

May 7, 2009

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number SR-FINRA-2009-010, Proposed Rule Change Relating to the Expansion of TRACE to Include Agency Debt and Primary Market Transactions

Dear Ms. Murphy:

The Asset Management Group (AMG) of the Securities Industry and Financial Markets Association (SIFMA) is pleased to provide hereby its comments regarding FINRA's proposal to include Agency securities within the scope of its TRACE program.* The AMG consists of a group of traditional asset management firms which are members of SIFMA and collectively have assets under management of approximately \$20 trillion.

The individuals who participate in AMG's trade group activities are usually senior level executives who are engaged in running asset management businesses. Many of these individuals serve as the Chief Operating Officer of their respective firms.

In addition, the senior level executives who participate in the work of the AMG have over the course of the past several years considered various industry proposals relating to valuation guidelines with respect to portfolios and funds that are managed by asset management firms. In this regard, AMG is especially interested in the use of pricing information to enhance valuation activities. In essence, we believe that this proposal would provide source information that will most likely be helpful to the valuation process.

The traditional buy-side strongly supports both regulatory and industry initiatives to enhance price transparency. In the case of this FINRA proposal, we note that Agency securities would be subject to TRACE. The result of the implementation of this proposal would be the availability to the market of actual Agency securities prices in near real-time. The AMG believes that such real-time prices are helpful to large asset management firms with respect to trading activities, portfolio management and the valuation process. Accordingly, AMG supports the current FINRA proposal to expand TRACE to include Agency securities.

Notwithstanding the above, the buy-side industry has several questions regarding the implementation of this proposal that we will examine in the near term in order to help facilitate any expansion of TRACE to Agency securities. For example, we would like to determine, from an industry standpoint, the effects of this new transparency on the activities of pricing vendors which currently provide a variety of valuation services to buy-side participants in the fixed-income securities market. AMG would also like to evaluate how this new TRACE information would relate on an industry-wide basis to existing providers of price discovery and trade execution services in the Federal Agency securities marketplace. These providers include inter-dealer brokers and some of the leading information vendors in the industry. We believe these questions, which may be relevant to market liquidity and competition in the market, can be adequately analyzed in the course of the next several months by investors, including AMG members.

Generally speaking, it is widely accepted that the Agency securities market is currently very efficient. At the same time, it is also generally accepted that certain other fixed-income markets typically provide greater challenges with regard to price transparency. These markets include structured products as well as mortgage-backed and asset-backed securities. Moreover, some asset managers are interested in considering at the appropriate time the dissemination by FINRA of real-time price information concerning other corporate securities.

Given that the current Agency securities proposal of FINRA might cause some in the industry to contemplate the further expansion of the scope of TRACE, AMG would welcome the opportunity, if appropriate, to visit with FINRA and the Commission to discuss any next steps that might be envisioned regarding this possible expansion.

The traditional buy-side is currently in the midst of various market practice initiatives (such as the implementation of fail charges with regard to Treasury securities and new opportunities for clearing over-the-counter derivative trades) and, thus, we believe that any next steps to be taken regarding the possible expansion of TRACE should be coordinated with other industry initiatives that are being carried out in the midst of the financial crisis. Naturally, we would be interested in any insights and advice of the regulatory community in terms of deciding how best to pursue additional price transparency concerning fixed-income securities on a cooperative basis with all direct and indirect market participants.

Finally, it is important to note that AMG works together with many sell-side committees of SIFMA to harmonize implementation of major industry initiatives. This TRACE proposal is no exception to that procedure. Therefore, AMG strongly recommends that the views of its SIFMA sell-side colleagues be taken into account before final action is taken regarding the proposal to expand TRACE to Agency securities.

As SIFMA's staff advisor to the Asset Management Group, I would welcome any questions or suggestions that you might have regarding this comment letter. My direct line is (212) 313-1165 and my email is jsack@sifma.org.

Thank you for your consideration.

Sincerely,

/s/ Joseph w. Sack

Joseph W. Sack
Managing Director
Securities Industry and Financial Markets Association

* The term Agency securities means debt securities issued by Government-sponsored enterprise or a U.S. executive agency, but this term excludes a U.S. Treasury security and an Asset-backed security where an Agency or a Government-sponsored enterprise is the sponsor of the trust or other entity that issues the Asset-backed security, or is the guarantor of the asset-backed security.