

January 13, 2016

**Submitted Electronically**

Robert W. Errett  
Deputy Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-025

RE: **SR-FINRA-2015-055: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Provide FINRA with Authority to Grant Exemptions from TRACE Reporting for Certain ATS Transactions**

Dear Mr. Errett:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to SR-FINRA-2015-055, a notice of a proposed rule change to grant exemptions from TRACE reporting for certain ATS transactions. BDA is the only D.C. based group representing middle-market securities dealers and banks focused on the United States fixed-income markets and we welcome this opportunity to present our comments on the Notice.

***BDA believes that FINRA has failed to meet the criteria of (f)(6) of Rule 19b-4.***

BDA is concerned with the fact that the proposal was filed for immediate effectiveness because there are very legitimate concerns with how this rule will impact competition amongst dealers. FINRA’s premise for satisfying the requirements of (f)(6) of Rule 19b-4 is that it relieves ATSS of some of their reporting burden. But what FINRA has not fully taken into consideration is that the proposal has the effect of shifting that reporting burden to dealers and that shift may well have an impact on competition among dealers. Accordingly, FINRA should not have designated the proposal as having taken effect immediately under (f)(6) of Rule 19b-4.

BDA believes that market participants and third-party vendors should have been given a greater opportunity to comment on the new operational burdens associated with the proposed rule, especially the implementation timeline. The rule will alter the trade-reporting responsibilities of broker-dealers and ATSS significantly—adding technology and legal costs. Each and every change to trade reporting requirements associated with TRACE and EMMA impacts competition in the fixed-income marketplace because compliance staff and resources will need to be directed to devising a strategy to fulfill the rule’s requirements. Even small compliance changes like these have a disproportionate

impact on smaller dealers who experience much larger incremental costs when their compliance burden increases.

The MSRB filed its recent amendments to G-14, Reports of Sales or Purchases, in the Federal Register for comment on March 23, 2015. Those proposed changes included a new indicator that would be required for municipal securities transactions where an ATS was involved. Market participants, including BDA, commented on that filing and expressed general support for the changes, but concern regarding the effective date and the timeframe for testing. By contrast, SR-FINRA-2015-055 was filed for immediate effectiveness, yet will require greater systems changes, interaction with vendors, and significant engagement between ATSs and dealers. It is unclear why these proposed changes were not granted the benefit of the same public comment period as the comparable MSRB G-14 proposal.

SR-FINRA-2015-055 requires dealers to execute written agreements with the ATSs on which it transacts, complete the necessary internal programming changes to comply with the rule, and work with third-party vendors to ensure that the requirements for including an MPID in the TRACE report are fulfilled. These changes are not routine; all will demand additional firm resources to be directed to yet another change to TRACE reporting. The regulatory cost burden of this rule will fall heavily on smaller dealers whose compliance and technology budgets are already strained. For example, including an MPID in a TRACE report, and having the new MPID field in the TRACE report fill automatically is not a free service. Currently, some vendors allow for a limited number of MPIDs to auto-fill and will charge a premium fee for allowing greater numbers of MPIDs to be filled in automatically. Smaller dealers will have to evaluate the increased fees versus the less costly, yet riskier option of having internal personnel attempt to fill in the MPID manually within the trade-reporting window.

***BDA is concerned with the proposed rule's lack of cost-benefit analysis.***

Clearly, FINRA's purpose in making this rule proposal is to enhance real-time transparency for ATS trades. BDA supports market transparency initiatives. However, FINRA has not provided an economic cost-benefit analysis as to whether increasing costs on dealers to provide additional information about ATS trades is economically justified. In fact, FINRA notes that it is unsure of the number of trades that the proposal will impact. This lack of economic clarity is yet another reason for BDA and market participants to question whether it was appropriate for FINRA to have filed this rule change for immediate effectiveness.

FINRA notes that this rule change will ease reporting burdens for ATSs by shifting the reporting requirement to dealers, which in turn will increase dealer compliance costs by requiring a contract with ATSs. The proposal does not indicate whether FINRA considered an approach consistent with the recently adopted the MSRB amendment to Rule G-14 for ATS reporting, which was approved by the Commission in May 2015. A change to TRACE reporting requirements consistent with the MSRB requirement would be far less costly for dealers and ATSs to implement. It is unclear

whether FINRA considered such an approach and dismissed it, or whether FINRA simply did not consider the benefit of regulatory harmonization for the two trade reporting regimes. Consequently, dealers will have to implement requirements for two very different rules for ATS reporting.

***BDA does not believe the implementation timetable is appropriate.***

BDA believes that the July 18, 2016 timetable should be extended in order to allow dealers and ATSS to make all the required changes to systems, engage third-party vendors to develop solutions and negotiate the costs of new services. ATSS and dealers would benefit from an extended implementation period in order to enter into the written agreements that will be required. Given the extensive coding and testing currently underway for several upcoming TRACE and MSRB RTRS modifications, the implementation timetable for this rule change should be extended into late 2016. It is not unreasonable, given the recent significant regulatory burden that dealers have experienced, for BDA to request that dealers be provided additional time for compliance with the new rule.

Thank you again for the opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink that reads "Michael Nicholas". The signature is written in a cursive, flowing style.

Michael Nicholas  
Chief Executive Officer