

**MEMO# 29747**

March 3, 2016

# **Draft ICI Comment Letter to Treasury on its Request for Information on the Evolution of Treasury Market Structure; Your Feedback Requested by Thursday, March 10**

[29747]

March 3, 2016

TO: FIXED-INCOME ADVISORY COMMITTEE No. 6-16  
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 3-16  
SEC RULES COMMITTEE No. 10-16 RE: DRAFT ICI COMMENT LETTER TO TREASURY ON ITS REQUEST FOR INFORMATION ON THE EVOLUTION OF TREASURY MARKET STRUCTURE; YOUR FEEDBACK REQUESTED BY THURSDAY, MARCH 10

ICI has drafted a comment letter to the Department of the Treasury ("Treasury") in response to its request for information ("RFI") on the evolution of Treasury market structure.\* ICI's draft letter is attached and is summarized briefly below. Please provide any comments in writing by Thursday, March 10, to Sarah Bessin at [sarah.bessin@ici.org](mailto:sarah.bessin@ici.org) and George Gilbert at [george.gilbert@ici.org](mailto:george.gilbert@ici.org).

The RFI provides a short background on the structure of the Treasury market and its evolution over the past two decades. It discusses the move toward electronic trading in both in the Treasury cash and futures markets. The RFI solicits feedback on the following topics: (1) the evolution of the Treasury market, the primary drivers of that evolution, and the implications for market functioning and liquidity; (2) risk management practices and market conduct across the Treasury market; (3) the need for more comprehensive official sector access to data and the types of data that should be made available to the official sector regarding the Treasury cash market; and (4) whether reports of Treasury market transaction data should be made publicly available.

ICI's draft comment letter makes the following points in response to the RFI:

- Funds' Experience in the Treasury Cash Market. Our draft letter briefly explains funds' experience transacting in this market. The letter notes that members have

experienced changing conditions in the Treasury market and have adapted to these conditions by adjusting their trading behavior.

- **Official Sector Access to Data.** We appreciate the premise of the RFI that the official sector generally lacks adequate access to information about the Treasury cash market and recommend that Treasury follow certain principles to increase the utility of reported data and minimize burdens on market participants. We encourage Treasury to ensure that it has adequate safeguards in place to protect the confidential information that it receives from market participants under any reporting rules for Treasury securities.
- **Reporting Parties and Scope of Reporting.** Any reporting rules proposed by Treasury should place reporting obligations only on dealers and other intermediaries, such as trading platforms and proprietary trading firms, and not on end users of Treasury securities, such as funds. We urge Treasury not to apply any reporting rules to allocations.
- **Public Access to Data.** Treasury should ensure that any public reporting requirements do not adversely affect liquidity in the Treasury cash market by limiting, initially, any reporting to non-public reporting to Treasury. After Treasury has obtained data over a sufficient period of time, Treasury should consider the following factors in determining whether public disclosure is appropriate: (1) the goals such disclosure would be intended to achieve; (2) the data elements Treasury would propose to publicly disclose to achieve those goals; (3) whether those data elements would be proposed to be disclosed about all Treasury securities, or only a subset; and (4) whether publicly disclosing this data will achieve those goals without harming the market. Any public reporting regime should provide reasonable accommodations for block trades.
- **Compliance Period.** Treasury should provide an adequate period of time to allow market participants to come into compliance with any new reporting requirements in the Treasury cash markets.

Sarah A. Bessin  
Associate General Counsel

George M. Gilbert  
Counsel

[Attachment](#)

**endnotes>**

[\*] For a description of the RFI, please see ICI [memorandum](https://www.ici.org/my_ici/memorandum/memo29655) No.29655, available at [https://www.ici.org/my\\_ici/memorandum/memo29655](https://www.ici.org/my_ici/memorandum/memo29655)