

August 5, 2019

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NY
Washington, DC 20006-1506

Re: Request for Comment on Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination (Regulatory Notice 19-12)

Dear Ms. Asquith:

It is an honor to comment on FINRA's Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination. The US corporate bond market has become increasingly vital to the health of the US economy, so implementing rules that maintain a well-functioning secondary market are critical.

As the CEO of BondCliQ, our initiative is focused on enhancing the accuracy and availability of pre-trade institutional corporate bond data. It is our belief that centralized pricing data will materially improve the ability for market makers to take risk, thereby increasing institutional liquidity.

There have been many excellent points raised in the +20 comment letters that were previously submitted. The intention of this letter is to propose an amendment to the Pilot Program. We believe our suggested changes address both sides of the argument on transaction reporting for corporate bonds.

The catalyst for delaying transaction reporting of block trading is protection for the participants in large notional transactions. The current structure of TRACE displays counter-party and size details for each corporate bond trade. While there are limits to the level of counter-party and size information presented, these fields make it possible for participants to map large transactions to the individual buyer and seller.

Given the infrequency of large transactions (less than 3% of daily trades are \geq \$5MM), this mapping activity can adversely impact buy-side institutions and market makers. Therefore, it is natural to assume that delaying the reporting of large trades would be an effective solution.

Opposition to a delay in transaction reporting comes from legitimate concerns regarding market integrity if a two-tiered system for transaction data exists. Many of the submitted comment letters articulated serious and plausible negative consequences including, eTrading stagnation (Vanguard), lack of accurate reference data for valuations (Healthy Markets) and reduction in institutional liquidity (Citadel).

Proposed Amendment to the Pilot Program

Instead of implementing a delay in the reporting of block transaction information, we recommend a reset of the size details displayed in TRACE. The initial goal of TRACE was to protect retail investors in the bond market; therefore sizes that reflect retail trades should always remain visible. For investment-

grade bond transactions, we suggest a Retail Visibility Threshold of \$500,000. For high-yield bond transactions, the recommended Retail Visibility Threshold is \$250,000.

Any transactions that equal or exceed the Retail Visibility Threshold will display an "I" to indicate an institutional trade with no further size information for the trade:

Market	Trade Size <\$500k	Trade Size >=\$500k
Investment Grade	Full size details	"I" Indicator

Market	Trade Size <\$250k	Trade Size >=\$250k
High Yield	Full size details	"I" Indicator

Impact of Proposed Amendment

This approach will maintain transaction reporting integrity because all market participants will be able to view the same trade information in real-time. Continuity will avoid the negative consequences of a two-tiered system. The Retail Visibility Threshold will materially reduce the ability for large, institutional trades to be mapped back to the original buyers and sellers. By eliminating this practice, market makers can safely support block trading, which will ultimately improve institutional liquidity.

Before and After Implementation:

Current Transaction Visibility

Ticker	Coupon	Maturity	CUSIP	Trade Date	Trade Time	Price	Size
JPM	2.95	10.01.26	46625HRV4	05.06.19	10:03am	\$102.15	\$4,988,000
JPM	2.95	10.01.26	46625HRV4	05.06.19	10:51am	\$102.45	\$321,000
JPM	2.95	10.01.26	46625HRV4	05.06.19	1:51pm	\$102.22	\$10,000
JPM	2.95	10.01.26	46625HRV4	05.06.19	1:51pm	\$102.23	\$10,000
JPM	2.95	10.01.26	46625HRV4	05.06.19	3:10pm	\$103.01	\$2,350,000

Visibility with Retail Threshold

Ticker	Coupon	Maturity	CUSIP	Trade Date	Trade Time	Price	Size
JPM	2.95	10.01.26	46625HRV4	05.06.19	10:03am	\$102.15	I
JPM	2.95	10.01.26	46625HRV4	05.06.19	10:51am	\$102.45	\$321,000
JPM	2.95	10.01.26	46625HRV4	05.06.19	1:51pm	\$102.22	\$10,000
JPM	2.95	10.01.26	46625HRV4	05.06.19	1:51pm	\$102.23	\$10,000
JPM	2.95	10.01.26	46625HRV4	05.06.19	3:10pm	\$103.01	I

Conclusion

Transparency is an essential ingredient to maintain reliable, competitive markets that promote integrity. As an industry, finding the right application of transparency is imperative to the long-term health of the corporate bond market. Delaying the reporting of trade information will only inhibit our ability to find the right protocols and rules for information dissemination. Testing new protocols in well-controlled pilot initiatives could lead to the development of new standards that extract the benefits of transparency while avoiding unintended consequences.

Chris White
CEO, BondCliQ