



*Invested in America*

July 6, 2018

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090  
Attention: Chairman Jay Clayton

FINRA  
1735 K Street, NW  
Washington, D.C. 20006-1506  
Attention: Mr. Robert Cook, President & CEO

Re: SEC Fixed Income Market Structure Committee (FIMSAC) Recommendation  
Related to Block-Size Trades in Corporate Bonds

Dear Sirs:

We are writing to you to express the Securities Industry and Financial Markets Association's ("SIFMA"),<sup>1</sup> support for the recent recommendation of the Securities Exchange Commission's ("SEC") Fixed Income Market Structure Committee ("FIMSAC") to create a pilot program to study the market implications of changing the reporting regime for block-size trades in corporate bonds.

As we understand it, the recommended one-year pilot in all TRACE-eligible corporate bonds would:

- Raise the dissemination cap to 10MM+ for trades in investment grade corporate bonds from the current cap of 5MM+.
- Raise the dissemination cap to 5MM+ for trades in non-investment grade corporate bonds from the current cap of 1MM+.
- Modify the dissemination timeframes such that trades above their respective dissemination cap will continue to be required to be reported as soon as practicable, but no later than within 15 minutes of the time of execution. Further, they will be disseminated 48 hours after execution time, or later depending on the time of receipt of the trade report.
- Modify the timeframe for dissemination of uncapped volumes for capped transactions from 6 months to 3 months such that the actual trade size will be

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<sup>1</sup> SIFMA brings together the shared interest of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit [www.sifma.org](http://www.sifma.org).

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made available three months after the end of the calendar quarter in which they are reported.

We also understand that after the completion of the one-year pilot program, results of the program will be evaluated and analyzed before the changes are made permanent.

### Current TRACE Block Trade Reporting and Market Liquidity Concerns

In designing the current post-trade reporting scheme, FINRA's predecessor, the National Association of Securities Dealers ("NASD"), recognized the obstacles that both investors and dealers face in the execution of block trades by providing the existing masking framework to buffer information leakage concerns. This framework attempted to balance the benefits of transparency with "the sensitivity to a lack of liquidity" and the "potential dangers to market function."<sup>2</sup> In recent years, however, the state of market liquidity has increased calls for a recalibration of this transparency regime to better promote healthy and robust markets within a changing market structure.

It is particularly concerning to our members to observe the decline in the proportion of block trades to total volume during a period associated with an increase in the average and median size of corporate bond new issues. Accordingly, our members indicate that block size transactions have become substantially more difficult to execute and counterparties are more frequently choosing to break up blocks into smaller transactions or delay transactions to avoid market frictions. Current market conditions often necessitate a much longer time for distribution of a block position without unduly impacting market prices and volatility and these impediments have served to reduce the overall efficiency of our markets.

### Support for the FIMSAC Recommendation

The pilot recalibration recommended by the SEC FIMSAC offers an opportunity to better balance both transparency and liquidity objectives to promote healthy and robust markets considering the changes noted above. We encourage both the SEC and the Financial Industry Regulatory Authority ("FINRA") to support furthering this pilot through an expeditious FINRA proposal. We also look forward to the opportunity to provide input into the structure of the pilot during the anticipated comment period for a proposal, if not earlier.

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<sup>2</sup> See SR-NASD-99-65: <http://www.gpo.gov/fdsys/pkg/FR-1999-12-10/pdf/99-32060.pdf>

If you have any questions regarding SIFMA's views or require additional information, please do not hesitate to contact me at (202)-962-7400 or [kbentsen@sifma.org](mailto:kbentsen@sifma.org).

Very truly yours,

A handwritten signature in black ink, appearing to read "Kara M. Stein". The signature is fluid and cursive, with a large loop at the end.

cc.

Commissioner Kara M. Stein  
Commissioner Michael S. Piwowar  
Commissioner Robert J. Jackson Jr.  
Commissioner Hester M. Pierce  
Michael Heaney, SEC FIMSAC Chair  
Robert Colby, FINRA Chief Legal Officer