

Thank you for providing me with the opportunity to comment on the proposed expansion of TRACE reporting dissemination to include 144A issues and an increase in the volume cap for reported trades on other TRACE issues. I begin by stating the obvious. No market can be truly “transparent” when only FINRA members are required to report transactions and bank dealers are free to conduct business in TRACE eligible securities free from the obligation to report. It seems that bowing at the altar of “transparency” only appeals to regulators when non-bank dealers are to be proscribed. The current proposal to expand trade size reporting will only tilt the playing field further and may actually achieve the tipping point where bank affiliated member firms begin shifting their business in TRACE eligible securities to their bank affiliates. The unintended result would be less, rather than more, transparency. If the regulators are truly interested in a transparent market, rather than the appearance thereof, they should beware of the law of unintended consequences as it may pertain to this expansion of TRACE reporting.

I do not know the affect that reporting of 144A issue transactions will have on the market; however, by definition it can have no effect on any client that is not a Qualified Institutional Buyer. These are supposedly private securities transactions trading in a very limited market. Public dissemination may result in a hue and cry for expanded availability of the product for clients that do not have the sophistication to properly evaluate the investments without the protection of Securities Act registration. It could be argued that is unlikely; however, the little that is to be gained by disseminating 144A trade information surely cannot outweigh the potential Pandora’s Box that may be opened by “publicizing” a private market.

Sincerely,

Chris Melton
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