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March 1, 2021

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: 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, RIN 3235-AM45, File No. S7-12-20, 85 Fed. Reg. 87106 (Dec. 31, 2020)

Dear Ms. Countryman:

Tradeweb Markets Inc. (“**Tradeweb**”), which operates regulated electronic trading platforms globally in both the fixed income and equity markets, appreciates this opportunity to provide the Securities and Exchange Commission (the “**Commission**”) with comments in response to the above-captioned release, which (i) issues a concept release on the regulatory framework for fixed income securities (the “**Concept Release**”) and (ii) proposes amendments to Regulation ATS for alternative trading systems (“**ATSS**”) that trade government securities as defined under Section 3(a)(42) of the Securities Exchange Act of 1934 (“**Exchange Act**”) or repurchase and reverse repurchase agreements on government securities (such securities collectively, “**Government Securities**”; such ATSS collectively, “**Government Securities ATSS**”; and the proposed amendments, the “**Proposal**”).

Since 1998, Tradeweb has offered electronic trading systems for fixed income investors in the United States and abroad. Tradeweb operates two registered ATSS through its broker-dealer subsidiaries: Tradeweb Direct LLC and Dealerweb Inc. In addition, Tradeweb LLC, another registered broker-dealer, offers a request-for-quote (“**RFQ**”) electronic platform which was, but is no longer, registered as an ATSS. All three broker-dealer subsidiaries offer the ability for institutional buyers and sellers of Government Securities to transact on their electronic trading platforms. As an innovator in electronic trading and one of the only organizations that operates and offers platforms to institutional accounts that serve the full spectrum of the market (retail, institutional, and wholesale), Tradeweb is uniquely positioned to provide valuable perspective on the impact of regulation on fixed income ATSS and more specifically, Government Securities ATSS.

I. Summary of Comments

a. Concept Release

We support the Commission's efforts to apply appropriate and tailored regulations to fixed income trading platforms. To enhance the resilience of the markets and reduce the problems that arise with regulatory arbitrage, it is important that platforms offering similar trading protocols be regulated consistently and subject to equivalent oversight. On the other hand, the Commission should not take a "one size fits all" approach; *i.e.*, the Commission should not broadly apply regulations designed for platforms providing for automated, high-speed trading (where the platform matches buyers and sellers based on non-discretionary trading rules) regardless of whether they exhibit these characteristics.

- Revision of the definition of "exchange" in Exchange Act Rule 3b-16 ("**Rule 3b-16**") to expand the applicability of Regulation ATS to firms currently regulated as non-ATS broker-dealers may cause disruption if not undertaken carefully because current market structure is predicated on the existing division between broker-dealers and exchanges. Given the variety of trading protocols—from fully automated trading to bilateral negotiation—available to fixed income market participants, and the varying amount of systemic risk such protocols pose, the Commission should tailor its approach to account for these differences. The Commission also should avoid approaches that would discourage electronic trading by subjecting it to stricter requirements than similar trading protocols operated via voice. The Commission also should consider marketplaces that use structured chat or single dealer offerings to provide electronic matching functionality for buyers and sellers of fixed income securities.
- The Commission should not apply Regulation Systems and Compliance Integrity ("**Regulation SCI**") or Exchange Act Rule 15c3-5 ("**Rule 15c3-5**") uniformly across all types of fixed income trading platforms, but rather should ensure that application of these rules is targeted to platforms that meet appropriately determined thresholds for significance to the market and offer automated trading protocols.
- Financial Industry Regulatory Authority ("**FINRA**") Trade Reporting and Compliance Engine ("**TRACE**") likewise should not be applied uniformly across all types of fixed income trading platforms. In particular, for those fixed income trading platforms that operate on a fully disclosed basis and where the platform operator is not a party to the transaction, the executing firms that are interacting on a fully-disclosed basis are better positioned to fulfill these requirements than the platform operator.

b. Proposal

We support the Commission's proposal to eliminate the exemption from Regulation ATS applicable to Government Securities ATSs, including maintaining the same initial filing and amendment review and effectiveness process as is currently in place for Form ATS-N. However, certain requirements applicable to Government Securities ATSs should be tailored to reflect the unique characteristics of the Government Securities market. Further, these

requirements should be phased in or have a significant implementation period to allow affected platforms adequate time to make the necessary changes for compliance.

- We support the Commission’s Proposal to apply Exchange Act Rule 301(b)(5) (the “**Fair Access Rule**”) to all types of U.S. Treasury securities and all types of debt securities issued or guaranteed by a U.S. executive agency, or government-sponsored enterprise (“**Agency securities**”), each on an aggregate basis. The Commission should not, for example, distinguish between on-the-run and off-the-run Treasuries in applying the Fair Access Rule. A broader measure of market significance is preferable in order to provide for a more stable application of the Fair Access Rule (*e.g.*, to avoid relatively minor changes in trading volume over time triggering application and de-application of the Fair Access Rule or confusion among ATS subscribers regarding which particular securities are subject to the rule).
- A Government Securities ATS should not be required to provide public disclosures of commercially sensitive information, such as the fees that the ATS charges for access to its services. Such disclosure would have a negative impact on innovation and competition among ATSs. Similar investor protection benefits can be achieved without such negative impact by requiring a Government Securities ATS to make such information available upon request to subscribers, potential subscribers, and the Commission.
- We do not believe Regulation SCI is appropriate for Government Securities ATSs. Unlike the equities markets, where linkages among venues under Regulation National Market System (“**Regulation NMS**”) can cause systems issues at a single ATS with a relatively more modest trading volume to present issues for the broader market, the Government Securities market has no similar linkages among venues. Regulation ATS already requires ATSs that meet certain volume thresholds to maintain appropriate capacity, integrity, and security of their automated systems. Layering on top of those requirements the significant burdens of Regulation SCI when there is no connectivity between Government Securities ATSs and, thus no potential for one market to affect other markets, only increases costs for ATSs without materially increasing the integrity or security of the Government Securities market. However, if the Commission applies Regulation SCI to Government Securities ATSs, the 5% threshold is too low and instead should be raised to a more material percentage (*e.g.*, 25%) of all Government Securities (*i.e.*, U.S. Treasury and Agency securities). Regulation SCI imposes significant costs and burdens on an ATS operator, which can create barriers to competition if applied too widely to ATSs that are not truly significant to the market. Therefore, only the most significant ATSs should become subject to Regulation SCI.

II. Concept Release on Electronic Corporate Bond and Municipal Securities Market

- a. We support applying appropriate and tailored regulations to trading platforms, especially those that are significant to the marketplace.

Fixed income trading platforms are currently subject to varying regulatory treatment based on differences in trading protocols or business models, with some platforms regulated as ATSS, some regulated as broker-dealers, and others not regulated at all. These distinctions in oversight leave room for regulatory arbitrage and make improving the efficiency and resiliency of electronic trading platforms difficult. Given the importance of the fixed income markets, we support applying appropriate and tailored regulations to fixed income trading platforms, especially those that are significant to the marketplace.

Specifically, platforms with similar trading protocols should be regulated consistently and subject to equivalent oversight—whether that be as an exchange, ATS, or non-ATS broker-dealer. Applying a consistent regulatory framework to trading platforms that provide equivalent services to market participants, while also distinguishing between platforms that offer distinct trading protocols, will level the competitive landscape and allow market participants to choose trading platforms and protocols based on the merits of the services provided. To the extent that the Commission’s current framework is viewed as somewhat ambiguous, such that it is not clear whether certain trading protocols fall within Rule 3b-16’s definition for “exchange” activities, we support further clarification. On the other hand, it would not be appropriate, either via clarification or modification of that definition, to regulate all types of electronic trading protocols in the same manner regardless of their systemic risk profiles or to regulate electronic trading protocols more strictly than equivalent non-electronic trading protocols.

- b. We encourage careful consideration when defining the scope of entities to which Regulation ATS would apply.

Regulation ATS was adopted in 1998 in order to address the trading of equity securities on electronic trading systems regulated solely as broker-dealers that were acting as alternative markets to national securities exchanges.¹ A different regulatory regime applied to these electronic trading systems than registered exchanges, creating disparities that affected investor protection and the operation of the markets. Regulation ATS was designed to bring greater equivalency to these different market types by subjecting them to similar regulatory regimes. This is reflected in the application of Regulation ATS to ATSS that furnish services meeting the definition of “exchange” activities in Rule 3b-16.

However, Regulation ATS was tailored to the market structure changes in the equities markets and was not intended to address the evolution of electronic trading in the over-the-counter (“OTC”) fixed income market. As noted by the SEC’s Fixed Income Market Structure Advisory Committee (“FIMSAC”), “significant aspects of the Regulation ATS ruleset . . . largely reflect the trading practices of the equity markets and not necessarily those of

¹ See Regulation of Exchanges and Alternative Trading Systems, 63 Fed. Reg. 70844, 70845 (Dec. 22, 1998).

the fixed income markets.”² The majority of electronic trading in the fixed income market involves a much different range of trading protocols and functionality than the equities market. These platforms utilize a variety of protocols and business models to bring greater transparency and efficiency to the OTC markets, and have innovated and evolved over the last 20+ years. These protocols include auctions, central limit order books (“CLOBs”), negotiation functionalities, and multi- and single-dealer as well as all-to-all disclosed and anonymous RFQ functionality. Although some of these platforms operate with similar complexity as equities trading platforms in terms of automation, speed of trading, use of CLOBs, order types, algorithms, connectivity, and data feeds,³ many do not. In addition, some of the largest, most active trading platforms do not match buyers and sellers based on non-discretionary trading rules and the platform operator is not a party to the transaction. For example, since 1998, Tradeweb has gone from offering electronic disclosed RFQ trading in U.S. Treasuries to now offering over 40+ products through a variety of protocols to three different client sectors. Consequently, the Commission must carefully consider the application of Regulation ATS to a broader range of entities than those initially intended to be covered by Regulation ATS.

Accordingly, redefining the scope of entities to which Regulation ATS applies may change interactions between parties and lead to uneven regulation across fixed income trading platforms that may reduce competition and potentially limit innovation if not undertaken carefully. Any change to apply Regulation ATS, or another regulatory regime, to a broader array of fixed income trading platforms should look first to the services provided to platform participants. Such an approach would further the goal of regulating platforms with similar trading protocols or business models consistently and subjecting them to equivalent oversight.

- c. If the Commission were to apply Regulation ATS to fixed income trading platforms that do not satisfy existing Rule 3b-16, then the Commission would need to take significant additional steps to tailor Regulation ATS to be appropriate for the fixed income markets.

Because Regulation ATS was intended to address electronic trading of equity securities, it is targeted to the trading practices of the equity market.⁴ However, the fixed income market differs in two key ways that the Commission would need to take into account when tailoring Regulation ATS, or an alternative standard:

- Unlike in the equity market where much trading is executed through electronic limit orders,⁵ execution methods in the fixed income market are much more diverse. Regulation ATS or an alternative standard must be sufficiently tailored to account for the

² FIMSAC, Recommendation for the [Commission] to Review the Framework for the Oversight of Electronic Trading Platforms for Corporate and Municipal Bonds (July 16, 2018).

³ See Proposal at 87108.

⁴ For example, the order display and access requirements of Regulation ATS would be inapposite to many fixed income trading platforms, particularly those that merely facilitate bilateral negotiation among disclosed counterparties.

⁵ Hendrik Bessembinder, Chester Spatt, and Kumar Venkataraman, *A Survey of the Microstructure of Fixed Income Markets*, 55 *Journal of Financial and Quantitative Analysis* 1 (Feb. 2020).

varying modes of execution and their relative importance to the functioning of the fixed income market as a whole.

- For example, fixed income trading platforms that do not satisfy existing Rule 3b-16, such as RFQ platforms that merely facilitate fully disclosed negotiation between potential counterparties, do not present the same risks as fully automated CLOBs or other similar trading platforms because: (1) trading does not typically occur at speeds that exceed the capacity of manual detection and intervention or otherwise pose challenges for traditional risk management procedures; (2) trading does not pose the same technological risks as fully automated protocols, where algorithms can malfunction or be tampered with in ways that cannot occur with bilateral negotiations;⁶ and (3) in the event the platform facilitating fully disclosed bilateral negotiations is unavailable, the parties can, if less efficiently, continue to negotiate and execute transactions bilaterally away from the platform.
- The fixed income market is less integrated than the equity market because it is not subject to Regulation NMS, and Rule 611 in particular. This lesser interconnection will need to be taken into account by the Commission, as it means that issues with one platform in the marketplace would have more limited effects upon the market as a whole and other platforms or participants.

Accordingly, any application of Regulation ATS or an alternative standard should be sufficiently tailored to account for the different risks, trading protocols, execution methods, business models, and systemic importance of platforms in the fixed income market, as well as such platforms' relative importance to the functioning of the market as a whole.

- d. The Commission should not apply Regulation SCI, Rule 15c3-5, or TRACE reporting requirements to RFQ or other non-automated, fully disclosed fixed income trading platforms because they are irrelevant or inappropriate for such platforms.
 - i. *Regulation SCI should not apply to RFQ or other non-automated, fully disclosed fixed income trading platforms.*

Regulation SCI was adopted to strengthen the technological infrastructure of the U.S. securities market, reduce the occurrence of systems issues in those markets, improve their resilience when technological issues arise, and establish an updated and formalized regulatory framework to improve Commission oversight of the core technology of key U.S. securities market entities.⁷ This regulation is appropriate for platforms that fall within existing Rule 3b-16 and exceed appropriate thresholds due to an inability to replicate that type of marketplace in the event of a systems disruption. This inability means that problems arising with one platform or

⁶ See Joint Staff Report: The U.S. Treasury Market on October 15, 2014 at p. 54-55 (July 13, 2015), available at <https://home.treasury.gov/system/files/276/joint-staff-report-the-us-treasury-market-on-10-15-2014.pdf>.

⁷ See Regulation Systems Compliance and Integrity, 79 Fed. Reg. 72251, 72253-56 (Dec. 5, 2014).

entity can quickly impact many market participants, necessitating that the strength of these platforms be ensured.

However, it would not be appropriate to apply Regulation SCI to RFQ or other non-automated fixed income trading platforms given the lower operational and systemic risk profiles associated with such platforms. Such platforms are focused on bringing together buyers and sellers for bilateral negotiation in a manner that is more efficient than traditional dealer-to-customer negotiations. Consequently, the chances that a problem with an RFQ platform could have a significant impact on the market as a whole are much lower, meaning that the purpose of Regulation SCI does not apply equally to RFQ platforms as it does to other platforms that perform multilateral matching or otherwise fall within existing Rule 3b-16.

- ii. *Rule 15c3-5 should not apply to RFQ or other non-automated, fully disclosed fixed income trading platforms.*

Rule 15c3-5 was adopted to address financial and regulatory risks that arise from persons that are not broker-dealers accessing ATSS and exchanges to trade in securities with little or no substantive intermediation by broker-dealers.⁸ Customers, particularly sophisticated financial institutions, had begun to enter into arrangements with broker-dealers, whereby the customers used the broker-dealer's market participant identifier or other mechanism used to identify a market participant to electronically access an exchange or ATS. The Commission was concerned with the quality of broker-dealer risk controls for overseeing such market access arrangements and wanted to limit the financial exposure and other regulatory risks to broker-dealers that could arise as a result of such arrangements.

We agree that Rule 15c3-5 is important to ensure appropriate risk management controls in cases of anonymous market access by non-broker-dealers where that access is not chaperoned or sponsored by a broker-dealer. In those situations, the broker-dealer operator of the exchange or ATS should be required to comply with Rule 15c3-5. However, fixed income trading platforms do not uniformly provide for arrangements between broker-dealers and customers for automated and anonymous trading platforms. In particular, it would not be appropriate to apply Rule 15c3-5 to RFQ or other non-anonymous fixed income trading platforms given that such platforms facilitate fully disclosed trading between buyers and sellers, including directly between dealers and customers without the platform intermediating that relationship in a manner that would prevent the dealer from managing its financial exposure to the customer or ensuring compliance with regulatory requirements. When utilizing these trading protocols, broker-dealer-subscribers are able, and best positioned to, address these matters without the fixed income trading platform operator needing to apply Rule 15c3-5 to address them as well—especially considering that the platform itself typically bears no financial exposure to the transactions as it is not a party to the transactions.

⁸ See Risk Management Controls for Brokers or Dealers with Market Access, 75 Fed. Reg. 69791, 69794 (Nov. 15, 2010) (Rule 15c3-5 is designed to “reduce the risks faced by broker-dealers, as well as the markets and the financial system as a whole, as a result of various market access arrangements, by requiring effective financial and regulatory risk management controls reasonably designed to limit financial exposure and ensure compliance with applicable regulatory requirements to be implemented on a market-wide basis.” (emphasis added)).

- iii. *TRACE reporting requirements should not apply to RFQ or other non-automated, fully disclosed fixed income trading platforms.*

FINRA's TRACE rules require broker-dealer firms that are members of FINRA to report detailed information with respect to transactions in TRACE-eligible securities. FINRA then publicly disseminates data about these transactions.

If TRACE reporting requirements applied to fixed income trading platforms, they should not apply uniformly. The operational realities of many fixed income trading platforms result in the platform operator not being the entity best positioned to fulfill the TRACE reporting requirements, particularly in the case of platforms that facilitate fully disclosed communications between parties and where the platform operator is not a party to the transaction, such as disclosed RFQ platforms. Instead, for these fixed income trading platforms, the executing firm is better situated to fulfill these requirements because it is the party to the transaction.

Additionally, the purpose of the TRACE reporting requirements is to obtain reliable and consistent data on trading volumes and aggregate trends in the market. This purpose would still be accomplished, as the executing firm would be required to report the information. Receiving the same information from two different sources (*i.e.*, the executing firm and the platform operator) does not provide greater regulatory benefit, but significantly increases the burden on the platform operator by requiring the platform operator to construct systems ensuring that it can capture all of the information required by TRACE trade reports for each trade executed on the platform. The parties to the trade can add a flag to their TRACE reporting indicating such trade was done on an ATS.

III. Proposal to Amend Regulation ATS for Government Securities ATSS

- a. We support eliminating the exemption for Government Securities ATSS and requiring such ATSS to register as broker-dealers or Government Securities broker-dealers.

Government Securities ATSS have become increasingly important venues for trading U.S. Treasury and Agency securities. As noted in the Proposal, Government Securities ATSS play a significant competitive role in the market for Government Securities execution services, with Government Securities ATSS accounting for approximately 43% and 13% of overall trading volume in the U.S. Treasury and Agency securities market, respectively.⁹ Additionally, Government Securities ATSS account for 57% of overall trading volume in the on-the-run U.S. Treasury securities market and 20% in the off-the-run U.S. Treasury securities market.¹⁰ However, Government Securities ATSS are currently exempted from registering as national securities exchanges or complying with Regulation ATS.¹¹ In order to support the efficiency, resilience, and transparency of the Government Securities market, we support the

⁹ Proposal at 87177.

¹⁰ *Id.*

¹¹ See 17 CFR § 242.301(a)(4)(ii)(A).

proposal to eliminate this exemption and require that Government Securities ATSS register as broker-dealers or Government Securities broker-dealers.¹²

As discussed above, Regulation ATS was adopted to “strengthen the public market for securities” by ensuring that market types engaging in similar activities were subject to consistent regulation and oversight.¹³ Extending Regulation ATS to Government Securities ATSS would further this purpose by ensuring that all ATSS are subject to a consistent regulatory framework that is designed to support the strength of such entities, and thereby, the broader market. Additionally, the lack of a consistent regulatory framework for entities that undertake similar activities leads to opportunities for arbitrage and may result in market fragmentation, which in turn may cause reduced market liquidity. Accordingly, changes to Regulation ATS like this could reduce competition and potentially limit innovation if not undertaken carefully.

b. We support application of the Fair Access Rule to significant venues for aggregated trading in U.S. Treasury and Agency securities.

We support the application of the Fair Access Rule to significant venues for trading in U.S. Treasury and Agency securities. However, the differences between the equity market and the U.S. Treasury and Agency securities markets mean that tailoring the Fair Access Rule to accommodate these differences is important, especially if, contrary to our recommendation above, the Commission expands Regulation ATS to apply to platforms that do not currently satisfy Rule 3b-16, such as RFQ platforms. Adequate tailoring of the Fair Access Rule should take into account the fact that trading protocols, business models, and execution methods are far more diverse in the U.S. Treasury and Agency securities market than in the equity market. Consequently, even across significant venues for U.S. Treasury and Agency securities, fair treatment by such venues of potential and current subscribers and transparency to the market may need to be accomplished in various ways for different types of platforms.

We also support the Proposal’s application of the Fair Access Rule to Government Securities ATSS based on a calculation of all types of U.S. Treasury and Agency securities, each on an aggregate basis. This application will provide a broader measure of market significance, leading to a more stable and predictable application of the Fair Access Rule to significant venues for U.S. Treasury and Agency securities. Otherwise, the discontinuous nature of trading in certain types of U.S. Treasury and Agency securities could lead application of the Fair Access Rule to fluctuate significantly. For example, if the threshold applied separately to on-the-run versus off-the-run Treasuries, fluctuations over time in which ATSS handle volume for off-the-run Treasuries could lead to unstable changes in which ATSS are subject to the Fair Access Rule, which would be difficult for ATS operators and market participants to administer.

¹² Today, Tradeweb operates ATSS that include Government Securities. These ATSS that engage in Government Securities activity are registered broker-dealers.

¹³ Regulation ATS, 63 Fed. Reg. 70844, 70845 (Dec. 22, 1998).

- c. Government Securities ATSS should only be required to disclose commercially sensitive information required by proposed Form ATS-G to subscribers, potential subscribers, and the Commission.

We agree with the Commission that enhanced and consistent transparency across Government Securities ATSS is important, as it will serve to increase the resilience of ATSS that play a significant role in the Government Securities market. We therefore support requiring Government Securities ATSS to file Form ATS-G.¹⁴ We also support the Commission's use of the same initial filing, amendment review, and effectiveness process as is currently in place for Form ATS-N, which should reduce compliance burdens for market participants and reduce potential market confusion.

However, the Commission should not make commercially sensitive information filed on Form ATS-G publicly available, such as information on certain fees or charges for use of the ATS's services and on aggregate, platform-wide order flow and execution statistics that the ATS already otherwise collects and publishes to one or more subscribers.¹⁵ We agree that subscribers and potential subscribers may find such information useful when choosing among Government Securities ATSS¹⁶ and that the Commission may find such information useful for its oversight. Consequently, such information should be made available to subscribers, potential subscribers, and the Commission upon reasonable request. As market participants in the U.S. Treasury and Agency securities market are sophisticated, there is no reason to suppose that

¹⁴ We further support the Commission's approach allowing a Government Securities ATS that currently trades Government Securities and other securities, such as corporate debt securities and municipal securities, to file a Form ATS-G to disclose its Government Securities activities and a material amendment to its Form ATS to remove information regarding Government Securities activities. Proposal at 87120 n.151. Requiring such a Government Securities ATS to file a new, separate Form ATS with respect to non-Government Securities in which it currently transacts would impose unnecessary burdens and costs on the ATS.

¹⁵ In addition to information on certain fees or charges for use of the ATS's services and on aggregate, platform-wide order flow and execution statistics, Form ATS-G would require the disclosure of other commercially sensitive information, including: (1) information about sending orders and trading interest to a trading venue operated or controlled by the broker-dealer or its affiliates, (2) formal and informal arrangements between the broker-dealer operator or its affiliates and a trading venue to access the ATS's services, (3) any products or services offered by the ATS for the purpose of effecting transactions or submitting, disseminating, or displaying orders and trading interest and whether the terms and conditions of such products and services are the same for all subscribers and the broker-dealer operator, (4) third-party service providers for the ATS, (5) the means that can be used to directly enter orders and trading interest into the ATS, (6) the order types available on the ATS, (7) any special opening or reopening processes employed by the ATS, (8) pricing methodologies and terms and conditions under which orders interact and match on the ATS, (8) information about how orders and trading interest in the ATS can be segmented into categories, classifications, tiers, or levels, (10) any functionality or procedure to facilitate trading on, or source pricing for, the ATS that is offered by the broker-dealer operator or its affiliates and used in conjunction with markets for financial instruments related to government securities, (11) the differences in treatment of orders and trading interest on the ATS during any closing session(s) and during regular trading hours; and (12) the manner in which the ATS uses market data to provide its services.

¹⁶ See Proposal at 87178 (stating that when selecting trading venues, "market participants may consider which ATS fee structure offers the best pricing according to order flow and market participant characteristics"); Proposal at 87145 (stating that potential subscribers may find aggregate, platform-wide order flow and execution statistics "useful when evaluating the ATS as a possible venue for their orders").

having them request this information instead of making it generally available would prevent them from receiving it.

On the other hand, making such commercially sensitive information publicly available, including to competitors, would harm innovation and competition. Competitor access to this information is more significant in the U.S. Treasury and Agency securities market than in the equity market since business models and trading protocols are much more bespoke across trading platforms. This diversity and drive to innovate is fundamental to the U.S. Treasury and Agency securities market and has led to lower trading costs, better matching of participants, and increased access to trading venues for market participants.¹⁷ Competitor access to commercially sensitive information will harm this innovation, as Government Securities ATSS will be hesitant to develop new business models and systems if a competitor will be able to leverage that information immediately for its own use.¹⁸

d. We do not support the application of Regulation SCI to Government Securities ATSS.

We do not support the application of Regulation SCI to Government Securities ATSS. The Government Securities market does not present the same potential issues as in the equity market, which has numerous platforms connected to each other, increasing the risk that a system disruption or intrusion in one market could spread to other platforms and cause a significant market impact. Today, Government Securities ATSS are not connected in any way and, therefore, a problem with one platform is unlikely to have any impact in another. As discussed above, due to innovation in the fixed income markets, there are a myriad of ways for market participants to trade fixed income securities. As also discussed above, Regulation ATS already has requirements for ATSS that meet certain volume thresholds to maintain increased capacity, integrity, and security. Those requirements should extend to Government Securities ATSS that meet similar thresholds in U.S. Treasury or Agency securities.

However, if the Commission decides to apply Regulation SCI to Government Securities ATSS, the application threshold should be raised to a more material percentage (e.g., 25%), as 5% is too low. Government Securities ATSS employ a wide variety of execution methods, which results in both less interdependence than is found in the equities market and differing risks with respect to different types of platforms. Because the fixed income market is less interconnected, a Government Securities ATS must have a much more significant volume of securities than an SCI ATS to have a significant impact on the market if technological issues arose. The Government Securities ATSS most likely to have such an impact on the market are those who cross a higher threshold.

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¹⁷ See, e.g., Bank for International Settlements, Markets Committee, *Electronic trading in fixed income markets* (Jan. 2016), available at <https://www.bis.org/publ/mkctc07.htm>.

¹⁸ If the Commission decides to make public such commercially sensitive information on Form ATS-G, such information should be more general and high-level (e.g., broad ranges of fees, not specific fee levels), with specific information made available by the ATS upon the request of a subscriber, potential subscriber, or the Commission.

Once again, we appreciate the opportunity to share our views on this important issue and would be pleased to discuss in further detail as and when appropriate. If you have any questions, please do not hesitate to contact [REDACTED].

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'EKirby', with a stylized flourish at the end.

Elisabeth Kirby, *Head of U.S. Market Structure*