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Filed electronically

February 1, 2023

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

Re: FINRA Regulatory Notice 22-26 (Proposed Changes to TRACE Reporting Relating to Delayed Treasury Spot Trades)

Dear Ms. Mitchell:

Thank you for the opportunity to comment on the above-referenced proposal (the “Proposal”), which seeks to introduce a two-part public reporting regime for delayed Treasury spot trades flags in TRACE. As you know, FINRA previously proposed, but did not adopt, the introduction of a special flag for delayed Treasury spot trade. Under the prior proposal, FINRA member firms would have continued to report trades only once the dollar price was set, but a new modifier to identify the trades as delayed Treasury spot trades would have been introduced. FINRA proposed that this same trade report would include the earlier time at which the spread was negotiated. In letters to FINRA and the SEC, T. Rowe Price supported the proposed changes.[1] However, we are not in favor of the two-part reporting schedule contemplated by Reg. Notice 22-26 and we urge FINRA to instead pursue a special flag for delayed Treasury spot trades only once the dollar price is set, consistent with FINRA’s prior proposal. We believe the two-part reporting regime would have negative impacts that would strongly outweigh the benefits of reporting more granular information for delayed Treasury spot trades in this manner.

The Proposal’s two-stage reporting harms execution quality when working orders through dealers. Over time, T. Rowe Price and various other market participants have expanded their range of trading protocols utilized, including “all-to-all” trading, to help address challenges sourcing liquidity. The public reporting of trades via TRACE has been useful as these protocols grow in popularity, including with respect to larger trades involving certain corporate bonds. In some of these cases, it may not be possible or desirable for an asset manager to buy or sell the full quantity in a single trade. Instead, it may be in our funds and clients best interest to execute a series of transactions throughout the day. Because there would be a publicly disseminated trade report revealing a specific CUSIP and the transaction’s size at the time the spread was initially agreed to under the Proposal’s two-part reporting framework, liquidity may be harmed for the manager’s subsequent trades for the remainder of the block. For similar reasons, a dealer’s ability to carry out trades for certain blocks and effectively hedge these trades would be hindered by the two-part reporting regime. We are

[1] T. Rowe Price letter to FINRA dated September 15, 2020 available at: https://www.finra.org/sites/default/files/NoticeComment/T.RowePrice.pdf. T. Rowe Price letter to the SEC dated December 30, 2021 available at: https://www.sec.gov/comments/sr-finra-2021-030/srfinra2021030-20111072-264735.pdf

T. Rowe Price Associates, Inc.
T: 410-345-2000
F: 410-345-6575

100 East Pratt Street
Baltimore, MD 21202

concerned that reporting the agreed upon spread prior to trade execution could lead to a reduction in market-making activity for certain bonds and, as a result of information leakage from the initial TRACE report, lead to wider spreads that ultimately increase transaction costs for our fund and client portfolios when we work our orders with dealers.

TRACE reports would become more complex, potentially creating further cost pressures in the marketplace. By disseminating two separate TRACE reports for a single trade, various market participants would likely need to modify their operating frameworks and processes to consume and analyze the new TRACE data. In particular, we are worried that the complicated nature of the two-stage reporting regime may be costly for dealers to implement and carryout on an ongoing basis, in turn leading to increased costs that are passed through to buy-side investors.

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Thank you for considering our feedback on these issues. Should you have any questions or wish to further discuss, please feel free to contact us.

Sincerely,

/S/ Dwayne Middleton
Dwayne Middleton, Vice President & Head of Fixed Income Trading

/S/ Jonathan Siegel
Jonathan Siegel, Vice President & Managing Legal Counsel (Legislative & Regulatory Affairs)