

MEMO# 12963

December 22, 2000

ICI COMMENT LETTER ON NASD'S PROPOSED "TRACE" AMENDMENTS

[12963] December 22, 2000 TO: FIXED-INCOME ADVISORY COMMITTEE No. 16-00 RE: ICI COMMENT LETTER ON NASD'S PROPOSED "TRACE" AMENDMENTS The Institute has filed a comment letter with the Securities and Exchange Commission in connection with the NASD's proposed amendments to its TRACE proposal. The letter is attached, and it is substantially similar to the draft letter we previously sent to you.¹ The comment letter supports the NASD's proposed amendments, but notes that several issues that were raised in our previous comment letter on the original proposal² were not reflected. The letter thus urges the NASD to reconsider those comments in the current rulemaking process. The letter then discusses the NASD's proposal to create a new committee, the Bond Transaction Reporting Committee ("Committee"), that will monitor TRACE operations and advise the NASD Board of Governors on TRACE-related issues, including, among other things, the setting of fees for, and the effects on liquidity associated with, disseminating real-time TRACE data to the public. The letter supports this initiative but expresses concern that the proposed 8-member Committee, which would consist of four persons recommended by the NASD staff and four recommended by The Bond Market Association, would likely result in eight "sell-side" members. The letter therefore urges the NASD to modify its proposal to include equal "buy-side" representation, and emphasizes the importance of having the views of both market constituents considered and reflected in all significant TRACE-related developments. The letter points out that the composition of the Committee could be modeled after the Nasdaq Quality Markets Committee, which focuses on equity market structure issues and whose members reflect equal buy-side and sell-side representation. Finally, the letter emphasizes that given the important role the Committee will have in monitoring TRACE operations, it is all the more imperative that investor representatives participate in the process. Their involvement will only enhance the effectiveness of the Committee and ultimately allow TRACE to achieve its important objectives. Barry E. Simmons Associate Counsel Attachment 1 See Memorandum to Fixed-Income Advisory Committee No. 14-00, dated December 15, 2000. 2 See Memorandum to Fixed-Income Advisory Committee No. 3-00, dated February 11, 2000. 2Attachment (in .pdf format)