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September 14, 2020

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

Via E-mail

Re: Regulatory Notice 20-24: FINRA Requests Comment on Proposed Changes to TRACE Reporting Relating to Delayed Treasury Spot and Portfolio Trades

Ms. Mitchell:

Jane Street Capital, LLC (together with its affiliates, "Jane Street") respectfully submits this comment letter regarding the proposed changes to the TRACE reporting rules that were recommended by the Securities and Exchange Commission's Fixed Income Market Structure Advisory Committee (the "Proposed Rules"). The Proposed Rules would require firms to (1) identify "delayed Treasury spot trades" and report the time that the spread was agreed to and (2) identify corporate bond trades that are part of a larger portfolio trade. Jane Street supports the Proposed Rules, on the basis that the Proposed Rules would increase transparency in the market and improve price discovery, creating a more efficient marketplace for all participants.

Founded in 2000, Jane Street trades across a wide range of asset classes, including equities, bonds, options, currencies, commodities and futures. Jane Street makes markets not only by buying or selling small quantities around the bid or offer, but by standing ready to provide deep liquidity in large size, both on exchange and to institutions through OTC markets. Jane Street's fixed income trading, which includes individual bonds, portfolio trades, and ETFs, exceeded $1 trillion over the 12-month period ending June 30, 2020. Further, Jane Street is the largest lead market maker in U.S.-listed fixed income ETFs. Jane Street's significant experience in fixed income markets has given it a deep understanding of the market's dynamics and the important role that price transparency serves. Jane Street firmly supports proposals such as the Proposed Rules which increase transparency and promote accurate price discovery.

Delayed Spot Treasury Trades

The Proposed Rules would require firms to append a new modifier in their TRACE report when reporting a transaction in a corporate bond where the price of the transaction is based on a spread to the yield of a U.S. Treasury Security, and the spread was agreed upon that day prior to the time of execution. The Proposed Rules would also require firms to report the time at which the spread was agreed to. Jane

Street believes that these new requirements are appropriate, and would support their adoption without further amendment. While market participants (including Jane Street) would initially incur costs in order to modify their trade reporting procedures to provide this information,[1] these costs are outweighed by the benefit of obtaining additional information about the delayed spot trade. As noted by the Proposal Release, market participants would both be alerted to the fact that the trade had been agreed to earlier in the day, and obtain the information necessary to estimate the agreed-upon spread. Knowledge of the details of the delayed spot trade would allow market participants to better understand how the price of a given bond was determined, and in turn allow for improved price discovery and more efficient markets.

Portfolio Trades

The Proposed Rules would also require firms to append a new modifier in their TRACE report when a transaction in a corporate bond was part of a "basket" of bonds, where the basket consisted of bonds from at least 30 unique issuers, was executed on an all-or-none (or most-or-none) basis, and had a single agreed-upon price for the entire basket. Jane Street agrees with the Proposal Release that when bonds are traded as part of a portfolio trade, the price at which the trade is reported may not necessarily reflect an independent market for the bond (because, for example, the parties may negotiate the entire trade based on a spread from mid-market). Accordingly, Jane Street supports the Proposed Rules' introduction of the portfolio trade modifier, as it provides important information to the market about the context in which the trade was executed. However, Jane Street believes that the requirement that a basket contain bonds from at least 30 unique issuers is too high, and would recommend that a basket which contains bonds from at least 10 unique issuers should be reported using the portfolio trade modifier. As shown in Table 1-3 of the Proposal Release, and consistent with Jane Street's experience, many portfolio trades contain bonds of between 10 and 30 unique issuers. Accordingly, to maximize the informational benefit which the portfolio trade modifier would provide, Jane Street believes that a basket with bonds from at least 10 issuers should use the new portfolio trade modifier.

Sincerely,

/s/ Matt Berger

Matt Berger
Global Head of Fixed Income and Commodities

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[1] Jane Street agrees with the economic impact analysis contained within Regulatory Notice 20-24 (the "Proposal Release") that for both delayed spot trades and portfolio trades, while the required systems changes would impose an initial fixed cost to accommodate the new modifiers and time field, the ongoing variable costs should be minimal.