



April 10, 2015

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

Dear Ms. Asquith:

Re: Trade Reporting and Compliance Engine (TRACE) Request for Comment

The Association of Institutional INVESTORS (“Association”) would like to thank you for the opportunity to respond to the Financial Industry Regulatory Authority’s (“FINRA”) request for comment on a proposal to expand the dissemination of TRACE data (Regulatory Notice 15-04). We would like to use this opportunity to share the Association’s perspectives and outline a set of recommendations on specific aspects of the proposal that may impact the U.S. Commercial Mortgage Backed Securities (“CMBS”) market.

The Association consists of some of the oldest, largest, and most trusted institutional investment advisers. Our clients are primarily institutional investment entities that serve the interests of investors who are the asset owners through public and private pension plans, foundations, trusts, and registered investment companies. Collectively, our member firms provide advisory services to more than 80,000 pension plans, mutual funds, and similar investment entities on behalf of more than 100 million American workers and retirees. Our clients rely on us to prudently manage participants’ retirements, savings, and investments. This reliance is built, in part, upon the fiduciary duty owed to these organizations and individuals. We recognize the significance of this role, and the concerns we raise in this letter are intended to reflect not only the concerns of the Association but also the concerns of the companies, labor unions, municipalities, families, and individuals we ultimately serve.

We strongly favor FINRA’s proposal to further expand the list of Securitized Products that are subject to public trade dissemination. Providing this transparency will be extremely beneficial to all market participants and greatly assist in price discovery and in decreasing price dispersion. The Association sincerely appreciates the efforts that have been undertaken by FINRA to enhance transparency in the Securitized Products marketplace. We believe that over the long

term, this much needed transparency will assist in creating a more sustainable market. In the sections below, we will share our perspectives on the proposal and offer specific recommendations regarding FINRA's proposed two-tiered approach to disseminate trade data.

### **Benefits of Dissemination of Transaction Information**

Currently the price discovery process for Securitized Products is opaque and potentially selective. To illustrate this point, absent a TRACE-like reporting mechanism, the entire buy-side is dependent on dealers to provide pricing context on whichever bonds they choose, when they choose, and to the investment firms they choose. TRACE dissemination has the potential of greatly benefiting the whole market by making pricing information broadly available. Systematic reporting would also:

- Improve the accuracy of the information being shared
- Improve the reliability of bond pricing services that are used by the broad market, and which frequently rely on direct pricing information from dealers
- Increase investor confidence in participating in the market due to enhanced pricing transparency

### **Recommendations regarding Thresholds for Dollar Amount and Number of Transactions**

We understand that FINRA proposes to disseminate trade data using a two-tiered approach:

1. For transactions valued under \$1 million FINRA proposes to report trade-by-trade information in real time.
2. For transactions valued at greater than \$1 million there will be no real-time information. Instead, FINRA would disseminate aggregated transaction information via both weekly and monthly periodic reports, provided that five or more transactions occurred in the security in the period.

The dissemination by TRACE can have a tremendous positive impact on the price discovery of all securities, particularly those less frequently traded. TRACE rules should be designed to ensure that price disclosure information encompasses all securities and is relevant to a large majority of market participants.

We understand that using a \$1 million threshold to determine whether individual trade disclosure is required may help address concerns regarding proprietary trading strategies or investor privacy. However, the Securitized Products market is largely an institutional market, and a \$1 million threshold is too low to be relevant to most participants.

We would also note that any thresholds with respect to the minimum number of transactions required for TRACE reporting will exclude a meaningful portion of trades in Securitized Products and would therefore undermine the goal of the proposed rules. Unlike the Corporate bond, Securitized Products often have very small class sizes that may trade infrequently – some may not even trade more than once or twice annually let alone five times a month.

In view of the observations above, we recommend that the two-tiered approach be modified as follows:

1. FINRA should eliminate the transaction frequency thresholds.
2. For all transactions under \$5 million, trade-by-trade information should be provided on a real time basis and dissemination should include the following data: price, amount of the transaction, type of buyer, and type of seller.
3. For all transactions above \$5 million we recommend a reporting standard that at a minimum discloses trade by trade details including price, type of buyer and type of seller, with individual transaction amounts reported as “\$5M+” on a five day delay. We encourage FINRA to evaluate potential market implications, and, if appropriate, increase this recommended minimum standard to a real time reporting basis.

We also recommend that FINRA closely monitors the market impact after the adoption of the final rules, and maintains an open dialogue with market participants to identify possible shortfalls and make any necessary adjustments.

The Association believes that FINRA’s proposal to further expand the list of Securitized Products subject to public trade dissemination would greatly benefit all market participants – especially in terms of assisting with price discovery and decreasing price dispersion. A consistent, accurate price discovery source that is readily available to all market participants would help strengthen the marketplace over the long term, creating a more sustainable market through business and lending cycles.

We very much appreciate the opportunity to share our perspectives and recommendations with you. We would like to thank you again for your efforts on behalf of the U.S. financial system in creating a more transparent marketplace in Securitized Products. Please do not hesitate to contact me at [jgidman@loomissayles.com](mailto:jgidman@loomissayles.com) or (617) 748-1748 or Francisco Paez at [fpaez@metlife.com](mailto:fpaez@metlife.com) or (973) 647-3055 should you have any questions.

On behalf of the Association of Institutional INVESTORS,



John Gidman  
President  
Association of Institutional INVESTORS