



**Jennifer Piorko Mitchell**

Deputy Corporate Secretary      Direct: (202) 728-8415  
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August 23, 2022

**Re: Notice Seeking Public Comment on Additional Transparency for Secondary Market Transactions of Treasury Securities (Docket No. TREAS-DO-2022-0012)**

Dear Sir or Madam:

The Financial Industry Regulatory Authority, Inc. (“FINRA”) appreciates this opportunity to comment on the Department of the Treasury’s (“Treasury Department”) notice seeking public comment on additional transparency for secondary market transactions of Treasury securities.<sup>1</sup> The Notice seeks public comment on additional post-trade transparency of data regarding secondary market transactions of Treasury securities, including potential benefits and risks of several examples of potential ways to build on existing public transparency.

FINRA commends the Treasury Department’s efforts in exploring the possibility of additional post-trade transparency into secondary market cash transactions in Treasury securities. FINRA strongly supports this endeavor and has consistently supported enhanced transparency efforts across our securities markets, in furtherance of FINRA’s mandate under the Securities Exchange Act of 1934 to, among other things, process information with respect to, and facilitate transactions in securities, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.<sup>2</sup>

FINRA agrees with the Treasury Department that providing additional insight into Treasury security transactions may enhance liquidity by fostering a greater understanding of market activity across market segments and promote greater competition in the Treasury securities market.<sup>3</sup> At the same time, FINRA also agrees that any such additional transparency should be approached carefully, taking into account the vital roles and unique structure of the Treasury securities market, including consideration of the differences among security types and trading venues.<sup>4</sup>

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<sup>1</sup> See Treasury Department, Notice Seeking Public Comment on Additional Transparency for Secondary Market Transactions of Treasury Securities, 87 FR 38259 (June 27, 2022) (Docket No. TREAS-DO-2022-0012) (the “Notice”).

<sup>2</sup> See 15 USC §78o–3(b)(6).

<sup>3</sup> See Notice at 38259-60.

<sup>4</sup> See *id.* at 38260 and 38261.

Since 2017, FINRA has been collecting information on its members' Treasury security secondary market transactions through FINRA's Trade Reporting and Compliance Engine (TRACE), and has shared the data with the Inter-Agency Working Group on Treasury Market Surveillance (IAWG).<sup>5</sup> As discussed in the Notice, since that time, FINRA, in consultation with the Treasury Department, has continued to enhance the Treasury security data that it collects from its members. In addition, beginning in September 2022, TRACE will also receive Treasury security transaction information from certain depository institutions in accordance with rulemaking by the Federal Reserve Board.<sup>6</sup> In the area of transparency, since March 2020, FINRA has published weekly aggregate volume information for Treasury securities based on the transaction data reported to TRACE.<sup>7</sup> In the near future, FINRA intends to increase the frequency of this published aggregate volume information,<sup>8</sup> and is also considering further modifications and enhancements to the format and content of the data (e.g., adding aggregate trade count and pricing information).

FINRA stands ready, willing, and able to assist with the Treasury Department's endeavor to explore what additional post-trade transparency would be appropriate in the Treasury securities market. FINRA has extensive experience facilitating post-trade transparency for securities, including the dissemination of transaction information for various types of fixed income securities through TRACE. FINRA's experience with transparency in the fixed income space has been overwhelmingly positive. As FINRA marks TRACE's 20<sup>th</sup> anniversary this year, our experience has been that TRACE has reduced trade execution costs for investors, reduced bid-ask spreads, and improved valuation precision.<sup>9</sup> In addition, the transparency provided through TRACE has helped protect investors by providing them with visibility into previously opaque markets and contributed to market stability by providing market participants with access to reliable and timely information about prices and market activity, including during times of market stress.

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<sup>5</sup> See *id.* at 38260; see also *Regulatory Notice* 16-39 (October 2016) (SEC Approves Rule Change to Require Reporting of Transactions in U.S. Treasury Securities to the Trade Reporting and Compliance Engine (TRACE)).

The IAWG consists of representatives of the Treasury Department, the Federal Reserve Board of Governors, the Federal Reserve Bank of New York, the Securities and Exchange Commission, and the Commodity Futures Trading Commission.

<sup>6</sup> See 86 FR 59716 (October 28, 2021).

<sup>7</sup> See Notice at 38260 n.9 and 10 and accompanying text.

<sup>8</sup> See Securities Exchange Act Release No. 95438 (August 5, 2022), 87 FR 49626 (August 11, 2022) (File No. SR-FINRA-2022-017; Order Approving a Proposed Rule Change to Amend FINRA Rule 6750 Regarding the Publication of Aggregated Transaction Information on U.S. Treasury Securities).

<sup>9</sup> See, e.g., Bessembinder, Maxwell, and Venkataraman (2006), Goldstein, Hotchkiss, and Sirri (2006), Edwards, Harris, and Piwowar (2007), and Cici, Gibson, and Merrick (2011) (analyzing the benefits of TRACE dissemination for corporate bond trades); Jacobsen and Venkataraman (2018) (for Rule 144A corporate bond trades); and Schultz and Song (2020) (for mortgage-backed security trades).

FINRA's experience also has involved tailoring transparency approaches based on different TRACE products and their unique trading characteristics and liquidity profiles. A careful and measured approach to data collection, study, and dissemination has allowed FINRA to successfully adjust increases in transparency with particular product types in mind. Thus, FINRA has carefully implemented a range of dissemination approaches over time that have been customized to the characteristics of the particular security (e.g., implementing dissemination caps, periodic dissemination, aggregate dissemination, and approaches that combine aspects of various measures). FINRA looks forward to continuing to engage with the Treasury Department, other regulators, and market participants, and is eager to assist in facilitating additional transparency in this important market segment.

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FINRA looks forward to continued engagement with the Treasury Department on this matter. If you have any questions or would like to further discuss FINRA's views and comments, please contact Stephanie Dumont, Executive Vice President, Market Regulation and Transparency Services, FINRA, at (202) 728-8176 ([stephanie.dumont@finra.org](mailto:stephanie.dumont@finra.org)) or Racquel Russell, Senior Vice President and Director of Capital Markets Policy, FINRA, at (202) 728-8363 ([racquel.russell@finra.org](mailto:racquel.russell@finra.org)).

Very truly yours,



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cc: Brian Smith, Deputy Assistant Secretary for Federal Finance  
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