November 30, 2023

VIA electronic submission
Vanessa Countryman
Secretary
Securities and Exchange Commission 100 F Street, N.E.
Washington, D.C. 20549

Re: **Securities Exchange Act Release No. 34-98859; File No. SR-FINRA-2023-015**

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association and Securities Industry and Financial Markets Association's Asset Management Group (collectively "SIFMA") [1] appreciates the opportunity to comment on the above-referenced proposed rule change ("Proposal") by the Financial Industry Regulatory Authority, Inc. ("FINRA"). FINRA proposes, among other things, to amend FINRA Rules 6710 and 6750 to provide for the public dissemination of information on individual transactions in U.S. Treasury Securities. The Proposal indicates that the dissemination would be limited to on-the-run nominal coupon securities that are reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). The proposed dissemination would be on an end-of-day basis with specified dissemination caps for large trades. While SIFMA believes that the overall proposal is consistent with a measured and incremental approach to additional transparency in the U.S. Treasury securities market, we note several concerns below, particularly with respect to the lack of clear description of the methodology used to determine the level of the maximum reported transaction sizes.

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[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

SIFMA's AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's members represent U.S. and global asset management firms whose combined 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.

Given the important role played by U.S. Treasury securities and the market for U.S. Treasury securities in the global economy, care should be taken when introducing reforms. The significant depth and liquidity of the U.S. Treasury securities market allows the U.S. government to finance its needs at a low cost over time. It also provides monetary policy makers with the tools to implement monetary policy. Treasury securities serve as a significant hedging vehicle and supply collateral that is used throughout the financial system.

SIFMA has, for some time, worked with members to identify areas of Treasury market structure and regulation in need of reform so that market participants' overall capacity to intermediate activity increases and the liquidity resiliency of the market improves. In light of significant volatility events over the last decade, policy makers have suggested several reforms to improve the overall resiliency of the market. SIFMA has provided comment to a number of proposals that seek to address some of the concerns around capacity, market participation, risk and resiliency.[2]

With respect to additional transparency in the U.S. Treasury securities market, SIFMA has long supported policies that would ensure that the official sector has the post-trade transaction-level data it needs to identify and remediate market vulnerabilities. We believe the actions taken over the last several years to collect such data have contributed to improving the overall resiliency of the Treasury market and we support the continued review of these collections so that the official sector continues to receive market information from all market participants.

As we have noted before, public dissemination of Treasury securities transaction-level data presents different issues and concerns than non-public information collections. It has been noted repeatedly by market participants and the Inter-agency Working Group ("IAWG") that any regime and protocol for increased public transparency should "do no harm to the market" and ought to be "designed to avoid creating disincentives for providing liquidity".[3] In our response to the U.S. Treasury's Request for Information on additional post-trade transparency ("RFI")[4] we noted that "inappropriately calibrated public disclosure presents significant risks to the Treasury's goal of financing the U.S. debt at the lowest cost to taxpayers over time, the ability of primary dealers to effectively serve their important underwriting and market making function, and the ability of end-users and investors to execute large transactions."[5] Inappropriately calibrated public disclosure could threaten the ability of primary dealers to hedge their market making positions, and thus their ability to take larger positions in Treasury securities to facilitate customer transactions and provide liquidity to all aspects of the Treasury market.

SIFMA believes that given the importance of the U.S. Treasury securities market, efforts to increase public transparency into this market should be done carefully, incrementally, and

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[2] See, for example, comments on: (1) proposed clearing rules in Treasury market here; (2) proposal on the definition of government securities dealer here; (3) proposal on amendments to Regulation ATS for ATSs that trade U.S. government securities here; and (4) OFR proposal to collect data on non-centrally cleared Treasury repo here.
[3] IAWG, Recent Disruptions and Potential Reforms in the U.S. Treasury Market: A staff Progress Report, November 2021, pp. 22, 27, available at https://home.treasury.gov/system/files/136/IAWG-Treasury-Report.pdf.
[4] 87 Fed. Reg. 38259 (June 27, 2022).
[5] The SIFMA/SIFMA AMG/IIB/ABA response is available here ("RFI Response").

with appropriate mitigants to ensure that beneficial activities will not be curtailed. Periodic review and study of the consequences of additional transparency measures will be important to understand the impact on the market and market participants' behavior and this study should inform any future decisions to increase a public dissemination regime to additional segments of the market.

Proposed FINRA Rule

FINRA proposes several additions to its current TRACE reporting rules to achieve public dissemination of a class of U.S. Treasury securities transactions. If the Proposal is approved, the revised TRACE rules would provide for the end-of-day public dissemination of transactions in on-the-run nominal coupon U.S. Treasury securities. In addition, FINRA proposes, consistent with dissemination protocols for other types of TRACE-eligible securities, to include in published information transaction size dissemination caps to indicate that the size of a trade was above a designated maximum threshold. Throughout the proposal, FINRA notes that it believes that this approach meets the policy goal of providing more public transparency into the Treasury securities market while ensuring, through appropriate mitigants, that concerns about information leakage are addressed.

Proposed Limited Public Distribution

The approach taken in the Proposal, we believe, addresses a number of the concerns noted in our RFI Response and is consistent with an incremental approach to additional transparency. Specifically, the RFI Response stated that if further public dissemination is mandated, an approach that starts with on-the-run nominal coupons with reporting delays would have minimal impact on market activity and would offer the best method to develop the appropriate analytics for further review of possible consequences to the depth and liquidity of the market before adding transparency measures that would include other classes of Treasury securities.

Limiting the public dissemination to on-the-run nominal coupon securities is appropriate as this is the deepest and most liquid segment of the Treasury market and enjoys broad transparency today. Additionally, delaying dissemination until end-of-day is a sufficient mitigant for concerns of real-time information leakage that could compromise the important intermediation and hedging activities of market participants and harm liquidity.

Transaction Size Dissemination Caps

An additional, and important, mitigant to concerns around information leakage is the inclusion of transaction size dissemination caps. Block volume reporting caps can ensure that limited strategic positional information would be available to the market and would not disincentivize valuable large-size positioning. Caps, however, must be calibrated appropriately to ensure that there will not be disincentives to market participants to intermediate large positions.

The RFI Response urged that these caps be established and instituted conservatively---consistent with the "do no harm" directive of the IAWG---and tailored to the specific trading conditions and market characteristics of different segments of the market. The Proposal suggests specific caps for each maturity and this approach is broadly consistent with our previous recommendations, however, the methodology used in the determination of the cap levels is not outlined in any detail, and, thus, it is unclear whether the methodology would produce results, when applied to future proposals, consistent with a conservative, "do no harm", approach.

The Proposal recognizes that different maturities within the group of on-the-run nominal coupon Treasury securities have different depth, liquidity and activity characteristics, and thus, require different dissemination caps. However, we are concerned that, as outlined in the proposal, it is unclear how these caps were determined and whether they are appropriately conservative to support an incremental approach to additional transparency.

FINRA notes in the proposal that "[i]n setting the proposed transaction size dissemination caps, FINRA considered both the percentage of traded market volume that would be disseminated (versus reported) across each maturity along with the daily number of unique intermediaries trading each security at or above the cap size of each maturity."[6] However, the Proposal's discussion of the specific levels for the caps notes only metrics with respect to number of transactions. It remains unclear what volume of transactions would be reported for each maturity at the cap or how other metrics were used in the determinations.

Given the importance of the U.S. Treasury securities market and the need to assess any impact on the market, we continue to urge a conservative approach that starts with low dissemination caps which can be recalibrated if needed after initial experience and review of the dissemination data.

Finally, we believe it would be helpful for FINRA to share more specific information on how the proposal dissemination caps were developed with methodologies and data that support the given levels before finalizing the Proposal. This would allow market participants to assess the Proposal and provide more specific suggestions and feedback.

Further Expansion of Dissemination

The Proposal states that FINRA will consider whether it would be appropriate to disseminate information for transactions in U.S. Treasury securities on a more accelerated basis. As well, the proposal notes that FINRA will also consider whether it would be appropriate to disseminate information for transactions in other types of U.S. Treasury Securities, such as off-the-run nominal coupons.

As described more fully in the RFI Response, we continue to urge a carefully calibrated and data informed approach to expanding public reporting of U.S. Treasury securities beyond what is described in the Proposal. We urge a staged approach that would gather at least 12 months of data prior to analyzing any impact the additional disclosure may have had and before moving onto a next stage with either additional classes of securities or with an accelerated disclosure time frame. Such an approach would allow for any negative consequences to be observed and the impact on market participants to be assessed. Thus, at a minimum, we believe

[6] Proposal pgs. 24-25.

an 18-month evaluation period (12 months of data plus 6 months of analysis and public input) for each addition to the dissemination regime---either the types of securities for which transactions will be reported or an acceleration of the dissemination time frame.

In addition, we note that the dissemination caps would require further recalibration upon any move to an accelerated dissemination timeframe, since part of the purpose of the cap is to allow a dealer to risk manage large trades and this needs to be assessed in the context of any proposal to shorten the reporting time frame.

Conclusion

SIFMA continues to support carefully calibrated structural and regulatory reforms to U.S. Treasury securities market that will contribute to improved liquidity resiliency over time. However, care should be taken to ensure that reforms are well calibrated and address the specific concerns that have been identified. While we believe the overall approach in the Proposal and the mitigants contained therein are an appropriate approach to incrementally adding public transparency into this market, we are concerned that, without more information on the methodology used to determine the caps, we cannot properly evaluate fully whether the dissemination caps are consistent with a conservative approach and whether when applied to future proposals would produce results consistent with that conservative approach. The Proposal would benefit from a more granular discussion of the methodology and data used to determine the chosen levels and further feedback from market participants to assess those levels.

We would be happy to discuss any of our comments. If you have any questions, please contact Robert Toomey at rtoomey@sifma.org or Lindsey Keljo at lkeljo@sifma.org.

Sincerely,

Robert Toomey
Head of Capital Markets/Managing Director & Associate General Counsel
SIFMA

Lindsey Weber Keljo
Head---Asset Management Group
SIFMA AMG