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*Via CFTC Comments Portal*
May 20, 2020

Mr. Christopher Kirkpatrick
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**Re: Real-Time Public Reporting Requirements; RIN 3038–AE60**

Dear Mr. Kirkpatrick:

T. Rowe Price Associates, Inc. and its affiliates ("***T. Rowe Price***") serve as investment advisers to numerous individuals, institutions and investment funds, including mutual funds, common trust funds, UCITS, pension plans and other investment funds and products. As of March 31, 2020, T. Rowe Price managed approximately $1.01 trillion in assets.

T. Rowe Price, on behalf of the funds and accounts that it manages, regularly executes swaps both "over the counter" and on swap execution facilities. As an active market participant, T. Rowe Price has a vested interest in the optimal functioning of the swaps markets as it seeks to obtain best execution on behalf of its clients. We believe that the interests of our clients and investors are best served when a key function of the markets, price discovery, is supported. While we commend the Commodity Futures Trading Commission ("***Commission***") for its effort to reconsider a broad range of its previously issued reporting regulations, we are concerned that the Commission's above-referenced proposal ("***Proposal***") to drastically increase the real-time reporting delay for large notional and block transactions will have a negative impact on price discovery. The Proposal does not provide any data or other evidence to suggest that the current reporting delays are inadequate to serve their original purpose. For these reasons, we urge the Commission not to adopt the proposed changes and to retain the current reporting delays in its Part 43 rules.

**1. The current reporting delays strike the right balance between transparency and liquidity**

As provided in CFTC rule 43.5, the current reporting delays for block transactions range from 15 minutes for swaps executed on SEFs and DCMs to 24 hours for OTC swaps to which neither party is a swap dealer or a major swap participant. The purpose of the delay, as the Proposal correctly summarizes it, was and still is to preserve market liquidity by allowing liquidity providers time to offset their positions in outsize swap transactions. The assumption in the existing rule is that liquidity providers would be able to shorten this time period with the passage of time due to innovation, market adaptation and increase in liquidity. This assumption is evident in the fact that the original reporting delays were longer than they are today. For example, in the first year of the rule's

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effectiveness, the delay applicable to block transactions executed on SEFs or DCMs was 30 minutes which was reduced to 15 minutes after the expiration of one year from the compliance date.

The Proposal reverses the inclination in the rule toward shortening the reporting delays and, to the contrary, seeks to increase them significantly by adopting a single, 48-hour delay to apply to all block transactions. The most pronounced impact is on SEF-executed transactions, which constitute the largest segment of the swaps market by far - the Proposal would increase the delay applicable to those transactions by an astronomical 19,200%.

However, other than a reference to "anecdotal evidence" supplied by one commenter, the Commission has not pointed to any data that would justify these drastic increases. The Proposal does not allege any "material reduction in market liquidity" which is the only countervailing factor that the Commodity Exchange Act affords the Commission to take into account when considering constraints on the public disclosure of swap data.[1]

To the contrary, numerous studies have shown that market liquidity, especially for transactions executed on SEFs, has been consistently improving since the advent of SEFs in 2014.[2] Other studies have shown a positive correlation between public dissemination of data and liquidity, concluding that "[l]iquidity improves after the commencement of public dissemination of OTC derivatives trades."[3] These academic findings are confirmed by the experience of T. Rowe Price trading desks in transacting swaps on behalf of our investment funds. We have seen indicators of a well-functioning market, especially on SEFs, constantly increase from the inception of the reporting deferral for block trades. Spreads have come down, ease and speed of execution and market depth have increased and there is no indication that liquidity providers are unwilling to make markets because the current reporting delays are too short.

**2. The Proposal will have a negative effect on price discovery**

The negative impact of a blanket 48-hour real-time reporting delay for block transactions on price discovery is clear. In any modern securities market and especially in the global, 24/7 continuous swaps markets, 48 hours is an eternity. Given the large proportion of notional value that is executed as block transactions, a significant portion of crucial pricing and market data would become inaccessible to our traders during the delay, which would render that data stale and not useful to the price discovery process upon delivery. The Proposal would further exacerbate the information asymmetries in the derivatives market which has suffered from such asymmetries from its inception. The advent of electronic trading brought on by SEFs and other platforms has

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[1] See CEA section 2(a)(13)(E)(iv).

[2] See Bank of England Staff Working Paper N0. 580, *Centralized trading, transparency and interest rate swap market liquidity: evidence from the implementation of the Dodd-Frank Act*, May 2018

[3] *Does Dodd-Frank affect OTC transaction costs and liquidity?,* Yee Cheng Loon and Zhaodong Zhon, Journal of Financial Economics, Vol. 119, Issue 3, March 2016

made important inroads into leveling the playing field between a concentrated group of large liquidity providers and the remainder of the market. The Proposal risks a reversal of these advances by seeking to withhold critical post-trade pricing data from a large group of market participants.

In addition to impeding immediate price discovery for numerous market participants, the Proposal would have broader repercussions for the overall market. Many market indicators and indices, such as swap curves, overnight index swap curves and others, use inputs from swap prices. These indicators are used in the pricing of many fixed income securities and other instruments. The long delays proposed by the Commission would make these indices much less reliable and accurate.

**3. We urge the Commission to retain the current reporting delays**

As an investment adviser managing money on behalf of millions of individuals and institutional investors, we owe a duty to our clients and investors to act in their best interest. Best execution of transactions is a corollary of that fiduciary duty. For that reason, price discovery enabled by pre and post-trade transparency in the marketplaces in which we transact has been a key objective for which we have consistently advocated. The data acquired through real time public dissemination of swap transactions, as required by Part 43 Commission's rules, has been a valuable input in our ability to provide maximum value to our investors when executing transactions on behalf of the investment funds we manage.

We believe that in the Commission's rulemakings, the presumption should always be towards favoring transparency and price discovery. Any proposal that could have a negative effect on either of them should be supported by a strong rationale and data demonstrating the necessity of the proposed changes. In our view, that standard has not been met by the Proposal. For this reason, we urge the Commission not to change the delays that are currently in force under Part 43 rules.

We appreciate your consideration of our views on this proposal. If you have any questions or would like to discuss our letter, please do not hesitate to contact Dwayne Middleton, Head of Fixed Income Trading at (410) 577-3188, dwayne.middleton@troweprice.com or Predrag Rogic, Senior Legal Counsel at (410) 345-4999, predrag.rogic@troweprice.com.

Sincerely,

/s/ Dwayne Middleton
Dwayne Middleton, Vice President and Head of Fixed Income Trading
T. Rowe Price Associates, Inc.

/s/ Predrag Rogic
Predrag Rogic, Vice President and Senior Legal Counsel
T. Rowe Price Associates, Inc.