Exhibit 2c

Bloomberg

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September 14, 2020

Via Electronic Submission: pubcom@finra.org

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

RE: COMMENT LETTER ON THE PROPOSED CHANGES TO TRACE REPORTING RELATING TO DELAYED TREASURY SPOT AND PORTFOLIO TRADES (REGULATORY NOTICE 20-24)

Dear Ms. Mitchell,

Bloomberg L.P.[1] is grateful for the opportunity to provide the Financial Industry Regulatory Authority ("FINRA") with our comments regarding the above-referenced proposal ("Proposal").

I. Executive Summary

FINRA has proposed making two changes to the Trade Reporting and Compliance Engine (TRACE) reporting rules to provide greater clarity to market participants with additional information on two types of trades in corporate bonds. The first proposed change compels market participants, when reporting a corporate bond transaction to TRACE operations, to add a modifier that identifies executions where the price of the transaction is based on a spread to the yield of a U.S. Treasury Security where the spread was agreed upon that day prior to the Time of Execution of the transaction. In addition to adding a modifier to the trade report, the reporting firm would also be required to report the time at which the spread was agreed upon (in addition

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[1] Bloomberg L.P. ("Bloomberg") is a global business and financial information company headquartered in New York. The principal product offered by Bloomberg is the Bloomberg Terminal® service (formerly known as the Bloomberg Professional® service), which provides financial market information, data, news and analytics to banks, broker-dealers, institutional investors, governmental bodies and other business and financial professionals worldwide.

to the Time of Execution). The second proposed change would require reporting firms to add a modifier to identify transactions that were completed as part of a "portfolio trade."

Bloomberg is highly supportive of the regulatory goals of the proposal to bring greater clarity to TRACE disseminated prices by identifying the types of trades in the TRACE data that may not be reflective of the current market price for the bonds and may be less informative for market participants that rely on TRACE for price discovery or other analyses. While the proposal to add a modifier when the Treasury spot is delayed moves TRACE much closer to achieving this goal, instituting the modifier to indicate a portfolio trade, in its current proposed form, would represent a colossal missed opportunity because the definition is far too narrow.

II. Delayed Treasury Price Proposal

FINRA notes that market participants may trade corporate bonds on the basis of a spread to a benchmark U.S. Treasury Security, which is then converted to a dollar price by "spotting" the benchmark U.S. Treasury Security at a designated time in the future, e.g. the closing price which is traditionally set at 3:00 pm ET when the US Treasury futures markets "close" their day session. Despite the trade being arranged at an earlier time (e.g. 10:00 am), the transaction is reportable only when the corporate bond price is set after the benchmark Treasury yield is "spotted" (at 3:00 pm).

The proposal adds an incredible amount of value, insight and transparency into TRACE data. Currently, when such a delayed transaction is disseminated at 3:00 pm, difference in prices for the same corporate bond could be a result of either a move in the underlying Treasury benchmark or a change in perception of the credit worthiness of the corporate issuer. By identifying these delayed spread trades and disseminating the time that they were arranged, it will become possible for market participants to derive intraday credit spread moves in specific corporate bond issues and issuers. This is particularly important during this unprecedented time impacted by the coronavirus. According to Bloomberg[2], BBB-rated bonds made 51% of investment grade issuance in 2019, and Fitch Ratings[3] estimates that, as of September 2019, over 58% of the corporate bond market is rated BBB, the lowest investment grade rating. With this new information, it becomes possible to discern whether price moves are the result of a market concern that an issuer is expected to become a fallen angel.

The proposal does not come without a cost, however. For most market participants and infrastructure providers, recording the time that the spread was agreed upon, placing it into a myriad of systems, and augmenting reporting to TRACE operations represents a significant

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[2] *See* Perez, I. (2020, February 18). Risks Build From Companies After Multi-Year Bond Market Binge. *Bloomberg*. Retrieved from https://www.bloomberg.com/news/articles/2020-02-18/risks-build-from-companies-after-multi-year-bond-market-binge

[3] *See* Forsyth, R. (2019, November 1). The Bond-Market Panic That Wasn't. *Barron's*. Retrieved from https://www.barrons.com/articles/these-corporate-bonds-were-supposed-to-turn-to-junk-theyre-booming-instead-51572620527

change in workflow. Most of the industry plans changes of this magnitude are based on quarterly rollout schedules. Additionally, consumers of the TRACE data will need specifications in advance in order to make changes to systems that will ingest the new updated feed and make practical changes in order to interpret the data and bring additional market insights that the new time stamp affords. We recommend that FINRA provide the industry with plenty of time to accommodate these changes and conduct an outreach of members to determine an appropriate amount of lead time following FINRA's release of FAQ's and TRACE messaging specifications that is needed to code, test, and implement the necessary changes.

III. Portfolio Trades

In the proposal, FINRA seeks to define a portfolio trade as two parties entering into a single trade for a basket of at least 30 corporate bonds of the same issuer at an agreed aggregate price for the entire basket executed on an all-or-none or most-or-none basis.

Bloomberg has significant reservations with this part of the proposal including that there are significant incentives for liquidity seekers to avoid sending baskets that would meet the criteria; the concept of "most-or-none" is neither defined nor a protocol that exists in the market today; and the data FINRA supplied in the regulatory notice demonstrates that the overall approach actually moves FINRA further away from achieving its stated regulatory objective.

Throughout the history of TRACE, FINRA has sought to balance transparency and the potential impact to liquidity. Currently, portfolio trades are disseminated through TRACE as a series of unrelated transactions. This protects liquidity seekers from their trading and investing strategies being reverse engineered. On the other hand, implementing the designation as proposed by FINRA could lead to significant information leakage because it is so specific. FIMSAC committee member Lynn Martin recognized that when she said that the designation would help participants "understand the mechanism as to ***why*** and how the trade was executed."[4]

The designation is problematic because it will alert the market that a change in portfolio strategy has just occurred. For example, a portfolio designation would enable participants to group the transactions together to reverse engineer, or signal, that an institution has extended the duration or soured on a particular issuer. From the liquidity provider perspective, the designation acts as an immediate signal that a liquidity provider just took down a portfolio and could dampen liquidity for trades that meet the stated criteria. Thus, the proposal will most likely not provide the transparency or insight into market structure that FINRA is seeking because liquidity seekers and providers may simply split up their lists into smaller lists that do not meet the criteria, to avoid the designation signaling investment strategy shifts and subsequent potential adverse market impact.

An all-or-none designation included on an order is an execution constraint that is well defined in all markets. However, "most-or-none" is a concept that does not currently exist in any market. And for good reason – from our experience this is a common practice of trade negotiation. How

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[4] *See* Transcript of FIMSAC Meeting (February 10, 2020) at page 105, available at https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-021020-transcript.pdf

is “most” different than sending a list that is open for trade negotiation? Why does this need to be defined when it is embedded in the process? Moreover, if there is a regulatory reason why an order needs to stipulate “most” it needs to be defined - what is the threshold on the number of constituents in the basket that constitutes “most”? Is it a percentage or a number based on the threshold of 30 bonds from the same issuer in the portfolio trade?

Regulatory reporting designations from orders are far more difficult to track. This is in part why most reporting regulations focus on executions. It is a far simpler approach from both regulatory and practical system implementation point of view (and FINRA examinations point of view). Consider for example, a definition of a basket that includes 30 executions with bonds from the same issuer between two parties at an aggregate price. This definition acknowledges that a portfolio is a specific form of a basket trade and makes it clear from the transaction that a reportable transaction was executed.

FINRA’s regulatory transparency objective is to provide greater clarity in the TRACE data by indicating that prices may be off-market (not reflective of the current market price for the bonds). Perhaps the greatest problem with the portfolio trading modifier is that, in its attempt to bring more clarity to the market structure, the proposal pulls FINRA further away from addressing its stated regulatory transparency objective. To move closer to the transparency objective, TRACE should identify every situation where two or more securities are transacted at an agreed upon price where the price may not reflect the current market price for the bonds. This point was also raised by FIMSAC member and USC Marshall School of Business Professor Larry Harris,[5] but was not addressed by the electronic trading subcommittee or the full committee at large. As a subject matter expert also in equities, Mr. Harris draws parallels to the equity market from time-to-time. Regarding transparency, the Security Information Processors (“SIP”) is instructive.

The SIP, in order to indicate which prices are reflective of the current market price for a stock, requires market participants to assign condition codes (reporting modifiers) that indicate transactions with special circumstances that impact price. Like the SIP, TRACE has modifiers (conditions codes) to identify (weighted) average price trades. The SIP, however, has additional condition codes that flag derivatively priced and qualified contingent trades where the price of the transaction is defined by a relationship between the assets rather than the current market price of the asset. FINRA’s data shows that, by flagging only “portfolio” trades, 75-85% of these trades will continue to published without the needed price context.

FINRA’s stated regulatory objective is to provide greater ***price*** transparency, not ***market structure*** transparency. Therefore, FINRA, similar to the SIP, should consider creating a new or

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[5] *See* FIMSAC Meeting Transcript at page 124. “With respect to portfolio trading, the distinguishing characteristic of a portfolio trade, and the reason that we're concerned about this, is that there is a single price for the portfolio. And underlying that single price, there is some sort of matrix pricing for the individual trades. So the present proposal says that we should implement these new procedures for portfolio trades whenever there are 30 or more transactions or lines, as they have been called, associated with the portfolio. But the truth was that the principle applies to any transaction where there are more than one line, more than one line, with prices being somewhat arbitrarily assigned. And so I think that the 30 ought to be brought down to two. I don't see any additional cost because anybody who is using a system that is working it this way, it goes into that system.”

using an established modifier for reported trades when the derived price of the corporate bond may not accurately reflect the current market price for the bond.

We agree with the late Thomas Gira when he explained at the February 10, 2020 FIMSAC meeting that, "…I think anytime we [FINRA] can add contextual information about trades, particularly trades that might be away from the current prevailing market, that's always a good thing for the audit trail."[6] With the changes to provide greater clarity to delayed Treasury prices and Bloomberg's suggested changes to the portfolio trading proposal, FINRA will move closer to fulfilling its regulatory transparency objective.

As we advised in the Delayed Treasury Price part of this Proposal, tracking the trades where prices may not be reflective of the current market price for the bonds because they are priced based upon an aggregate price in order to add a modifier in the TRACE report is not a trivial change to current systems and infrastructure. Market participants will need time to integrate these changes into basket trading software, books and records, and TRACE reporting systems. Most of the industry plans changes of this magnitude are based on quarterly rollout schedules. We recommend that FINRA provide the industry with plenty of time to accommodate these changes and conduct an outreach of members to determine an appropriate amount of lead time following FINRA's release of FAQ's and TRACE messaging specifications that is needed to code, test, and implement the necessary changes.

Very truly yours,

Gregory Babyak
Global Head of Regulatory Affairs, Bloomberg L.P.

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[6] *See* FIMSAC Meeting Transcript at page 117.

Jane Street

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September 14, 2020

Jennifer Piorko Mitchell
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Via E-mail

Re: Regulatory Notice 20-24: FINRA Requests Comment on Proposed Changes to TRACE Reporting Relating to Delayed Treasury Spot and Portfolio Trades

Ms. Mitchell:

Jane Street Capital, LLC (together with its affiliates, "Jane Street") respectfully submits this comment letter regarding the proposed changes to the TRACE reporting rules that were recommended by the Securities and Exchange Commission's Fixed Income Market Structure Advisory Committee (the "Proposed Rules"). The Proposed Rules would require firms to (1) identify "delayed Treasury spot trades" and report the time that the spread was agreed to and (2) identify corporate bond trades that are part of a larger portfolio trade. Jane Street supports the Proposed Rules, on the basis that the Proposed Rules would increase transparency in the market and improve price discovery, creating a more efficient marketplace for all participants.

Founded in 2000, Jane Street trades across a wide range of asset classes, including equities, bonds, options, currencies, commodities and futures. Jane Street makes markets not only by buying or selling small quantities around the bid or offer, but by standing ready to provide deep liquidity in large size, both on exchange and to institutions through OTC markets. Jane Street's fixed income trading, which includes individual bonds, portfolio trades, and ETFs, exceeded $1 trillion over the 12-month period ending June 30, 2020. Further, Jane Street is the largest lead market maker in U.S.-listed fixed income ETFs. Jane Street's significant experience in fixed income markets has given it a deep understanding of the market's dynamics and the important role that price transparency serves. Jane Street firmly supports proposals such as the Proposed Rules which increase transparency and promote accurate price discovery.

Delayed Spot Treasury Trades

The Proposed Rules would require firms to append a new modifier in their TRACE report when reporting a transaction in a corporate bond where the price of the transaction is based on a spread to the yield of a U.S. Treasury Security, and the spread was agreed upon that day prior to the time of execution. The Proposed Rules would also require firms to report the time at which the spread was agreed to. Jane

Jane Street

Street believes that these new requirements are appropriate, and would support their adoption without further amendment. While market participants (including Jane Street) would initially incur costs in order to modify their trade reporting procedures to provide this information,[1] these costs are outweighed by the benefit of obtaining additional information about the delayed spot trade. As noted by the Proposal Release, market participants would both be alerted to the fact that the trade had been agreed to earlier in the day, and obtain the information necessary to estimate the agreed-upon spread. Knowledge of the details of the delayed spot trade would allow market participants to better understand how the price of a given bond was determined, and in turn allow for improved price discovery and more efficient markets.

Portfolio Trades

The Proposed Rules would also require firms to append a new modifier in their TRACE report when a transaction in a corporate bond was part of a "basket" of bonds, where the basket consisted of bonds from at least 30 unique issuers, was executed on an all-or-none (or most-or-none) basis, and had a single agreed-upon price for the entire basket. Jane Street agrees with the Proposal Release that when bonds are traded as part of a portfolio trade, the price at which the trade is reported may not necessarily reflect an independent market for the bond (because, for example, the parties may negotiate the entire trade based on a spread from mid-market). Accordingly, Jane Street supports the Proposed Rules' introduction of the portfolio trade modifier, as it provides important information to the market about the context in which the trade was executed. However, Jane Street believes that the requirement that a basket contain bonds from at least 30 unique issuers is too high, and would recommend that a basket which contains bonds from at least 10 unique issuers should be reported using the portfolio trade modifier. As shown in Table 1-3 of the Proposal Release, and consistent with Jane Street's experience, many portfolio trades contain bonds of between 10 and 30 unique issuers. Accordingly, to maximize the informational benefit which the portfolio trade modifier would provide, Jane Street believes that a basket with bonds from at least 10 issuers should use the new portfolio trade modifier.

Sincerely,

/s/ Matt Berger

Matt Berger
Global Head of Fixed Income and Commodities

[1] Jane Street agrees with the economic impact analysis contained within Regulatory Notice 20-24 (the "Proposal Release") that for both delayed spot trades and portfolio trades, while the required systems changes would impose an initial fixed cost to accommodate the new modifiers and time field, the ongoing variable costs should be minimal.

September 14, 2020

By electronic mail to pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 20-24: FINRA Requests Comment on Proposed Changes to TRACE Reporting Relating to Delayed Treasury Spot and Portfolio Trades

Dear Ms. Mitchell,

The Financial Information eXchange (FIX) appreciates the opportunity to comment on Regulatory Notice 20-24 (the Regulatory Notice) published by Financial Industry Regulatory Authority, Inc. (FINRA).[1] We will leave it to our member firms to reply on the specific requests for comment, but wish to offer the assistance of the FIX Trading Community in ensuring effective implementation of any regulation by use of prevalent industry standards. The FIX Trading Community is focused on promoting the use of standards; we look forward to the opportunity to work with FINRA and discuss the use of standardized FIX tags as a solution.

FIX Trading Community is the non-profit, industry-driven standards body (representing the entire industry including buy side, fintech providers, sell side, and trading venues) at the heart of global trading. The organization is independent and neutral, dedicated to addressing real business and regulatory issues impacting multi-asset trading in global markets through standardization, delivering operational efficiency, increased transparency, and reduced costs and risks for all market participants. Additionally, FIX is open to the support of all standards. Central to our mission is creating and maintaining robust open standards across the whole trading ecosystem. The FIX Trading Community's partnership with the Financial Information Forum (FIF) supports industry collaboration of compliance, technology and use of standards as solutions to address regulatory requirements.

The Regulatory Notice requests comment on two proposed changes to the TRACE reporting rules. The proposed changes were recommended by the Fixed Income Market Structure Advisory Committee (FIMSAC) established by the Securities and Exchange Commission.

[1] FINRA Regulatory Notice 20-24 (July 16, 2020), available at https://www.finra.org/sites/default/files/2020-07/Regulatory-Notice-20-24.pdf ("Regulatory Notice 20-24") .

The first proposed change would require firms to "identify 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 … and report the time at which the spread was agreed upon…."[2] . The second proposed change would require firms to "identify corporate bond trades that are a part of a larger portfolio trade."[3]

FIX involves core concepts that have supported regulatory reporting in the financial industry for many years. FIX introduced a practice of producing Extension Packs (EP) to address regulation in response to a CFTC regulation in 2012 (EP161). At that time, we created the field RegulatoryReportType(1934) to distinguish different use cases for TradeCaptureReport(35=AE) messages. It provides a regulatory context above more specific attributes such as TrdType(828) and TrdSubType(829), TrdType(828) = 50 identifies a portfolio trade that FINRA seeks to capture as an attribute.

The concept was re-used more than once since 2012 and for different regulatory environments. The first re-use was for MiFID 2 for the purpose of MMT (Market Model Typology), which ESMA is now considering to use as an EU standard for post-trade flagging. For example, it allowed to convey the fact that not all details of a trade were disclosed in the report or that a specific (deferred) report now contains full details of a trade.

The concept was used again in the context of CAT Phase 2A last year to identify the various CAT events, e.g. MENO for a new order. The purpose was again to support the distinction of use cases as defined by the regulator, in this case the SEC. The third re-use was also last year in the context of SFTR reporting in the EU. On a high level and from the perspective of the regulator, SFTR reports are about transactions and their corrections/modifications.

Another key concept is about timestamps and goes back all the way to FIX 4.4 in 2003. Since then, FIX has a dedicated component TrdRegTimestamps to capture any number of timestamps with regulatory importance. It was equally used/extended for CFTC reporting and CAT where it can now even convey the NBBO together with the timestamp of the regulatory event. Adding the capability for FINRA to capture the time of agreeing on a spread is a minimal extension to an existing concept in FIX.

More specifically relating to TRACE, FIX introduced EP209 in 2016 in support of trades executed on an Alternative Trading System (ATS) in support of FINRA TRACE and MSRB Reporting requirements. Since the publication of EP209, FIX has delivered an additional 50 extensions packs.

In summary, FIX has well-established concepts to support regulatory reporting in general. Specifically, FIX messages are able to convey characteristics of a trade that are relevant from a regulatory perspective, including timestamps for events related to a trade.

[2] Regulatory Notice 20-24, p. 1.
[3] Regulatory Notice 20-24, p. 1.

Please reach out to me when convenient to discuss implementation of these rules and we can assist in developing standard solutions that benefit the industry.

Thank you for the opportunity to comment on Regulatory Notice 20-24.

Sincerely,

Kathleen Callahan
FIX Operations Director
FIX Trading Community
[redacted]

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."[1] T. Rowe Price is a global investment adviser serving a broad array of clients, from individual savers to large institutions and funds.[2] 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.

[1] 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.

[2] 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 facilities 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

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September 15, 2020

Submitted electronically to: pubcom@finra.org

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Office of the Corporate Secretary
FINRA
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Washington, DC 20006-1506

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

Dear Mrs. Mitchell,

SIFMA[1] is pleased to respond to FINRA's Regulatory Notice (RN)[2] regarding TRACE flags for portfolio trades and delayed treasury spot trades. These proposals, if they became rules, would implement recommendations of the SEC's Fixed Income Market Structure Advisory Committee (FIMSAC), and we write this letter to express our high-level comments on the proposals. As a general matter, SIFMA supports the enhancement of TRACE to provide transparency to market participants, when such transparency is appropriately balanced with the impacts on liquidity and reasonableness of compliance burdens that any particular proposal creates. In this letter we set out some initial views, questions, and requests for further details of SIFMA members on the proposals in the RN. As you will see, while we believe there are positive aspects to the proposals, some of our members have expressed concerns about the utility of them. We hope that FINRA takes our comments into account, and is able to return to the market with more information and clarification to help build a broader base of support for the proposals in the RN. We look forward to a continued dialog on this RN.

1. Portfolio Trading Flag

The RN explains that the proposed portfolio trading flag would allow market participants to *"better identify trade prices that may not reflect the market price if the bond was priced individually."*[3] Our members see two aspects of this proposal: (1) the identification of portfolio trades vs. other kinds of trades and (2) the identification of potentially off-market trades.

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[1] SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over $2.5 trillion for businesses and municipalities in the U.S., serving clients with over $18.5 trillion in assets and managing more than $67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).
[2] Available here: https://www.finra.org/sites/default/files/2020-07/Regulatory-Notice-20-24.pdf
[3] Proposal at 12.

We agree that this proposal would make it easier to identify the type of transaction – that a trade was a portfolio trade – since they would be tagged as such. However, some of our members have noted that it is fairly easy, generally speaking, to identify portfolio trades today without the usage of a specific modifier, so the proposal would provide somewhat limited new information to market participants in this regard. Other members noted that this may be beneficial to smaller market participants, as well as market observers and researchers, who may not have systems in place to actively screen for these types of transactions.

The other aspect of the proposal relates to identification of potentially off-market trades and we agree that the modifier may flag a trade that was traded off-market. Generally, the portfolio trading flag would alert users of the data to take care to consider whether or not the flagged trades are off-market. The key word used above is 'may' – indeed the price in a portfolio trade may or may not be off market. The proposed indicator is not definitive. Some of our members have questioned the appropriateness of a flag that does not provide definitive information regarding the price that is reported and have expressed concern that a false impression of being off-market could be created by the flag. Other members noted that it should not be assumed that a portfolio flag would designate that a bond trade was off-market, but rather provide context that the trade price may have been determined in a different manner than a single bond trade.

TRACE already incorporates a special price modifier that is required when trades are executed off market for various reasons (e.g.: NERIs (FAQ 3.4.12), bonds trading flat (FAQ 3.1.40), where prices are very high or very low (FAQ 3.4.26)), and provides an unequivocal signal to data users. Today dealers are expected to review each line item in a portfolio trade to determine if it is off market, and if so, set the special price indicator to 'yes'. A potential benefit of this proposal could be to reduce the compliance burden for dealers if the portfolio trade indicator would supplant the need for the dealer to also do a line by line review of a large trade for the purposes of the special price indicator. Related to this, FINRA should confirm that the modifier would be taken into account in fair pricing reviews and dealers would not face undue burden to explain why a price on a portfolio trade was off-market, given the nature of these transactions.

An additional concern that some of our members have raised is that this proposal would start to shift TRACE away from being a price transparency tool (e.g., size, quantity, time of execution) into a tool that provides trading strategy details (e.g., how a trade was executed). Some members who are active in this market expressed concerns regarding the potential impact on liquidity and potential disclosure of member or client trading strategies, while other members active in the market did not believe this was a material concern with the appropriate definition of a portfolio trade, given those active in the market are already aware of their occurrence. As FINRA knows, both dealers and their clients view trading strategy information as proprietary and sensitive, and the potential for exposure of such information could cause participants to alter how they trade and potentially have impacts on market liquidity. We would appreciate FINRA addressing this concern in subsequent publications, and consideration of whether there are ways to mitigate it.

We have a few more granular comments on the proposal

- Issuers vs. CUSIPS
    - SIFMA members understand that the reason for including a certain number of unique issuers as a criteria for use of the portfolio trade flag is intended to scope in diversified portfolio trades. Members have raised a concern that while this is understandable, it

would be complicated to implement. On the other hand, a definition of a portfolio trade based on a certain number of CUSIPs would be much easier to implement.

- For example, it could be the case that a company issues debt at the parent level and also issues debt out of a differently-named affiliate or subsidiary with a parent guarantee. Should they be treated as the same issuer? Or perhaps an issuer is involved in a merger with another company but the merged company still has bonds in the market referenced in its 'old' name. Should those two names be considered the same issuer? There could be other edge cases that arise from time to time would require further definition. In any case, traders and compliance personnel would have to examine a potentially large list of bonds and determine how many distinct issuers there were (subject to potential complications like those above) and this would have to be done within the short submission time requirements that exist in TRACE. This would introduce the risk of errors and omissions in TRACE reporting and penalties for dealers. It does not appear that this process would be easily automatable. We expect it would also increase demands on FINRA staff to field questions and provide guidance.
- On the other hand, a requirement based on a CUSIP count, while not as precise at identifying diversified portfolio trades, would be over-inclusive (if anything), and would be far easier to implement given that it is a simple and automatable counting exercise.

- The number of securities traded
  - Our members have also discussed at some length the numerical trigger of 30 names. Some members believe that a lower number (of CUSIPs, as discussed above) would be more appropriate, such as 10, whereas others are comfortable with the proposed 30 or an even higher number.

In sum, we believe it would be useful for FINRA to further discuss with the industry in subsequent publications and meetings a deeper insight into some of the rationale that underlies the proposal and provide perspectives on the questions we raise above, such as the usage of issuers vs. CUSIPs and the appropriate number of them. As noted, while some members see potential benefits to the proposal, some significant questions and concerns have also been raised.

2. Delayed Treasury Spot Trades

Similar to the discussion above, our members both see benefits to this proposal but also have material questions including the overall benefit vs. cost balancing. In this proposal FINRA would require firms to append a new modifier when reporting a corporate bond trade priced based on a spread to a yield of a Treasury security, where the spread was set prior to the time of execution of the trade, and would also require dealers to report the time at which the spread was agreed in addition to the time of execution.

The proposal states: *"A modifier identifying delayed Treasury spot trades may add valuable information to disseminated TRACE data by indicating that the reported price may not be at the current market. The new disseminated field providing the time at which the spread was agreed upon could benefit the market by providing participants with this information, which market participants may use to reasonably evaluate the transaction price compared to other prices reported to TRACE at or near the same time."*[4]

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[4] Proposal at 12.

The potential benefit of this proposal would be to provide a clearer picture, retrospectively, as to liquidity flows throughout the day. SIFMA members understand how this information could be helpful to market participants and observers and note that FINRA (via FIMSAC) provided data to support the existence of delayed spot trades on TRACE at end-of-day. Members understand that US IG trades which occur early in the day which then report end of day may or may not seem "off market" by end of day, depending on the magnitude of the bond's credit spread movement throughout the day.

Despite this acknowledgement, some members have indicated that the technical implementation of this proposal is complex. Specifically, a number of our members disagree that *"[t]he variable cost of reporting the new modifier and populating the time field should be minimal for firms as costs currently are incurred for existing TRACE reporting."*[5] While building a flag to identify a spot trade is not difficult, members have reported that the ability to automate the flow of the time the trade was spotted could be much more complicated. For example, information about time of spotting may be housed in a trading platform (or other internal system) for which the dealer does not have connectivity through to its TRACE reporting system, and that connectivity would either need to be built or a manual workflow would need to be managed (e.g., based off of a report from a platform). Additionally, some firms will have to build this connectivity across multiple lines of business. Manual workflows are of course not favored.

Some of our smaller, non-primary dealer members have pointed out that there is a fixed-cost burden presented by this proposal that is more meaningful to these dealers. In other words, smaller dealers that do less of this business would face the same implementation requirements discussed in the preceding paragraph, but they have fewer resources, tend to be more dependent on third-party vendors, and ultimately may have less motivation to bear the cost. The end result could be that they do not create the necessary infrastructure and they revert to a manual process, which as we noted, is generally not favored and adds operational risk. It also could be the case that some of these dealers simply choose to no longer engage in these kinds of trades, possibly further concentrating the activity in larger firms and reducing the number of market participants. The factors discussed in this and the above paragraph cause some of our members to believe it would be preferable to only report the spot flag and not the time.

In any case, in light of the points raised above, we believe that a significant amount of lead time would be needed before the implementation date - on the order of 18 months or more.

We would also like to address some of FINRA's specific requests for comment:

- *"Should FINRA consider requiring firms to report the spread, either at the time that the spread is agreed upon or later in the day when the dollar price is known?"* and *"If the spread should be reported at the time it is agreed upon, should the dollar price also be reported later in the day when known?"*
    - SIFMA members have pointed out that FINRA should have enough information from trade reports from dealers to derive an estimate of the spread without requiring dealers to submit this data.
    - In any case, we believe that dealers should not have to submit two reports (or amend a previous report) for the same trade. This would significantly increase the burden of implementation on dealers, introduce risk of errors, and possibly confuse users of the

[5] Proposal at 12.

data. Accordingly, if spread were required to be reported (which we don't believe is necessary), it should be at the time of execution of the trade.

- *"FINRA understands that the most common pricing benchmark used for delayed Treasury spot trades is the on-the-run U.S. Treasury Security with the maturity that corresponds to the maturity of the corporate bond being priced (e.g., the most recently issued 10-year U.S. Treasury Security typically is used as the benchmark for pricing a 10- year corporate bond issue). FINRA requests comment on whether this understanding is accurate."*
    - Our members share this understanding.

To summarize, we would encourage FINRA to consider these comments regarding spot trades, and carefully consider balancing the costs vs. the benefits of this proposal. We believe a significant lead time for implementation would be required if this proposal were to be implemented.

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We hope these comments are constructive and helpful to FINRA as it considers how to move forward with the proposals in the RN. As mentioned, SIFMA supports enhancements to transparency that weigh benefits to market participants against the impact on liquidity and costs of compliance. We hope that FINRA provides further details in line with some of the questions and comments discussed above, and would be pleased to discuss our views in more detail. Please contact me at [redacted] if you would like to discuss any of these issues further.

Sincerely,

Chris B Killian

Chris Killian
Managing Director
Securitization and Credit

September 14, 2020

By electronic mail to pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 20-24: FINRA Requests Comment on Proposed Changes to TRACE Reporting Relating to Delayed Treasury Spot and Portfolio Trades

Dear Ms. Mitchell,

The Financial Information Forum (FIF)[1] appreciates the opportunity to comment on Regulatory Notice 20-24 (the Regulatory Notice) published by Financial Industry Regulatory Authority, Inc. (FINRA).[2]

The Regulatory Notice requests comment on two proposed changes to the TRACE reporting rules. The proposed changes were recommended by the Fixed Income Market Structure Advisory Committee (FIMSAC) established by the Securities and Exchange Commission.[3]

The first proposed change would require firms to "identify 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 … and report the time at which the spread was agreed upon…."[4] We refer to this proposal as the delayed Treasury spot trade proposal. The second proposed change would require firms to "identify corporate bond trades that are a part of a larger portfolio trade."[5] We refer to this proposal as the portfolio trade proposal.

[1] FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.
[2] FINRA Regulatory Notice 20-24 (July 16, 2020), available at https://www.finra.org/sites/default/files/2020-07/Regulatory-Notice-20-24.pdf ("Regulatory Notice 20-24") .
[3] Meeting of the Securities and Exchange Commission Fixed Income Market Structure Advisory Committee, Monday, February 10, 2020, 9:32 a.m., available at https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-021020-transcript.pdf. See, in particular, pp. 81-132.
[4] Regulatory Notice 20-24, p. 1.
[5] Regulatory Notice 20-24, p. 1.

Delayed Treasury spot trade proposal

The delayed Treasury spot trade proposal would require firms to implement significant system changes. FIF members have identified various trading scenarios that could be impacted. For example, a dealer could agree on the terms for a delayed Treasury spot trade earlier in a trading day. These terms could be agreed through an electronic trading platform used by the dealer or through an exchange of instant messages between the dealer and a customer. The agreed terms include the Treasury bond to be used as the benchmark and the agreed spread versus that benchmark. Later in the trading day (for example, at 3 pm), the electronic trading platform reports an executed trade back to the dealer, or a trader at the dealer firm enters an execution into the dealer's order management system, and the dealer's systems report the trade to TRACE. FIF members have advised that dealer systems do not currently store the time the original terms are agreed in a manner that would enable reporting to TRACE on a timely basis. The proposal, which requires reporting of this time, would require significant cost and work for firms to upgrade various systems, including order management systems, trade reporting systems and databases, as the requirement to report a new field is a significant driver of additional cost.

FIF members propose that FINRA consider as an alternative mandating that the SpecialPriceIndicator tag (FIX Tag 22006) be marked as "Y" (Yes) for delayed Treasury spot trades[7] or that another existing TRACE tag be marked as instructed by FINRA to identify this type of trade. SpecialPriceIndicator is a tag that is included in the current TRACE reporting specifications. If firms report in this manner, it would signal to the market that the terms of the trade were not agreed based on the current market conditions. Since populating the SpecialPriceIndicator necessitates populating the SpecialPriceReason (Tag 5149), further discussion of what would be appropriate would be needed.

Portfolio trade proposal

FINRA proposes to require firms to append a new modifier to their TRACE reports "to identify a trade in a corporate bond that has all of the following characteristics: (i) executed between two parties; (ii) involving a basket of corporate bond securities of at least 30 unique issuers; (iii) for a single agreed price for the entire basket; and (iv) executed on an all-or-none or most-or-none basis."[8]

FIF members propose that condition (ii) be removed. A trade involving fewer than 30 unique issuers would still be a portfolio trade if it is executed "for a single agreed price for the entire basket" and "executed on an all-or-none or most-or-none basis".

If condition (ii) is retained, FIF members recommend that condition (ii) be based on number of unique issues (counted using CUSIPs, TRACE Symbols assigned by FINRA, etc.) rather than the number of unique issuers whose securities are included in the basket. Shifting to an issue basis would avoid challenges in

[7] FIX Specifications for the Trade Reporting and Compliance Engine system (TRACE), Trade Reporting for OTC Corporate Bonds and Agency Debt (Corporates & Agencies), version 1.4 (March 5, 2018), available at https://www.finra.org/sites/default/files/CA-trace-fix-specs-v1.4.pdf ("TRACE FIX Specification"). See p. 21.
[8] Regulatory Notice 20-24, p. 4.

identifying and processing within the TRACE reporting timeframe which bonds are associated to a particular issuer. In addition, FIF's recommendation would result in more trades being reported as portfolio trades providing greater transparency to the market while enhancing FINRA's audit trail.

Basing the determination of a portfolio trade on the number of unique issuers also raises the question of whether bonds of affiliated issuers should be counted as one or multiple issuers. For example, would the debt of a wholly owned Special Purpose Vehicle, which exists solely for the purpose of issuing debt, be considered as distinct from the debt of the parent issuer?

If condition (ii) is retained, FIF members also request guidance for the scenario where a portfolio trade involves some bonds that are TRACE-reportable and other bonds that are not TRACE-reportable (for example, corporate bonds that are not denominated in U.S. dollars). Should the bonds that are not TRACE reportable be counted in determining whether the trades in the TRACE-reportable bonds are part of a portfolio trade?

Regarding condition (iii), FIF requests that FINRA, as part of the rulemaking process, provide guidance on:

- The definition of a "single agreed price" in the context of a portfolio trade
- Whether the following scenario would constitute a portfolio trade:
  - A third-party publishes reference prices for a universe of bonds at a set time each day at 3 pm
  - At 10 am two firms agree to trade a basket of securities that represents a subset of this universe based upon the as-of-yet unpublished 3 pm reference price
  - At 3:30 pm the two firms review the prices published at 3 pm for the basket constituents and come to consensus on the final price, which is an aggregate of the constituent prices.

Please also advise regarding whether the existence of any offset to the price (e.g. 3 pm reference price plus a fixed markup) would change whether the basket in the above scenario would be considered a portfolio trade.

Implementation timeline

Based on the significant technical work that will be required to implement the proposed changes and various issues where the industry will require interpretive guidance from FINRA, FIF members request that the implementation timeline for any changes commence upon the publication of updated technical specifications and the issuance of FAQs by FINRA. In other words, if firms will have a period of "n" days to implement changes required by the rule, the commencement of this period of "n" days should be the day that FINRA publishes updated technical specifications and issues FAQs in response to industry member requests for guidance.

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FIF appreciates the opportunity to comment on Regulatory Notice 20-24. If you would like clarification on any of the items discussed in this letter or would like to discuss further, please contact me at .

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
Managing Director, Financial Information Forum

Melinda Ramirez Comment On Regulatory Notice 20-24

Melinda Ramirez
Consultant
Thank you for the opportunity to invest..