



Filed electronically via email (pubcom@finra.org)

September 15, 2020

Ms. Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
Financial Industry National Regulatory Authority  
1735 K Street, NW  
Washington, DC 20006-1506

Re: Regulatory Notice 20-24 (Proposed Changes to TRACE Reporting Relating to Delayed Treasury Spot and Portfolio Trades)

Dear Ms. Mitchell:

We welcome the opportunity to comment on the above-referenced proposal (the “Proposal”) to add special identifiers to TRACE reports for: (a) delayed treasury spot trades, and (b) trades that are part of a larger “portfolio trade.”<sup>1</sup> T. Rowe Price is a global investment adviser serving a broad array of clients, from individual savers to large institutions and funds.<sup>2</sup> We trade a wide range of fixed income instruments across an array of investment strategies and therefore have a vested interest in fair, well-functioning, and liquid fixed income markets.

Over the many years we have participated in these markets, we have advocated for greater transparency in a variety of ways and are proud of our participation in the development of TRACE and analysis of its impact on liquidity through serving on the NASD’s Bond Market Transparency and Bond Transaction Reporting Committees. The addition of the identifiers described in the Proposal would make the TRACE reporting engine more robust and transparent, and facilitate market participants’ analysis of transactions captured in TRACE. Therefore, we are in favor of FINRA moving forward with the Proposal.

**Benefits to the Trade Negotiation Process.** Both delayed treasury spot trades and trades that are part of a broader portfolio trade may not be reflective of current prices for the relevant security at the time they are disseminated in TRACE; and we believe the Proposal helps address some of the challenges arising from this dynamic. In the case of delayed treasury spot trades, because the spread may have been agreed to many hours in advance, the dollar price for the transaction may not take into account market or issuer-specific developments that have occurred throughout the day. With respect to transactions that are part of a portfolio trade, the price reported in TRACE may not be indicative of the bond’s purchase or sale price and may appear to be outside of the quoted context versus if it had been traded individually.

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<sup>1</sup> See Proposal at: <https://www.finra.org/rules-guidance/notices/20-24>. Delayed Treasury spot trades are corporate bond trades where the price of the trade is based on a spread to a benchmark Treasury security that was agreed upon earlier in the day. Portfolio trades are transactions in which two parties enter into a single trade for a basket of corporate bonds at an agreed aggregate price for the entire basket (proposed to consist of at least 30 unique issuers). Mid-market prices for each of the bonds in the basket may be obtained by the parties as a framework for discussing pricing, and, during the negotiation process, the two parties ultimately agree on a uniform spread, resulting in an aggregate dollar price for the entire portfolio.

<sup>2</sup> T. Rowe Price Associates, Inc. and its affiliates manage \$1.34 trillion in assets, of which \$160 billion represents fixed income portfolios (based on preliminary data as of August 31, 2020). Fixed income exposure is also an important component of many other T. Rowe Price portfolios, including our target date retirement products, which represent \$305 billion of our August 31, 2020 assets under management.

We welcome the Proposal because the above hurdles can lead to situations where a transaction reported in TRACE looks out of step with other trades reflected in TRACE at or near the same time. This misalignment complicates and adds time to the analysis conducted by our traders as they survey the market, engage with dealers on potential trade opportunities, and seek to negotiate a mutually agreeable price for trades. The frequency of these misalignments is exacerbated by the prevalence of delayed Treasury spot trades and the significant growth of portfolio trading in recent years.

The Proposal would benefit investment advisers and other market participants by providing timely and definitive clarity on whether a transaction reported in TRACE was a delayed treasury spot trade or part of a portfolio trade. These types of enhancements will create efficiencies in our processes and further our ability to be agile in carrying out transactions for our client portfolios. More broadly, we believe the Proposal supports price formation for the overall US fixed income market.

**Other Benefits.** Transaction cost analysis (“TCA”) plays an important role in the trading process for institutional investors such as T. Rowe Price and the proposed enhancements to TRACE would be useful in this context. Similar to how the Proposal would benefit traders when surveying the market and negotiating trades, it is useful to our staff conducting TCA to more readily be able to identify transactions that may not be reflective of current market prices when comparing them to trades executed by the investment adviser. In this way, the Proposal facilitates the evaluation and oversight of best execution that we undertake in our role as a fiduciary investment adviser.

The Proposal would also aid the portfolio valuation process. Investment vehicles such as US mutual funds are required to strike net asset values (“NAVs”) for fund shares on a daily basis. For funds investing in fixed income instruments, TRACE is an important data point for the pricing services used by fund complexes to help determine NAVs. The proposed identifiers would help pricing services better understand the context of trades reported in TRACE to help ensure that the information incorporated into a fixed income security’s valuation is based on relevant inputs.

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Thank you for considering our feedback on these issues and we look forward to FINRA moving forward with this initiative. Should you have any questions regarding this letter, please feel free to contact us.

Sincerely,

/S/ Michael Grogan

Michael Grogan, V.P. & Head of US Fixed Income Trading – Investment Grade

/S/ Dwayne Middleton

Dwayne Middleton, V.P. & Head of Fixed Income Trading

/S/ Brian Rubin

Brian Rubin, V.P. & Head of US Fixed Income Trading – Below Investment Grade

/S/ Jonathan Siegel

Jonathan Siegel, V.P. & Senior Legal Counsel – Legislative & Regulatory Affairs