

FIA PTG

PRINCIPAL TRADERS GROUP

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August 26, 2022

Brian Smith
Deputy Assistant Secretary for Federal Finance
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: Treasury RFI on Public Reporting
Docket Number: TREAS-DO-2002-0012

Dear Mr. Smith:

The FIA Principal Traders Group (“FIA PTG”)¹ appreciates the opportunity to submit this letter to the Treasury Department in response to the request for information regarding implementing post-trade public transparency in the U.S. Treasury market (the “Proposal”). As an association of principal trading firms (“PTFs”), FIA PTG is strongly supportive of efforts by the official sector to increase transparency, liquidity and resiliency in the U.S. Treasury market.

As a general matter, FIA PTG believes real-time public reporting (with appropriate block trade thresholds) would benefit all U.S. Treasury instruments based on experience as liquidity providers in other asset classes. In particular, real-time public reporting:

- Allows customers to more accurately assess execution quality, spurring more price competition among liquidity providers.
- Reduces information asymmetries created when market participants transact bilaterally. Real-time public reporting (with appropriate block trade thresholds) would improve the efficiency and fairness in these markets as well as bolster public confidence in these transactions.

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.

- Increases market resiliency by enabling firms to more confidently navigate volatile market conditions, as all market participants can access critical information regarding recently executed trading activity and current price levels.

It is important to note that aggregate market-wide information does not provide an effective substitute for transaction-by-transaction information and does not deliver the benefits detailed above.

Academic research has consistently documented the benefits above when analyzing the impact of real-time public reporting across asset classes, including in principal-to-principal non-equities markets that are far less liquid than the U.S. Treasury market (e.g., the CFTC-regulated OTC derivatives market, the U.S. corporate bond market, and the municipal securities market).² In contrast, opponents of greater transparency appear generally unable to cite to any academic research to support their assertions (and indeed, there is research directly contradicting claims that real-time public reporting can negatively impact liquidity in larger institutional trades).

Given the above, we support the implementation of real-time public reporting (with appropriate block trade thresholds) for all secondary market cash transactions. That said, we note the gradual phase-in adopted in the corporate bond market when first implementing real-time public reporting.

As a result, to the extent there is a similar phase-in adopted, we would recommend starting with on-the-runs (for which we are not aware of any articulated concerns regarding real-time public reporting) and the 1st and 2nd most recent off-the-runs, which trade more frequently than deeper off-the-runs. We would encourage block thresholds be calculated using a methodology employed in other correlated asset classes (such as interest rate swaps and interest rate futures) using the transaction data that is reported to TRACE, with a time delay of no more than 15 minutes.

For deeper off-the-runs, TIPS, and STRIPS, a more gradual approach could be taken, with longer time delays at least initially and an extended phase-in. In order to reduce complexity, we would encourage the same block trade methodology to be used across market segments.

² See e.g., *Stacey Jacobsen & Kumer Venkataraman*, “Does Trade Reporting Improve Market Quality in an Institutional Market? Evidence from 144a Corporate Bonds” at 7-8 (Apr. 30, 2018) (“The results do not support that timely reporting of transactions impedes institutions’ ability to complete block transactions” and instead “suggest that transparency benefits the buy-side institutions by lowering the cost of completing block trades”) available at <https://ssrn.com/abstract=3171056>; *Asquith, P., et al.*, “The Effects of Mandatory Transparency in Financial Market Design: Evidence from the Corporate Bond Market” (April 2019) (“Our main finding is that TRACE causes trading costs to decline significantly for the entire bond market and for both dealers and customers”), available at <https://www.nber.org/papers/w19417>; *Loon, Y. C., Zhong, Z. K.*, “Does Dodd-Frank affect OTC transaction costs and liquidity? Evidence from real-time CDS trade reports. *Journal of Financial Economics*, (2015) (finding strong evidence of liquidity improvement in the index CDS market after the commencement of real-time reporting and public dissemination of OTC derivatives trades), available at <https://ssrn.com/abstract=2443654>; *P. Schultz & Z. Song*, “Transparency and Dealer Networks: Evidence from the Initiation of Post-Trade Reporting in the Mortgage Backed Security Market” (finding the initiation of post-trade transparency resulted in reduced trading costs in TBA mortgage-backed securities) available at <https://ssrn.com/abstract=3062168>; *Erick Sirri*, Report on Secondary Market Trading in the Municipal Securities Market (July 2014) available at <https://www.msrb.org/msrb1/pdfs/MSRB-Report-on-Secondary-Market-Trading-in-the-Municipal-Securities-Market.pdf> (same for secondary market trading in the municipal securities market).

Brian Smith, U.S. Department of the Treasury

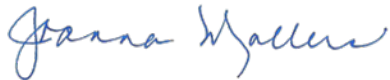
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FIA PTG believes the time has come to move on from the debate on whether to make real-time Treasury market data available and instead focus on the specifics of a real-time public reporting regime. As active participants in the Treasury market, we are prepared to assist in any way we can be helpful. If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group

A handwritten signature in blue ink that reads "Joanna Mallers". The signature is written in a cursive, flowing style.

Joanna Mallers
Secretary