

**MEMO# 29819**

April 8, 2016

## **ICI Submits Comment Letter to Treasury on its Request for Information on the Evolution of Treasury Market Structure**

[29819]

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TO: FIXED-INCOME ADVISORY COMMITTEE No. 13-16  
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 9-16  
SEC RULES MEMBERS No. 14-16 RE: ICI SUBMITS COMMENT LETTER TO TREASURY ON ITS REQUEST FOR INFORMATION ON THE EVOLUTION OF TREASURY MARKET STRUCTURE

On April 8, ICI submitted 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 comment letter is attached and is summarized briefly below.

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 comment letter makes the following points in response to the RFI:

- **Funds’ Experience in the Treasury Cash Market.** Our 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. The letter explains that we appreciate the premise of the RFI that increased regulatory reporting would help Treasury and other stakeholders assess the functioning and development of this market. We believe, however, that more fundamental changes to market structure, such as trading halts, circuit breakers, public dissemination of certain trading activity, and platform-trading mandates could increase uncertainty and confusion and reduce

liquidity if these changes are implemented prematurely or unnecessarily.

- **Official Sector Access to Data.** We understand Treasury's concern that the official sector generally lacks sufficient access to information about the Treasury cash market. The letter explains that, although we would expect to support carefully tailored reporting requirements for the Treasury cash market, we 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 ("PTFs"), 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 disclosure requirements do not adversely affect the depth, liquidity, or functioning of the Treasury cash market by taking a two-step approach to considering such requirements. First, Treasury should limit 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 to inform any proposed public dissemination requirements: (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 apply to 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.** We recommend that Treasury not begin implementation of any reporting obligations until it ensures that those intermediaries active in the Treasury cash markets will be subject to a reporting obligation (including coordinating with other regulators to ensure registration of PTFs, to the extent necessary). We recommend that Treasury consult with reporting parties to ensure an adequate compliance period for regulatory reporting rules. After Treasury fully implements any regulatory reporting requirements, it should focus on assessing whether to adopt public disclosure requirements. We recommend that Treasury propose and finalize any public reporting requirements after carefully analyzing data it obtains from the non-public reporting process. Treasury should ensure that it obtains data to inform this process over a time period that is long enough to provide a reliable basis on which to assess conditions in the Treasury cash market. We recommend that Treasury solicit comment on the appropriate implementation timeframe for a public reporting requirement in connection with any proposed rules in this area.

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[Attachment](#)

## endnotes

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

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