June 11, 2019

Via Email (pubcom@finra.org)

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

Re: Requests Comment on a Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination (Regulatory Notice 19-12)

Dear Ms. Asquith:

SumRidge Partners, LLC¹ ("SumRidge" or "the Firm") appreciate the opportunity to comment on FINRA's proposed pilot program to change trade information dissemination time on block trade sizes in investment grade and high yield bonds.

As a leading electronic market maker, SumRidge, along with most market participants, rely upon timely trade dissemination to provide liquidity to market participants. The proposal to delay trade information broadly across the corporate investment grade and high yield market will adversely affect our ability to provide accurate liquidity to our customers and other broker-dealers. Delaying the dissemination time for the proposed block sizes to 48 hours will reduce transparency and will ultimately result in less consistent liquidity on many less liquid CUSIPs.

Additionally, while the entire market will not receive price dissemination through TRACE, this is not the sole source of information for market participants. Some broker-dealers will still post or disseminate trade details to specific clients through runs, conversations, etc., which will create information advantages and disadvantages in the market due to a select few market participants.

¹ SumRidge is a principal based fixed income market maker specializing in high yield and investment grade corporate bonds, municipal bonds, institutional preferred securities, and emerging market bonds.
being aware of the trade before most other participants. Aiding certain larger market
participants will hurt smaller clients as they will be less likely to have the same information at
the time of trade. Such information disadvantages would also limit the ability of other broker-
dealers, who are more regulated than certain other market participants, to properly service those
clients. As such, the proposed 48 hour delay in trade dissemination results in inequitable
treatment of the majority of market participants. Over time, we believe this change will decrease
the breadth in market making and result in less liquidity with a wider bid/ask spread.

The growth in electronic trading and ETF market participation has been a directly result in better
market transparency, holdings transparency (Net Asset Value) and ease of execution. A variety
of investors are now involved in the Credit ETF market for the aforementioned reasons.
Authorized Participants, whose role is to support trading of ETFs, rely upon underlying bond
liquidity by executing in the bond market, often less than the stated trade amounts proposed to
limit trade dissemination details. Limiting transparency on block trades will then limit
transparency on holdings and markets, which is counter to this growth and could limit underlying
ETF market making liquidity. Additionally, this could cause investor angst in times of stress as
market participants are uncertain of the true value of their holdings. This could lead to increased
selling in a less liquid market, exacerbating market volatility.

As an alternative to the proposal, market participants and regulatory agencies could cooperate to
search for better transparency, liquidity and market-making incentives. For example, under the
current proposal, a market participant sells a block of bonds to a dealer. The attempt of the
proposal seems to give the market maker a longer timeframe in order to compensate them for
providing liquidity, which would therefore provide better liquidity to market participants who
trade in block sizes. However, who loses the economic gain that the dealer is gaining? Other
investors and broker-dealers who do not have all available market information will pay the
economic gain to the dealer who took down the block size. As a broker-dealer, the Firm would
rather aid the client who is selling the block size by taking on a smaller portion of the risk at a
better price than to provide that economic incentive to competing dealer. Given the rise of
electronic trading and alternative market makers, the market could take the next step in
electronic market making growth and enforce live and executable venues, which combined with
more market makers, would enhance liquidity for those market participants requiring liquidity on block sizes.

In conclusion, the Firm would strongly urge FINRA not to adopt the 48 hour dissemination delay.

Sincerely,

Katherine Shim
Chief Compliance Officer