OMB APPROVAL

OMB Number: 3235-0045
Estimated average burden
hours per response............38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 61

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

File No.* SR - 2019 - * 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)(2) 19b-4(f)(3) 19b-4(f)(4) 19b-4(f)(5) 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 Establish a Corporate Bond New Issue Reference Data Service

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 * Alexander   Last Name * Ellenberg

Title * Associate General Counsel

E-mail * alexander.ellenberg@finra.org

Telephone * (202) 728-8152   Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 03/27/2019

By Stephanie Dumont

(Name *)

(Title *)

Senior Vice President and Director of Capital Markets Policy

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

Stephanie Dumont,

Required fields are shown with yellow backgrounds and asterisks.

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	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	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 Advance 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, security-based swap submission, or advance notice 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 Exhibit Sent As Paper Document ☐	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 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	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 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	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”),[1] Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to enhance the collection and dissemination of new issue reference data for corporate bonds and charge associated fees.

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

At its meeting on March 1, 2019, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

If the Commission approves the filing, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 90 days following Commission approval. The effective date will be no later than 270 days following publication of the Regulatory Notice.

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

(a) Purpose

FINRA is submitting this proposed rule change to establish a new issue reference data service for corporate bonds, consistent with a recommendation from the SEC’s

---

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

Fixed Income Market Structure Advisory Committee ("FIMSAC").

Background

On October 29, 2018, the FIMSAC unanimously approved a recommendation from its Technology and Electronic Trading Subcommittee to establish a new issue reference data service for corporate bonds ("FIMSAC Recommendation").[2] Specifically, the FIMSAC Recommendation urged FINRA to establish a consolidated, comprehensive, and accurate data set for corporate bond new issues. Today, market participants rely on corporate bond reference data providers for this information. However, each reference data provider collects and disseminates new issue reference data from different sources and at different speeds that vary by a few hours to several days, resulting in data that may not be consistent, timely and accurate across reference data providers.

The FIMSAC Recommendation states that reliable, consistent and timely reference data is necessary to support the efficient trading and settlement of bonds. A centralized reference data source is increasingly important as market participants rely more on electronic trading platforms, so that all platform participants price and trade bonds based on consistent and accurate information.

In considering the need for improved corporate new issue reference data, the FIMSAC looked to the municipal bond market, where there is a centralized reference data service. The Municipal Securities Rulemaking Board ("MSRB") requires the underwriter of a new issue of municipal securities to communicate information to ensure

---

2 See Recommendation to Establish a New Issue Reference Data Service for Corporate Bonds, (October 29, 2018), https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-corporate-bond-new-issue-reference-data-recommendation.pdf.

that market participants have timely access to information necessary to report, compare, confirm, settle and clear transactions in the new issue. Specifically, under MSRB Rule G-34, underwriters must submit new issue information to the New Issue Information Dissemination Service ("NIIDS"), operated by the Depository Trust and Clearing Corporation ("DTCC"). NIIDS then makes this information immediately available to reference data providers.

To achieve its purpose, the FIMSAC stated that FINRA should expand its existing rules so that it can similarly collect and disseminate comprehensive reference data for corporate bond new issues. Currently, under Rule 6760 (Obligation to Provide Notice), members that are underwriters of an initial offering of a TRACE-Eligible Security are required to submit certain specified information to FINRA prior to the execution of the first transaction of the offering to facilitate trade reporting and dissemination of transactions.[3] The information required by the rule generally is limited to the fields needed to set up a bond on TRACE for trade reporting purposes (e.g., the CUSIP number, the issuer name, the coupon rate, the maturity, whether Rule 144A applies, and a brief description of the bond). FINRA disseminates some of this new issue information as part of the Corporate Security Daily List; however, electronic trading platforms generally require more information to make new issues available to trade.[4]

---

[3] In cases where a new issue is priced and begins trading on the same day, Rule 6760 requires certain data elements—those sufficient to identify the security accurately—to be reported before the execution of the first transaction, and all remaining data elements to be reported within 15 minutes of the Time of Execution of the first transaction.

[4] The information distributed on the Corporate Security Daily List may only be used to support trade reporting and may not be redistributed. The Daily List

The FIMSAC Recommendation asked that FINRA build on the existing Rule 6760 requirements to establish a new issue data service with more comprehensive information. The FIMSAC stated that FINRA was best situated to carry out the Recommendation because it would be an incremental addition to current practices, both for FINRA and the underwriters that must report new issue information.

Proposal

In line with the FIMSAC Recommendation, FINRA is proposing to amend Rule 6760 to specify a number of data elements, in addition to those already specified by the rule, which must be submitted for new issues in corporate debt securities.[5] Under the

---

includes some mandatory new issue information currently collected from underwriters pursuant to Rule 6760, which is then made available at no charge through an application program interface ("API"). The Daily List would not be impacted by this proposal.

5 In connection with the proposal, FINRA also would make two technical, non-substantive, clarifying edits to the definition of corporate debt security that is currently located in FINRA Rule 2232 (Customer Confirmations). First, FINRA would clarify that the definition of corporate debt security is limited to TRACE-Eligible Securities. This clarification reflects the original intent of the definition and is consistent with current FINRA guidance. See FINRA Fixed Income Confirmation Disclosure FAQ 1.12, http://www.finra.org/industry/faq-fixed-income-confirmation-disclosure-frequently-asked-questions-faq.

Second, FINRA would update the definition of corporate debt security to exclude the class of assets defined as Securitized Products in Rule 6710(m), rather than Asset-Backed Securities, defined in Rule 6710(cc). When the definition of corporate debt security was first drafted, FINRA did not yet have a defined term for Securitized Products, only Asset-Backed Securities. Since that time, FINRA added the term Securitized Products, which includes Asset-Backed Securities. Accordingly, this is a clarifying change that simply updates the terms referred to in the corporate debt security definition; this clarifying change also reflects the original intent of the definition and is consistent with current FINRA guidance. See FINRA Fixed Income Confirmation Disclosure FAQ 1.11.

FINRA also proposes to relocate the revised definition of corporate debt security into the TRACE Rule Series. FINRA believes it makes sense to include the proposed rule change, underwriters subject to Rule 6760[6] would be required to report the following additional data elements: (A) the International Securities Identification Number ("ISIN"); (B) the currency; (C) the issue date; (D) the first settle date; (E) the interest accrual date; (F) the day count description; (G) the coupon frequency; (H) the first coupon payment date; (I) a Regulation S indicator; (J) the security type; (K) the bond type; (L) the first coupon period type; (M) a convertible indicator; (N) a call indicator; (O) the first call date; (P) a put indicator; (Q) the first put date; (R) the minimum increment; (S) the minimum piece/denomination; (T) the issuance amount; (U) the first call price; (V) the first put price; (W) the coupon type; (X) rating; (Y) a perpetual maturity indicator; and (Z) a Payment-In-Kind (PIK) indicator.

These data fields, together with certain data fields specified in the current Rule, reflect all but one of the fields that were described in the FIMSAC Recommendation, as well as additional fields identified during supplemental industry outreach conducted by FINRA.[7] FINRA also notes that several fields specified in the proposed rule change are

---

definition in Rule 6710 where it would sit alongside a number of other TRACE definitions for fixed income asset types. FINRA would make corresponding technical edits to Rule 2232 to refer to the relocated definition in Rule 6710.

6 As part of the proposal, FINRA would amend Rule 6760(a)(1) to clarify that underwriters subject to the Rule must report required information for the purpose of providing market participants in the corporate debt security markets with reliable and timely new issue reference data to facilitate the trading and settling of these securities, in addition to the current purpose of facilitating trade reporting and dissemination in TRACE-Eligible Securities.

7 The one field from the FIMSAC Recommendation that FINRA has not included in this proposal is "Calculation Types (CALT)." FINRA understands from industry outreach that this field, as it is included in the FIMSAC Recommendation, leverages calculation methodology that is specific to one data vendor's protocols and may not be readily available to all underwriters that would

already required to be reported or are reported voluntarily on the FINRA TRACE New Issue Form.[8] FINRA has attached as Exhibit 3 a detailed list of the corporate bond new issue reference data fields that specifies whether the fields are currently mandatory or voluntary and includes a description of each field.

In addition, for the fields that FINRA added to the proposal based on additional industry outreach ((T) through (Z) above), Exhibit 3 describes FINRA's rationale for their inclusion in the proposal. These attributes were indicated by market participants as important in liquidity and risk assessment. Issue amount is an indication of potential liquidity of the issue in general and also in particular as it is in many cases among the criteria used for index consideration. Other proposed fields (coupon type, PIK, perpetual maturity indicator and the complementing put information) provide further context and are descriptive of the cash flow profile and considerations in risk assessment and pre-trade compliance efforts. Additionally, FINRA utilizes ratings to determine TRACE grade (Investment Grade or Non-Investment Grade) which in turn determines dissemination volume caps.

---

be required to report information to FINRA under Rule 6760, or to consumers of the data. The FIMSAC Recommendation noted that the preliminary list of data fields was developed based on discussions with market participants, but that it should be finalized based on further analysis by FINRA and the SEC. <u>See</u> FIMSAC Recommendation at pg. 3 n.2.

8 The FINRA TRACE New Issue Form is used by firms to set up securities pursuant to firms' existing obligations either under Rule 6760 or 6730 (Transaction Reporting). It allows for the submission of data fields required by these rules as well as additional data fields that underwriters often report voluntarily. As part of this proposal, FINRA would codify in Rule 6760 the specific fields that have been deemed necessary under current Rule 6760(b) and therefore are mandatory for successful submission of the TRACE New Issue Form.

The proposal also would require that all data elements be reported for new issues in corporate debt securities prior to the first transaction in the security. Currently, for information reported under Rule 6760 for trade reporting purposes, the Rule allows phased reporting in some cases. Specifically, for an offering of a security that is priced and begins trading on the same business day between 9:30 a.m. and 4:00 p.m. Eastern Time, Rule 6760 requires certain information to be reported before the first trade in the security and remaining information within 15 minutes of the time of the first trade. Otherwise, the current Rule requires all information to be reported before the first trade in the security.

As noted above, FINRA is proposing to amend Rule 6760 to require all data fields for new issues in corporate debt securities to be reported prior to the first trade. FINRA alternatively considered maintaining the Rule's phased reporting approach for offerings in corporate debt securities subject to the proposal, with certain core information required prior to the first trade and an extended 60-minute window for remaining information, given the additional data fields that would be required to be reported under the proposal. However, FINRA believes that the proposed approach to require uniform pre-first trade reporting better supports the stated goals in the FIMSAC Recommendation to increase the efficiency of the corporate bond market and promote fair competition among all market participants. Specifically, a uniform reporting approach would allow FINRA to collect and make all of the data available immediately to market participants, resulting in a more consistent, timely and complete data set that will support more efficient pricing, trading and settlement of bonds. FINRA also believes that the proposed uniform reporting approach better advances the element in the FIMSAC Recommendation stating that managing underwriters should be required to report the data elements to FINRA no later than reporting such data elements to any third party not involved in the offering, including reference data vendors. Uniform pre-first trade reporting furthers this element, while not unduly constraining the sharing of data that may be necessary as part of the underwriting process.[9] On balance, FINRA believes the significant benefits of uniform pre-first trade reporting outweigh the additional burdens on underwriters, but invites interested parties to submit comments on this (or any) aspect of the proposal.

Further in line with the FIMSAC Recommendation, FINRA would disseminate corporate bond new issue reference data collected under Rule 6760 upon receipt and provide subscribers with access to the data for fees determined on a commercially reasonable basis. [10] Under Rule 7730 (Trade Reporting and Compliance Engine (TRACE)), FINRA would make the corporate bond new issue reference data available to any person or organization for a fee of $250 per month for internal purposes only, and for a fee of $6,000 per month where the data is retransmitted or repackaged for delivery and dissemination outside the organization.

This data would be accessible by all member firms and other market participants and data users, with the fees assessed only on those that choose to subscribe. The $6,000 charge for redistribution would apply to any retransmission or redistribution of the data to

---

9 See FIMSAC Recommendation at pg. 3.

10 Under proposed Rule 6760(d), there may be some information collected under the Rule for security classification or other purposes that would not be disseminated. This may include, for example, information about ratings that is restricted by agreement. In addition, CUSIP Global Services' ("CGS") information would not be disseminated to subscribers that do not have a valid license regarding use of CGS data.

any party other than the subscriber. For example, the redistribution charge would apply to a firm that displays the data on a website to its clients or customers, or to a clearing firm that displays or otherwise makes the data available to its correspondents. However, FINRA notes that because the charge includes unlimited redistribution rights, FINRA would assess it only once on the party that subscribes. Accordingly, FINRA would not assess any charge on firms that receive the data from data vendors or other market participants that have subscribed for redistribution rights, nor would FINRA increase the amount charged to the subscriber based on how often it redistributes the data. As discussed further below, FINRA anticipates that many market participants, including clearing firms and correspondent firms, will receive the data from data vendors consistent with what they do today.

As noted in Item 2 of this filing, if the Commission approves the filing, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 90 days following publication of the Regulatory Notice. The effective date will be no later than 270 days following Commission approval. Based on implementation of this proposal, FINRA would evaluate a potential expansion of the new issue reference data service to include other debt products.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[11] which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote

---

[11] 15 U.S.C. 78o-3(b)(6).

just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest. FINRA also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,[12] which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

The proposed changes to Rule 6760 are designed to improve transparency and efficiency in the corporate bond markets, consistent with Section 15A(b)(6).[13] The proposal would do so by providing market participants in the corporate bond markets with reliable and timely new issue reference data to facilitate secondary trading in and settlement of these instruments, particularly during the period when new issues first start trading in the secondary markets. As discussed throughout the filing, the proposal would advance the FIMSAC Recommendation, which was intended to address the lack of a reliable and timely centralized source for corporate bond new issue reference data. The FIMSAC Recommendation explained that reliable, consistent and timely reference data is necessary to support the efficient trading and settlement of bonds, and is increasingly

---

[12] 15 U.S.C. 78o-3(b)(5).

[13] Related changes to the definition of corporate debt security in Rule 2232 are technical, non-substantive, and clarifying, and are intended to support the proposed changes to Rule 6760, consistent with Section 15A(b)(6).

important as market participants rely more on electronic trading platforms. FINRA believes that the proposed new issue data reporting and dissemination requirements in Rule 6760 are designed to and will support and further the efficient trading and settlement of bonds, provide uniform and timely access to important new issue corporate reference data, and otherwise promote the objectives of Section 15A(b)(6).

FINRA further believes that the proposed fees for the corporate bond new issue reference data service contemplated by Rule 7730 are fair, equitable, reasonable, and not unfairly discriminatory. As discussed in the next section with respect to anticipated economic impacts of the proposal, the proposed fees would price the corporate bond new issue reference data service as a utility, using cost plus margin pricing, which FINRA believes is a reasonable means to meet ongoing operating costs related to the initiative. The data service would be available on the same terms to any party that wished to subscribe with two flat prices, one for internal use only and one for redistribution. FINRA believes that the proposed fee structure will allow for broad distribution of the new issue reference data to market participants, and that the fees are reasonably designed to cover FINRA's ongoing operational costs. Specifically, the proposed fee structure reflects FINRA's estimates of the ongoing operational costs related to the new proposed data service, including direct staff allocated to the initiative, and related functions, including technology, legal, billing, and finance. Accordingly, FINRA believes the proposed fees are reasonably designed to recover the costs of the data service with equitable and not unfairly discriminatory charges based on subscribers' use of the data for their business purposes. FINRA notes that the proposed fee structure, with use-based tiers that are based on projected costs, is consistent with fees the SEC previously has approved. The SEC has stated its belief that a "use-based approach is consistent with equitable distribution of fees" and approved use-based fees when reasonably related to costs.[14]

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

Regulatory Need

Currently in the corporate bond market, new issue reference data is not collected consistently or with established data standards, nor is it uniformly distributed to market participants in a timely manner. Data providers collect new issue reference data from different sources, typically underwriters, which often results in incomplete and inconsistent data. This holds true for any individual data provider and for the aggregate data collected; that is, even if a market participant gained access to all commercial products available today, the data may not be complete, reliable or timely for all new issues. The speed that data providers collect and disseminate data also varies and can be as long as several days.

There are significant frictions in the corporate bond market that have made finding a solution to this problem difficult. First, because data is provided voluntarily by

---

14 See Securities Exchange Act Release No. 72280 (May 29, 2014), 79 FR 32351, 32353 (June 4, 2014) (Order Approving File No. SR-FINRA-2014-018) (approving fees for ATS data that varied according to use and discussing the Commission's prior approval of similar use-based TRACE fees).

underwriters today, data providers may not be able to assure the completeness, accuracy and timeliness of the information. Second, underwriters may have differing incentives with respect to the importance of providing the information to data providers.[15] Finally, because data providers are paid, at least in part, for the data they collect, there is little incentive to share information among themselves.

The lack of accurate, complete and timely corporate bond new issue reference data imposes costs to various market participants. Incomplete new issue reference data prevents traders from identifying and evaluating newly issued bonds for trading.[16] This may lead to loss of trading opportunities for traders, loss of business for trading platforms, and less demand for the initial subscription of the bond issuance, all of which can hurt issuers and underwriters, decreasing demand and liquidity for bonds. Variation of reference data completeness across data providers puts small traders who cannot afford multiple data providers at a disadvantage in accessing the new issue market. For trading platforms, clearing firms and electronic trading platforms, inaccurate reference data creates inconsistencies in trading and the settlement process and increases transaction costs. The lack of centralized data sources forces data providers and trading platforms to manually collect or correct data, which can be costly.

---

15 For example, underwriters may provide the information to data providers who also provide services in the underwriting process like modeling and pricing of the bonds, or to data providers who also provide trading platforms.

16 According to one trading platform, its reference data provider would only provide data relating to new issues the morning after issuance, which resulted in the firm's clients not being able to trade the bond when it began to trade (usually the previous afternoon).

<u>Baseline</u>

This section explains the current dissemination process of the new issue reference data in the corporate bond market, including summary statistics on the new issuance market and underwriters.

In 2018, 22,385 TRACE-Eligible corporate debt securities were issued, including corporate bonds and equity linked notes. New issue reference data is generated by underwriters. It is usually aggregated by data providers and then sold to various market participants for consumption, including trading and clearing firms, electronic trading platforms, broker-dealers and bond investors. As noted above, FINRA conducted outreach to understand the dissemination process, direct and indirect costs imposed by the process, and ways it might be improved.[17]

To facilitate trade reporting, as discussed above, underwriters are required to report limited new issue information to FINRA under Rule 6760. Underwriters also often provide additional new issue reference data to FINRA on a voluntary basis on the FINRA TRACE New Issue Form. Besides regulatory reporting to FINRA, underwriters follow different practices to report reference data on new corporate bond issues to other parties. To facilitate trading of corporate bonds, underwriters usually report some of the data to their clients, which are generally institutional investors. Some also report to certain aggregators and media vendors. No standard exists among underwriters on whom to report new issuances to, what fields to include and on what timeline, so the dissemination of new issue reference data is fragmented and inconsistent.

---

[17] FINRA talked to four data providers, three underwriters, two trading platforms, and two clearing firms.

Based on FINRA's conversations with data providers, no systematic ways exist for data providers to obtain complete, timely and reliable reference information on corporate bond new issues. Individual underwriters send new issue reference information to some data providers, often through email or term sheets. However, data providers rely on various sources for collecting the reference data for other new issues, including preliminary deal documents, issuers, vendor data, pricing wires and final prospectuses. Since information is collected through different sources, the coverage of new issues varies by data providers and, as a result, data can be inconsistent. The speed at which data providers collect reference data also varies. Any individual data provider might have reference data for only a subset of the newly issued bonds on the pricing day when bonds are sold in the primary market. The coverage may rise through the trading day and reach its steady level several days after the issuance.

FINRA understands that individual firms typically gain access today to new issue reference data by purchasing the services of one or more third-party data vendors. Introducing firms may gain access to the information via their clearing firm, which provides the data as part of its services. Similarly, some firms may grant access to the new pricing information to their clients, either directly or through some research product.

FINRA understands that trading platforms typically subscribe to data providers and augment their reference data from other sources, such as term sheets and websites to collect missing reference information. Clients of trading platforms rely on the platforms to provide new issue reference data.

Electronic trading platforms capture a significant portion of the corporate bond trading volume. The U.S. Treasury Department estimates that electronic platforms have captured 20% of investment grade corporate bond trading.[18] According to Greenwich Associates' 2017 U.S. Fixed-Income Study, almost 85% of investors in investment grade instruments surveyed use electronic trading, and close to 73% of investors in high-yield instruments do.

Economic Impacts

Pricing of the Proposed Service

New issue reference data is essential for the pricing and trading of bonds and the proper functioning of the corporate bond market. However, building such data requires extensive coordination among market participants and manual data collection, compilation and cleaning efforts for each data vendor. By using a regulatory requirement to centralize data reporting to FINRA, FINRA could reduce these duplicated efforts and thus costs, while improving the accuracy, completeness and timeliness of the information made available. FINRA is proposing to price the reference data as a utility, using cost plus margin pricing. This ensures that market participants get accurate and timely reference data, while limiting the price of new issue reference data as a barrier to entry to bond market participants.

Besides improving the quality of new issue reference data available to the market, FINRA believes that the data service will promote fair and reasonable pricing for reference data by introducing an alternative source in addition to what is provided by the incumbent data providers. As discussed in more detail below, currently underwriters

---

[18] See Jake Liebschutz and Brian Smith, Examining Corporate Bond Liquidity and Market Structure, (March 7, 2016), https://www.treasury.gov/connect/blog/Pages/Examining-Corporate-Bond-Liquidity-and-Market-Structure.aspx.

have relatively few incentives to report to data providers other than the prevalent incumbent data providers. The incumbent data providers face less competition because of the complexity of building the database as discussed previously, leading to a relatively high barrier to entry. By providing an alternative option for the data at cost plus margin, the service will exert disciplinary pressure on the current pricing for the data. The proposed service may not be the only collector of reference data. Data providers may continue to collect data from their existing sources and on a range of bond reference data beyond the limited fields provided in the proposed service. By lowering the barrier to entry and allowing data providers to compete on other dimensions and value-added services, the service would promote competitive pricing of the reference data.

Benefits

The proposed service would be a central source for collecting and disseminating new issue reference data, and would provide market participants with more complete, accurate and timely data about new issues. FINRA expects that the new issue reference data service will increase the transparency of the corporate bond market, especially around the issuance period. Historically, TRACE implementation has demonstrated that transparency has facilitated trading and improved market quality.[19] Thus, FINRA believes that the increased transparency as a result of the proposed reference data service will also benefit the market.

[19] See FINRA's website for a list of TRACE Independent Academic Studies, available at http://www.finra.org/industry/trace/trace-independent-academic-studies.

Accurate and timely information about newly issued corporate bonds would allow potential buyers the opportunity to evaluate the bonds for investment, especially right after issuance. This likely increases their investment choices. Index operators would also have the opportunity to evaluate new bonds for timely inclusion. This helps ensure that the index accurately represents the concurrent bond market condition.

Accurate and timely new issue data also would benefit trading platforms and clearing firms by reducing broken trades and errors in trading due to inconsistent information. It also would increase trading speed by removing delays due to manually correcting reference data errors. Accurate and timely new issue reference data may also increase trading volumes that might otherwise be lost when traders do not have reference data on newly issued bonds.

A central source for new issue reference data would likely benefit most data providers by providing them with a complete, accurate and relatively low cost source of data. It would reduce the need for data providers to manually collect missing data or correct errors in the new issue reference data.

Issuers and underwriters may benefit from the service as well. The new issue reference data service may reduce trading costs and increase trading volume as discussed above. To the extent that this results in increased liquidity, it will lower the cost of capital for issuers. Increased awareness of the new issuances may also help underwriters in marketing and underwriting. Underwriters may also benefit from the reference data that underwriters collectively submit by reducing the need to manually research other reference data sources for proper procurement of information.

Costs and Negative Impacts

The proposed rule change may impose costs on underwriters to report the additional reference data to FINRA. Currently, underwriters provide limited corporate bond reference data to FINRA, some required under Rule 6760 and some voluntarily, and they may provide information to one or more data vendors. The costs associated with providing the new proposed reference data fields to FINRA depends on underwriters' current reporting systems, the speed at which they currently are able to provide this information, and the timing with which they report the data today. Reporting additional fields to FINRA as outlined in the proposed rule may require upgrades to their current system for reporting to incorporate both the new fields as well as to meet the new timing required by the proposed rule change. Underwriters may also incur costs when they choose to use third-party vendors to report the reference data, although FINRA anticipates that underwriters will decide to report themselves or through a third party based on their cost and efficiencies. Based on conversations with underwriters, FINRA understands that underwriters do not anticipate incurring significant costs for reporting under this proposal.

The underwriter market is highly skewed towards large underwriters, with 71.24% of dollar volume being led by the ten largest underwriters in the first three quarters of 2018, according to Bloomberg league tables. This may create a concern that underwriters that underwrite fewer deals may be burdened disproportionally if there are fixed costs associated with amending an underwriter's reporting system to meet the additional requirements for new issue reference data submission as set forth in the proposal. Additional burden may be alleviated because reporting to FINRA would reduce or eliminate the need for underwriters to report to other parties, or by the fact that underwriters can leverage investments already made in the existing reporting system necessary under Rule 6760.

Subscribers to FINRA's new issue reference data service will incur a subscription fee and setup cost. Subscribers may pay the lower fee for internal usage of the data or pay the higher fee for redistributing the data. Firms redistributing the data may pass on the cost to their clients; however, FINRA will not charge redistributors anything beyond the flat $6,000 per month charge regardless of how often it redistributes the data. Thus those firms gaining access indirectly, for example through a clearing firm, may be charged by the clearing firm as part of their agreements. However, FINRA expects that any incremental additional cost charged by a redistributor to cover new issue reference data may be relatively low because FINRA would allow unlimited redistribution rights for the $6,000 monthly charge. FINRA also believes that the incremental additional costs charged by redistributors may be relatively low compared to the current cost that subscribers incur to obtain new issue reference data for corporate bonds. FINRA anticipates that many market participants will receive the data from redistributors, consistent with what they do today.

A centralized source of new issue reference data is more efficient than the current process of sourcing reference data, and FINRA intends to price the service as a utility provider. Subscribers would be able to access the full data stream from a single source rather than have to engage in multiple contracts or limit their access to data. Direct subscription to the reference data service is completely voluntary, so any subscription indicates that the benefit outweighs the cost and thus, it will not impose a regulatory burden on subscribers. For those firms that gain access indirectly through another subscriber, costs may decrease if the costs to subscribers to obtain new issue reference data is lower and some or all of those savings are passed onto the firms.

Finally, a centralized source of new issue reference data may create a single point of failure in the new issue reference data market if data providers stop collecting data on their own and solely rely on the data service. We expect this is unlikely to happen because data providers will likely continue to collect a range of bond reference data beyond the limited fields provided in the proposed service in order to provide value added services to their offerings.

Competition and Efficiency

The proposed service will likely affect competition among market participants. FINRA believes the service will promote competition in general while ensuring the essential functioning of the bond market by providing accurate and timely data for pricing and trading of corporate bonds.

The proposed service may increase competition among data providers. FINRA learned through discussions with market participants that the quality and timeliness of reference data varies greatly across data providers. Underwriters provide the reference data and in return receive a benefit. Given the prevalence of the incumbent data provider's service, underwriters have less incentive to report to other data providers. This might create a high barrier to entry for other data providers.[20] By providing an

---

20 For example, one trading platform/data provider told FINRA that a reference data contract with the incumbent provider of new issue data is prohibitively expensive, so it has to use other less expensive reference data sources and a higher degree of manual intervention.

option of complete and timely new issue reference data to data providers, the proposed service would promote competition by lowering the barrier to entry. Data providers can compete on other dimensions, such as presentation, ease of access, integration with other data, supplementary fields and other value-added services.

The proposed service also would promote competition among firms by lowering the barrier to entry for broker-dealers trading newly issued corporate bonds. For example, accurate and timely information about newly issued corporate bonds at relatively low cost would especially benefit small broker-dealers that would otherwise have less access to such information.

The proposed service would increase efficiency by providing data providers with the essential fields on the complete set of new issuances on which they can build their reference data. It reduces the need for data providers and trading platforms to manually correct errors and fill in missing data.[21]

Alternatives Considered

FINRA understands that for the municipal bonds new issue reference data service required by the MSRB and operated by DTCC, costs may be recovered from generally applicable connectivity fees to underwriters, service providers, and information vendors that use NIIDS. FINRA has determined that rather than imposing connectivity fees on underwriters, which could be ultimately passed on to other users, it is more appropriate to

---

21 For example, one trading platform told FINRA that in addition to the cost of their contract with the reference data provider, they hired an employee specifically to maintain the integrity of the new issue reference data and the estimated cost for the person-hours needed for this is about $150k/year.

recover fees from parties that choose to receive and use the data for their business purposes.

FINRA also considered whether there was an appropriate alternative approach that involved an expansion of the DTCC's NIIDS service to include corporate new issue reference data. However, based on operational and commercial reasons, including inefficiencies with integrating the existing FINRA reporting infrastructure with a separate DTCC infrastructure, FINRA concluded that expanding the current existing FINRA reporting and dissemination framework was a more effective and efficient approach. In addition, the current proposal reflects the unanimous view of the FIMSAC, which stated that FINRA was best situated to carry out the Recommendation because it would be an incremental addition to current practices, both for FINRA and the underwriters that must report corporate new issue information.

In addition, as discussed above, FINRA considered an alternative, phased reporting approach, with certain core information required prior to the first trade and an extended 60-minute window for remaining information. FINRA is not proposing this alternative approach for the reasons discussed above, but FINRA invites interested parties to submit comments on this or any other element of the proposal.

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. As noted above, the proposed rule change is based on the FIMSAC Recommendation, which was published on the SEC website but did not generate any written comments.

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.[22]

7. 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)

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3. Detailed List of Corporate Bond New Issue Reference Data Fields.

Exhibit 5. Text of the proposed rule change.

---

[22] 15 U.S.C. 78s(b)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2019-008)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Establish a Corporate Bond New Issue Reference Data Service

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 , 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 enhance the collection and dissemination of new issue reference data for corporate bonds and charge associated fees.

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.

---

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

FINRA is submitting this proposed rule change to establish a new issue reference data service for corporate bonds, consistent with a recommendation from the SEC's Fixed Income Market Structure Advisory Committee ("FIMSAC").

Background

On October 29, 2018, the FIMSAC unanimously approved a recommendation from its Technology and Electronic Trading Subcommittee to establish a new issue reference data service for corporate bonds ("FIMSAC Recommendation").[3] Specifically, the FIMSAC Recommendation urged FINRA to establish a consolidated, comprehensive, and accurate data set for corporate bond new issues. Today, market participants rely on corporate bond reference data providers for this information. However, each reference data provider collects and disseminates new issue reference data from different sources

[3] See Recommendation to Establish a New Issue Reference Data Service for Corporate Bonds, (October 29, 2018), https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-corporate-bond-new-issue-reference-data-recommendation.pdf.

and at different speeds that vary by a few hours to several days, resulting in data that may not be consistent, timely and accurate across reference data providers.

The FIMSAC Recommendation states that reliable, consistent and timely reference data is necessary to support the efficient trading and settlement of bonds. A centralized reference data source is increasingly important as market participants rely more on electronic trading platforms, so that all platform participants price and trade bonds based on consistent and accurate information.

In considering the need for improved corporate new issue reference data, the FIMSAC looked to the municipal bond market, where there is a centralized reference data service. The Municipal Securities Rulemaking Board ("MSRB") requires the underwriter of a new issue of municipal securities to communicate information to ensure that market participants have timely access to information necessary to report, compare, confirm, settle and clear transactions in the new issue. Specifically, under MSRB Rule G-34, underwriters must submit new issue information to the New Issue Information Dissemination Service ("NIIDS"), operated by the Depository Trust and Clearing Corporation ("DTCC"). NIIDS then makes this information immediately available to reference data providers.

To achieve its purpose, the FIMSAC stated that FINRA should expand its existing rules so that it can similarly collect and disseminate comprehensive reference data for corporate bond new issues. Currently, under Rule 6760 (Obligation to Provide Notice), members that are underwriters of an initial offering of a TRACE-Eligible Security are required to submit certain specified information to FINRA prior to the execution of the first transaction of the offering to facilitate trade reporting and dissemination of transactions.[4] The information required by the rule generally is limited to the fields needed to set up a bond on TRACE for trade reporting purposes (e.g., the CUSIP number, the issuer name, the coupon rate, the maturity, whether Rule 144A applies, and a brief description of the bond). FINRA disseminates some of this new issue information as part of the Corporate Security Daily List; however, electronic trading platforms generally require more information to make new issues available to trade.[5]

The FIMSAC Recommendation asked that FINRA build on the existing Rule 6760 requirements to establish a new issue data service with more comprehensive information. The FIMSAC stated that FINRA was best situated to carry out the Recommendation because it would be an incremental addition to current practices, both for FINRA and the underwriters that must report new issue information.

Proposal

In line with the FIMSAC Recommendation, FINRA is proposing to amend Rule 6760 to specify a number of data elements, in addition to those already specified by the rule, which must be submitted for new issues in corporate debt securities.[6] Under the

---

4 In cases where a new issue is priced and begins trading on the same day, Rule 6760 requires certain data elements—those sufficient to identify the security accurately—to be reported before the execution of the first transaction, and all remaining data elements to be reported within 15 minutes of the Time of Execution of the first transaction.

5 The information distributed on the Corporate Security Daily List may only be used to support trade reporting and may not be redistributed. The Daily List includes some mandatory new issue information currently collected from underwriters pursuant to Rule 6760, which is then made available at no charge through an application program interface ("API"). The Daily List would not be impacted by this proposal.

6 In connection with the proposal, FINRA also would make two technical, non-substantive, clarifying edits to the definition of corporate debt security that is currently located in FINRA Rule 2232 (Customer Confirmations). First, FINRA

proposed rule change, underwriters subject to Rule 6760[7] would be required to report the following additional data elements: (A) the International Securities Identification Number ("ISIN"); (B) the currency; (C) the issue date; (D) the first settle date; (E) the interest accrual date; (F) the day count description; (G) the coupon frequency; (H) the first coupon payment date; (I) a Regulation S indicator; (J) the security type; (K) the bond type; (L) the first coupon period type; (M) a convertible indicator; (N) a call indicator; (O) the first call date; (P) a put indicator; (Q) the first put date; (R) the minimum increment; (S) the minimum piece/denomination; (T) the issuance amount; (U) the first

---

would clarify that the definition of corporate debt security is limited to TRACE-Eligible Securities. This clarification reflects the original intent of the definition and is consistent with current FINRA guidance. See FINRA Fixed Income Confirmation Disclosure FAQ 1.12, http://www.finra.org/industry/faq-fixed-income-confirmation-disclosure-frequently-asked-questions-faq.

Second, FINRA would update the definition of corporate debt security to exclude the class of assets defined as Securitized Products in Rule 6710(m), rather than Asset-Backed Securities, defined in Rule 6710(cc). When the definition of corporate debt security was first drafted, FINRA did not yet have a defined term for Securitized Products, only Asset-Backed Securities. Since that time, FINRA added the term Securitized Products, which includes Asset-Backed Securities. Accordingly, this is a clarifying change that simply updates the terms referred to in the corporate debt security definition; this clarifying change also reflects the original intent of the definition and is consistent with current FINRA guidance. See FINRA Fixed Income Confirmation Disclosure FAQ 1.11.

FINRA also proposes to relocate the revised definition of corporate debt security into the TRACE Rule Series. FINRA believes it makes sense to include the definition in Rule 6710 where it would sit alongside a number of other TRACE definitions for fixed income asset types. FINRA would make corresponding technical edits to Rule 2232 to refer to the relocated definition in Rule 6710.

7 As part of the proposal, FINRA would amend Rule 6760(a)(1) to clarify that underwriters subject to the Rule must report required information for the purpose of providing market participants in the corporate debt security markets with reliable and timely new issue reference data to facilitate the trading and settling of these securities, in addition to the current purpose of facilitating trade reporting and dissemination in TRACE-Eligible Securities.

call price; (V) the first put price; (W) the coupon type; (X) rating; (Y) a perpetual maturity indicator; and (Z) a Payment-In-Kind (PIK) indicator.

These data fields, together with certain data fields specified in the current Rule, reflect all but one of the fields that were described in the FIMSAC Recommendation, as well as additional fields identified during supplemental industry outreach conducted by FINRA.[8] FINRA also notes that several fields specified in the proposed rule change are already required to be reported or are reported voluntarily on the FINRA TRACE New Issue Form.[9] FINRA has attached as Exhibit 3 a detailed list of the corporate bond new issue reference data fields that specifies whether the fields are currently mandatory or voluntary and includes a description of each field.

In addition, for the fields that FINRA added to the proposal based on additional industry outreach ((T) through (Z) above), Exhibit 3 describes FINRA's rationale for their inclusion in the proposal. These attributes were indicated by market participants as

---

8 The one field from the FIMSAC Recommendation that FINRA has not included in this proposal is "Calculation Types (CALT)." FINRA understands from industry outreach that this field, as it is included in the FIMSAC Recommendation, leverages calculation methodology that is specific to one data vendor's protocols and may not be readily available to all underwriters that would be required to report information to FINRA under Rule 6760, or to consumers of the data. The FIMSAC Recommendation noted that the preliminary list of data fields was developed based on discussions with market participants, but that it should be finalized based on further analysis by FINRA and the SEC. See FIMSAC Recommendation at pg. 3 n.2.

9 The FINRA TRACE New Issue Form is used by firms to set up securities pursuant to firms' existing obligations either under Rule 6760 or 6730 (Transaction Reporting). It allows for the submission of data fields required by these rules as well as additional data fields that underwriters often report voluntarily. As part of this proposal, FINRA would codify in Rule 6760 the specific fields that have been deemed necessary under current Rule 6760(b) and therefore are mandatory for successful submission of the TRACE New Issue Form.

important in liquidity and risk assessment. Issue amount is an indication of potential liquidity of the issue in general and also in particular as it is in many cases among the criteria used for index consideration. Other proposed fields (coupon type, PIK, perpetual maturity indicator and the complementing put information) provide further context and are descriptive of the cash flow profile and considerations in risk assessment and pre-trade compliance efforts. Additionally, FINRA utilizes ratings to determine TRACE grade (Investment Grade or Non-Investment Grade) which in turn determines dissemination volume caps.

The proposal also would require that all data elements be reported for new issues in corporate debt securities prior to the first transaction in the security. Currently, for information reported under Rule 6760 for trade reporting purposes, the Rule allows phased reporting in some cases. Specifically, for an offering of a security that is priced and begins trading on the same business day between 9:30 a.m. and 4:00 p.m. Eastern Time, Rule 6760 requires certain information to be reported before the first trade in the security and remaining information within 15 minutes of the time of the first trade. Otherwise, the current Rule requires all information to be reported before the first trade in the security.

As noted above, FINRA is proposing to amend Rule 6760 to require all data fields for new issues in corporate debt securities to be reported prior to the first trade. FINRA alternatively considered maintaining the Rule's phased reporting approach for offerings in corporate debt securities subject to the proposal, with certain core information required prior to the first trade and an extended 60-minute window for remaining information, given the additional data fields that would be required to be reported under the proposal.

However, FINRA believes that the proposed approach to require uniform pre-first trade reporting better supports the stated goals in the FIMSAC Recommendation to increase the efficiency of the corporate bond market and promote fair competition among all market participants. Specifically, a uniform reporting approach would allow FINRA to collect and make all of the data available immediately to market participants, resulting in a more consistent, timely and complete data set that will support more efficient pricing, trading and settlement of bonds. FINRA also believes that the proposed uniform reporting approach better advances the element in the FIMSAC Recommendation stating that managing underwriters should be required to report the data elements to FINRA no later than reporting such data elements to any third party not involved in the offering, including reference data vendors. Uniform pre-first trade reporting furthers this element, while not unduly constraining the sharing of data that may be necessary as part of the underwriting process.[10] On balance, FINRA believes the significant benefits of uniform pre-first trade reporting outweigh the additional burdens on underwriters, but invites interested parties to submit comments on this (or any) aspect of the proposal.

Further in line with the FIMSAC Recommendation, FINRA would disseminate corporate bond new issue reference data collected under Rule 6760 upon receipt and provide subscribers with access to the data for fees determined on a commercially reasonable basis.[11] Under Rule 7730 (Trade Reporting and Compliance Engine

---

[10] See FIMSAC Recommendation at pg. 3.

[11] Under proposed Rule 6760(d), there may be some information collected under the Rule for security classification or other purposes that would not be disseminated. This may include, for example, information about ratings that is restricted by agreement. In addition, CUSIP Global Services' ("CGS") information would not be disseminated to subscribers that do not have a valid license regarding use of CGS data.

(TRACE)), FINRA would make the corporate bond new issue reference data available to any person or organization for a fee of $250 per month for internal purposes only, and for a fee of $6,000 per month where the data is retransmitted or repackaged for delivery and dissemination outside the organization.

This data would be accessible by all member firms and other market participants and data users, with the fees assessed only on those that choose to subscribe. The $6,000 charge for redistribution would apply to any retransmission or redistribution of the data to any party other than the subscriber. For example, the redistribution charge would apply to a firm that displays the data on a website to its clients or customers, or to a clearing firm that displays or otherwise makes the data available to its correspondents. However, FINRA notes that because the charge includes unlimited redistribution rights, FINRA would assess it only once on the party that subscribes. Accordingly, FINRA would not assess any charge on firms that receive the data from data vendors or other market participants that have subscribed for redistribution rights, nor would FINRA increase the amount charged to the subscriber based on how often it redistributes the data. As discussed further below, FINRA anticipates that many market participants, including clearing firms and correspondent firms, will receive the data from data vendors consistent with what they do today.

If the Commission approves the filing, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 90 days following publication of the Regulatory Notice. The effective date will be no later than 270 days following Commission approval. Based on implementation of this proposal, FINRA would evaluate a potential expansion of the new issue reference data service to include other debt products.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[12] 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, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market, and, in general, to protect investors and the public interest. FINRA also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act, [13] which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

The proposed changes to Rule 6760 are designed to improve transparency and efficiency in the corporate bond markets, consistent with Section 15A(b)(6).[14] The proposal would do so by providing market participants in the corporate bond markets with reliable and timely new issue reference data to facilitate secondary trading in and

---

12 15 U.S.C. 78o-3(b)(6).

13 15 U.S.C. 78o-3(b)(5).

14 Related changes to the definition of corporate debt security in Rule 2232 are technical, non-substantive, and clarifying, and are intended to support the proposed changes to Rule 6760, consistent with Section 15A(b)(6).

settlement of these instruments, particularly during the period when new issues first start trading in the secondary markets. As discussed throughout the filing, the proposal would advance the FIMSAC Recommendation, which was intended to address the lack of a reliable and timely centralized source for corporate bond new issue reference data. The FIMSAC Recommendation explained that reliable, consistent and timely reference data is necessary to support the efficient trading and settlement of bonds, and is increasingly important as market participants rely more on electronic trading platforms. FINRA believes that the proposed new issue data reporting and dissemination requirements in Rule 6760 are designed to and will support and further the efficient trading and settlement of bonds, provide uniform and timely access to important new issue corporate reference data, and otherwise promote the objectives of Section 15A(b)(6).

FINRA further believes that the proposed fees for the corporate bond new issue reference data service contemplated by Rule 7730 are fair, equitable, reasonable, and not unfairly discriminatory. As discussed in the next section with respect to anticipated economic impacts of the proposal, the proposed fees would price the corporate bond new issue reference data service as a utility, using cost plus margin pricing, which FINRA believes is a reasonable means to meet ongoing operating costs related to the initiative. The data service would be available on the same terms to any party that wished to subscribe with two flat prices, one for internal use only and one for redistribution. FINRA believes that the proposed fee structure will allow for broad distribution of the new issue reference data to market participants, and that the fees are reasonably designed to cover FINRA's ongoing operational costs. Specifically, the proposed fee structure reflects FINRA's estimates of the ongoing operational costs related to the new proposed data service, including direct staff allocated to the initiative, and related functions, including technology, legal, billing, and finance. Accordingly, FINRA believes the proposed fees are reasonably designed to recover the costs of the data service with equitable and not unfairly discriminatory charges based on subscribers' use of the data for their business purposes. FINRA notes that the proposed fee structure, with use-based tiers that are based on projected costs, is consistent with fees the SEC previously has approved. The SEC has stated its belief that a "use-based approach is consistent with equitable distribution of fees" and approved use-based fees when reasonably related to costs.[15]

B. 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

Regulatory Need

Currently in the corporate bond market, new issue reference data is not collected consistently or with established data standards, nor is it uniformly distributed to market participants in a timely manner. Data providers collect new issue reference data from different sources, typically underwriters, which often results in incomplete and inconsistent data. This holds true for any individual data provider and for the aggregate data collected; that is, even if a market participant gained access to all commercial

---

15 See Securities Exchange Act Release No. 72280 (May 29, 2014), 79 FR 32351, 32353 (June 4, 2014) (Order Approving File No. SR-FINRA-2014-018) (approving fees for ATS data that varied according to use and discussing the Commission's prior approval of similar use-based TRACE fees).

products available today, the data may not be complete, reliable or timely for all new issues. The speed that data providers collect and disseminate data also varies and can be as long as several days.

There are significant frictions in the corporate bond market that have made finding a solution to this problem difficult. First, because data is provided voluntarily by underwriters today, data providers may not be able to assure the completeness, accuracy and timeliness of the information. Second, underwriters may have differing incentives with respect to the importance of providing the information to data providers.[16] Finally, because data providers are paid, at least in part, for the data they collect, there is little incentive to share information among themselves.

The lack of accurate, complete and timely corporate bond new issue reference data imposes costs to various market participants. Incomplete new issue reference data prevents traders from identifying and evaluating newly issued bonds for trading.[17] This may lead to loss of trading opportunities for traders, loss of business for trading platforms, and less demand for the initial subscription of the bond issuance, all of which can hurt issuers and underwriters, decreasing demand and liquidity for bonds. Variation of reference data completeness across data providers puts small traders who cannot afford multiple data providers at a disadvantage in accessing the new issue market. For trading platforms, clearing firms and electronic trading platforms, inaccurate reference data

---

16 For example, underwriters may provide the information to data providers who also provide services in the underwriting process like modeling and pricing of the bonds, or to data providers who also provide trading platforms.

17 According to one trading platform, its reference data provider would only provide data relating to new issues the morning after issuance, which resulted in the firm’s clients not being able to trade the bond when it began to trade (usually the previous afternoon).

creates inconsistencies in trading and the settlement process and increases transaction costs. The lack of centralized data sources forces data providers and trading platforms to manually collect or correct data, which can be costly.

Baseline

This section explains the current dissemination process of the new issue reference data in the corporate bond market, including summary statistics on the new issuance market and underwriters.

In 2018, 22,385 TRACE-Eligible corporate debt securities were issued, including corporate bonds and equity linked notes. New issue reference data is generated by underwriters. It is usually aggregated by data providers and then sold to various market participants for consumption, including trading and clearing firms, electronic trading platforms, broker-dealers and bond investors. As noted above, FINRA conducted outreach to understand the dissemination process, direct and indirect costs imposed by the process, and ways it might be improved.[18]

To facilitate trade reporting, as discussed above, underwriters are required to report limited new issue information to FINRA under Rule 6760. Underwriters also often provide additional new issue reference data to FINRA on a voluntary basis on the FINRA TRACE New Issue Form. Besides regulatory reporting to FINRA, underwriters follow different practices to report reference data on new corporate bond issues to other parties. To facilitate trading of corporate bonds, underwriters usually report some of the data to their clients, which are generally institutional investors. Some also report to certain aggregators and media vendors. No standard exists among underwriters on whom to

[18] FINRA talked to four data providers, three underwriters, two trading platforms, and two clearing firms.

report new issuances to, what fields to include and on what timeline, so the dissemination of new issue reference data is fragmented and inconsistent.

Based on FINRA's conversations with data providers, no systematic ways exist for data providers to obtain complete, timely and reliable reference information on corporate bond new issues. Individual underwriters send new issue reference information to some data providers, often through email or term sheets. However, data providers rely on various sources for collecting the reference data for other new issues, including preliminary deal documents, issuers, vendor data, pricing wires and final prospectuses. Since information is collected through different sources, the coverage of new issues varies by data providers and, as a result, data can be inconsistent. The speed at which data providers collect reference data also varies. Any individual data provider might have reference data for only a subset of the newly issued bonds on the pricing day when bonds are sold in the primary market. The coverage may rise through the trading day and reach its steady level several days after the issuance.

FINRA understands that individual firms typically gain access today to new issue reference data by purchasing the services of one or more third-party data vendors. Introducing firms may gain access to the information via their clearing firm, which provides the data as part of its services. Similarly, some firms may grant access to the new pricing information to their clients, either directly or through some research product.

FINRA understands that trading platforms typically subscribe to data providers and augment their reference data from other sources, such as term sheets and websites to collect missing reference information. Clients of trading platforms rely on the platforms to provide new issue reference data.

Electronic trading platforms capture a significant portion of the corporate bond trading volume. The U.S. Treasury Department estimates that electronic platforms have captured 20% of investment grade corporate bond trading.[19] According to Greenwich Associates' 2017 U.S. Fixed-Income Study, almost 85% of investors in investment grade instruments surveyed use electronic trading, and close to 73% of investors in high-yield instruments do.

Economic Impacts

Pricing of the Proposed Service

New issue reference data is essential for the pricing and trading of bonds and the proper functioning of the corporate bond market. However, building such data requires extensive coordination among market participants and manual data collection, compilation and cleaning efforts for each data vendor. By using a regulatory requirement to centralize data reporting to FINRA, FINRA could reduce these duplicated efforts and thus costs, while improving the accuracy, completeness and timeliness of the information made available. FINRA is proposing to price the reference data as a utility, using cost plus margin pricing. This ensures that market participants get accurate and timely reference data, while limiting the price of new issue reference data as a barrier to entry to bond market participants.

Besides improving the quality of new issue reference data available to the market, FINRA believes that the data service will promote fair and reasonable pricing for reference data by introducing an alternative source in addition to what is provided by the

[19] See Jake Liebschutz and Brian Smith, Examining Corporate Bond Liquidity and Market Structure, (March 7, 2016), https://www.treasury.gov/connect/blog/Pages/Examining-Corporate-Bond-Liquidity-and-Market-Structure.aspx.

incumbent data providers. As discussed in more detail below, currently underwriters have relatively few incentives to report to data providers other than the prevalent incumbent data providers. The incumbent data providers face less competition because of the complexity of building the database as discussed previously, leading to a relatively high barrier to entry. By providing an alternative option for the data at cost plus margin, the service will exert disciplinary pressure on the current pricing for the data. The proposed service may not be the only collector of reference data. Data providers may continue to collect data from their existing sources and on a range of bond reference data beyond the limited fields provided in the proposed service. By lowering the barrier to entry and allowing data providers to compete on other dimensions and value-added services, the service would promote competitive pricing of the reference data.

Benefits

The proposed service would be a central source for collecting and disseminating new issue reference data, and would provide market participants with more complete, accurate and timely data about new issues. FINRA expects that the new issue reference data service will increase the transparency of the corporate bond market, especially around the issuance period. Historically, TRACE implementation has demonstrated that transparency has facilitated trading and improved market quality.[20] Thus, FINRA believes that the increased transparency as a result of the proposed reference data service will also benefit the market.

---

[20] See FINRA's website for a list of TRACE Independent Academic Studies, available at http://www.finra.org/industry/trace/trace-independent-academic-studies.

Accurate and timely information about newly issued corporate bonds would allow potential buyers the opportunity to evaluate the bonds for investment, especially right after issuance. This likely increases their investment choices. Index operators would also have the opportunity to evaluate new bonds for timely inclusion. This helps ensure that the index accurately represents the concurrent bond market condition.

Accurate and timely new issue data also would benefit trading platforms and clearing firms by reducing broken trades and errors in trading due to inconsistent information. It also would increase trading speed by removing delays due to manually correcting reference data errors. Accurate and timely new issue reference data may also increase trading volumes that might otherwise be lost when traders do not have reference data on newly issued bonds.

A central source for new issue reference data would likely benefit most data providers by providing them with a complete, accurate and relatively low cost source of data. It would reduce the need for data providers to manually collect missing data or correct errors in the new issue reference data.

Issuers and underwriters may benefit from the service as well. The new issue reference data service may reduce trading costs and increase trading volume as discussed above. To the extent that this results in increased liquidity, it will lower the cost of capital for issuers. Increased awareness of the new issuances may also help underwriters in marketing and underwriting. Underwriters may also benefit from the reference data that underwriters collectively submit by reducing the need to manually research other reference data sources for proper procurement of information.

<u>Costs and Negative Impacts</u>

The proposed rule change may impose costs on underwriters to report the additional reference data to FINRA. Currently, underwriters provide limited corporate bond reference data to FINRA, some required under Rule 6760 and some voluntarily, and they may provide information to one or more data vendors. The costs associated with providing the new proposed reference data fields to FINRA depends on underwriters' current reporting systems, the speed at which they currently are able to provide this information, and the timing with which they report the data today. Reporting additional fields to FINRA as outlined in the proposed rule may require upgrades to their current system for reporting to incorporate both the new fields as well as to meet the new timing required by the proposed rule change. Underwriters may also incur costs when they choose to use third-party vendors to report the reference data, although FINRA anticipates that underwriters will decide to report themselves or through a third party based on their cost and efficiencies. Based on conversations with underwriters, FINRA understands that underwriters do not anticipate incurring significant costs for reporting under this proposal.

The underwriter market is highly skewed towards large underwriters, with 71.24% of dollar volume being led by the ten largest underwriters in the first three quarters of 2018, according to Bloomberg league tables. This may create a concern that underwriters that underwrite fewer deals may be burdened disproportionally if there are fixed costs associated with amending an underwriter's reporting system to meet the additional requirements for new issue reference data submission as set forth in the proposal. Additional burden may be alleviated because reporting to FINRA would reduce or eliminate the need for underwriters to report to other parties, or by the fact that underwriters can leverage investments already made in the existing reporting system necessary under Rule 6760.

Subscribers to FINRA's new issue reference data service will incur a subscription fee and setup cost. Subscribers may pay the lower fee for internal usage of the data or pay the higher fee for redistributing the data. Firms redistributing the data may pass on the cost to their clients; however, FINRA will not charge redistributors anything beyond the flat $6,000 per month charge regardless of how often it redistributes the data. Thus those firms gaining access indirectly, for example through a clearing firm, may be charged by the clearing firm as part of their agreements. However, FINRA expects that any incremental additional cost charged by a redistributor to cover new issue reference data may be relatively low because FINRA would allow unlimited redistribution rights for the $6,000 monthly charge. FINRA also believes that the incremental additional costs charged by redistributors may be relatively low compared to the current cost that subscribers incur to obtain new issue reference data for corporate bonds. FINRA anticipates that many market participants will receive the data from redistributors, consistent with what they do today.

A centralized source of new issue reference data is more efficient than the current process of sourcing reference data, and FINRA intends to price the service as a utility provider. Subscribers would be able to access the full data stream from a single source rather than have to engage in multiple contracts or limit their access to data. Direct subscription to the reference data service is completely voluntary, so any subscription indicates that the benefit outweighs the cost and thus, it will not impose a regulatory burden on subscribers. For those firms that gain access indirectly through another subscriber, costs may decrease if the costs to subscribers to obtain new issue reference data is lower and some or all of those savings are passed onto the firms.

Finally, a centralized source of new issue reference data may create a single point of failure in the new issue reference data market if data providers stop collecting data on their own and solely rely on the data service. We expect this is unlikely to happen because data providers will likely continue to collect a range of bond reference data beyond the limited fields provided in the proposed service in order to provide value added services to their offerings.

Competition and Efficiency

The proposed service will likely affect competition among market participants. FINRA believes the service will promote competition in general while ensuring the essential functioning of the bond market by providing accurate and timely data for pricing and trading of corporate bonds.

The proposed service may increase competition among data providers. FINRA learned through discussions with market participants that the quality and timeliness of reference data varies greatly across data providers. Underwriters provide the reference data and in return receive a benefit. Given the prevalence of the incumbent data provider's service, underwriters have less incentive to report to other data providers. This might create a high barrier to entry for other data providers.[21] By providing an option of complete and timely new issue reference data to data providers, the proposed

---

21 For example, one trading platform/data provider told FINRA that a reference data contract with the incumbent provider of new issue data is prohibitively expensive, so it has to use other less expensive reference data sources and a higher degree of manual intervention.

service would promote competition by lowering the barrier to entry. Data providers can compete on other dimensions, such as presentation, ease of access, integration with other data, supplementary fields and other value-added services.

The proposed service also would promote competition among firms by lowering the barrier to entry for broker-dealers trading newly issued corporate bonds. For example, accurate and timely information about newly issued corporate bonds at relatively low cost would especially benefit small broker-dealers that would otherwise have less access to such information.

The proposed service would increase efficiency by providing data providers with the essential fields on the complete set of new issuances on which they can build their reference data. It reduces the need for data providers and trading platforms to manually correct errors and fill in missing data.[22]

Alternatives Considered

FINRA understands that for the municipal bonds new issue reference data service required by the MSRB and operated by DTCC, costs may be recovered from generally applicable connectivity fees to underwriters, service providers, and information vendors that use NIIDS. FINRA has determined that rather than imposing connectivity fees on underwriters, which could be ultimately passed on to other users, it is more appropriate to recover fees from parties that choose to receive and use the data for their business purposes.

---

22 For example, one trading platform told FINRA that in addition to the cost of their contract with the reference data provider, they hired an employee specifically to maintain the integrity of the new issue reference data and the estimated cost for the person-hours needed for this is about $150k/year.

FINRA also considered whether there was an appropriate alternative approach that involved an expansion of the DTCC's NIIDS service to include corporate new issue reference data. However, based on operational and commercial reasons, including inefficiencies with integrating the existing FINRA reporting infrastructure with a separate DTCC infrastructure, FINRA concluded that expanding the current existing FINRA reporting and dissemination framework was a more effective and efficient approach. In addition, the current proposal reflects the unanimous view of the FIMSAC, which stated that FINRA was best situated to carry out the Recommendation because it would be an incremental addition to current practices, both for FINRA and the underwriters that must report corporate new issue information.

In addition, as discussed above, FINRA considered an alternative, phased reporting approach, with certain core information required prior to the first trade and an extended 60-minute window for remaining information. FINRA is not proposing this alternative approach for the reasons discussed above, but FINRA invites interested parties to submit comments on this or any other element of the proposal.

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. As noted above, the proposed rule change is based on the FIMSAC Recommendation, which was published on the SEC website but did not generate any written comments.

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-2019-008 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2019-008. 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. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2019-008 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.[23]

Robert W. Errett
Deputy Secretary

---

[23] 17 CFR 200.30-3(a)(12).

EXHIBIT 3

Detailed List of Corporate Bond New Issue Reference Data Fields

As discussed in the attached filing, the proposed corporate bond new issue reference data service would include the fields listed below.

Fields Specified in FIMSAC Recommendation (Schedule A)		
Proposed Data Field *currently disseminated on the Corporate Security Daily List	**Description**	**Currently Mandatory, Voluntary or New Field**
Issuer*	Name of the issuing entity of the security.	Mandatory
Coupon*	Current interest rate of the security.	Mandatory
ISIN Number	The International Securities Identification Number (ISIN).	New Field
CUSIP Number*	The Committee on Uniform Security Identification Procedures (CUSIP) number.	Mandatory
Currency	Currency in which the security was issued.	New Field
Issue Date / First Settlement Date	Date the security is issued. Displays the First Settle Date, the date payment is due.	Voluntary
Interest Accrual Date	Date from which interest begins to accrue.	New Field
Day Count Description	The description of the day-count convention for calculating yields and/or accrued interest (e.g., 30/365, actual/365, etc.).	New Field
Coupon Frequency	Number of times per year interest is paid.	Voluntary
First Coupon Payment Date	The first coupon payment date following the initial settlement date.	Voluntary
Maturity*	Date the principal of a security is due and payable.	Mandatory
144A Eligible Indicator*	Field will return true when the issuer's offering documentation (e.g., prospectus or offering memorandum) includes a statement to the effect that the security will be offered and sold in reliance upon Rule 144A of the U.S. Securities Act of 1933 or when other information from the issuer or another involved party indicates that the security will be offered and sold in such manner.	Mandatory
Regulation S Indicator	Field will return true when the issuer's	New Field

Fields Specified in FIMSAC Recommendation (Schedule A)		
Proposed Data Field *currently disseminated on the Corporate Security Daily List	**Description**	**Currently Mandatory, Voluntary or New Field**
	offering documentation (e.g., prospectus or offering memorandum) includes a statement to the effect that the security will be offered and sold outside the United States in reliance upon Regulation S of the U.S. Securities Act of 1933 or when other information from the issuer or another involved party indicates that the security will be offered and sold in such manner.	
Security Type	Brief description of the specific instrument type. For example, Corporate Note, Bond or Debenture or Other.	Mandatory
Bond Type	Brief description of bond type. For example, Junior Unsecured or Junior Subordinated Unsecured; Senior Secured; Secured; Unsecured; Senior Unsecured; Subordinated Unsecured; Senior Subordinated Unsecured; Other.	Mandatory
First Coupon Period Type	Describes the first coupon period of the bond with respect to the payment frequency.	New Field
Convertible Indicator*	Indicates if the security is convertible to equity.	Mandatory
Call Indicator	Indicates whether the security has a call provision.	Mandatory
First Call Date	The first date on which bonds may be called for redemption.	Mandatory
Put Indicator	Indicates the existence of a feature that provides the bond holder the contractual option to redeem the bond prior to the scheduled maturity date.	New Field
Put Date	Date on which securities are subject to redemption by the bond holder.	New Field
Minimum Increment	The minimum increment of the face value of the bond as originally specified in the issuer's offering documentation of the security.	New Field
Minimum Piece/Denomination	The minimum tradable denomination, amount, or investment, as originally specified	New Field

Fields Specified in FIMSAC Recommendation (Schedule A)		
Proposed Data Field *currently disseminated on the Corporate Security Daily List	**Description**	**Currently Mandatory, Voluntary or New Field**
	in the issuer's offering documentation of the security.	

Fields Added Based On Additional Industry Outreach			
Proposed Field	**Description**	**Rationale**	**Currently Mandatory, Voluntary or New Field**
Issuance Amount	The total issue amount of the security.	This field addresses the size of the deal, which is a data attribute for index inclusion criteria across most every fixed income index. This would have influence on ETF, liquidity, etc.	New Field
First Call Price	The first price on which bonds may be called for redemption based on the call schedule.	This field is critical for option adjusted spread (OAS) and average life calculations. Represents an important field for most clients especially retail investors when they gauge re-investment risk.	Mandatory
First Put Price	The price at which the bond holder can sell the security if exercising the put option on the security.	This field is critical for OAS and average life calculations. Represents an important field for most clients especially retail investors when they gauge re-investment risk.	New Field
Coupon Type	Fixed, floating, step up/down, etc.	This field denotes potential complexity and predictable cash flow data.	Mandatory
Rating	If the security has been rated, and if so if the rating is Investment Grade	This field is important to assess risk. In addition, FINRA utilizes ratings to determine TRACE grade (Investment Grade or	Voluntary

Fields Added Based On Additional Industry Outreach			
Proposed Field	**Description**	**Rationale**	**Currently Mandatory, Voluntary or New Field**
	or Non-Investment Grade.	Non-Investment Grade) which determines dissemination volume caps.	
Perpetual Maturity Indicator	Indicates if the security does not have a maturity date.	This field is used in pre-trade compliance. Yield calculations generally use first call on perpetual securities.	Mandatory
Payment-In-Kind (PIK) Indicator	Indicates if the security has a Pay-In-Kind interest.	This field used in pre-trade compliance as it indicates cash flow implications and risk for many investors.	New Field

EXHIBIT 5

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

* * * * *

2200. COMMUNICATIONS AND DISCLOSURES

* * * * *

2230. Customer Account Statements and Confirmations

2232. Customer Confirmations

(a) through (e) No Change.

(f) Definitions

For purposes of this Rule, the term:

(1) No Change.

(2) "corporate debt security" shall have the same meaning as in Rule 6710(jj) [mean a debt security that is that is United States ("U.S.") dollar-denominated and issued by a U.S. or foreign private issuer and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A, but does not include a Money Market Instrument as defined in Rule 6710(o) or an Asset-Backed Security as defined in Rule 6710(cc)];

(3) through (4) No Change.

* * * * *

6700. TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)

* * * * *

6710. Definitions

The terms used in this Rule 6700 Series shall have the same meaning as those defined in the FINRA By-Laws and rules unless otherwise specified. For the purposes of this Rule 6700 Series, the following terms have the following meaning:

(a) through (ii) No Change.

(jj) "Corporate Debt Security" is a type of TRACE-Eligible Security that is United States ("U.S.") dollar-denominated and issued by a U.S. or foreign private issuer and, if a "restricted security" as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A, but does not include a Money Market Instrument as defined in Rule 6710(o) or a Securitized Product as defined in Rule 6710(m).

* * * * *

6760. Obligation To Provide Notice and Dissemination of Corporate Debt Security New Issue Reference Data

(a) Members Required to Provide Notice

(1) To facilitate trade reporting and dissemination of transactions in TRACE-Eligible Securities and to provide market participants in the Corporate Debt Security markets with reliable and timely new issue reference data to facilitate the trading and settlement of these instruments, a member that is a managing underwriter of a distribution or offering ("offering"), other than a secondary offering, of a TRACE-Eligible Security must obtain information and provide notice to FINRA Operations as set forth in this Rule. If a managing underwriter is not designated, an underwriter must provide such notice. In offerings where managing underwriters and/or underwriters are not designated, the lead initial purchaser must provide such notice, and if there is no lead initial

purchaser, an initial purchaser must provide such notice. If more than one person is obligated to provide notice (e.g., multiple underwriters), such persons may submit jointly a single notice containing the required information to FINRA Operations. A member that is an underwriter or a Securitizer of a Securitized Product is a managing underwriter for purposes of this Rule. A member that is required to provide notice must make a good faith determination that the security is a TRACE-Eligible Security before providing such notice.

(2) No Change.

(b) Information Required

(1) The notice must contain the following information: ([1]A) the CUSIP number or if a CUSIP number is not available, a similar numeric identifier (e.g., a mortgage pool number); ([2]B) the issuer name, or, for a Securitized Product, the names of the Securitizers; ([3]C) the coupon rate; ([4]D) the maturity; ([5]E) whether Securities Act Rule 144A applies; ([6]F) the time that the new issue is priced, and, if different, the time that the first transaction in the offering is executed; ([7]G) a brief description of the issue (e.g., senior subordinated note, senior note); and, ([8]H) such other information FINRA deems necessary to properly implement the reporting and dissemination of a TRACE-Eligible Security, or if any of items ([2]B) through ([8]H) has not been determined or a CUSIP number (or a similar numeric identifier as referenced above) is not assigned or is not available when notice must be given, such other information that FINRA deems necessary and is sufficient to identify the security accurately.

(2) For a new issue in a Corporate Debt Security, excluding bonds issued by religious organizations or for religious purposes (e.g., "church bonds"), in addition to the information required in paragraph (b)(1) of this Rule, the following information must be reported, if applicable: (A) the International Securities Identification Number (ISIN); (B) the currency; (C) the issue date; (D) the first settle date; (E) the interest accrual date; (F) the day count description; (G) the coupon frequency; (H) the first coupon payment date; (I) a Regulation S indicator; (J) the security type; (K) the bond type; (L) the first coupon period type; (M) a convertible indicator; (N) a call indicator; (O) the first call date; (P) a put indicator; (Q) the first put date; (R) the minimum increment; (S) the minimum piece/denomination; (T) the issuance amount; (U) the first call price; (V) the first put price; (W) the coupon type; (X) rating; (Y) a perpetual maturity indicator; and (Z) a Payment-In-Kind indicator.

(c) When Required

A notice required under this Rule must be provided to FINRA Operations prior to the execution of the first transaction of the offering, except as provided below.

(1) If an offering of a security, other than a Corporate Debt Security, is priced and commences on the same business day between 9:30:00 a.m. Eastern Time and 4:00:00 p.m. Eastern Time, a person that is required to provide notice must provide to FINRA Operations as much of the information set forth in paragraph (b)(1) that is available prior to the execution of the first transaction of the offering, which must be sufficient to identify the security accurately, and such other information that FINRA deems necessary and provide all other information

required under paragraph (b)<u>(1)</u> within 15 minutes of the Time of Execution of the first transaction.

(2) No Change.

<u>**(d) Dissemination of Corporate New Issue Reference Data**</u>

<u>Information about new issues of Corporate Debt Securities collected under this Rule will be disseminated upon receipt in the form determined by FINRA.</u>

* * * * *

7700. CHARGES FOR OTC REPORTING FACILITY, OTC BULLETIN BOARD AND TRADE REPORTING AND COMPLIANCE ENGINE SERVICES

* * * * *

7730. Trade Reporting and Compliance Engine (TRACE)

The following charges shall be paid by participants for the use of the Trade Reporting and Compliance Engine ("TRACE"):

System Fees	Transaction Reporting Fees	Data Fees
* * * * *	* * * * *	* * * * *
		<u>Corporate New Issue Reference Data: Fee — $250/month for receipt of Corporate New Issue Reference Data for any person or organization for use for internal purposes only</u>.
		<u>Corporate New Issue</u>

		Reference Data: Fee — $6,000/month for receipt of Corporate New Issue Reference Data for any person or organization who shall retransmit or repackage the Data for delivery and dissemination to any outside person or organization in any way.

(a) through (h) No Change.

(i) Corporate New Issue Reference Data

Any person or organization may subscribe for the Corporate New Issue Reference Data disseminated pursuant to Rule 6760(d) subject to the following fees:

(1) Data fee of $250 per month for receipt of Corporate New Issue Reference Data that is used for internal purposes only.

(2) Data fee of $6,000 per month for receipt of Corporate New Issue Reference Data that is retransmitted or repackaged for delivery or dissemination to any outside person or organization in any way.

* * * * *