**ABC Broker Dealer**

Office of Compliance

New York, New York

(212) XXX-XXXX

November 27, 2017

**RE**: *FINRA TRACE Trade Reporting Inquiry*

Dear Mr. Regulator,

I would like to acknowledge that we are in receipt of your letter concerning ABC Broker Dealer’s (“ABC” or the “Firm”) late trade reporting of TRACE-eligible securities during the period of January 1, 2012 through March 31, 2012 (the “review period”). ABC considers TRACE reporting requirements to be of utmost importance and contemplate your inquiry with the highest regard. This letter describes the unforeseeable circumstances which resulted in the late reporting of TRACE-eligible transactions during the time frame discussed, namely extreme trading volumes in January and February, the loss of two ABC traders to disability, and a customer error that resulted in fifty trades being deemed late in February. This letter also describes the amendments to ABC policy and procedures implemented to improve ABC’s reporting times. Accordingly, for the reasons discussed below, we submit that the trades in question were anomalies, resulting from exigent circumstances, and the steps taken by the Firm described below operate to remedy the issue. Please note that we have included the requested materials and an index of the materials and the request to which they refer.

The late trades that occurred in January resulted from extremely heavy trading volumes and the loss of two ABC traders to disability. Traders contended with such a volume of trades that they were unable to submit transaction information to TRACE within the fifteen-minute time period. Despite these unpredictable external factors, ABC was only 2.5% above the industry average for late trade reporting at 7%—the industry average for that month, according to FINRA’s Report Cards for corporate securities, was 4.5%.

In February, ABC was continuing to deal with the absence of one trader and continued heavy volumes of trades. Further, a customer error single-handedly resulted in fifty late trades—the customer called back to state that the 50 securities were executed for the wrong customer and thus, the Firm had to cancel and correct the order per the customer’s mistake. Despite these difficulties, ABC was only 1% above the industry average for late trade reporting that month at 5.5%. Trade reporting in February improved significantly from January’s numbers.

ABC’s trade reporting activity in March proved a significant improvement from January and February’s numbers. Notably, ABC only reported 2.5% of TRACE-eligible transactions late. This is a significant improvement from previous figures and markedly better than the industry average in March, which remained at 4.5%. This improvement reflects ABC’s amended policies put in place on February 1. ABC’s policies and procedures for trade reporting were amended to require salespeople to acquire approval from a trader for submission of a TRACE report to TRAQS. Further, the policies reflect the technological modifications to the Bloomberg trading system—traders who do not immediately respond to approval requests from salespeople will receive a pop-up notification every five minutes commencing three minutes after the trade execution. These are the only changes to ABC’s policy and procedure since January 1.

Additionally, ABC updated its written supervisory procedures (WSPs) on February 1 to include two new methods of reporting, which include e-mail notifications sent to supervisors from the Bloomberg system for every late TRACE trade. Under the amendments, supervisors will also receive the same pop-up notification viewed by the traders for transactions pending approval. These are the only changes to ABC’s supervisory procedure since January 1.

The annexed supervisory checklists for the corresponding months reflect the implementation of these new policies and procedures and demonstrates the improvement resulting from such implementations. The supervisory comments contained therein exhibit that our Firm is on top of the TRACE reporting requirements and maintain compliance as a top priority. Further, it bears mention that the transactions in question, contained in Exhibit 1 to your letter, only constituted 6% of the 5,000 total TRACE transactions effectuated by ABC during the review period.

I am confident that the above information satisfies your inquiry, but if you require any additional information, please feel free to contact our offices at (212) XXX-XXXX. Thank you for your concern in this matter.

Sincerely,

Lisa LeFever