asset management group

August 26, 2022

***Via email to: govsecreg@fiscal.treasury.gov***

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

RE: Request for Public Comment on Additional Transparency for Secondary Market Transactions of Treasury Securities: Docket No. TREAS-DO-2022-0012

Dear Deputy Assistant Secretary Smith:

The Asset Management Group (the "**AMG**") of the Securities Industry and Financial Markets Association ("**SIFMA**")[1] appreciates the opportunity to provide comments to the U.S. Department of the Treasury's ("**Treasury**") recent request for information ("**RFI**") on additional transparency in the market for Treasury securities.[2]

We believe that Treasury's publication of the RFI is a critical step in gathering the information and input necessary to assess the benefits and risks to different segments of the market of additional post-trade transparency. We appreciate Treasury's efforts to proceed deliberately and look forward to continuing to engage on these potential structural reforms as Treasury considers the feedback from this RFI and determines how best to proceed. We also welcome the opportunity to work with Treasury and other policy makers on other potential structural reforms in the market for U.S. Treasury securities that would contribute to increased resiliency and capacity for this important market.[3]

---

[1] SIFMA AMG brings the asset management community together to provide views on policy matters and to create industry best practices. SIFMA AMG's members represent U.S. and multinational asset management firms whose combined global assets under management exceed $45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit http://www.sifma.org/amg.

[2] 87 Fed. Reg. 38259 (June 27, 2022).

[3] We recognize this is one among several initiatives underway at Treasury, and believe other initiatives under discussion (e.g., capital relief for banks and broker-dealers) could indeed have an even greater impact on market resiliency than additional post-trade transparency.

SIFMA AMG is submitting a joint comment letter ("**Joint Trades Letter**") on the RFI together with SIFMA, the American Bankers Association Securities Association ("**ABASA**") and the Institute of International Bankers ("**IIB**"). However, given the importance of these issues to our membership, we are also filing this supplemental comment letter to highlight a few issues especially important to our asset management members.

As noted in the Joint Trades Letter, we support the broad policy objective of enhancing the resiliency and capacity of the Treasury market through carefully calibrated reforms that encourage market participation from a diverse group. We also fully agree that additional *non-public* data disclosures to the official sector support market monitoring, policymaking, and supervisory functions. If implemented thoughtfully, focusing on gaps in the current reporting regime and accounting for compliance burdens, additional non-public data disclosures should provide regulators and policymakers with a more complete data set for monitoring market risks and developments.

We also agree with the Joint Trades Letter that there are significant risks and potential downsides to increased transparency absent appropriate calibrations to such disclosures in order to protect market liquidity. These concerns are particularly pressing for certain less-liquid segments of the market, such as off-the-run Treasury securities, TIPS, STRIPs and FRNs, as market participants needing to trade large, concentrated positions, would find it more difficult if transaction level data is publicly reported in real-time without, at a minimum, suitably calibrated delays and notional caps on the dissemination of large trades. Difficulties here would include wider bid-offer spreads, higher costs, and the risk of reverse-engineering of large asset managers' trading strategies. Indeed, poorly implemented public transparency requirements could force asset managers to reduce their trading activities or even exit these market segments, further exacerbating liquidity concerns.

We do, however, encourage Treasury to continue to gather data and feedback on this disclosure. Markets function more efficiently, and investor confidence is heightened when there is sufficient market transparency. Many of our members agree with the Joint Trades Letter that there are potential market benefits that may be associated with well calibrated public dissemination, such as transaction cost benchmarking and development of better predictive analytics that may aid some market participants. We urge Treasury to weigh these benefits and others against the potential negative impacts on depth and liquidity from inappropriately calibrated requirements, and only proceed when convinced that any additional transparency will create these and other benefits while avoiding the negative market impacts.

We also support the Joint Trades Letter's core considerations for Treasury to consider prior to implementing additional transparency in the Treasury securities market, including:

1. Decisions regarding additional public disclosure should be made on a market-segment-by-market-segment basis after weighing the potential negative effects (*e.g.*, reduction in market liquidity) against the benefits of such disclosure for the particular market segment.

2. Any public disclosure of trade data ought to be subject to measures to protect liquidity such as reporting caps to and delays on the dissemination of large block trades to avoid discouraging

market participation. The suitability of cap and block sizes should be regularly reassessed with input from industry participants as markets evolve.

3. Less liquid segments of the market likely require significant additional study to determine if post-trade transparency is beneficial, and any public transparency rulemaking should be issued for public comment with a thorough cost-benefit analysis.

4. Any additional post-transparency should not only be calibrated appropriately but also phased-in gradually to help ensure any negative effects are identified and addressed in a timely fashion, taking into account feedback from a public comment period and a thorough cost-benefit analysis.[4]

5. More robust public disclosures will generally be least harmful in more liquid on-the-run market segments than in less liquid off-the-run segments.

6. Any public disclosure requirements should not be pursued until there is increased clarity on the broader range of reforms to the Treasury market, such as: the universe of firms that may be required to register as government securities dealers (which also should be subject to transparency requirements);[5] whether and to what extent there is a central clearing requirement;[6] and any new minimum haircuts on repo transactions.[7] It is important to analyze how such reforms will interact with each other.

***************

[4] *See, e.g,*, Association for Financial Markets in Europe (AFME) and Finbourne, "MiFIR 2021 Corporate Bond Trade Data Analysis and Risk Offset Impact Quantification," (April 2022) *available at* https://www.afme.eu/Portals/0/DispatchFeaturedImages/MiFIR2022.pdf. This study looks at the European corporate bond market to determine the different time frames for trading-out of a position from a risk perspective.

[5] 87 Fed. Reg. 23504 (April 18,2022)

[6] *E.g.*, 87 Fed. Reg. 23504 (April 18,2022); Remarks by Under Secretary for Domestic Finance Nellie Liang at King's College London's Global Banking and Finance Conference (July 5, 2022) *available at* https://home.treasury.gov/news/press-releases/jy0850.

[7] *Id.*

SIFMA AMG is grateful for the opportunity to comment and sincerely appreciates your consideration of our feedback. We would be pleased to further engage on the comments contained in this letter or on the RFI generally. Please do not hesitate to contact Lindsey Keljo at 202-962-7312 or lkeljo@sifma.org with any questions.

Sincerely,

Lindsey Weber Keljo, Esq.
Head – Asset Management Group
Securities Industry and Financial Markets Association

Cc: Nellie Liang
Under Secretary for Domestic Finance, U.S. Department of the Treasury

Joshua Frost
Assistant Secretary for Financial Markets, U.S. Department of the Treasury

Fred Pietrangeli
Director, Office of Debt Management