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April 22, 2016

Mr. David R. Pearl  
Office of the Executive Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Re: Notice Seeking Public Comment on the Evolution of the Treasury  
Market Structure (Docket No. TREAS-DO-2015-0013)

Dear Mr. Pearl

Virtu Financial, Inc. (together with its affiliates, “Virtu” or “we”) is submitting this letter to share our views with the Department of the Treasury (“Treasury”) in connection with the Notice Seeking Public Comment on the Evolution of the Treasury Market Structure (“Treasury RFI”).

By way of background, Virtu is a leading technology-enabled market-maker and liquidity provider to the global financial markets, operating from offices in New York, Austin, Singapore and Dublin. Virtu acts as a market-maker across numerous exchanges and asset classes, is a direct member of most recognized futures exchanges in the United States and around the globe, and, through its subsidiary, a principal trading firm (“PTF”), Virtu is an active participant in U.S. Treasury futures and cash markets. The PTF is also registered as a Floor Trader with the Commodity Futures Trading Commission (“CFTC”) and the National Futures Association.

Virtu broadly supports the next steps as outlined in The Joint Staff Report: The U.S. Treasury Market on October 15, 2014 (“JSR”) and the objectives of the Treasury RFI to develop a holistic view of trading and risk management practices across U.S. Treasury futures and cash markets and its ongoing efforts to seek input on potential

improvements in Treasury market policies, practices and conduct. Further, we believe that greater interagency coordination in areas such as monitoring and surveillance will result in increased confidence in the Treasury markets and enhance market integrity.

While it is important to implement in the U.S. Treasury markets those best practices and standards that have worked well in other markets, we feel that this alignment should take into account the fundamental differences in the markets. As an example, we are a strong proponent of applying Reg ATS and Market Access Rule to the Treasury marketplace. We believe that these rules will lead to a more resilient and robust market.

As we discuss below in greater detail, we are supportive of the introduction of a transaction reporting requirement to the U.S. Treasury markets. The resulting data will not only improve the overall market, it could also inform future decisions regarding standards such as circuit breakers and volatility guards, which need detailed analysis. In addition, access to transaction level data will help the Treasury to effectively design surveillance to prevent manipulative and fraudulent acts.

According to several observers, U.S. Treasury trading in the dark markets is presumed to be equal in size to the lit markets. Also, roughly 60% of the volume in dealer-to-client trading is said to be in on-the-run Treasury securities. This fragmentation of the U.S. Treasury marketplace impedes price discovery. We believe that a best execution mandate might help enhance liquidity and safeguard the interest of the market's participants. Ultimately, there is no substitute to the ability of a client to access a published price.

Whereas market data for on-the-run Treasury securities is available in real-time from the main lit markets for a fee, the dealer-to-client market is effectively opaque. We believe that dealer-to-client trades should also be reported to a consolidated reporting facility together with dealer-to-dealer trades. We suggest that all electronically matched on-the-run trades should be reported to the reporting facility in real-time, and any trades that are matched manually (in chat rooms or telephonically) should be submitted to the reporting facility as soon as practicable but within 5 minutes of the transaction.

While we believe that the enhanced transparency resulting from a reporting facility for U.S Treasuries will result in a more robust market, reporting requirements must be sensitive to principal traders' ability and appetite to warehouse risk when necessary. To strike this balance, we would support lengthening the reporting requirement to 15 minutes for trades in excess of a specified volume threshold in on-the-run Treasuries. We would expect such a delay to sufficiently address any concerns surrounding market impact. Similarly, an extended reporting window may be appropriate when considering reporting requirements for off-the-run Treasury securities which are traded less frequently.

We appreciate the opportunity to comment on the Treasury RFI. If you have any questions, do not hesitate to contact me at [vpalaparthy@virtufinancial.com](mailto:vpalaparthy@virtufinancial.com).

Sincerely,



Venu Palaparthy  
Senior Vice President,  
Virtu Financial, Inc.