WRDS Overview of TRACE

TRACE is a program operated by FINRA for reporting of certain fixed-income securities.

General Description

TRACE stands for Trade Reporting and Compliance Engine. It is operated by FINRA, the Financial Industry Regulatory Authority. This program reports over the counter (OTC) sales of certain fixed-income securities. The buyer or seller (or both) must be brokers listed with FINRA. TRACE was introduced in 2002.

There are several categories of securities in TRACE:

* BTDS: corporate bonds (U.S. dollar-denominated, investment grade and high yield).
* ATDS: US government agency bonds.
* SPDS: securitized products including asset-backed securities and mortgage-backed securities. WRDS separates SPDS by Sub-Product Type into **SPDS-ABS, SPDS-CMO, SPDS-MBS, SPDS-TBA**.
* BTDS144A: corporate bonds falling under Rule 144a of the Securities Act of 1933.
* SPDS144A: securitized products falling under Rule 144a of the Securities Act of 1933.

Rule 144A covers securities that are not registered with the SEC, which may only be sold to qualified institutional buyers.

Three sets of data are available for each category: trade data, daily summary data and masterfiles. Masterfiles are also used as the code lookup tables for the web query forms.

WRDS purchases licenses to TRACE on behalf of our subscribers so **TRACE is free for all academics**.

Data Collection Process

FINRA is a self-regulatory organization. It is a non-govermental organization that governs US brokers. All transactions of securities in the categories above must be reported to FINRA within a specified timeframe.

Difference between TRACE Standard, TRACE Enhanced, TRACE Academic

* Standard contains the real time data messages that are disseminated/broadcasted by FINRA to authorized market data vendors. Enhanced contains the historical reproduction of all transactional data reported to TRACE.
* Enhanced includes more transactions than Standard. Standard is the real-time data in which FINRA only disseminated the sell side of the inter-dealer trade. In Enhanced, FINRA display both sides (though they should match).
* Enhanced reports the actual value of Quantity, which is capped in Standard. Standard TRACE uses MM+ for transactions of high yield bonds with a value of more than $1 million or transactions of investment grade bonds with a value more than $5 million .
* Standard is updated quarterly, with data from the quarter that just ended. Enhanced is updated quarterly with data from the quarter ending 6 months prior (a 6-month lag).
* TRACE Enhanced Data shows uncapped size and it can be redistributed. TRACE Academic Data is the most comprehensive set that FINRA has as it contains Masked IDs for Participants as an extra field. It is for internal use only and cannot be redistributed.

WRDS carries all Standard TRACE categories (BTDS, ATDS, SPDS, BTDS144A, SPDS144A). Detailed documentation can be found at: <https://www.finra.org/filing-reporting/trace/documentation>), under Dissemination.

WRDS carries the Enhanced version of only corporate bonds - BTDS.

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Additional Documentation Files

For TRACE Standard Data

We use the information in the specification files listed on <https://www.finra.org/filing-reporting/trace/documentation>, under **Dissemination (**an example is shown in the picture below), to read in the raw data files received from FINRA.

**The layouts of the data changed over time and they are shown in different versions of specification files**. To understand the **coding of a variable** for a certain transaction record, users will need to consult the right version of the specification files. The easiest way will be to start from the **latest version** and look for the variable in Field Description and use the dissemination date of the record and the dates in the **appendix** “**Document Revision Log**” to locate the right version of the specification files.