

TRACE transparency considerations

SEC FIMSAC Meeting

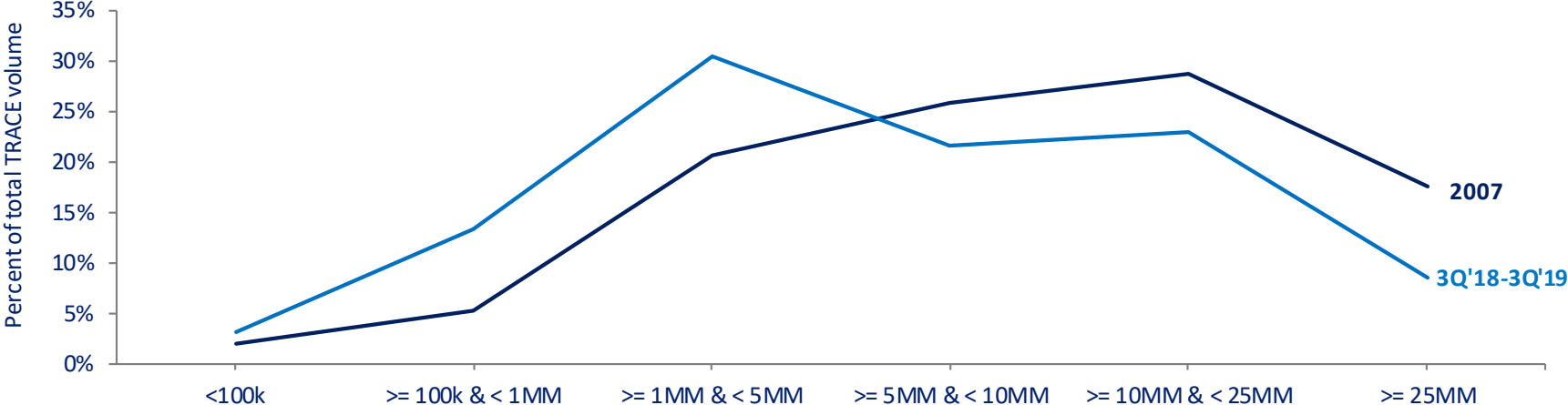
June 1, 2020

Sonali Das Theisen

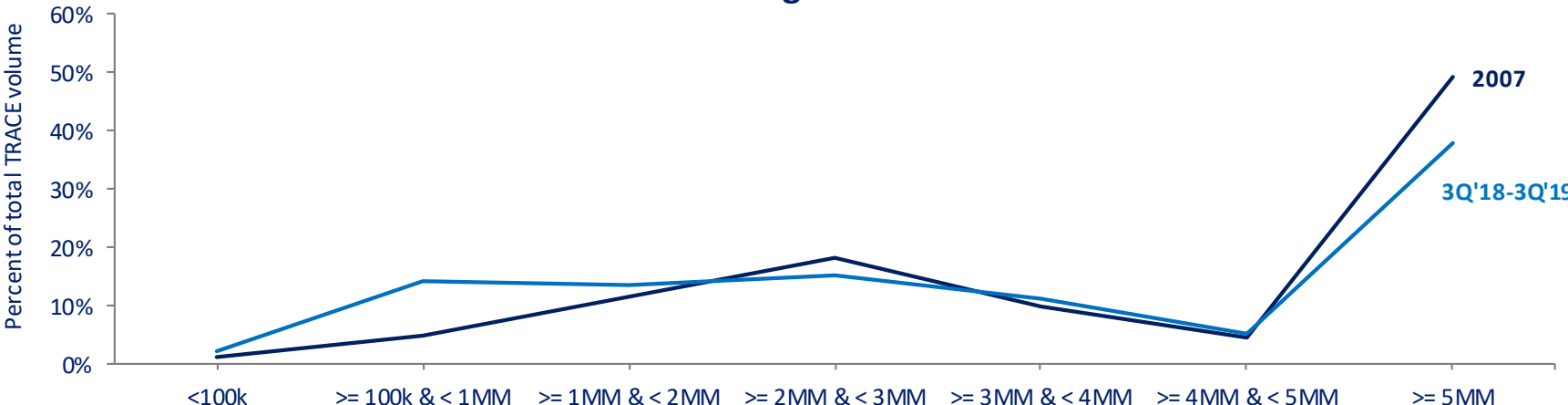
Head of Fixed Income Market Structure & E-Trading

Bucketed TRACE volumes

US Investment Grade



US High Yield

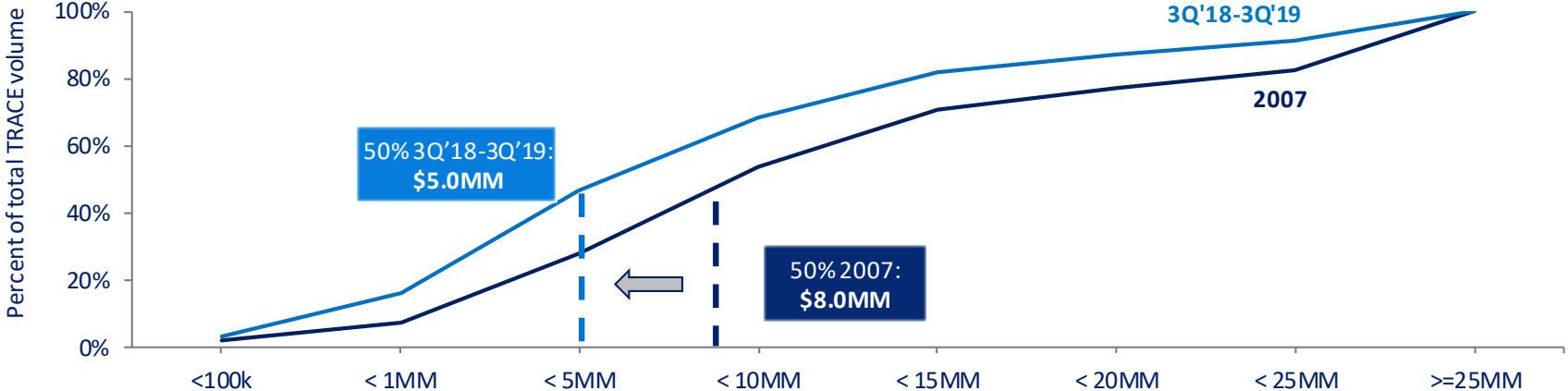


Source: FINRA TRACE

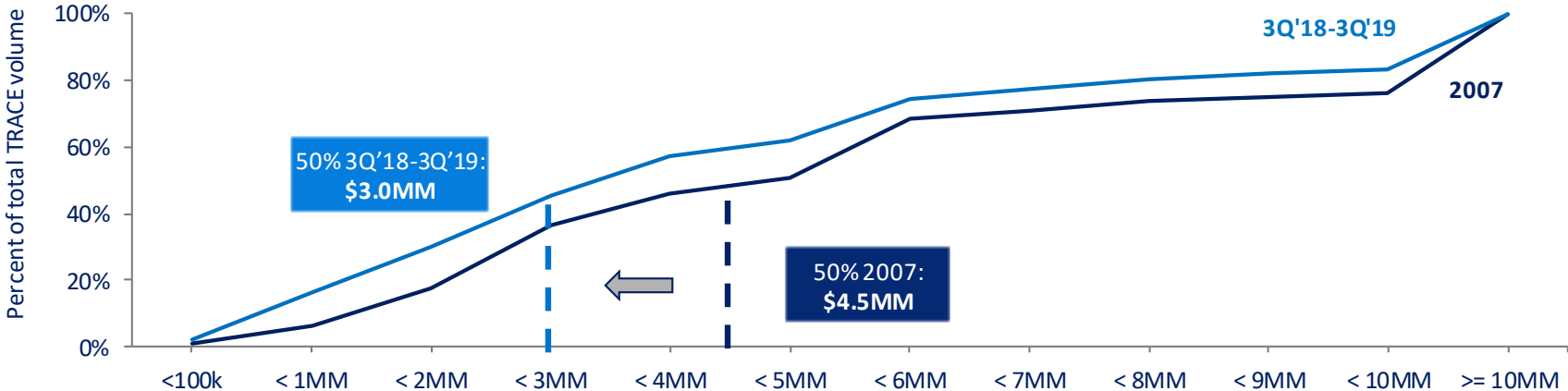


Cumulative TRACE volumes

US Investment Grade



US High Yield

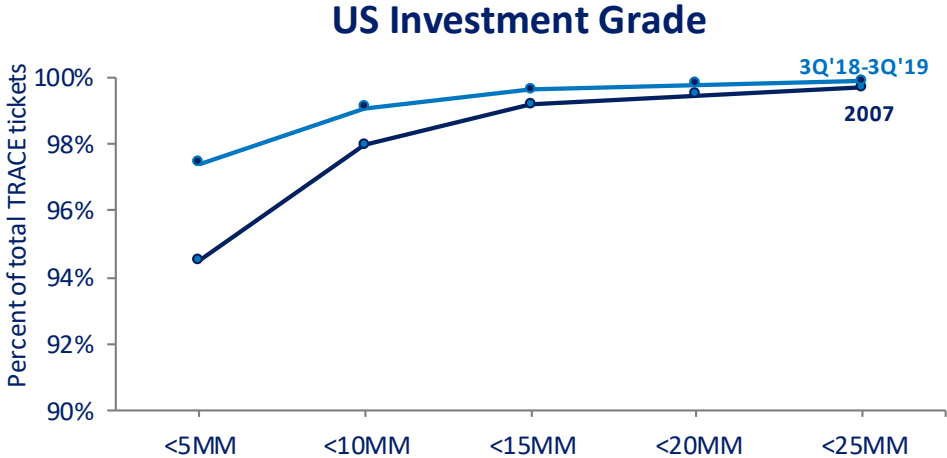


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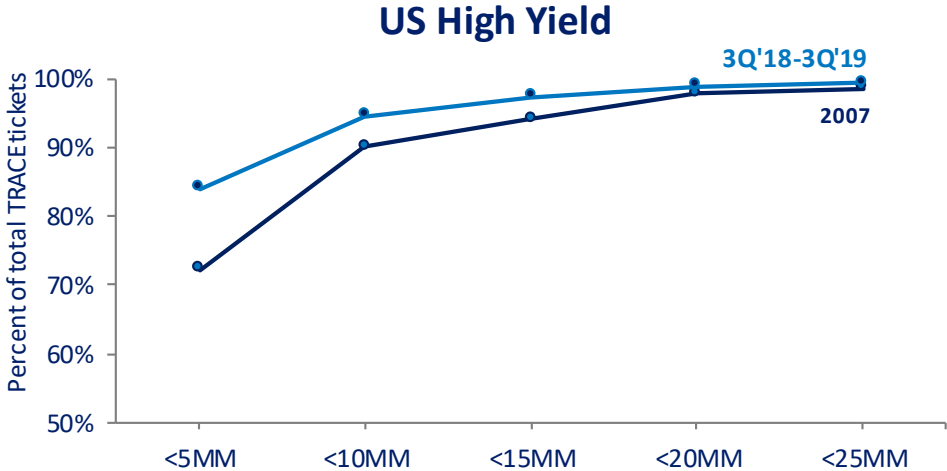


Percent of TRACE tickets

Trade Size	US Investment Grade Tickets	
	2007	3Q'18-3Q'19
<5MM	94.5%	97.4%
<10MM	98.0%	99.1%
<15MM	99.2%	99.6%
<20MM	99.5%	99.8%
<25MM	99.7%	99.9%



Trade Size	US High Yield Tickets	
	2007	3Q'18-3Q'19
<5MM	72.3%	84.0%
<10MM	90.1%	94.5%
<15MM	94.1%	97.2%
<20MM	97.8%	98.9%
<25MM	98.5%	99.3%



Source: FINRA TRACE



TRACE trade size by volume percentile

US Investment Grade

Percentile	Trade size		Difference ('18/19 vs '07)	
	2007	3Q'18-3Q'19	#	%
50%	8,000,000	5,000,000	-3,000,000	-60%
...				
75%	16,560,000	10,000,000	-6,560,000	-66%
80%	20,000,000	13,021,000	-6,979,000	-54%
85%	25,000,000	16,500,000	-8,500,000	-52%
90%	39,310,000	21,350,000	-17,960,000	-84%
95%	71,355,000	33,000,000	-38,355,000	-116%

US High Yield

Percentile	Trade size		Difference ('18/19 vs '07)	
	2007	3Q'18-3Q'19	#	%
50%	4,520,000	3,000,000	-1,520,000	-51%
...				
75%	8,980,000	6,000,000	-2,980,000	-50%
80%	10,000,000	7,812,000	-2,188,000	-28%
85%	11,000,000	10,000,000	-1,000,000	-10%
90%	17,000,000	12,000,000	-5,000,000	-42%
95%	26,690,000	20,000,000	-6,690,000	-33%

Source: FINRA TRACE



MiFID II bond transparency

ESMA publishes quarterly a list of liquid bonds based on standardized criteria: for Corporates, designation currently requires 15 daily trades >100k for at least 80% trading days in the prior period. ESMA identified 742 liquid bonds for period ending 15 August 2020, majority being sovereigns. ESMA to phase in stricter “liquid” definition in four phases; currently Stage 1.

ESMA publishes annual calculations of the large in scale (LIS) and size specific to instrument (SSTI) thresholds for bonds, which drive pre- and post-trade transparency framework for OTC and venue trades.

For determining the size specific to the financial instrument for the purposes of Article 5 and according to the methodology specified in Article 13(2)(b), the approach for the trade percentile to be applied shall be used applying the trade percentile corresponding to the stage S1 (30th percentile).

Pre-Trade

Bond Type	SSTI (OTC/Voice)			LIS (Venue)		
	Previous SSTI	New SSTI	% Change	Previous LIS	New LIS	% Change
Corporate Bond	300,000	300,000	0%	1,500,000	1,500,000	0%
Convertible Bond	400,000	500,000	+25%	1,500,000	2,000,000	+33%
Other Public Bond	300,000	400,000	+33%	2,500,000	3,000,000	+20%
Covered Bond	600,000	300,000	-50%	4,000,000	3,500,000	-13%
Sovereign Bond	600,000	900,000	+50%	5,500,000	5,500,000	0%
Other Bond	300,000	300,000	0%	1,500,000	1,500,000	0%

Post-Trade

Bond Type	SSTI (OTC/Voice)			LIS (Venue)		
	Previous SSTI	New SSTI	% Change	Previous LIS	New LIS	% Change
Corporate Bond	2,000,000	2,500,000	+25%	4,000,000	5,500,000	+38%
Convertible Bond	2,000,000	2,500,000	+25%	2,500,000	5,500,000	+120%
Other Public Bond	4,500,000	5,500,000	+22%	8,000,000	15,000,000	+88%
Covered Bond	6,000,000	7,000,000	+17%	15,000,000	20,000,000	+33%
Sovereign Bond	8,000,000	9,500,000	+19%	15,000,000	25,000,000	+67%
Other Bond	1,500,000	2,500,000	+67%	3,500,000	5,500,000	+57%

Source: ESMA



Dodd-Frank swaps transparency

CFTC swaps rules under Dodd Frank established volume based criteria for definition of block transactions. Block trades are subject to reporting delays and capped size disseminations.

For interest rate and credit swap categories, minimum block sizes in the initial period are determined using a 50 percent notional amount calculation. In the post-initial period, minimum block sizes are determined using a 67 percent notional amount calculation.

Interest Rate Swaps

Tenor		Notional size, USD equivalent
Months / Years	Days	EUR, GBP, JPY, USD
0m-1.5m	0d-46d	\$6,400,000,000
1.5m-3m	47d-107d	\$2,100,000,000
3m-6m	108d-198d	\$1,200,000,000
6m-1yr	199d-381d	\$1,100,000,000
1yr-2yr	382d-746d	\$460,000,000
2yr-5yr	747d-1,842d	\$240,000,000
5yr-10yr	1,843d-3,668d	\$170,000,000
10yr-30yr	3,669d-10,973d	\$120,000,000
30yr+	10,974d+	\$67,000,000

Credit Default Swaps

Tenor		Basis point spread		
Months / Years	Days	0-175bps	176-350bps	>350bps
0yr-2yr	0d-746d	\$320,000,000	\$140,000,000	\$66,000,000
2yr-4yr	747d-1,477d	\$200,000,000	\$82,000,000	\$41,000,000
4yr-6yr	1,478d-2,207d	\$110,000,000	\$32,000,000	\$26,000,000
6yr-8.5yr	2,208d-3,120d	\$110,000,000	\$20,000,000	\$13,000,000
8.5yr-12.5yr	3,121d-4,581d	\$130,000,000	\$26,000,000	\$13,000,000
12.5yr+	4,582d+	\$46,000,000	\$63,000,000	\$41,000,000

Source: CFTC



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