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Invested in America

June 11, 2019

Submitted electronically to: pubcom@finra.org

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination

Dear Ms. Asquith,

SIFMA[1] is pleased to submit comments on FINRA's Regulatory Notice 19-12, *"FINRA Requests Comment on a Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination".*[2] This proposal would implement the SEC Fixed Income Market Structure Advisory Committee's recommendation for a pilot program that would adjust the TRACE framework to test if changes would spur liquidity in block-size trades of corporate bonds.

In 2018, SIFMA submitted a letter to the FIMSAC that was supportive of such a pilot program.[3] We believed, and continue to believe, that the FIMSAC correctly recommended a pilot program to test changes to the TRACE framework for block trading to determine if block trading liquidity could be increased.

In our 2018 letter we noted that:

> *"[i]t is particularly concerning to our members to observe the decline in the proportion of block trades to total volume during a period associated with an increase in the average and median size of corporate bond new issues. Accordingly, our members indicate that block size transactions have become substantially more difficult to execute and counterparties are more frequently choosing to break up blocks into smaller transactions or delay transactions to avoid market frictions."*

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] Available here: https://www.sec.gov/spotlight/fixed-income-advisory-committee/finra-regulatory-notice-trace-19-12.pdf

[3] The SIFMA letter is available here: https://www.sec.gov/comments/265-30/26530-4186770-172770.pdf

These concerns remain. A market participant submitted the following comment to the SEC and FINRA regarding the FIMSAC's discussion of a pilot, and we believe that it aptly summarizes the current situation in block trading of corporate bonds:

> *"It has been impossible to isolate the impact of this transparency requirement at the same time that many other changes are occurring in the market, and the research has been inconclusive in terms of impacts. Spreads have tightened, which would suggest better liquidity, but the average trade size for the 1,000 most active issuers has dropped almost 35% between 2007 and 2013, and the portion of block trades greater than $5mm has declined over this same period by almost 15%.[4]"*

Block trading is important and this decline in block liquidity has harmed market participants. As FINRA knows, buyside counterparties of FINRA member dealers at times have large positions to liquidate or purchase. Being able to transact in larger blocks is an important tool to effectively manage their liquidity needs, and can be the most cost-effective, efficient, and responsive manner in which to trade. When a firm needs to break a large trade in to several (or more) smaller size trades in order to avoid moving the market (or in some cases even to even find a counterparty willing to do the trade), trading costs increase, operational risk increases and efficiency decreases.

The current price transparency regime is not supportive of block trade liquidity because it impairs the ability of broker dealers to lay off the risk they take on in service of their clients. Larger positions equate to larger amounts of market risk, and under the current regime dealers are faced with near-immediate dissemination of their trading activity. Volumes are masked but the trade prices are disclosed, and when combined with valuations and market color, it can be easy to identify when a block trade has taken place. Accordingly, dealers have tended to pare back their willingness to take on risk, and when combined with regulatory changes over the past decade, the ability of investors to transact in size has been reduced. While this specific proposal is focused on corporate bonds, we note that this concern is broader – it has been felt in other markets such as the TBA MBS market as well.

The FIMSAC recommendation represents a balance of competing changes to transparency in a package. On one hand, it adds to transparency by raising the actual trade size dissemination thresholds and shortening the time until unmasked trade information is released in the academic data set. On the other hand, it temporarily reduces transparency by instituting a dissemination delay intended to allow market makers time to work off large positions that they purchase from clients.

We have laid out our members' views on certain aspects of the pilot and provided responses to some of FINRA's specific questions below. Due to the variety of business models employed by our members, a broad variety of perspectives, views and concerns have been brought to the table. While our members have divergent views on certain aspects of the pilot, such as appropriate measures of success or the likely impact on various sectors of market participants, one area where they agree is that the proposal's approach is far too complex and may have significant negative impacts on the corporate bond markets.[5]

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[4] Letter from Sandra E. O'Connor, Chief Regulatory Affairs Officer, JPMorgan Chase & Co. to the SEC and FINRA, at 3, available here: https://www.sec.gov/comments/265-30/26530-3974442-167144.pdf

[5] Please note that we have labeled FINRA's questions in accord with the format presented in Appendix 2 for clarity. In addition to those questions specifically referenced, we believe this letter also addresses the following questions:

Section (A) – 1, 2
Section (B) – 1, 3, 4, 5
Section (C) – 1, 3, 6, 7, 8, 9, 10, 11, 12, 13, 18
Section (D) – 6, 8, 10, 11
Section (E) – 1, 5

Complexity

Our most important comment is that the proposed approach is too complex, and in the view of some of our members, complex in a fatally flawed manner. In particular, we have concerns with how FINRA has set out three test groups and a control group, resulting in four total populations fracturing the corporate bond market:

1. Delay with no change in thresholds.
2. Change in thresholds
3. Change in delay and change in thresholds.
4. Control group.

This stands in stark contrast to FIMSAC's recommendation, which does not envision such complexity.

While it is possible that vendors will label securities according to which group they are in, and market participants will be able to know which group a bond is in, this at its core is an overly complex approach. Traders and investors will need to reference which group of the four a security is in and factor that information into both trading and pricing decisions accordingly. In practice this will mean considering the impacts of four different disclosure regimes in parallel when pricing a bond. This will be a complex and time-consuming process which will become even more so when groups of securities or portfolios are traded.

A further drawback of having multiple test buckets is that it may not elicit meaningful data from the pilot. In many cases, investors do not have a choice as to which bond they trade. For example, an investor's trading could be constrained by the limited inventory they own, the bond they need to trade to track an index or benchmark, or the bond a client has sold to them. In such cases, the investor will not have the flexibility to express their preference for one test group (or the control group) over another. As a result, the pilot will be searching for changes in behavior in the minority of cases when investors do have a choice of the bond they are trading between bonds in one test group (or the control group) as opposed to another. Even in this minority of cases, an investor's choice of bonds to trade may not cover all four test buckets. Given this dynamic, a pilot with four different test groups is too subtle an analysis for the actual flexibility in the market that investors and dealers have. The pilot would produce more meaningful results with at most one test group and one control group, such that in the minority of cases where investors do have a choice as to the bonds they trade, they can clearly express their preference for the pilot group or status quo.

This complexity appears to result from FINRA's desire to independently test the effects of the various changes to the transparency framework. We understand this desire; from a purely academic perspective this would be the sensible approach if this were a study of historical transaction data. However, SIFMA members believe that in this case, what actually matters is the total effect of the changes – whether or not they increase block trade liquidity without harming other parts of the market. FINRA (and others) will be able to review data in different parts of the market – smaller trades and block trades – and be able to determine the effect on those market segments. Separate groups are not needed for this analysis.

This pilot program would be a live test on a living market, with a very real potential for creating winners and losers depending on in which bucket an issuer were slotted. We believe one of the primary goals of

the pilot, alongside of improvements to block liquidity, should be that the program does not disadvantage issuers or investors based on peculiarities of pilot construction and is elicits maximum useful data.

The current construct of the proposal may not meet these goals – in particular, we believe that issuers in group two – those who will have the thresholds for dissemination of actual trade prices increased without a concurrent change to dissemination timing – are likely to suffer relative to issuers who are in the other three groups. This is because there will be no beneficial offset to the enhanced transparency into actual trade size. This is particularly likely to harm liquidity in smaller issuers which are less likely to be transacted in block size meeting the higher dissemination thresholds. Likewise it may disadvantage smaller investors which are less likely to be transacting in a size that would meet the higher dissemination caps. There is a similar, but opposite, principled point about group one.

The original FIMSAC recommendation proposed the changes to the dissemination caps and dissemination timeframes as a package, and SIFMA members have historically viewed it as such. The original FIMSAC pilot recommendation deliberately balances enhancements to trade price transparency in one part of the market with measures designed to enhance block trade liquidity on the other hand. Consistent with the intention of the original recommendation, the changes to the dissemination caps and dissemination timeframes should be considered as a package rather than as separate adjustments.

Further, FINRA would move bonds into and out of the test and control groups half way through the pilot. This adds a further layer of complexity to the pilot and could disadvantage traditional investors at the expense of accounts that trade on a more frequent basis. We also believe that this reversal of position vis a vis the test groups could present an opportunity for unscrupulous market participants to take advantage of the change. To the extent this provision remains in the final pilot, we suggest that FINRA and the SEC carefully monitor trading patterns in the time leading up to the switch.

Finally, by many measures the U.S. corporate credit markets are in a late-cycle stage. In conjunction with numerous global geopolitical risks, it is likely that these markets are entering a period of heightened volatility. Block liquidity is reduced in periods of market volatility, in part due to dealers' constrained ability to hold assets on their balance sheets. An overly complex, live test during periods of market stress could further materially reduce liquidity in certain segments of the market, particularly test group 2, negatively impacting all market participants.

Recommendation for a simpler design – only two groups

We believe that FINRA should take time following the receipt of comments on this proposal to discuss and develop a revised proposal that is more palatable to a broader proportion of corporate bond market participants. SIFMA members would be pleased to discuss in depth with FINRA the costs and benefits of various options that could be considered, as well as other more technical issues related to the implementation of a pilot.

SIFMA members believe a simpler approach would be more likely to provide meaningful data and test the overall impact of the changes, while not unduly disadvantaging any given issuer or investor or adding excessive complexity to pricing or trading decisions.

Our members would support a simpler approach that is more aligned with the FIMSAC recommendation. At most, there should only be two groups of bonds – bonds that are in the pilot, and

bonds that are not in the pilot (the control group). This will minimize complexity and provide the best opportunity for sizable amounts of trading to demonstrate the effects of the changes.

The core of this recommendation is that our members believe it is important that it is widely and easily known what segment of the market is in the pilot and what segment is not. This ensures that bonds may be priced without undue complexity and that trading will be as frictionless as possible. SIFMA members believe a simple and transparent approach could be one where securities would be chosen to be in or out of the pilot test group based on the last digit of their CUSIP number – for example, odd check digits could be in, even check digits could be the control. FINRA could size the pilot group as they saw fit with a similar methodology.

SIFMA members understand the importance of ensuring a random sample across test and control groups. Based on our members' review of data, it appears that the last digit of CUSIP numbers is a reasonably randomly distributed number and should provide for representative samples of issuers and bonds both in and outside of the pilot test group. The primary benefit of this approach would be that there would only be two kinds of securities – those subject to the terms of the pilot and those in the control group – making the pilot simpler to implement and understand, and the treatment of bonds within or outside of the pilot more quickly and easily understood. This should provide high quality data and have the benefit of being the easiest to manage for market participants.

Scale of increases to dissemination caps

In its preliminary recommendation, the FIMSAC's Transparency Subcommittee suggested that the dissemination cap for non-investment grade corporate bonds should be raised from $1m to $3m rather than the eventual recommendation for $5m. SIFMA members believe that a $3m cap is a more appropriate level which is supported by historical trade data.

Investment Grade (IG) and Non-Investment Grade (NIG) block trade sizes have been relatively stable over the past several years (Fig 1). The proposed $10m cap for IG trades is about 80% of the average block trade size (Fig 2). However, the proposed NIG trade cap of $5m is about 140% of the average HY block trade (Fig 3). Under the pilot design set out in the FINRA proposal, the average block size trade in NIG would not be subject to the delay in dissemination. In order to bring NIG into line with the IG, we suggest a $3m dissemination cap for NIG, which is 80% of the average block trade. This would ensure consistency and comparability across the two segments and appropriate treatment of block size trades across the market.

Alternative measures used to size the dissemination cap, such as trade count above and below the cap threshold, may provide an inaccurate picture, given the prevalence of high frequency trading and smaller trade sizes. As a result, we believe it is more instructive to focus on the average trade size in the market segment which is the direct target of the pilot, namely the average size of block trades.

Fig 1

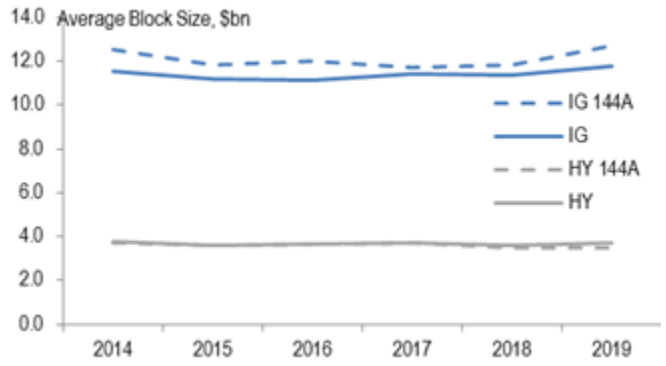


Fig 2

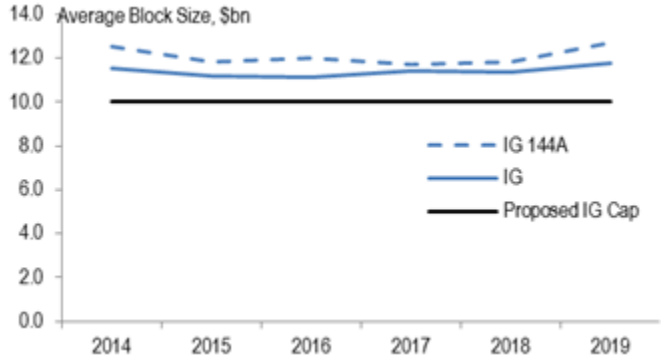
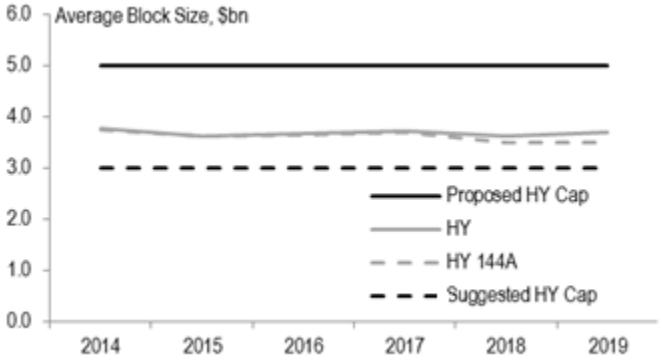


Fig 3



Source: SIFMA member data

Measurement criteria for pilot effectiveness

SIFMA members believe that market participants should have access to enough information to be able to analyze the same research questions that FINRA discusses in the proposal.

The list of research questions and outcome measures is very broad. Many measures, such as those referencing dealer and buy-side behavior, are subjective and loosely defined (i.e., dealer compensation, gaming, etc…). As a result, it is possible that an analysis of the pilot outcome could find contradictory or inconclusive results. It is important that the core focus of outcome analysis is clearly defined and reflects the intention of the pilot, namely, to increase block trade liquidity.

Many of the outcome measures referenced in the FINRA request for comment could be influenced by events or decisions unrelated to the pilot. For example, dealers' inventories, which are cited in the pilot as a measure of dealers' market making activity, can be influenced by myriad other factors, including other regulatory constraints, the broader economic or market environment, and dealers' individual business strategy decisions. As a result, any empirical analysis should be considered in the context of the broader economic and market environment over the course of the pilot. As noted above, there are external factors that can impact liquidity.

We believe that to appropriately analyze the results of the pilot in accord with the research questions that FINRA lays out market participants would need to have access to more data than they have today. SIFMA members believe that participants would need access to something like the academic data set, but of course on less of a lag then that provides for today. FINRA, of course, has this data and will be able to analyze it. We suggest that the criteria that are used to evaluate the pilot should be based on data that market participants are able to analyze on their own, so as to be able to engage in a reasoned discussion with FINRA about the merits, or lack thereof, of the pilot.

Communication with the market during the pilot period

SIFMA members encourage FINRA to stay in close contact with market participants at all stages of the pilot. This can be done in one-on-one conversations, but we would also encourage FINRA to host and/or attend roundtable discussions as well. SIFMA would be pleased to help facilitate any such discussions. As FINRA acknowledges in the Proposal, some of the most important information (e.g., trades not done, or not done at the desired size or timing) does not come through in any data set. Market color will be a critical component of analysis.

Answers to Specific FINRA Questions

> **Question (C)7** - *Should all of the CUSIPs in each test group be published or should some or all not be made known?*

Yes – they must be published in advance. We do not believe there would be any benefit yet high levels of uncertainty in the market if the status of a security was not known. It would undermine the premise of the pilot, which is intended to test if changes in transparency influence behavior. The status of a security would be determined on a trial-and-error basis, need to be compiled and tracked manually, and would create great inefficiency.

> **Question (C)19** - *Should the dissemination delay or caps only apply to trades on which a broker dealer makes a capital commitment?*

SIFMA does not support this approach. It seems operationally challenging to implement and ensure appropriate compliance, and the benefits of such an approach are not clear in any case.

Question (C)20 - *Will market participants and other users of the TRACE data need to make any system changes as a result of the pilot? For example, will pricing, compliance or other systems, including systems used to determine or supervise prevailing market price for fair pricing and calculating mark-ups for retail and other customers, need to be updated to reflect delayed dissemination of certain trades? If so, how long will those changes take to implement and what would be the estimated costs associated with such changes?*

Yes, system changes will be required. SIFMA members suggest that 6 months from finalization of the pilot program is a reasonable timeframe. It will be critical to ensure that trading platforms and data sources have time to update their displays and feeds to indicate which bonds are in which pilot category, and that users are able to take in and process this information internally.

Question (C)21 - *Should new issues be randomized to test groups or the control group while controlling for the issuer?*

Following the alternate CUSIP-based approach we suggested above, new issues would be assigned to a group based on their check digit.

Question (D)3.d. - *Would the reduced price transparency caused by the 48-hour dissemination delay have particular impacts on retail investors, for example, by reducing the market information used to determine prevailing market price for fair pricing and to calculate mark-ups?*

Given that the pilot program would focus on block-sized trades, we do not believe there should be a significant impact on retail investors trading, e.g., $20,000 lots. The pilot proposal should have little impact on retail investors as there is no change to the reporting and dissemination of small size trades as per the FINRA pilot design. Indeed, if the block reporting caps are raised, there would be more transparency to retail investors, as the actual size of additional larger trades would be made transparent.

Question (D)8. – *Will the dissemination delay or cap create opportunities for market manipulation, and if so, what specific behaviors should either be measured or guarded against?*

Our primary concern is if the pilot design allowed for optionality or differential behavior by participants. Treating all trade reports similarly will minimize this risk.

Question (E)2. – *Should FINRA consider an alternate reporting design for the dissemination delay test group whereby brokers could report capped trades up to 48 hours after transaction and FINRA would disseminate the trade report when received? Under what conditions would brokers report capped trades earlier than the maximum delay permitted under the pilot? What are the costs and benefits associated with this approach?*

SIFMA members reject this approach for two reasons:

First, it is more operationally complex and increases the risk that errors may occur.

Second, the optionality it provides opens the door to manipulative behavior – a firm may report certain trades in a manner designed to further their own need. Members believe the entire market should be held to the same standard and be subject to the same rules when reporting trades of a similar size.

Question (E)3. – *Should FINRA consider an alternate design that would study, in place of delayed dissemination, suppression of the buy/sell indicator for block-size trades in corporate bonds? As noted above, FINRA currently disseminates this indicator, among other information, for corporate bond trades. However, for trades in Asset Backed Securities (ABS), FINRA suppresses the buy/sell indicator (and information about contra party type) to balance concerns about transparency and liquidity in the ABS market, which is generally smaller and more institutional than the corporate bond market. What are the costs and benefits associated with an alternative approach that would study ABS-like dissemination protocols for block size trades in corporate bonds?*

Our members do not see great value in this proposal. Our member firms believe that given other information available to them (e.g. price vs. valuations, etc), that it is likely that in many cases direction of travel of the securities will be able to be determined regardless of the provision of the indicator.

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Please contact me at 212-313-1126 or ckillian@sifma.org if you have any questions or would like to discuss any of these issues in more detail.

Sincerely,

Christopher B. Killian
Managing Director
Securitization and Corporate Credit

Appendix - FINRA questions

(A) Comments on the Need for the Pilot

1. Is there a need for this pilot? What evidence can you provide to support this conclusion?
2. Is the objective of the pilot clearly defined?

(B) Comments on the Potential Impact of the Pilot

1. What potential impacts of the pilot does this proposal fail to consider or inadequately describe?
2. Are there particular risks, economic or otherwise, inherent in a pilot that reduces transparency that already exists in the marketplace?
3. One suggested need for the pilot is that block size transactions have become substantially more difficult to execute and may result in breaking the block into smaller transactions. To the extent blocks have in fact become more difficult to trade, is this a valid concern? Do potential delays in block size trades and related strategies to execute those block trades, such as more smaller-size trades, lead to a more accurate and appropriate risk transfer? Would delays in dissemination improperly mask the risk of block-size trades to the individual firm and instead shift such risk to other market participants or the overall market?
4. FINRA cannot directly measure the impact on "lost opportunities," particularly to asset managers. How would this negatively impact the success of the pilot? What other measure or data sets should FINRA consider in order to measure "lost opportunities" to trade?
5. Are there ways market participants can alter their behavior during the course of the pilot to affect its outcome? What are other similar negative impacts or concerns that could occur as a result of the pilot? What changes can FINRA make to the pilot design to limit or mitigate the impact of such "gaming"?

(C) Comments on Pilot Design

1. Is the pilot adequately designed with respect to its objective?
2. Are Test Groups 1, 2 and 3 and the control group clearly defined?
3. What should the test groups be?
4. Is it appropriate to have a market-wide pilot or should it be limited to a small number of CUSIPs?
5. Should other types of securities, aside from corporate bonds, be included in the pilot?
6. Should the corporate bond CUSIPs in Test Groups 1, 2 and 3 switch with those in the control group with respect to the three treatments, which are the dissemination delay, dissemination cap, dissemination cap and delay?
7. Should all of the CUSIPs in each test group be published or should some or all not be made known?
8. Should the pilot include a control group?
9. Should the test groups be designed such that the impact is limited to the thresholds identified in the FIMSAC Recommendation? Is it appropriate to expand the test in the way proposed in the pilot design here?
10. Does the pilot propose to use the most appropriate outcome measures? If not, which ones are preferable and why?
11. Is the proposed methodology of examining pilot data appropriate?
12. Are the dimensions on which the corporate bonds are sorted (size of issue, age of issue, rating and 144A versus non-144A categories) appropriate? If not, which additional dimensions should be included (e.g. inclusion status with respect to an index or ETF, maturity, standardized versus

complex, degree of substitutability for other CUSIPs, mean frequency of trading in prior year, etc.)?

13. Are there other methods that could be used to determine the control and test groups? For example, should the corporate bonds be assigned to the control group and test groups by a more random approach—such as based on the last digit of the CUSIP for each bond, instead of assigning bonds to groups based on the stratification characteristics like those discussed above (size of issue, age of issue, rating and 144A status)?
14. How should FINRA seek to measure the impact of the pilot on assets that derive their value from corporate bonds, such as ETFs and mutual funds?
15. Should the pilot's duration be increased to two years to better incorporate trading in illiquid corporate bonds?
16. Is there a risk that traders can easily substitute CUSIPs in a test group for ones in the control group? If so, to what extent might this happen and on which dimensions (e.g. CUSIP from the same issuer, CUSIP from a different issuer having the same maturity and age)?
17. Are there additional research questions that should be addressed?
18. Are there other changes to the pilot that should be considered to better study the impact of dissemination (i.e., transparency) on the corporate bond market?
19. Should the dissemination delay or caps only apply to trades on which a brokerdealer makes a capital commitment?
20. Will market participants and other users of the TRACE data need to make any system changes as a result of the pilot? For example, will pricing, compliance or other systems, including systems used to determine or supervise prevailing market price for fair pricing and calculating mark-ups for retail and other customers, need to be updated to reflect delayed dissemination of certain trades? If so, how long will those changes take to implement and what would be the estimated costs associated with such changes?
21. Should new issues be randomized to test groups or the control group while controlling for the issuer?

(D) Comments on the Economic Impact Assessment

1. Does the economic baseline accurately describe current trading of TRACE reportable corporate bonds?
2. What will be the overall impact of the pilot on liquidity, trade size, competition among dealers or competition among issuers?
3. With respect to the 48-hour dissemination delay (i.e., Test Group 1), have its benefits or costs been adequately described?
    a. Will the 48-hour dissemination delay improve liquidity for those trade sizes affected? If so, would transaction costs decline, or trade sizes or dealer inventory increase? Would buy-side firms need to contact fewer dealers for quotes?
    b. Would traders that do not typically trade the sizes affected by the dissemination delay be negatively affected by the informational asymmetry? If so, how?
    c. Would delayed reporting have an amplified effect on securities deriving their value from corporate bonds leading to ineffective pricing of index-based products, such as ETFs, and derivatives, such as total return and credit default swaps?
    d. Would the reduced price transparency caused by the 48-hour dissemination delay have particular impacts on retail investors, for example, by reducing the market information used to determine prevailing market price for fair pricing and to calculate mark-ups?
4. With respect to the increased dissemination caps (i.e., Test Group 2), have its benefits or costs been adequately described?

a. Would the increase in the reporting cap size mitigate the informational advantage accruing to dealers and institutional investors who trade blocks created by the 48-hour dissemination delay? If so, would smaller dealers step in and begin providing quotes for trades having benefited from the increased reporting cap?
b. If trade sizes do increase in response to the increase in the reporting cap size, are traders more likely to trade blocks with qualifying size rather than the typical smaller blocks or blocks broken into smaller pieces?

5. With respect to the increase of the reporting cap size and the 48-hour dissemination delay (i.e., Test Group 3), have its benefits and costs relative to Test Group 1 or 2 been adequately described?
6. The comparison of Test Group 3 and Test Group 1 is confounded by the increase in the threshold for the dissemination delay. Should FINRA consider the alternative construction for Test Group 1 discussed above, where Test Group 1 would maintain the current size dissemination cap while implementing a delay threshold consistent with the threshold in Test Group 3? Would such an alternative construction for Test Group 1 provide a cleaner test of the impact of the dissemination delay? Would such an alternative construction for Test Group 1 create complications that affect the implementation of the pilot?
7. What impact would the dissemination delay or cap have on broker-dealer routing to or trades occurring on alternative trading systems or on electronic trading innovations? Are these impacts different from those experienced by those transacting OTC?
8. Will the dissemination delay or cap create opportunities for market manipulation, and if so, what specific behaviors should either be measured or guarded against?
9. The current assignment of CUSIPs to Test and control groups does not control for the issuer's identity. If CUSIPs are not normally distributed by issuer across control and a particular Test Group or across Test Groups, will there be difficulty interpreting the empirical results? If so, how?
10. Would assignment of an issuer to a particular Test Group change competition between issuers? If so, how?
11. What will the impact on competition be between issuers when some issuers' bonds are in the Test Groups versus the control group?
12. Will the dissemination delay or cap have an impact on competition among dealers? Are dealers who trade larger blocks sizes likely to benefit at the expense of dealers who do not make such trades? If so, how will the dealer network be affected?
13. Will the dissemination delay discourage institutional investors who do not trade larger block sizes from trading with those dealers who do trade larger block sizes? Alternatively, will the dissemination delay encourage institutional investors who do trade larger block sizes to selectively trade with those dealers who do not trade larger block sizes?

(E) Comments on Alternatives to Consider

1. Should FINRA consider other potential designs, for example, as described in the Harris Letter? If so, what designs should be considered and how do they improve over the design described here?
2. Should FINRA consider an alternate reporting design for the dissemination delay test group whereby brokers could report capped trades up to 48 hours after transaction and FINRA would disseminate the trade report when received? Under what conditions would brokers report capped trades earlier than the maximum delay permitted under the pilot? What are the costs and benefits associated with this approach?
3. Should FINRA consider an alternate design that would study, in place of delayed dissemination, suppression of the buy/sell indicator for block-size trades in corporate bonds? As noted above, FINRA currently disseminates this indicator, among other information, for corporate bond trades.

However, for trades in Asset Backed Securities (ABS), FINRA suppresses the buy/sell indicator (and information about contra party type) to balance concerns about transparency and liquidity in the ABS market, which is generally smaller and more institutional than the corporate bond market. What are the costs and benefits associated with an alternative approach that would study ABS-like dissemination protocols for block size trades in corporate bonds?

4. Can the goals of the pilot be achieved through other means, such as study of currently available data or supplemented with other specific data requests?
5. As discussed above, certain baseline data suggests that block-size trades in IG bonds have not become more difficult to execute. Does the current data support an alternative approach that would limit the study of delayed dissemination to non-IG bonds? What are the costs and benefits associated with such an alternative approach?