

November 30, 2023

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to Dissemination of Information on Individual Transactions in U.S. Treasury Securities and Related Fees (File No. SR-FINRA-2023-15)

Dear Ms. Countryman:

We appreciate the opportunity to provide comments to the Securities and Exchange Commission (the “Commission”) on the Financial Industry Regulatory Authority’s (“FINRA”) proposal to amend FINRA Rules 6710 and 6750 to publicly disseminate information on individual transactions in certain U.S. Treasury Securities.¹ We have consistently supported efforts to modernize the regulatory framework for the U.S. Treasury market, including through the introduction of transaction-by-transaction public reporting.²

Despite the vital role that the Treasury market plays in the U.S. and global financial markets, it remains a distinct outlier with respect to post-trade transparency. The other major U.S. capital markets – including the equity, options, futures, corporate bond, municipal bond, agency mortgage-backed security and swap markets – feature timely, transaction-level post-trade public reporting. An overwhelming amount of empirical evidence and academic research has demonstrated that such transparency improves price discovery, deepens liquidity, lowers transaction costs and enhances market resiliency.³ Bringing similar benefits to the U.S. Treasury market means not only improving outcomes for investors, but also lowering funding costs for the U.S. government and U.S. taxpayers.

The proposal is a welcome first step in improving transparency and efficiency in the Treasury market. We urge the Commission to approve the proposal, and separately recommend

¹ Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to Dissemination of Information on Individual Transactions in U.S. Treasury Securities and Related Fees, 88 Fed. Reg. 77388 (Nov. 9, 2023).

² See generally, Citadel Response to the Request for Information on Additional Transparency for Secondary Market Transactions of U.S. Treasury Securities (Aug. 31, 2022) available at <https://www.regulations.gov/comment/TREAS-DO-2022-0012-0028> (“Response to Treasury RFI”); Citadel Response to the Request for Information on the Evolution of U.S. Treasury Market Structure (Apr. 22, 2016) available at <https://www.treasurydirect.gov/instit/statreg/gsareg/RFIcommentletterCitadel.pdf>; Remarks by Ken Griffin at the 2015 Roundtable on Treasury Markets and Debt Management (Nov. 20, 2015) available at <https://home.treasury.gov/system/files/276/11-20-2015-Ken-Griffin-Treasury-Roundtable-Remarks.pdf>.

³ For a discussion of the relevant academic literature, see our Response to Treasury RFI, *supra* note 2.

that FINRA take further steps to enhance transparency in this critically important market. In particular, after finalizing these amendments to FINRA Rules 6710 and 6750, FINRA should strive to (i) compress reporting timeframes and (ii) expand the scope of instruments that are publicly reported on a transaction-by-transaction basis.

Compressing the reporting timeframe for transactions in Treasury securities is warranted because today it occurs in a less timely manner compared to other TRACE-eligible securities. Treasury securities generally must be reported within 60 minutes from the time of execution,⁴ whereas other TRACE-eligible securities are generally required to be reported “as soon as practicable but no later than 15 minutes from the time of execution.”⁵ And FINRA is in fact already taking additional steps to further compress its 15-minute outer limit reporting timeframe for other TRACE-eligible securities.⁶ For certain depository institutions, reporting of Treasury security transactions to TRACE takes even longer, with reporting not required until end of day.⁷ Therefore, we recommend FINRA further shorten the reporting timeframe for Treasury securities to harmonize with other instruments, and that the Board of Governors of the Federal Reserve ensure consistent reporting requirements across FINRA members and depository institutions.

Expanding the scope of instruments subject to transaction-by-transaction public reporting, including to off-the-run nominal coupons, is also warranted. In our response to the Treasury RFI, we suggested tailoring transparency requirements to the liquidity characteristics of the markets in different types of Treasury securities.⁸ Specifically, we proposed three distinct categories of Treasury securities based on liquidity characteristics: Category 1 (on-the-run Treasury securities); Category 2 (first, second, and third old off-the-run Treasury securities); and Category 3 (all others).⁹ As a logical next step, we recommend that FINRA expand the instruments that are publicly reported on a transaction-by-transaction basis to Category 2 Treasury securities. These securities are still very liquid and trade electronically, as well as through a variety of other trading protocols.

Finally, the proposed transaction size caps appear to be a reasonable starting point. While the proposal notes that the proposed caps are designed to cap the largest 0.09 percent of transactions,¹⁰ it would be helpful for FINRA to provide additional detail regarding the *percentage of total notional volume* capped under the proposed framework. We reiterate our suggestion that, for each relevant maturity bucket (i.e., securities with similar remaining terms to maturity), FINRA calculate the cap size based on the percentage of total notional deferred. This approach is

⁴ FINRA Rule 6730(a)(4).

⁵ FINRA Rule 6730(a)(1).

⁶ FINRA Regulatory Notice 22-17 (Aug. 2, 2022).

⁷ See Reporting Treasury Securities and Agency Debt and Mortgage-Backed Securities in TRACE, FR 2956 (Sept. 1, 2022).

⁸ See Response to the Treasury RFI, *supra* note 2.

⁹ See *id.* at 3-4.

¹⁰ We note that it is reasonable, and indeed, should be expected, that the percentage of total transactions capped in on-the-run Treasury securities would be less than in other markets, such as corporate bonds or interest rate swaps, given the volume of transactions in the on-the-run segment of the Treasury securities market that occur on electronic central limit order books.

consistent with the CFTC's approach for determining block sizes for the swaps market, and ensures that a certain percentage of the sum total of all notional amounts are reported. For example, the CFTC calculates a 67 percent notional amount threshold based on historical transaction data, ensuring that approximately two-thirds of the sum total of all notional amounts of a particular instruments are reported on a real-time basis. This approach would ensure that market participants have a timely view of a meaningful portion of transaction and pricing data, and can be recalibrated at regular intervals to ensure that cap sizes remain in-line with current market conditions.

Please feel free to contact the undersigned with any questions regarding these comments.

Respectfully,

/s/ Stephen John Berger

Managing Director

Global Head of Government & Regulatory Policy