

FIA PTG

PRINCIPAL TRADERS GROUP

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February 22, 2021

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

Re: Regulatory Notice 20-43: FINRA Requests Comment on Enhancements to TRACE Reporting for U.S. Treasury Securities

Dear Ms. Mitchell:

The FIA Principal Traders Group (“FIA PTG”)¹ appreciates the opportunity to comment on the FINRA Request for Comments on Enhancements to TRACE Reporting for U.S. Treasury Securities (“Treasuries”). The growth of electronic trading in the U.S. Treasury market over the past decade has contributed to the growing presence of principal trading firms (“PTFs”) in the space. As an association of PTFs, FIA PTG members are keen to contribute to general discussions of market structure and especially efforts to increase transparency.

FIA PTG believes that the current transaction reporting timeline requirements for Treasuries should be significantly reduced. In a market where more and more transactions are occurring electronically there is no justification for the lengthy reporting window that exists today. Accordingly, at a minimum, we support the reductions proposed by FINRA, but would generally recommend going a step further and reducing reporting times to no greater than 15 minutes congruent with current reporting requirements for corporate bonds. Additionally, with respect to on-the-run Treasuries, even 15 minutes is too long considering the liquidity profile of that market; here we would suggest a 10-second reporting window to mirror U.S. equity markets. We recommend that FINRA prioritize the implementation of this aspect of the proposal.

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.

Jennifer Piorko Mitchell, FINRA

February 22, 2021

Page 2

FIA PTG strongly supports efforts to increase transparency for market participants. FIA PTG believes real-time public reporting should be required for Treasury transactions executed in the secondary market. The current lack of comprehensive post-trade public reporting is in stark contrast to the transparency provided in many other asset classes, such as equities, futures, swaps and corporate bonds, some of which are less liquid and have a lower percentage of electronic trading than the U.S. Treasury market. Reducing the allowable reporting window and requiring Treasury transaction data be reported in a timely manner are necessary first steps in moving towards real-time public reporting.

FIA PTG is not opposed to any of the proposed enhancements to TRACE data. We are particularly supportive of the requirements to identify any non-ATS electronic trading platforms through which a Treasury transaction occurs as well as an indicator as to whether the transaction was centrally or bilaterally cleared. At present, many electronically executed transactions are occurring on non-ATS electronic platforms and it is important to gather data regarding trading volumes on these venues. FIA PTG also agrees with FINRA that the clearing and settlement methods of a transaction are important information for regulators.

In conclusion, FIA PTG urges FINRA to move forward with the enhancements proposed, especially the reduction in the reporting window. Additionally, we continue to advocate for increased transparency into the U.S. Treasury market through public transaction reporting.

If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group



Joanna Mallers
Secretary