

MEMO# 33146

March 2, 2021

ICI Files Comment Letter to SEC on Government Securities ATS Proposed Rule and Electronic Corporate Bond and Municipal Securities Markets Concept Release

[33146]

March 2, 2021 TO: ICI Members

Fixed-Income Advisory Committee

SEC Rules Committee SUBJECTS: Fixed Income Securities

Trading and Markets RE: ICI Files Comment Letter to SEC on Government Securities ATS Proposed Rule and Electronic Corporate Bond and Municipal Securities Markets Concept Release

ICI has filed a comment letter with the Securities and Exchange Commission (“Commission”) on the proposed Government Securities ATS rule (“Proposed Rule”) and concept release on electronic corporate bond and municipal securities markets (“Concept Release”).[\[1\]](#) ICI’s letter is attached and summarized below.

Government Securities ATS Proposed Rule

The Proposed Rule would require an alternative trading system (ATS) that trades government securities or repos and reverse repos on government securities (“Government Securities ATS”) to comply with Regulation ATS and file a new form (“Form ATS-G”). The proposed amendments would also apply Regulation Systems Compliance and Integrity (“Regulation SCI”) requirements to ATSs with certain volume thresholds in government securities.

ICI’s letter expresses support for the Proposed Rule, which would bring oversight over sophisticated electronic platforms and trading protocols have become a significant feature of the US Treasury market. The letter states that applying ATS and SCI rules that promote operational transparency, investor protection, fair access, and system security and resiliency. The letter expresses specific support for applying ATS fair access rules to interdealer Treasury ATS platforms, which would help to promote more “all-to-all” trading by enhancing the ability of funds to onboard and participate on these platforms.

Electronic Corporate Bond and Municipal Securities Markets Concept Release

The Concept Release requests comment on whether Regulation ATS and the exchange regulatory framework should be amended to more broadly apply to fixed income electronic platforms that facilitate trading in corporate bonds and municipal securities. ICI's letter recommends that the Commission not impose this framework on existing and emerging electronic trading protocols and functionalities in these markets that do not meet the existing definition of an ATS or an exchange. The letter explains that these rules do not account for the liquidity profiles of these markets and do not necessarily reflect their trading dynamics. The letter also explains that existing trading protocols and functionalities in these markets provide buy-side market participants with critical flexibility for trading in less liquid markets.

ICI's letter further states that if the Commission determines that applying a regulatory framework is necessary, then it should proceed carefully to account for these considerations. To improve the Commission's understanding of the scope of electronic trading, the letter recommends that it should work with FINRA and MSRB to improve the accuracy of relevant data reporting elements.

Nhan Nguyen
Counsel, Securities Regulation

[Attachment](#)

endnotes

[1] Regulation ATS for ATSs That Trade U.S. Government Securities, NMS Stock, and Other Securities; Regulation SCI for ATSs That Trade U.S. Treasury Securities and Agency Securities; and Electronic Corporate Bond and Municipal Securities Markets, Securities Exchange Act Release No. 90019, 85 Fed. Reg. 87106 (Dec. 31, 2020), *available at* <https://www.govinfo.gov/content/pkg/FR-2020-12-31/pdf/2020-21781.pdf>.

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