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September 6, 2019

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

Re: Regulatory Notice 19-22: ATS Fixed Income Trading Volume

Dear Ms. Mitchell:

Tradeweb Markets Inc. ("Tradeweb" or "we") is pleased to submit this letter in response to Financial Industry Regulatory Authority ("FINRA") Regulatory Notice 19-22 requesting comment on FINRA's proposal to expand the alternative trading system ("ATS") volume data that FINRA publishes on its website to include information on transactions in corporate and agency debt securities that occur within an ATS and are reported to FINRA's Trade Reporting and Compliance Engine.

Tradeweb is a leader in building and operating electronic marketplaces for a global network of clients across the institutional, wholesale, and retail client sectors. Tradeweb operates both ATS and non-ATS platforms for the fixed-income, derivatives, and equities markets. As such, it broadly supports innovation and enhancements to transparency and fairness, which promotes liquidity to the benefit of all marketplace participants.

As discussed below, although we believe there may be benefits, in due course, to publishing delayed volume and trade count information for corporate and agency debt securities that is categorized by individual security and ATS, it would be premature to publish this information until the U.S. Securities and Exchange Commission (the "Commission") completes its review of fixed income market structure and makes any related changes to Regulation ATS.

FINRA Should Delay Publication of Fixed Income Trading Data Until the Commission Establishes a Consistent Regulatory Framework for Fixed Income Trading Platforms

The U.S. fixed income markets are experiencing a rapid evolution from a largely over-the-counter ("OTC") marketplace characterized by bilaterally negotiated transactions to one in which electronic platforms play an increasing role. This evolution is leading to enhanced price transparency and reduced systemic risk and costs for end investors.

In light of these advances, the U.S. fixed income markets are the subject of rigorous discussion regarding how the regulatory framework should account for the unique nature of fixed income products and wide range of methods that market participants use to negotiate and execute fixed income transactions. In an effort to foster conversation and understand the diverse perspectives on the operation and structure of the U.S. fixed income markets, the Commission established an advisory committee in November 2017 to study and make recommendations on matters related to U.S. fixed income market structure (the "FIMSAC").

Among the issues that the FIMSAC is examining is the regulatory treatment of corporate bond trading platforms, which varies based on differences in trading protocols and business models. As the FIMSAC noted, fixed income electronic trading platforms may be regulated as ATSs, broker-dealers, or may not be regulated at all, even though many platforms operate similar trading models (e.g., request-for-quote trading platforms).[1] This differing regulatory treatment of fixed income trading platforms was also recognized in the Regulatory Notice.

The fragmented regulatory landscape for fixed income securities led the FIMSAC to recommend that the Commission, FINRA, and Municipal Securities Rulemaking Board ("MSRB") establish a working group to review the regulatory framework for oversight of electronic trading platforms used in the corporate and municipal fixed income markets. Among the concerns identified by the FIMSAC in reaching this recommendation was that "[w]ithout a unifying regulatory framework for all fixed income electronic trading platforms, market structures will likely fragment further as regulators adopt new regulations that apply to only one type of platform."[2]

We agree with the FIMSAC that further consideration is necessary regarding the regulatory treatment of the varying types of electronic trading platforms available to fixed income market participants before implementing any regulatory reform efforts applicable only to a single type of trading platform – including publication of trading data on only a fraction of overall trading volume (approximately 4% of the trade volume including both investment grade and high yield corporate bonds). The risks of distorted market data are too high to impose selective regulatory treatment to one portion of the complex and rapidly changing fixed income markets before the completion of the ongoing examination of fixed income market structure by the FIMSAC and any conclusions that may be reached by a joint regulatory working group.

Accordingly, it would not be appropriate to expand publication of trading data to other, non-ATS trading platforms at this time. Any decision to treat ATS and non-ATS trading platforms similarly should be based on the considered deliberations of the Commission, FINRA, and MSRB, as recommended by the FIMSAC. To proceed otherwise would prematurely implement regulatory reforms that may run contrary to the ultimate conclusions of the Commission.

The Benefits Identified by FINRA would not Outweigh the Costs

We note that FINRA pointed to the potential for published ATS volume data to provide market participants with a greater ability to assess which venues have greater liquidity, potentially reducing transaction costs, as well as assisting broker-dealers in achieving best execution. Because of the extremely low volume of overall transactions in fixed income securities executed on ATSs, however, publication of such data would not provide market participants with an accurate picture of trading in

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[1] *See* U.S. Securities and Exchange Commission Fixed Income Market Structure Advisory Committee, Recommendation for the SEC to Review the Framework for the Oversight of Electronic Trading Platforms for Corporate and Municipal Bonds, July 16, 2018, *available at* https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-electronic-trading-platforms-recommendation.pdf.

[2] *Id.*

either the fixed income markets generally or electronic trading platforms specifically. We also note that such information would not even provide a complete picture of the trading facilitated by platform providers that operate more than one kind of trading venue.

Consequently, any potential benefits would be limited, whereas the proposal has the potential to increase the regulatory discrepancies already present in the fixed income markets, exacerbating the potential for regulatory arbitrage and artificially advantaging certain venues over others. For example, publication of such data could incentivize platform operators to choose one form of electronic platform over another based on the fact that specific platform trading data will be publicly available. It may also, as noted in the Regulatory Notice, impose higher barriers to entry for new ATSs, potentially stifling innovation in a market that is undergoing a transformational shift in how market participants interact and execute transactions.

Conclusion

For the reasons set forth above, we believe that FINRA should not begin publishing specific security and ATS fixed income trading information until such time as a determination is made regarding the appropriate regulatory structure for fixed income electronic trading platforms.

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Once again, we appreciate the opportunity to share our views on this important issue and would be pleased to discuss in further detail as and when appropriate. If you have any questions, please do not hesitate to contact Douglas Friedman at 646-430-6104 or douglas.friedman@tradeweb.com.

Respectfully submitted,

Douglas Friedman
General Counsel