

Pricing Disclosure in the Fixed Income Markets

FINRA Issues Guidance on the Enhanced Confirmation Disclosure Requirements in Rule 2232 for Corporate and Agency Debt Securities

Summary

FINRA is issuing this *Notice* to announce publication on its website of Frequently Asked Questions (FAQ) relating to enhanced confirmation disclosure requirements for corporate and agency debt securities pursuant to FINRA Rule 2232. The new requirements are scheduled to take effect May 14, 2018.

Questions regarding this *Notice* should be directed to:

- ▶ Patrick Geraghty, Vice President, Market Regulation, at (240) 386-4973 or Patrick.Geraghty@finra.org;
- ▶ Cynthia Friedlander, Director, Fixed Income Regulation, Regulatory Operations, at (202) 728-8133 or Cynthia.Friedlander@finra.org; or
- ▶ Alex Ellenberg, Associate General Counsel, Office of General Counsel, at (202) 728-8152 or Alexander.Ellenberg@finra.org.

Discussion

FINRA recently adopted enhanced confirmation disclosure requirements for corporate and agency debt securities.¹ Beginning May 14, 2018, members will be subject to the new requirements, set out in Rule 2232, concerning confirmation disclosure of mark-ups and mark-downs, time of execution, and a security-specific URL for webpages that contain relevant information about the traded securities.

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Notice Type

- ▶ Guidance

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Systems
- ▶ Trading
- ▶ Training

Key Topics

- ▶ Fixed Income
- ▶ Pricing Information
- ▶ TRACE
- ▶ Transaction Confirmations

Referenced Rules & Notices

- ▶ FINRA Rule 2121
- ▶ FINRA Rule 2232
- ▶ Regulatory Notice 17-08

The new requirements, approved by the Securities and Exchange Commission in November 2016, will require member firms to disclose additional transaction-related information to retail customers for trades in certain fixed income securities. Specifically, amended Rule 2232 requires a member to disclose the amount of mark-up or mark-down it applies to trades with retail customers in corporate or agency debt securities if the member also executes an offsetting principal trade in the same security on the same trading day.² The amended rule also requires members to disclose two additional items on all retail customer confirmations for corporate and agency debt security trades: (1) a reference, and a hyperlink if the confirmation is electronic, to a web page hosted by FINRA that contains publicly available trading data for the specific security that was traded, and (2) the execution time of the transaction, expressed to the second.³

FINRA worked closely with the Municipal Securities Rulemaking Board (MSRB) to develop similar rules, as appropriate, to ensure consistent disclosures to customers across debt securities and to reduce the operational burdens for firms that trade a variety of fixed income securities. FINRA continued to coordinate closely with the MSRB as it developed the FAQ, which it believes are materially the same as FAQ that the MSRB is publishing separately.

The FAQ address several different subject-matter areas relating to the new confirmation disclosure requirements, including:

- ▶ when the disclosure requirements are triggered;
- ▶ the scope of securities and transactions subject to the disclosure requirements;
- ▶ the required content and format of disclosure under the requirements; and
- ▶ the determination of prevailing market price.

The FAQ can be found on [FINRA's website](#). FINRA expects to update the FAQ periodically. New questions will be marked “new” and, to the extent previously published questions are updated or revised, they will be marked “updated.”

Firms are encouraged to contact FINRA at the numbers listed above to suggest additional topics or questions for inclusion in the FAQ.

Endnotes

1. See Securities Exchange Act Release No. 79346 (November 17, 2016), 81 FR 84659 (November 23, 2016) (Order Approving SR-FINRA-2016-032).
2. Rule 2232(d) contains two exceptions to the mark-up disclosure requirements of Rule 2232(c): an exception for trades executed by functionally separate trading desks within a firm; and an exception for bonds acquired in a fixed-price offering and sold to retail customers at the same offering price on the same day.
3. For additional detail on the rulemaking process, see [Regulatory Notice 17-08](#) (announcing approval and effective date of new disclosure requirements) and SR-FINRA-2016-032 (proposed rule change filed with the SEC).