

January 27, 2023

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
1735 K Street NW  
Washington, DC 20006-1506

**Re: FINRA Request for Comment on Proposed Changes to TRACE Reporting  
Relating to Delayed Treasury Spot Trades – Regulatory Notice 22-26**

Dear Ms. Mitchell,

Dimensional Fund Advisors LP (“Dimensional”) appreciates the opportunity to comment on the Financial Industry Regulatory Authority’s (“FINRA”) Regulatory Notice 22-26.<sup>1</sup> Dimensional is a registered investment adviser, and together with its advisory affiliates, has approximately \$584 billion in global assets under management.<sup>2</sup> We strongly support FINRA’s proposal to provide additional transparency into delayed Treasury spot trades in corporate debt securities.

When executing a delayed Treasury spot trade, the counterparties agree to the terms of a corporate bond trade, *i.e.*, the credit spread, the benchmark Treasury security to which the spread will be applied, and the time at which the benchmark Treasury security will be spotted. The execution price is ultimately determined based on the spread at the time the counterparties agree to the terms of the trade and the price of the benchmark Treasury security at the later, designated time. Under FINRA’s current rules, these trades are not required to be reported until the time of execution, even though the counterparties have agreed to the spread and other terms of the trade earlier in the day. Thus, and as FINRA recognizes, the dollar price disseminated on TRACE may not be reflective of the market price for the bond at the time of dissemination, because such trades are negotiated at an earlier time in the day.<sup>3</sup> Having data about the terms of the trade within 15 minutes of when the terms are agreed to would provide market participants with more immediate transparency into the size and spread-based economics of these trades. Thus, we are very supportive of FINRA’s proposal to require members to report the spread and identify the associated benchmark Treasury security at the time at which those terms are agreed, and subsequently report the dollar price of the transaction once the trade is spotted. At Dimensional, we strongly believe that transparency fosters a fair and efficient market and that market quality is improved when public information is disseminated evenly to all market participants. For these reasons, we believe that FINRA’s proposal to require members to report certain terms of delayed Treasury spot trades when they are agreed upon will greatly benefit investors.

As we have learned from TRACE over the last 20 years, transparency fosters a fair and efficient market, and we believe this transparency has helped fuel capital growth and increase investor confidence in the bond market. We commend FINRA for proposing to provide additional

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<sup>1</sup> *FINRA Regulatory Notice 22-26* (Nov. 29, 2022), available at <https://www.finra.org/rules-guidance/notices/22-26> (the “Notice”).

<sup>2</sup> As of December 31, 2022.

<sup>3</sup> Notice at 4.

transparency into delayed Treasury spot trades in corporate debt securities. If we can be of further assistance, please do not hesitate to contact Stephanie Hui, Lead Counsel, Global Public Policy, and Vice President. We would welcome the opportunity to expand on our discussion of these issues.

Sincerely,



Gerard O'Reilly  
Co-CEO and Chief Investment Officer



David A. Plecha  
Global Head of Fixed Income