

November 19, 2012

VIA ELECTRONIC MAIL (send to: pubcom@finra.org)

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

RE: FINRA Requests Comment on TRACE Dissemination Issues
(Regulatory Notice 12-39)

Dear Ms. Asquith:

The Bond Dealers of America (BDA) is pleased to submit this letter in response to Regulatory Notice 12-39, the Financial Industry Regulatory Authority (FINRA)'s request for comment on TRACE Dissemination Issues. The BDA is the only DC based group representing the interests of securities dealers and banks focused on the U.S. fixed income markets and we welcome this opportunity to state our position.

The BDA is pleased to supply comment on two issues relating to the dissemination of information on TRACE-eligible securities transactions and we will address each one separately.

First, FINRA seeks input on whether it should maintain or modify current TRACE dissemination caps, under which the actual size (volume) of a transaction over a certain par value is not displayed in disseminated realtime TRACE transaction data:

The BDA believes that FINRA should not increase the \$1 million and \$5 million TRACE volume dissemination caps, which have been in place since TRACE began operating on July 1, 2002. The BDA fully supports the use of the TRACE system as a mechanism for greater transparency in the marketplace, and especially as it relates to the retail investor, who is often examining for valuable pricing information. But we do not believe that raising dissemination caps above the current caps of the \$1 million and \$5 million thresholds will provide any additional protections to the retail investor and will potentially harm institutional investors. By the very fact that the trades would need to be in excess of the current caps in order to benefit retail investors and given the fact that very few retail investors trade securities at these par amounts, we believe that it is highly unlikely that increasing these caps will meaningfully benefit retail investors. In contrast, we believe that institutional investors will be meaningfully harmed.

As we have stated before in previous comments letters to FINRA and the SEC, institutional investors take their anonymity very seriously. Any research done internally, by and for themselves, is less beneficial if opportunistic investors are afforded the information they need to take advantage of this valuable research by reverse engineering their trading activity. As the potential for their internal research to be pilfered by others increases, so does the likelihood that this will suppress their trading activity. Worse, the capacity for these opportunistic investors to pilfer valuable research may discourage investors from conducting this kind of research at all and may lead them to abstain from investing in securities that they will only invest in with such research. This, we believe, could materially suppress liquidity in markets that need as much liquidity as they can get. Therefore, we believe that FINRA should not raise these dissemination caps.

Second, FINRA requests comment on whether transactions in TRACE-eligible securities effected pursuant to Securities Act Rule 144A1 (Rule 144A transactions) should be disseminated, and if so, the scope and manner of such dissemination:

The BDA believes the current approach for Rule 144A transactions should remain unchanged and that Rule 144A transactions should not subject to dissemination.

Rule 144A transactions are inherently private transactions in nature and are traded almost exclusively among institutions. FINRA even points out in its Notice, that Rule 144A safe harbor exemption from registration applies only to the re-sale of securities to qualified institutional buyers (QIBs), a very small section of the market in these transactions. These institutions are capable of assessing and negotiating for the kind of information they need to make their investment decisions. It is neither an area that invites nor needs this kind of regulation. Therefore, we do not support the potential dissemination of Rule 144A transactions.

We thank you for this opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Nicholas".

Michael Nicholas
CEO
Bond Dealers of America