting/trace/faq.

to report a particular transaction on an aggregate basis pursuant to proposed Rule 6730.08 or whether to report the allocations to managed customer accounts individually.

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. The effective date of the proposed rule change also will apply to the provisions amended in File No. SR-FINRA-2024-004, as further amended by the instant filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[9] which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating transactions in securities, and, in general, to protect investors and the public interest, and Section 15A(b)(9) of the Act,[10] which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate.

FINRA believes the proposed rule change related to reporting timeframes is in the public interest and consistent with Section 15A(b)(6) of the Act because it addresses the additional concerns and questions raised by members in connection with aspects of the approved reporting regime, including related to the workflows that impact the current feasibility of one-minute reporting for certain fully electronic trades and five-minute reporting for manual trades. FINRA understands that MSRB similarly is proposing a rule

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[9] 15 U.S.C. 78o-3(b)(6).

[10] 15 U.S.C. 78o-3(b)(9).

change that would provide for a 15-minute outer limit for the reporting of municipal securities. Therefore, the proposed rule change maintains consistency between the regimes applicable to covered TRACE-Eligible Securities and municipal securities, thereby fostering cooperation and coordination with persons engaged in regulating transactions in securities, consistent with Section 15A(b)(6) of the Act. In addition, FINRA believes that the proposed rule change is consistent with Section 15A(b)(9) of the Act and does not impose any burden on competition that is not necessary or appropriate in that it is intended to alleviate compliance challenges and avoid potential unintended consequences—particularly given the prevalence of manual and hybrid trading workflows for the impacted securities. Therefore, FINRA believes that the proposed rule change related to reporting timeframes helps achieve the purposes of the Act and is appropriate at this time given the additional information obtained since the approval of File No. SR-FINRA-2024-004 and to be responsive to members' feasibility and compliance concerns.

FINRA also believes that the proposed alternative reporting regime to permit members to report allocations of an aggregate order to multiple managed customer accounts with the same Time of Execution and price as a single, aggregate TRACE trade report is consistent with the Act. Specifically, FINRA believes the alternative reporting regime is in the public interest and consistent with Section 15A(b)(6) of the Act because it should improve transparency (to the extent that firms avail themselves of this alternative) by removing reports with low utility from dissemination while continuing to ensure that the allocation associated with the aggregate order is reported and disseminated to the market, without the loss of pricing information. FINRA also believes that the proposed rule change is consistent with Section 15A(b)(9) of the Act and does not impose any burden on competition that is not necessary or appropriate in that the proposed reporting alternative is intended to streamline reporting, improve reporting efficiency, and remove unnecessary burdens. Therefore, FINRA believes that the proposed rule change is consistent with the Act as it maintains valuable transparency while reducing burdens on members.

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the regulatory need for the proposed rule change, its potential economic impacts, and the alternatives considered in assessing how to best meet FINRA's regulatory objectives.

Regulatory Need

Reporting Timeframes

As discussed previously, in recognition of the concerns raised through continued engagement with member firms and other market participants regarding the feasibility of shorter TRACE reporting timeframes, FINRA is proposing to maintain the currently effective reporting requirement of as soon as practicable, but no later than within 15 minutes from the Time of Execution for all trades in TRACE-Eligible Securities that are currently subject to Rule 6730(a)(1). The proposed rule change also would prevent potential loss associated with unsuccessful expenditures undertaken to meet the shorter reporting timeframe obligations. The proposed rule change would address these potential impacts, to the extent embedded in the approved but not yet effective reporting rules and is thus consistent with FINRA's measured approach to enhancing TRACE reporting requirements, carefully balancing transparency benefits against potential operational impacts in the fixed income market.

Aggregate Reporting for Allocation Trades

As discussed above, currently, if a BD/IA executes a trade for multiple customer accounts as part of an aggregate order and then allocates portions of the aggregate amount to various managed customer accounts at the BD/IA, it is required to separately report the individual allocations to TRACE. Depending on the number of managed accounts to which the bonds are being allocated, the BD/IA may be required to report a large number of separate transactions within the applicable trade reporting timeframe. This can pose operational challenges for firms, particularly those managing numerous accounts. Moreover, when individual allocations reflect the same price and Time of Execution in connection with the same order, separate reporting does not provide additional insight into the price of the traded security.

Permitting firms to submit an aggregate allocation report as an alternative to submitting a separate report for each individual allocation trade, as discussed herein, would reduce the number of reports required to be submitted to TRACE and could therefore increase reporting efficiency for members without compromising the availability of important transparency or regulatory information.

Economic Baseline

Reporting Timeframes

As discussed above, the Commission approved File No. SR-FINRA-2024-004 to amend FINRA Rule 6730 to reduce the 15-minute TRACE reporting outer limit timeframe for fully electronic trades to one minute, with a later deadline for manual trades and firms with limited trading activity; this rule change was never implemented by FINRA.[11] Therefore, members have continued to be required to report transactions in TRACE-Eligible Securities that are subject to Rule 6730(a)(1) within the 15-minute outer limit reporting timeframe. As such, the proposed rule change would maintain the status quo for impacted member firms.

Aggregate Reporting for Allocation Trades

FINRA estimated the number and dollar par value of allocation trades in TRACE-Eligible Securities between July 2023 and June 2024, as well as the number of market participant identifiers engaging in allocation trades covered by the proposed rule change.[12] Approximately 117 market participant identifiers reported 7,570,097 allocation trades that represented $205.4 billion in total par value traded. Among these reports, 39.53 percent were corporate and agency trades,[13] 6.77 percent were securitized product

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11 See supra notes 2-3 and accompanying text.

12 An allocation flag does not exist in TRACE; therefore, FINRA used heuristics to approximate allocation trades. Specifically, FINRA identified as allocation trades agency trades where a dually registered single market participant identifier reported two or more customer-facing trades in a unique security with the same execution price, time of execution, and report side (excluding trades with renumeration and reported by an electronic platform). FINRA believes this approach is more likely to represent a high estimate of impacted trades.

13 See Rule 6710(l).

trades,[14] and 53.70 percent were transactions in U.S. Treasury Securities.[15] The 10 most active TRACE reporters among the 117 market participant identifiers accounted for 97.88 percent of the allocation trades and 79.48 percent of the allocation trade dollar volume.[16]

Economic Impacts

Reporting Timeframes

The proposed rule change maintains the currently effective TRACE reporting outer limit timeframe for transactions in TRACE-Eligible Securities that are subject to Rule 6730(a)(1), and therefore there is no economic impact compared to the current economic baseline for reporting to TRACE. As discussed above, the proposed rule change is intended to be responsive to members' feasibility concerns, alleviate compliance challenges, and avoid potential unintended consequences. It balances transparency benefits with practical implementation considerations identified through member feedback. It also reduces the compliance costs that member firms otherwise would incur to implement File No. SR-FINRA-2024-004. To the extent that any firms allocated resources toward system and procedural enhancements to accommodate the anticipated changes in TRACE reporting requirements under File No. SR-FINRA-2024-004, these investments may impact the amount of any potential cost savings from this proposal. However, FINRA notes that it announced its intention to not set an

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14 See Rule 6710(m).

15 See Rule 6710(p).

16 To determine the most active participants, the participants were sorted based on the number of unique allocations they reported.

implementation date and to make substantive changes to the amendments a few months following the approval of File No. SR-FINRA-2024-004.[17]

Aggregate Reporting for Allocation Trades

Potential Benefits

As noted above, a significant number of market participant identifiers engage in allocation trades and therefore may benefit from the proposed rule change to permit them to streamline their reporting.[18] The reduction in the number of reports that would otherwise be reported would improve members' ability to timely report these transactions within the applicable reporting timeframe while continuing to ensure that the allocation associated with the aggregate order is reported and disseminated to the market, without the loss of price information.

Potential Costs

Aggregating reports pursuant to the proposed rule change will be optional for firms; therefore, the proposed rule change will not impose costs on members that prefer not to avail themselves of this approach. Member firms that choose to avail themselves of the aggregate reporting alternative could incur costs associated with making any necessary system or process changes and presumably would choose to incur any such costs because the expected benefits exceed the expected costs of implementation.

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17 See Robert Cook, Updating Trace Reporting Timeframes (February 5, 2025), available at https://www.finra.org/media-center/blog/updating-trace-reporting-timeframes.

18 In particular, the average allocation contains 15.52 trades. If all of these trades were reported pursuant to the proposed alternative reporting regime, the total number of trade reports would have been reduced from 7,570,097 to 487,625.

As discussed above, under the proposed alternative, FINRA would disseminate the number of managed accounts to which the securities would be allocated and the aggregate volume of securities allocated, but the individual volume allocated to each managed customer account would not be disseminated. On balance, FINRA believes that the proposed reporting alternative is appropriate as it continues to ensure that the allocation associated with the aggregate order is reported and disseminated to the market, without the loss of price information.

FINRA also considered potential competitive effects the proposed rule change might have within impacted member firms as well as between impacted and unimpacted member firms. The proposed rule change would provide BD/IAs with the option to significantly streamline allocation reporting by permitting them to submit a single allocation trade report (similar to the single report members trading with a separate investment advisor are currently required to submit). Although the proposed rule change would apply equally to all impacted members, the potential effect could differ depending on the business of the member. FINRA believes that any differential competitive effects the rule might have on impacted members with different usage of allocations would be mitigated by the voluntary nature of proposed reporting changes. Hence, FINRA does not believe the proposed rule would create significant competitive effects.

<u>Alternatives Considered</u>

<u>Reporting Timeframes</u>

In developing the proposed rule change, FINRA considered extending the reporting timeframe for manual trades from the ultimate five-minute outer limit under File No. SR-FINRA-2024-004 (<u>e.g.</u>, to 10 or 15 minutes) and maintaining the one-minute outer limit requirement for fully electronic transactions. This approach would address feasibility concerns relevant to reducing the reporting timeframe for trades involving manual intervention but would not address the feasibility issues raised by members related to other types of transactions. Considering these factors, FINRA decided to maintain the currently effective 15-minute outer limit requirement for all trades in covered TRACE-Eligible Securities.

Aggregate Reporting for Allocation Trades

In developing the proposed rule change, FINRA considered various alternatives and the potential costs and benefits of those alternatives. Among other things, FINRA considered permitting BD/IAs to report an aggregate allocation report and identifying it as such, without providing the number of accounts to which the securities will be allocated; however, FINRA believes the number of accounts to which the securities were allocated provides useful insight that is more comparable to the information reported and disseminated today, without adding undue complexity to the aggregate reporting framework. As such, FINRA believes the proposed aggregate allocation report indicating the number of allocations is preferable.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.[19]

[19] 15 U.S.C. 78s(b)(2).

7. <u>Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)</u>

Not applicable.

8. <u>Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission</u>

Not applicable.

9. <u>Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act</u>

Not applicable.

10. <u>Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act</u>

Not applicable.

11. <u>Exhibits</u>

Exhibit 1. Completed notice of proposed rule change for publication in the <u>Federal Register</u>.

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2025-008)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 6730 (Transaction Reporting)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on , the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 6730 (Transaction Reporting) to maintain the currently effective 15-minute outer limit timeframe for reporting TRACE-eligible securities covered by File No. SR-FINRA-2024-004 and to provide a streamlined alternative for reporting and dissemination in connection with specified allocations of an aggregate order in a TRACE-eligible security to multiple managed customer accounts.

The text of the proposed rule change is available on FINRA's website at http://www.finra.org, at the principal office of FINRA and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

On September 20, 2024, the Commission issued an order approving proposed rule change SR-FINRA-2024-004, as modified by Partial Amendment No. 1, to amend FINRA Rule 6730 to reduce the 15-minute TRACE reporting outer limit timeframe for fully electronic trades to one minute, with a later deadline for manual trades and firms with limited trading activity.[3] As approved by the Commission, where a trade qualified for the manual trades exception, a 15-minute outer limit would apply for the first year following implementation; a 10-minute outer limit would have applied for the second and third years; and a five-minute outer limit would have applied thereafter.[4] Under File No. SR-FINRA-2024-004, FINRA also adopted a requirement that members append a new

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3 See Securities Exchange Act Release No. 101121 (September 20, 2024), 89 FR 78930 (September 26, 2024) (Order Approving File No. SR-FINRA-2024-004) ("Approval Order"). The reporting timeframe reductions of File No. SR-FINRA-2024-004 would only have applied to TRACE-eligible securities that are currently subject to the 15-minute outer limit reporting threshold under Rule 6730(a)(1).

4 See Rule 6730.09(b); see also, Approval Order, 89 FR 78930, 78931.

manual trade indicator to identify all manual trades. The amendments were intended to modernize the TRACE reporting rules, while providing additional time for reporting trades that were not fully electronic from end to end and for firms with limited trading activity.

Following the approval of File No. SR-FINRA-2024-004, FINRA continued its engagement with members regarding TRACE reporting timeframes, and members raised several additional concerns and questions in connection with aspects of the approved reporting regime. Specifically, members provided additional insights into the workflows that impact the current feasibility of one-minute reporting for certain fully electronic trades and five-minute reporting for manual trades. In this regard, members discussed, among other things, challenges to reporting within one-minute fully electronic transactions with more complex workflows (such as allocations to managed customer accounts or portfolio trades).

Members also discussed challenges to faster reporting for trades executed by telephone, email, or through a chat/messaging function where some or all of the trade details must be manually entered to book the trade or report it to TRACE. Firms' challenges varied depending on firm characteristics, such as firm size and business model. Members further noted that the amendments compounded compliance concerns given the rigors of the condensed reporting timeframes. In this context, members also noted FINRA's current approach to late report marking, which marks as late any corrections made to a disseminated field if such corrections were entered outside of the reporting timeframe (even where the initial trade was reported within the reporting timeframe).[5]

As a result, FINRA has determined that it is appropriate at this time to maintain the currently effective TRACE reporting standard requiring members to report transactions as soon as practicable, but no later than within 15 minutes of the Time of Execution[6] of the transaction for all types of trades (i.e., manual, hybrid, and fully electronic trades) that are currently subject to Rule 6730(a)(1). In addition, FINRA is proposing to implement additional responsive measures to address concerns raised to FINRA during its engagement process. Therefore, FINRA is filing this proposed rule change to: (1) amend Rule 6730 to maintain the currently effective 15-minute outer limit timeframe for reporting transactions in the securities impacted by File No. SR-FINRA-2024-004; and (2) adopt new Rule 6730.08 to provide a streamlined alternative for reporting and dissemination in connection with specified allocations of an aggregate order in a TRACE-Eligible Security to multiple managed customer accounts.

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5 In response to these comments, FINRA is updating TRACE system logic with respect to trade corrections so that trade report timeliness is determined based only on the time of submission of the original trade report. Therefore, a member's trade report will no longer be marked late if the member makes a correction to a disseminated field outside of the reporting timeframe applicable to the original transaction (so long as the transaction was reported originally on a timely basis).

6 See Rule 6710(d). Under Rule 6710(d), the "Time of Execution" generally means the time when the parties to a transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade. For transactions involving TRACE-Eligible Securities, as defined by Rule 6710(a), that are trading "when issued" on a yield basis, the "Time of Execution" is when the yield for the transaction has been agreed to by the parties to the transaction.

Proposed Changes

Reporting Timeframes

As discussed above, FINRA is proposing amendments to Rule 6730 to maintain the currently effective TRACE reporting outer limit timeframe for the securities transactions subject to Rule 6730(a)(1)—i.e., continuing to require that members report impacted transactions to TRACE as soon as practicable, but no later than within 15 minutes from the Time of Execution. Therefore, FINRA is amending Rule 6730(a) and subparagraphs (a)(1)(B) and (C) to delete references to "one minute" and replace them with "15 minutes." FINRA also is amending Rule 6730 to: (i) delete paragraph (d)(4)(I) (Manual Trade Indicator) to remove the requirement that members append a manual trade indicator; (ii) delete Supplementary Material .08 (Exception for Members with Limited Trading Activity), which would have retained a 15-minute outer limit reporting timeframe for firms with de minimis trading activity; and (iii) delete Supplementary Material .09 (Exception for Manual Trades), which would have provided additional reporting time for trades other than fully electronic trades.

To continue to work with members to support timely and efficient trade reporting, FINRA has an established dedicated email inbox—"bondreporting@finra.org"—where members and their service bureaus can self-identify reporting issues. This proactive engagement can help to avoid late trade reporting inquiries from FINRA, reducing the time firms spend responding to inquiries. Self-reporting in this manner is voluntary but continues to be encouraged. FINRA is exploring ways to enhance its processes to improve the ability of members and their service bureaus to identify different types of challenges or issues, including those that may not be systematic or widespread (e.g., manual errors).

FINRA remains committed to encouraging timely reporting—i.e., as soon as practicable following the execution of a transaction—to facilitate the benefits to transparency that result. As discussed above, FINRA believes that the proposed rule change is appropriate at this time in light of the additional information obtained since File No. SR-FINRA-2024-004 was approved, to be responsive to members' concerns, and to ensure that FINRA takes a measured and informed approach to significant modifications to TRACE reporting requirements. FINRA also anticipates that members who elect to avail themselves of the proposed reporting alternative for allocation trades will benefit from a more streamlined approach that should improve their trade reporting processes and efficiency. In addition, the modifications to TRACE system marking logic should provide for a focused view on the timeliness of the initial report. FINRA will continue its engagement with members and monitor and study developments in the market for TRACE-Eligible Securities, including changes in reporting timeframes.

Aggregate Reporting for Allocation Trades

FINRA is proposing to amend Rule 6730 to add new Supplementary Material .08 (Reporting Allocation Trades) to permit a member that is both a broker-dealer and an investment adviser ("BD/IA") to report allocations of specified orders to managed customer accounts in a streamlined manner. Specifically, proposed Supplementary Material .08 would provide that a member BD/IA may report allocations of an aggregate order in a TRACE-Eligible Security to multiple managed customer accounts in a single, aggregate TRACE trade report (in lieu of separately reporting allocations to each managed customer account). Under the proposal, an aggregate TRACE trade report must reflect allocations with the same price and Time of Execution and be submitted to TRACE within the timeframes specified in Rule 6730(a).[7] In addition, Rule 6730(c) would be updated to require that the aggregate trade report include the number of managed customer accounts to which the TRACE-Eligible Security is being allocated.

The below examples illustrate the operation of the proposed reporting alternative.

- Scenario 1: BD/IA A is both a BD and an IA and operates as one legal entity. BD/IA A directs its trading desk to purchase an aggregate amount of $5 million (par value) in bonds from the Street (or otherwise obtain the bonds). BD/IA A then sells portions of the aggregate amount to 20 managed customer accounts at BD/IA A ($250,000 to each account, in accordance with the allocation instructions). The sales to the managed customer accounts are all executed at the same price and do not reflect a mark-up or commission.
    - TRACE reporting under the proposal: BD/IA A reports the purchase (from the Street or another source) of the $5 million in bonds to TRACE, as it

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7 See, e.g., FAQ 3.1.47, Scenario 1, FINRA Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at https://www.finra.org/filing-reporting/trace/faq, ("When reporting the sales of securities to the various managed customer accounts, the time of execution is the time the material terms of the transaction are determined. If BD/IA A finalizes the allocation with respect to each managed customer account (thereby establishing the material terms of the transaction as to each customer) before or at the same time it submits the aggregate order to its trading desk (to purchase from the Street), the time of execution of the sales to individual managed customer accounts is the same time of execution reported for the aggregate purchase. If such allocations (as to the material terms with respect to each managed customer account) are not finalized before or at the same time as the aggregate order (to purchase from the Street), the time of execution of the sales to individual managed customer accounts is the time such allocations are finalized.").

would today. In the above scenario, if BD/IA A chooses to report the sale to the 20 managed customer accounts pursuant to proposed Rule 6730.08 in lieu of reporting to TRACE 20 separate sales to its customers' managed accounts, BD/IA would report a sale of $5 million in bonds to a customer in a single aggregate trade report and include the number of managed accounts to which the aggregated order is being allocated pursuant to proposed Rule 6730(c)(14) (i.e., 20). The BD/IA also would include the "no renumeration" indicator pursuant to Rule 6730(d)(4)(F) and all other information required to be reported pursuant to Rule 6730(c) and the TRACE User Guide and Technical Specifications.

- Scenario 2: BD/IA A is both a BD and an IA and operates as one legal entity. BD/IA A directs its trading desk to purchase an aggregate amount of $6 million (par value) in bonds from the Street (or otherwise obtain the bonds).
    - BD/IA A purchases $3 million in bonds from BD B at 11:57:03am
    - BD/IA A purchases $2 million in bonds from BD C at 11:57:07am
    - BD/IA A purchases $1 million in bonds from BD D at 11:57:14am

  At 11:57:15am, BD/IA A then sells portions of the aggregate amount to 20 managed customer accounts at BD/IA A ($300,000 to each account, in accordance with the allocation instructions). The sales to the managed customer accounts are all executed at the same price and do not reflect a mark-up or commission.
    - TRACE reporting under the proposal: BD/IA A reports the purchases from BD B of the $3 million in bonds, BD C of the $2 million in bonds,

and BD D of the $1 million in bonds to TRACE, as it would today. In the above scenario, if BD/IA A chooses to report the sale to the 20 managed customer accounts pursuant to proposed Rule 6730.08 in lieu of reporting to TRACE 20 separate sales to its customers' managed accounts, BD/IA would report a sale of $6 million in bonds to a customer in a single aggregate trade report,[8] include the number of managed accounts to which the aggregated order is being allocated pursuant to proposed Rule 6730(c)(14) (i.e., 20), include the "no renumeration" indicator pursuant to Rule 6730(d)(4)(F), and include all other information required to be reported pursuant to Rule 6730(c) and the TRACE User Guide and Technical Specifications.[9]

FINRA believes that the proposed alternative approach will streamline reporting, thereby improving efficiency and removing unnecessary burdens. The proposed rule change also may improve transparency by removing reports with low utility from

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8 Dissemination is subject to transaction size caps over which the actual size of a transaction will not be included in the real-time TRACE transaction data (i.e., $5 million (par value) for investment grade corporate bonds and $1 million (par value) for non-investment grade corporate bonds). For trades above the dissemination caps, FINRA disseminates the size of the trade as "5MM+" (for investment grade) and "1MM+" (for non-investment grade). The uncapped transaction sizes become available as part of the Historic Corporate Bond Data Set six months after the calendar quarter in which the transactions are reported. See Rule 7730(d).

9 FINRA's TRACE FAQs currently address a variety of allocation scenarios. FINRA will update its FAQs to illustrate the operation of new Supplementary Material, if the proposed rule change is approved by the Commission. See FINRA Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), available at https://www.finra.org/filing-reporting/trace/faq.

dissemination (to the extent that firms avail themselves of this alternative), while continuing to ensure that the allocation associated with the aggregate order is reported and disseminated to the market, without the loss of price information. FINRA also notes that reporting pursuant to this alternative approach is voluntary; therefore, depending on a member BD/IA's business and determinations regarding burdens and benefits, a member may choose to continue to report individual allocations as it does today or to modify its practices to begin reporting on an aggregate basis pursuant to this proposed rule change. Member BD/IAs also will have the flexibility on a case-by-case basis to choose whether to report a particular transaction on an aggregate basis pursuant to proposed Rule 6730.08 or whether to report the allocations to managed customer accounts individually.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice. The effective date of the proposed rule change also will apply to the provisions amended in File No. SR-FINRA-2024-004, as further amended by the instant filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[10] which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating transactions in securities, and, in general, to protect investors and

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[10] 15 U.S.C. 78o-3(b)(6).

the public interest, and Section 15A(b)(9) of the Act,[11] which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate.

FINRA believes the proposed rule change related to reporting timeframes is in the public interest and consistent with Section 15A(b)(6) of the Act because it addresses the additional concerns and questions raised by members in connection with aspects of the approved reporting regime, including related to the workflows that impact the current feasibility of one-minute reporting for certain fully electronic trades and five-minute reporting for manual trades. FINRA understands that MSRB similarly is proposing a rule change that would provide for a 15-minute outer limit for the reporting of municipal securities. Therefore, the proposed rule change maintains consistency between the regimes applicable to covered TRACE-Eligible Securities and municipal securities, thereby fostering cooperation and coordination with persons engaged in regulating transactions in securities, consistent with Section 15A(b)(6) of the Act. In addition, FINRA believes that the proposed rule change is consistent with Section 15A(b)(9) of the Act and does not impose any burden on competition that is not necessary or appropriate in that it is intended to alleviate compliance challenges and avoid potential unintended consequences—particularly given the prevalence of manual and hybrid trading workflows for the impacted securities. Therefore, FINRA believes that the proposed rule change related to reporting timeframes helps achieve the purposes of the Act and is appropriate at this time given the additional information obtained since the approval of File No. SR-FINRA-2024-004 and to be responsive to members' feasibility and compliance concerns.

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11 15 U.S.C. 78o-3(b)(9).

FINRA also believes that the proposed alternative reporting regime to permit members to report allocations of an aggregate order to multiple managed customer accounts with the same Time of Execution and price as a single, aggregate TRACE trade report is consistent with the Act. Specifically, FINRA believes the alternative reporting regime is in the public interest and consistent with Section 15A(b)(6) of the Act because it should improve transparency (to the extent that firms avail themselves of this alternative) by removing reports with low utility from dissemination while continuing to ensure that the allocation associated with the aggregate order is reported and disseminated to the market, without the loss of pricing information. FINRA also believes that the proposed rule change is consistent with Section 15A(b)(9) of the Act and does not impose any burden on competition that is not necessary or appropriate in that the proposed reporting alternative is intended to streamline reporting, improve reporting efficiency, and remove unnecessary burdens. Therefore, FINRA believes that the proposed rule change is consistent with the Act as it maintains valuable transparency while reducing burdens on members.

B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

<u>Economic Impact Assessment</u>

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the regulatory need for the proposed rule change, its potential economic impacts, and the alternatives considered in assessing how to best meet FINRA's regulatory objectives.

Regulatory Need

Reporting Timeframes

As discussed previously, in recognition of the concerns raised through continued engagement with member firms and other market participants regarding the feasibility of shorter TRACE reporting timeframes, FINRA is proposing to maintain the currently effective reporting requirement of as soon as practicable, but no later than within 15 minutes from the Time of Execution for all trades in TRACE-Eligible Securities that are currently subject to Rule 6730(a)(1). The proposed rule change also would prevent potential loss associated with unsuccessful expenditures undertaken to meet the shorter reporting timeframe obligations. The proposed rule change would address these potential impacts, to the extent embedded in the approved but not yet effective reporting rules and is thus consistent with FINRA's measured approach to enhancing TRACE reporting requirements, carefully balancing transparency benefits against potential operational impacts in the fixed income market.

Aggregate Reporting for Allocation Trades

As discussed above, currently, if a BD/IA executes a trade for multiple customer accounts as part of an aggregate order and then allocates portions of the aggregate amount to various managed customer accounts at the BD/IA, it is required to separately report the individual allocations to TRACE. Depending on the number of managed accounts to which the bonds are being allocated, the BD/IA may be required to report a large number of separate transactions within the applicable trade reporting timeframe.

This can pose operational challenges for firms, particularly those managing numerous accounts. Moreover, when individual allocations reflect the same price and Time of Execution in connection with the same order, separate reporting does not provide additional insight into the price of the traded security.

Permitting firms to submit an aggregate allocation report as an alternative to submitting a separate report for each individual allocation trade, as discussed herein, would reduce the number of reports required to be submitted to TRACE and could therefore increase reporting efficiency for members without compromising the availability of important transparency or regulatory information.

Economic Baseline

Reporting Timeframes

As discussed above, the Commission approved File No. SR-FINRA-2024-004 to amend FINRA Rule 6730 to reduce the 15-minute TRACE reporting outer limit timeframe for fully electronic trades to one minute, with a later deadline for manual trades and firms with limited trading activity; this rule change was never implemented by FINRA.[12] Therefore, members have continued to be required to report transactions in TRACE-Eligible Securities that are subject to Rule 6730(a)(1) within the 15-minute outer limit reporting timeframe. As such, the proposed rule change would maintain the status quo for impacted member firms.

Aggregate Reporting for Allocation Trades

FINRA estimated the number and dollar par value of allocation trades in TRACE-Eligible Securities between July 2023 and June 2024, as well as the number of market

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12 See supra notes 3-4 and accompanying text.

participant identifiers engaging in allocation trades covered by the proposed rule change.[13] Approximately 117 market participant identifiers reported 7,570,097 allocation trades that represented $205.4 billion in total par value traded. Among these reports, 39.53 percent were corporate and agency trades,[14] 6.77 percent were securitized product trades,[15] and 53.70 percent were transactions in U.S. Treasury Securities.[16] The 10 most active TRACE reporters among the 117 market participant identifiers accounted for 97.88 percent of the allocation trades and 79.48 percent of the allocation trade dollar volume.[17]

Economic Impacts

Reporting Timeframes

The proposed rule change maintains the currently effective TRACE reporting outer limit timeframe for transactions in TRACE-Eligible Securities that are subject to Rule 6730(a)(1), and therefore there is no economic impact compared to the current economic baseline for reporting to TRACE. As discussed above, the proposed rule change is intended to be responsive to members' feasibility concerns, alleviate

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13 An allocation flag does not exist in TRACE; therefore, FINRA used heuristics to approximate allocation trades. Specifically, FINRA identified as allocation trades agency trades where a dually registered single market participant identifier reported two or more customer-facing trades in a unique security with the same execution price, time of execution, and report side (excluding trades with renumeration and reported by an electronic platform). FINRA believes this approach is more likely to represent a high estimate of impacted trades.

14 See Rule 6710(l).

15 See Rule 6710(m).

16 See Rule 6710(p).

17 To determine the most active participants, the participants were sorted based on the number of unique allocations they reported.

compliance challenges, and avoid potential unintended consequences. It balances transparency benefits with practical implementation considerations identified through member feedback. It also reduces the compliance costs that member firms otherwise would incur to implement File No. SR-FINRA-2024-004. To the extent that any firms allocated resources toward system and procedural enhancements to accommodate the anticipated changes in TRACE reporting requirements under File No. SR-FINRA-2024-004, these investments may impact the amount of any potential cost savings from this proposal. However, FINRA notes that it announced its intention to not set an implementation date and to make substantive changes to the amendments a few months following the approval of File No. SR-FINRA-2024-004.[18]

Aggregate Reporting for Allocation Trades

Potential Benefits

As noted above, a significant number of market participant identifiers engage in allocation trades and therefore may benefit from the proposed rule change to permit them to streamline their reporting.[19] The reduction in the number of reports that would otherwise be reported would improve members' ability to timely report these transactions within the applicable reporting timeframe while continuing to ensure that the allocation associated with the aggregate order is reported and disseminated to the market, without the loss of price information.

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18 See Robert Cook, Updating Trace Reporting Timeframes (February 5, 2025), available at https://www.finra.org/media-center/blog/updating-trace-reporting-timeframes.

19 In particular, the average allocation contains 15.52 trades. If all of these trades were reported pursuant to the proposed alternative reporting regime, the total number of trade reports would have been reduced from 7,570,097 to 487,625.

Potential Costs

Aggregating reports pursuant to the proposed rule change will be optional for firms; therefore, the proposed rule change will not impose costs on members that prefer not to avail themselves of this approach. Member firms that choose to avail themselves of the aggregate reporting alternative could incur costs associated with making any necessary system or process changes and presumably would choose to incur any such costs because the expected benefits exceed the expected costs of implementation.

As discussed above, under the proposed alternative, FINRA would disseminate the number of managed accounts to which the securities would be allocated and the aggregate volume of securities allocated, but the individual volume allocated to each managed customer account would not be disseminated. On balance, FINRA believes that the proposed reporting alternative is appropriate as it continues to ensure that the allocation associated with the aggregate order is reported and disseminated to the market, without the loss of price information.

FINRA also considered potential competitive effects the proposed rule change might have within impacted member firms as well as between impacted and unimpacted member firms. The proposed rule change would provide BD/IAs with the option to significantly streamline allocation reporting by permitting them to submit a single allocation trade report (similar to the single report members trading with a separate investment advisor are currently required to submit). Although the proposed rule change would apply equally to all impacted members, the potential effect could differ depending on the business of the member. FINRA believes that any differential competitive effects the rule might have on impacted members with different usage of allocations would be mitigated by the voluntary nature of proposed reporting changes. Hence, FINRA does not believe the proposed rule would create significant competitive effects.

Alternatives Considered

Reporting Timeframes

In developing the proposed rule change, FINRA considered extending the reporting timeframe for manual trades from the ultimate five-minute outer limit under File No. SR-FINRA-2024-004 (e.g., to 10 or 15 minutes) and maintaining the one-minute outer limit requirement for fully electronic transactions. This approach would address feasibility concerns relevant to reducing the reporting timeframe for trades involving manual intervention but would not address the feasibility issues raised by members related to other types of transactions. Considering these factors, FINRA decided to maintain the currently effective 15-minute outer limit requirement for all trades in covered TRACE-Eligible Securities.

Aggregate Reporting for Allocation Trades

In developing the proposed rule change, FINRA considered various alternatives and the potential costs and benefits of those alternatives. Among other things, FINRA considered permitting BD/IAs to report an aggregate allocation report and identifying it as such, without providing the number of accounts to which the securities will be allocated; however, FINRA believes the number of accounts to which the securities were allocated provides useful insight that is more comparable to the information reported and disseminated today, without adding undue complexity to the aggregate reporting framework. As such, FINRA believes the proposed aggregate allocation report indicating the number of allocations is preferable.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2025-008 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2025-008. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2025-008 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[20]

Jill M. Peterson
Assistant Secretary

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20 17 CFR 200.30-3(a)(12).

Exhibit 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.[1]

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6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

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6730. Transaction Reporting

(a) When and How Transactions are Reported

Each member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member must report a transaction in a TRACE-Eligible Security as soon as practicable, but no later than within <u>15 minutes</u>[one minute] of the Time of Execution, except as otherwise specifically provided below. Transactions not reported within the specified timeframe will be designated as "late." A member must transmit the report to TRACE during TRACE System Hours.

(1) No Change.

(A) No Change.

(B) Transactions Executed During TRACE System Hours

Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported as soon as practicable, but no later than

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[1] The text of Rule 6730 incorporates the changes approved in File No. SR-FINRA-2024-004, which has not been implemented by FINRA.

within <u>15 minutes</u>[one minute] of the Time of Execution, except as provided in paragraph (a)(1)(C) of this Rule.

(C) Transactions Executed Less Than <u>15 Minutes</u>[One Minute] Before TRACE System Closes

Transactions executed on a business day less than <u>15 minutes</u>[one minute] before 6:30:00 p.m. Eastern Time must be reported as soon as practicable after the TRACE system opens the next business day (T+1), but no later than within 15 minutes after the TRACE system opens the next business day, and if reported on T + 1, designated "as/of" and include the date of execution.

(D) No Change.

(2) through (8) No Change.

(b) No Change.

(c) Transaction Information To Be Reported

Each TRACE trade report shall contain the following information:

(1) through (12) No Change.

(13) If the member is reporting a transaction that occurred on an ATS pursuant to Rule 6732, the ATS's separate MPID obtained in compliance with Rule 6720(c); [and]

(14) <u>If the member is reporting an allocation trade in the manner described in Supplementary Material .08, the number of managed customer accounts to which the aggregate order is being allocated; and</u>

(15) Such trade modifiers as required by either the TRACE rules or the TRACE users guide.

(d) Procedures for Reporting Price, Capacity, Volume

(1) through (3) No Change.

(4) Modifiers and Indicators

Members shall append the applicable trade report modifiers or indicators as specified by FINRA to all transaction reports.

(A) through (H) No Change.

[(I) **Manual Trade Indicator**

If reporting a transaction that is manually executed or where such member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQS website or into a system that facilitates trade reporting to TRACE, select the appropriate indicator.]

(e) through (f) No Change.

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.01 through **.07** No Change.

.08 Reporting Allocation Trades. Pursuant to this Supplementary Material .08, a member may report allocations of an aggregate order in a TRACE-Eligible Security to multiple managed customer accounts in a single, aggregate TRACE trade report (in lieu of separately reporting allocations to each managed customer account). Each such aggregate TRACE trade report must reflect allocations with the same price and Time of Execution and be submitted to TRACE within the timeframes specified in paragraph (a)

<u>of this Rule. Such aggregate TRACE trade reports also must include, pursuant to paragraph (c)(14) of this Rule, the number of managed customer accounts to which the TRACE-Eligible Security is being allocated.</u>

[**.08 Exception for Members with Limited Trading Activity**. As described further in this Supplementary Material .08, members with "limited trading activity" are excepted from the one-minute reporting requirements of paragraphs (a)(1)(A) through (a)(1)(D) of this Rule.

(a) For purposes of this Supplementary Material .08, a member with "limited trading activity" is a member that, during one of the prior two calendar years, reported to TRACE fewer than 4,000 transactions in TRACE-Eligible Securities that are subject to paragraphs (a)(1)(A) through (a)(1)(D) of this Rule.

(b) A member relying on the exception in this Supplementary Material .08 shall confirm on an annual basis that it meets the criteria for a member with "limited trading activity" set forth in paragraph (a) of this Supplementary Material .08. If a member no longer meets these criteria, such member must comply with the one-minute reporting requirements of paragraphs (a)(1)(A) through (a)(1)(D) of this Rule beginning 90 days after the member no longer meets the criteria for the exception.

(c) Except as otherwise specifically provided in paragraph (a)(2) of this Rule with respect to List or Fixed Offering Price Transactions and Takedown Transactions, a member reporting a transaction in a TRACE-Eligible Security in reliance on the exception for members with limited trading activity in this Supplementary Material .08 must report the transaction as soon as practicable but no later than within 15 minutes of execution, as further provided in this paragraph:

(1) Transactions Executed At or After 12:00:00 A.M. Through 7:59:59 A.M. Eastern Time

Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported as soon as practicable the same day, but no later than within 15 minutes after the TRACE system opens.

(2) Transactions Executed During TRACE System Hours

Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported as soon as practicable, but no later than within 15 minutes of the Time of Execution, except as provided in paragraph (c)(3) of this Supplementary Material .08.

(3) Transactions Executed Less Than 15 Minutes Before TRACE System Closes

Transactions executed on a business day less than 15 minutes before 6:30:00 p.m. Eastern Time must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), but no later than within 15 minutes after the TRACE system opens the next business day, and if reported on T + 1, designated "as/of" and include the date of execution.

(4) Transactions Executed After TRACE System Hours or on Non-Business Days

Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), no later than within 15 minutes after the TRACE system opens the next business day, designated "as/of" and include the date of execution.]

[**.09 Exception for Manual Trades**

(a) As further described in this Supplementary Material .09, a member is excepted from the one-minute reporting requirement of paragraphs (a)(1)(A) through (a)(1)(D) of this Rule with respect to transactions that are manually executed or where such member must manually enter any of the trade details or information necessary for reporting the trade through the TRAQS website or into a system that facilitates trade reporting to TRACE. A member must report such transactions as soon as practicable and in no event may a member purposely delay the execution or reporting of a transaction by handling a trade manually or introducing manual steps following the Time of Execution.

(b) Except as otherwise specifically provided in paragraph (a)(2) of this Rule with respect to List or Fixed Offering Price Transactions and Takedown Transactions, a member relying on the exception for manual trades in this Supplementary Material .09 must report the transaction as soon as practicable but no later than within: 15 minutes of the Time of Execution (this 15-minute outer timeframe is available for up to one calendar year from the effectiveness of this Supplementary Material .09); within 10 minutes of the Time of Execution (this 10-minute outer timeframe is available for up to three calendar years from the effectiveness of this Supplementary Material .09); or within 5 minutes of the Time of Execution (this 5-minute outer timeframe is applicable three or more calendars years from the effectiveness of this Supplementary Material .09), as further provided in this paragraph.

(1) Transactions Executed At or After 12:00:00 A.M. Through 7:59:59 A.M. Eastern Time

Transactions executed on a business day at or after 12:00:00 a.m. Eastern Time through 7:59:59 a.m. Eastern Time must be reported as soon as practicable the same day, but no later than within 15 minutes after the TRACE system opens.

(2) Transactions Executed During TRACE System Hours

Transactions executed on a business day at or after 8:00:00 a.m. Eastern Time through 6:29:59 p.m. Eastern Time (standard TRACE System Hours) must be reported as soon as practicable, but no later than within 15, 10, or 5 minutes of the Time of Execution (the 15-, 10-, or 5-minute outer timeframe is available for up to one year, up to three years, or three or more years, respectively, from the effectiveness of this Supplementary Material .09), except as provided in paragraph (b)(3) of this Supplementary Material .09.

(3) Transactions Executed Less Than 5 Minutes Before TRACE System Closes

Transactions executed on a business day less than 15, 10, or 5 minutes (the 15-, 10-, or 5-minute timeframe is available for up to one year, up to three years, or three or more years, respectively, from the effectiveness of this Supplementary Material .09) before 6:30:00 p.m. Eastern Time must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), but no later than within 15 minutes after the TRACE system opens the next business day, and if reported on T + 1, designated "as/of" and include the date of execution.

(4) Transactions Executed After TRACE System Hours or on Non-Business Days

Transactions executed on a business day at or after 6:30:00 p.m. Eastern Time through 11:59:59 p.m. Eastern Time or on a Saturday, a Sunday, a federal or religious holiday or other day on which the TRACE system is not open at any time during that day (determined using Eastern Time) must be reported as soon as practicable after the TRACE system opens the next business day (T + 1), but no later than within 15 minutes after the TRACE system opens, designated "as/of" and include the date of execution.]

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