



# SUMRIDGE

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## PARTNERS

June 11, 2019

**Via Email (pubcom@finra.org)**

Marcia E. Asquith  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

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

Dear Ms. Asquith:

SumRidge Partners, LLC<sup>1</sup> (“SumRidge” or “the Firm”) appreciate the opportunity to comment on FINRA’s proposed pilot program to change trade information dissemination time on block trade sizes in investment grade and high yield bonds.

As a leading electronic market maker, SumRidge, along with most market participants, rely upon timely trade dissemination to provide liquidity to market participants. The proposal to delay trade information broadly across the corporate investment grade and high yield market will adversely affect our ability to provide accurate liquidity to our customers and other broker-dealers. Delaying the dissemination time for the proposed block sizes to 48 hours will reduce transparency and will ultimately result in less consistent liquidity on many less liquid CUSIPs.

Additionally, while the entire market will not receive price dissemination through TRACE, this is not the sole source of information for market participants. Some broker-dealers will still post or disseminate trade details to specific clients through runs, conversations, etc., which will create information advantages and disadvantages in the market due to a select few market participants

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<sup>1</sup> SumRidge is a principal based fixed income market maker specializing in high yield and investment grade corporate bonds, municipal bonds, institutional preferred securities, and emerging market bonds.

being aware of the trade before most other participants. Aiding certain larger market participants will hurt smaller clients as they will be less likely to have the same information at the time of trade. Such information disadvantages would also limit the ability of other broker-dealers, who are more regulated than certain other market participants, to properly service those clients. As such, the proposed 48 hour delay in trade dissemination results in inequitable treatment of the majority of market participants. Over time, we believe this change will decrease the breadth in market making and result in less liquidity with a wider bid/ask spread.

The growth in electronic trading and ETF market participation has been a directly result in better market transparency, holdings transparency (Net Asset Value) and ease of execution. A variety of investors are now involved in the Credit ETF market for the aforementioned reasons.

Authorized Participants, whose role is to support trading of ETFs, rely upon underlying bond liquidity by executing in the bond market, often less than the stated trade amounts proposed to limit trade dissemination details. Limiting transparency on block trades will then limit transparency on holdings and markets, which is counter to this growth and could limit underlying ETF market making liquidity. Additionally, this could cause investor angst in times of stress as market participants are uncertain of the true value of their holdings. This could lead to increased selling in a less liquid market, exacerbating market volatility.

As an alternative to the proposal, market participants and regulatory agencies could cooperate to search for better transparency, liquidity and market-making incentives. For example, under the current proposal, a market participant sells a block of bonds to a dealer. The attempt of the proposal seems to give the market maker a longer timeframe in order to compensate them for providing liquidity, which would therefore provide better liquidity to market participants who trade in block sizes. However, who loses the economic gain that the dealer is gaining? Other investors and broker-dealers who do not have all available market information will pay the economic gain to the dealer who took down the block size. As a broker-dealer, the Firm would rather aid the client who is selling the block size by taking on a smaller portion of the risk at a better price than to provide that economic incentive to competing dealer. Given the rise of electronic trading and alternative market makers, the market could take the next step in electronic market making growth and enforce live and executable venues, which combined with

more market makers, would enhance liquidity for those market participants requiring liquidity on block sizes.

In conclusion, the Firm would strongly urge FINRA not to adopt the 48 hour dissemination delay.

Sincerely,

A handwritten signature in blue ink, appearing to read 'K Shim', with a long horizontal flourish extending to the right.

Katherine Shim

Chief Compliance Officer