August 26, 2022

VIA ELECTRONIC DELIVERY
The Honorable Janet L. Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

RE: **Notice Seeking Public Comment on Additional Transparency for Secondary Market Transactions of Treasury Securities (TREAS–DO–2022–0012)**

Dear Secretary Yellen:

Virtu Financial, Inc. ("Virtu") respectfully submits this letter in response to the above-referenced request for comment on additional post-trade transparency of data regarding secondary market transactions of Treasury securities, including potential benefits and risks of building on existing public transparency. Virtu is a leading financial firm that leverages cutting edge technology to deliver liquidity to the global markets and innovative, transparent trading solutions to its clients. Virtu operates as a market maker across numerous exchanges in the U.S. and is a member of all U.S. registered stock and futures exchanges. For nearly twenty years, Virtu has been a leading provider of streaming liquidity in Treasury securities direct to counterparties and numerous electronic platforms. Virtu's market structure expertise, broad diversification, and execution technology enables it to provide competitive bids and offers in over 25,000 securities, at over 235 venues, in 36 countries worldwide.

Virtu has long been a proponent of innovation and enhancements to transparency and fairness that increase liquidity and promote competition to the benefit of all marketplace participants. We are vocal advocates for increased transparency, as we believe it enables investors to make better informed decisions and contributes to the efficient and orderly operation of markets.[1] We also support the development of smart, data-driven regulatory initiatives that give investors and other market participants access to the information they need, and we applaud the Department of the Treasury for soliciting the views of the public on ways to enhance transparency in the Treasury markets.

The U.S. Treasury market is the deepest and most liquid fixed-income market in the world and plays a vital role in the financing of our federal government and also serves as the foundation for other fixed income markets, including the mortgage, corporate debt, and municipal bond markets. Given the significance of the Treasury markets to the U.S. economy, Virtu welcomes the dialogue that is taking place about ways to enhance the Treasury markets, and we respectfully offer

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[1] See our April 22, 2016 submission on *The Evolution of Treasury Markets* at https://www.treasurydirect.gov/instit/statreg/gsareg/RFIcommentletterVirtu.pdf

our views on the following incremental enhancements that would strengthen the market by enabling greater competition by providing greater transparency.

<u>TRACE Reporting and Dissemination of Treasury Data</u>

At Virtu, we start from the premise that better information leads to better and more efficient price discovery. We believe that the closer our markets get to real-time and fully transparent trade reporting and public dissemination, the better our markets function and the better-informed investors will be to make decisions about how they deploy their capital. We recognize, however, that there are some market participants that have valid and reasonable concerns about the risks that real-time dissemination of certain information could introduce to the liquidity of the Treasury markets, particularly when it comes to large size block trading in less liquid CUSIPs.

We believe that FINRA's approach to TRACE reporting for corporate bonds is a well-calibrated approach that balances the need for greater transparency with the reasonable concerns about the impact on liquidity and would serve as an excellent model for enhancing transparency in the Treasury markets. Under FINRA's rules[2], all OTC secondary market trades in TRACE-eligible corporate bonds must be reported to FINRA within fifteen minutes of execution. FINRA immediately disseminates information about these trades to the public upon receipt. However, FINRA applies what is known as a "dissemination cap" to large-size trades in corporate bonds. The cap is $5 million for investment grade ("IG") corporate bonds, and $1 million for non-investment grade ("non-IG") corporate bonds. With respect to trades at or below the cap, FINRA disseminates "the security identifier, whether the trade was between dealers, or between a dealer and a customer or affiliate, whether the FINRA member involved in the trade bought or sold the security, and the price and full size of the trade."[3] With respect to trades exceeding the cap, FINRA disseminates the same data points, except the size is reflected as "5MM+" (for IG) and "1MM+" (for non-IG).[4] FINRA makes available the full, uncapped sizes of the trades six months later as a historical data set.[5]

We strongly recommend that a similar construct be applied to reporting and dissemination of information about Treasury securities – *i.e.*, real-time reporting and dissemination of information about trades below a dissemination size cap, and "cap-plus" dissemination of information of larger size trades. We would also be supportive of delaying "cap plus" dissemination for large trades to T+1 if there are valid concerns that real-time reporting could have an impact on liquidity. We believe this approach strikes an appropriate balance between the benefits of bringing our Treasury markets closer to full transparency against the potential liquidity risks associated with real-time disclosure of large trades.

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[2] FINRA Rule 6730(a)(1)
[3] FINRA Regulatory Notice 19-12, *Trade Reporting and Compliance Engine (TRACE)*, at 4 (Apr. 12, 2019), *available at* https://www.sec.gov/spotlight/fixed-income-advisory-committee/finra-regulatory-notice-trace-19-12.pdf.
[4] *Id.*
[5] *Id.*

On this topic, we read with interest, and strongly agree with, the letter submitted to the comment file by Congressmen Quigley and Hollingsworth observing that "any public reporting regime can be appropriately calibrated to address these concerns, including through the use of time delays for trading activity above certain notional value thresholds."[6] Notably, a similar approach was advocated by the Group of 30, an independent global body comprised of economic and financial leaders from the public and private sectors and academia, in a report issued earlier this year titled *U.S. Treasury Markets: Steps Toward Increased Resilience*.[7]

Repurchase Agreement Rates

Another area that we believe could benefit from increased transparency are rates for repurchase agreements ("Repos"). Repos play a critical role in the financial markets, facilitating the flow of cash and securities throughout the financial system. However, currently, there is very little information reported about Repo rates.

In other segments of the marketplace, regulators have made great strides to increase access to information around rates and pricing – from the equities markets to the options and Treasury markets. However, Repo rates remain essentially opaque to investors. We firmly believe that the markets would benefit from modest steps to provide at least some general information about Repo rates. To that end, we would recommend the pursuit of a regulatory initiative to require the disclosure of median and mid-point Repo rates on a T+1 basis.

We believe enhanced transparency in the Treasury Repo market would contribute to greater efficiency and foster competition to the benefit of all investors.

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[6] Quigley and Hollingsworth Letter to Hon. Janet Yellen, Secretary, U.S. Department of the Treasury (Aug. 22, 2022), *available at* https://www.regulations.gov/comment/TREAS-DO-2022-0012-0006

[7] Group of 30, *U.S. Treasury Markets; Steps Towards Increased Resilience; Status Update 2022*, at 4(June 2022), *available at* https://group30.org/images/uploads/publications/G30_Treasury-Mkts-UPDATE_Final_Report.pdf.

We would like to thank the Department of the Treasury for soliciting views from the public on ways to enhance transparency in the Treasury markets. At Virtu, we believe that transparency is the key ingredient to healthy and efficient markets, and is the driver of competition that makes the U.S. financial markets the deepest and most liquid in the world.

Respectfully submitted,

Thomas M. Merritt
Deputy General Counsel

cc: The Honorable Gary Gensler, Chair, U.S. Securities and Exchange Commission
Mr. Robert Cook, CEO, Financial Industry Regulatory Authority