



November 19, 2012

Ms. Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, N.W.
Washington, D.C. 20006-1506

Dear Ms. Asquith:

Interactive Data is pleased to provide comments to FINRA's notice on TRACE dissemination issues. We continue to be strong supporters of FINRA's efforts to provide investors with greater transparency of the fixed income marketplace, particularly as it relates to the timeliness, depth, breadth and overall accessibility of fixed income trading information. We also recognize the importance of achieving transparency through prudent regulation that protects trading in the marketplace.

Background on Interactive Data Corporation:

Interactive Data Corporation is a trusted leader in financial information. Thousands of financial institutions, including many of the world's leading investment companies, subscribe to our fixed income evaluations, reference data, real-time market data, trading infrastructure services, fixed income analytics, desktop solutions and hosted, web-based solutions. The Company's Pricing and Reference Data business has established itself as a leading provider of evaluated pricing for 2.8 million fixed income securities, international equities and other hard-to-value instruments including OTC derivatives. These offerings are complemented by a comprehensive range of reference data for more than 10 million securities that encompasses listed markets pricing, identification information, corporate actions, and terms and conditions for current and historical fixed income securities. In recent years, we have invested considerable resources to provide our clients with solutions, such as our VantageSM web application, that provide clients with greater insight and transparency into the fixed income markets and our evaluations. Related to these efforts, we continue to work collaboratively with FINRA to jointly support the FINRA-Interactive Data Structured Trading Aggregate Reports, which are designed to provide transparency into market activity related to U.S. structured securities on a daily basis.



Interactive Data's Views on Issues Relating to the Dissemination of Information on TRACE-eligible securities transactions:

Interactive Data subscribes to and utilizes FINRA's TRACE transaction data. This data provides us with important, timely insight into daily transaction activity, thereby serving as a valuable input into our evaluation methodologies and models along with other market color that we obtain from a broad range of sources. Many market participants also contend that the current dissemination caps help to support liquidity in what is generally regarded as an illiquid asset class (compared with equities) by preserving the anonymity of buyers and sellers, masking dealer inventories and reducing the potential for volatility following a very large trade of a particular security that is executed outside of recent trading patterns.

Nevertheless, we believe that the valuation activities of broker-dealers and institutional investors may benefit by raising the current dissemination caps. Given the concerns of market participants regarding liquidity risk, we believe it may be more prudent to take a measured approach to raising the current caps. Applying smaller, incremental increases for investment grade corporate bonds and agency debt securities, non-investment grade corporate bonds and To Be Announced (TBA) agency pass-through mortgage-backed securities) would further improve transparency while affording FINRA the flexibility to assess the impact of those changes. Based on its assessment, FINRA could then phase in additional increases to, or elimination of, dissemination caps, at some point in the future.

In addition, we believe that having different dissemination caps for different security types would be valuable based on the trading data presented by FINRA. We also generally support disseminating 144A transactions, distinguishing between 144A transactions in investment and non-investment grade securities. Related to this, we advocate for implementing dissemination caps for 144A transactions that are consistent with the broader dissemination caps for that specific security type.

Summary

Interactive Data appreciates the opportunity to comment on FINRA's notice on current TRACE dissemination caps and the dissemination of transactions in TRACE-eligible securities effected pursuant to Rule 144A under the Securities Act. Since the current caps already provide both direct and indirect benefits to the marketplace, we recognize that the benefits of increasing or eliminating current dissemination caps must be balanced against the potential risks to liquidity. Nevertheless, we believe that an incremental increase to the current caps could enhance the valuation practices of vendors and market participants while preserving the indirect benefits that the current caps afford.



Interactive Data

In closing, we are generally supportive of regulatory initiatives aimed at improving both pre- and post-trade transparency in the fixed income markets as these activities can help strengthen the valuation process for vendors and all market participants. With that in mind, we would welcome consideration of additional transparency measures to further inform the fixed income marketplace, such as identifying “paired trades” that match dealer-client trades with equivalent inter-dealer trades typically executed at the same time and stratifying primary and secondary market trading for structured products.

We would be happy to meet with FINRA’s staff to discuss our comments. We look forward to continuing to work with FINRA to promote transparency in the fixed income markets.

Sincerely,



Mark Hepsworth
President, Pricing and Reference Data
Interactive Data Corporation