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May 7, 2009

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: *FINRA Proposed Rule Change Relating to Expansion of TRACE to Include Agency Debt Securities and Primary Market Transactions (File No. SR-FINRA-2009-010)*

Dear Ms. Murphy:

The Investment Company Institute<sup>1</sup> supports the Financial Industry Regulatory Authority's (FINRA) continuing efforts to increase transparency in the bond markets. Specifically, FINRA's current proposal,<sup>2</sup> which would amend the definition of TRACE-eligible securities, is another needed step in ensuring the dissemination of important information to investors.<sup>3</sup>

ICI supported the development of TRACE because of the significant benefits that it provides to investors in bonds.<sup>4</sup> As significant investors in the debt markets,<sup>5</sup> Institute members have a keen interest in ensuring that bond trade reporting is fulsome and transparent. Such transparency helps to improve price discovery and ensure the integrity of the debt markets, thus benefiting funds and their shareholders. Accurate trade reporting also is critical to determining the relative value of a bond and

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<sup>1</sup> The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$9.71 trillion and serve over 93 million shareholders.

<sup>2</sup> See SEC Release No. 34-59519 (March 5, 2009), 74 FR 10630 (March 11, 2009).

<sup>3</sup> Specifically, the proposal would expand TRACE-eligible securities to include transaction reporting in debt securities issued or guaranteed by an Agency or a government-sponsored enterprise and primary market transactions.

<sup>4</sup> See Letter from Amy B.R. Lancellotta, Senior Counsel, Investment Company Institute, to Jonathan G. Katz, Secretary, Securities and Exchange Commission, dated February 8, 2000.

<sup>5</sup> As of year-end 2008, registered investment companies held 44 percent of outstanding commercial paper; 35 percent of tax-exempt debt; 11 percent of U.S. corporate and foreign bonds; and 10 percent of U.S. Treasury and government agency debt. See 2009 Investment Company Fact Book, 49<sup>th</sup> Edition (April 2009).

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maintaining the continued reliability of bond prices. We therefore support the proposal's expansion of TRACE reporting obligations across a broader portion of the debt markets.

We look forward to working with the Commission as it continues to examine these issues. In the meantime, if you have any questions, please feel free to contact me directly at (202) 326-5920 or Ari Burstein at (202) 371-5408.

Sincerely,

/s/ Heather Traeger

Heather Traeger  
Associate Counsel

cc: James Brigagliano, Acting Director  
Daniel Gallagher, Acting Director  
Division of Trading and Markets