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June 11, 2019

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

Re: Regulatory Notice 19-12 Trade Reporting and Compliance Engine (TRACE); FINRA Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination

Dear Ms. Asquith:

The FIA Principal Traders Group[1] ("FIA PTG") has strongly and consistently supported increasing market transparency across the full spectrum of asset classes. Accordingly, FIA PTG appreciates the opportunity to comment on the above-captioned proposal ("Proposal").

The real-time post-trade transparency currently provided by TRACE for the corporate bond market has served as an important precedent for other fixed income asset classes where our members operate as liquidity providers. For example, the documented success of TRACE in reducing transaction costs for investors contributed to Congress and the Commodity Futures Trading Commission ("CFTC") implementing a real-time post-trade transparency framework for OTC derivatives, such as interest rate swaps and credit default swaps.[2] In addition, the successful implementation of TRACE for corporate bonds has strengthened efforts to introduce a similar framework for U.S. Treasuries, which remains under consideration.[3]

[1] FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy.

[2] See, e.g., Real-Time Public Reporting of Swap Transaction Data, 77 FR 1182 (Jan. 9, 2012) at 1235.

[3] See FIA PTG Response to Notice Seeking Public Comment on the Evolution of the Treasury Market Structure Docket No. TREAS-DO-2015-0013.

In our experience, transparent markets are more efficient, competitive, and liquid. Therefore, while we acknowledge the statements by certain members of the Securities and Exchange Commission's ("SEC") Fixed Income Market Structure Advisory Committee ("FIMSAC") regarding block trade liquidity challenges in the corporate bond market, we strongly disagree that the solution is to reduce market transparency. Any observed liquidity challenges are more likely due to other elements of market structure, such as regulatory capital requirements, an incomplete transition to electronic trading (including all-to-all platforms), limited competition among liquidity providers, and the lack of a market-wide central clearing solution for corporate bonds. Instead of reversing gains that have accrued to end investors, we believe that it is important that the corporate bond market continues to naturally transition to a more electronic, open, competitive and transparent market structure, which will create the conditions necessary for additional liquidity providers to enter the market and compete on a level playing field.

Below, we detail several negative impacts of reducing market transparency for block trades that do not appear to have been fully considered by the FIMSAC:

- **Significant information asymmetries**. Market participants involved in these opaque block trades would have a significant information advantage over other market participants for 48 hours. This advantages one type of market participant (and business model) over another and would cause other liquidity providers to widen their bid-ask spreads, the cost of which would be borne by all investors.

- **Reduced market resiliency**. The newly introduced information asymmetries are particularly problematic during times of market volatility. With changes in supply and demand not able to be accurately reflected in current price levels, market participants may have less confidence trading during volatile market conditions, decreasing overall market resiliency.

- **Impact on related markets**. FIA PTG members are active liquidity providers in fixed income exchange traded funds ("ETFs") and are very concerned that reporting delays for large underlying corporate bond transactions will negatively impact their ability to accurately price related ETFs. Introducing significant information asymmetries will not only result in wider spreads in related ETFs but may cause ETF liquidity providers to be less willing to take on risk, impacting both price discovery and liquidity in the ETF market.

For the reasons detailed above, FIA PTG does not support delaying the reporting of block transactions in corporate bonds for 48 hours, nor the proposed pilot to test the impact of the delay.

If you have any questions about these comments, or if we can provide further information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group

Joanna Mallers
Secretary