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June 13, 2019

Ms. Marcia E. Aisquith
Office of the Corporate Secretary
Financial Industry National Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 19-12 (Proposed Pilot Program to Study Recommended Changes to Corporate Bond Block Trade Dissemination Rules)

Dear Ms. Aisquith:

We welcome the opportunity to comment on the above-referenced pilot proposal[1] (the "**Pilot**"), which would study: (i) increasing the "dissemination caps" under TRACE's reporting rules from $5M to $10M for investment grade debt and from $1M to $5M for non-investment grade debt, and (ii) delayed dissemination of any information about trades above the proposed dissemination caps for 48 hours.[2] T. Rowe Price is a global investment adviser serving a broad array of clients, from individual savers to large institutions and funds.[3] We trade a wide range of fixed income instruments for numerous investment strategies and therefore have a vested interest in fair, well-functioning, and liquid fixed income markets.

Over the many years we have participated in these markets, we have championed greater transparency in a variety of ways. For example, T. Rowe Price participated in the development of TRACE and analysis of its impact on liquidity through serving on the NASD's Bond Market Transparency and Bond Transaction Reporting Committees. More recently, in a 2017 House Financial Services subcommittee hearing on fixed income market structure, we urged policymakers to thoughtfully consider new ways to promote transparency, utilizing phased implementation of any new requirements to minimize unintended consequences for market participants.

We also support continued development of electronic trading for corporate fixed income securities and greater transparency naturally fosters the use of electronic platforms. There are many benefits to electronic trading, such as providing traders with an additional method of transacting, improving price discovery, and facilitating best execution.

[1] See Trade Reporting and Compliance Engine ("TRACE") Proposed Pilot at: http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-19-12.pdf.

[2] At present, trades above the caps are immediately reported like other TRACE-eligible trades, but the trade size is shown as being above the cap as opposed to detailing the exact size.

[3] T. Rowe Price Associates, Inc. and its affiliates manage $1.11 trillion in assets, of which $228 billion represents fixed income portfolios (based on preliminary April 30, 2019 data). Fixed income exposure is also an important component of many other T. Rowe Price portfolios, including our target date retirement products, which represent $265B of our April 30, 2019 assets under management.

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We do not believe the Pilot will improve market liquidity and we are opposed to launching the Pilot in its current form for a variety of reasons. The proposed 48-hour delay runs counter to our views on enhancing transparency, and as discussed below, it would discourage electronic trading and create other negative impacts.[4]

Fairness to the Overall Market; Concerns About Information Advantage and Reporting Asymmetries. The 48-hour delay would create an unlevel playing field in the fixed income markets because it would only apply to the most sizeable trades. As a result, the largest investment advisers and broker-dealers would have an information advantage over other market participants when negotiating trades, effectively creating a two-tier system of haves and have-nots. Moreover, even large investment advisers typically have some smaller clients with generally lower trade sizes so there could be instances where these client accounts would also be harmed due to lack of available information under the Pilot. As previously mentioned, we are generally supportive of electronic trading platforms and, in our view, the most successful platforms feature an active and diverse set of participants. Unfortunately, the Pilot would likely discourage certain transactions on "all-to-all" electronic platforms (which bring dealers and investment advisers together and increase available liquidity as a result) because participants may be less willing to transact given the risk that their trading counterparty may have an information advantage.

The 48-hour delay would also contribute to market distortions. In cases where a broker-dealer or other market-maker chooses to buy a block of bonds in excess of the dissemination cap and elects to sell out of the position through multiple transactions falling under the cap, information for the initial purchase would be delayed, whereas the trade information for the sales would be immediately reported. This asymmetric reporting would distort market participants' picture of supply and demand conditions and could cause participants' bids/offers to be different than what they would quote if they had a more complete and timely understanding of an instrument's trading.

The concerns above regarding potential distortions and the negative impacts on negotiating trades extend beyond the cash fixed income markets because other instruments, such as certain derivatives, have fixed income securities as reference assets. Compounding these issues, derivatives trades often involve large notionals which can increase the risks associated with less robust pricing.

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[4] We recognize that test group 2 of the Pilot technically would study the impact of increased transparency from the slight increases of the caps referenced in footnote 2 since test group 2 would not include a reporting delay. However, the Pilot's main objective and its other test groups focus on studying the 48-hour delay. Our concerns in that regard strongly outweigh any hypothetical benefit arising from test group 2. In our view, dissemination caps ought to be significantly higher in order to provide meaningful transparency benefits for the overall market and coupled with some reporting protections to facilitate liquidity for trades that are truly extraordinary in size.

Other Ramifications due to Data Quality Issues. Transaction cost analysis ("TCA") plays an important role in the trading process for institutional investors such as T. Rowe Price and its usefulness hinges on the quality and timeliness of inputs. If the Pilot was implemented, TCA would be based on less comprehensive data in certain cases, which would detract from or complicate the ability of investment advisers to achieve and monitor their best execution obligations to clients.

Other examples highlight the implications of less comprehensive data as well. Investment vehicles such as US mutual funds are required to strike net asset values ("NAVs") for fund shares on a daily basis. For funds investing in fixed income instruments, TRACE is an important data point for the pricing services used by fund complexes to help determine NAVs. Consequently, the robustness of NAVs would erode in certain cases due to the 48-hour delay. The delay may also lead to undesirable outcomes such as situations where an adviser executes a trade above the cap (causing a dissemination delay for the transaction), yet the NAV calculation for the adviser's funds cannot be appropriately adjusted to reflect the new price. Fixed income indices are another example of where the dissemination delay causes downstream impacts. Many market participants monitor and make decisions based on prominent fixed income indices and use them as benchmarks. These important reference tools would be harder to properly value due to less complete pricing inputs on their underlying instruments as a result of the 48-hour delay.

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We urge FINRA, the SEC, and the Fixed Income Market Structure Advisory Committee to not pursue the Pilot as proposed and instead identify opportunities to expand fixed income transparency in a balanced and measured way. Thank you for considering our feedback on these issues. Should you have any questions regarding this letter, please feel free to contact us.

Sincerely,

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cc: SEC Fixed Income Market Structure Advisory Committee