

Jane Carson

Re: SR-FINRA-2016-027

Dear Sir/Madam:

I am an 80 year old individual investor and I just want to applaud FINRA and the SEC for taking this very important step towards increasing transparency in the US Treasury market. It is startling to read that one of our largest markets in the US, the US Treasury market, lacks the basic transparency that our other markets have enjoyed for many decades. It is beyond embarrassing that an entire piece of legislation called Dodd Frank was enacted to provide trade reporting for arcane instruments called "swaps" and failed to include our government's own securities. While not knowing all the details of how we got here, it appears that since the introduction of TRACE in 2001, our regulators never returned to the issue of the "Treasury Exemption" from TRACE reporting. 15 years went by without the Treasury Department asking the question: "how are our securities (the only publicly traded securities of the US Government) trading in the secondary market?"

What is even more shocking is that both the SEC and US Treasury had evidence of the benefits of TRACE for fixed income investors. In 2004, SEC Commissioner Mike Piwowar, at the time an economist in the Office of Economic Analysis of the SEC, published a study that concluded that investors' costs were "lower for transparent bonds than similar opaque bonds, and that these costs fall when a bond's prices are made transparent" (See Corporate Bond Market Transparency and Transaction Cost study, September 21, 2004 by Amy Edwards, Lawrence Harris & Mike Piwowar). The study went on to conclude that "investors may save a minimum of one billion dollars per year if the prices of all bonds were made TRACE-transparent". The SEC and the market had clear evidence as early as 2004 that investors would save as a result of further transparency in the Treasury market.

The "Treasury Exemption" that was originally constructed under the 2001 order approving TRACE was based on the Commission Staff's conclusion that the Treasury market was "characterized by high-quality pricing information for investors." (See Testimony of Chairman Arthur Levitt Before the House Subcommittee on Finance, September 29, 1998) This conclusion was based on the existence at the time of GovPX, a 24-hour, world-wide electronic reporting system for US Treasuries and government securities. GovPX was acquired by ICAP in 2005 and since 2005 GovPX lost transaction information from many of the brokers and dealers that viewed ICAP as a competitor. While GovPX did not capture the entire Treasury market at the time of the Treasury Exemption in 2001 (estimated at 25% less than the overall market in 1999), it has since lost most of its view of the US Treasury market. So the basis for the "Treasury Exemption" was eviscerated over the last 15 years and no one in our government, especially the US Treasury, thought to look again.

I will make this letter of strong support short for FINRA's rule filing because the need for transparency after so many years is obvious and clear. Investors will benefit and liquidity fears will be proven false. I encourage the SEC to move forward with this important correction to so many years of fostering the largest Dark Pool in the US, ironically the US Treasury market.

Regards,
Jane Carson