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I am writing to submit a comment in response to Notice Seeking Public Comment on the Evolution of the Treasury Market Structure published in the Federal Register Vol. 81, No. 14 on Friday, January 22, 2016 (Docket No. TREAS–DO–2015–0013).

In my opinion, the ability to conduct a comprehensive surveillance and analysis of U.S. Treasury markets is not possible without the ability of regulators to collect and integrate transaction-level data across primary and secondary cash, futures, repo, and ETF markets.

As the Notice states in Section III, "Activity related to U.S. Treasury markets trading often extends beyond individual regulator boundaries; it encompasses not only the primary and secondary cash securities markets, but repurchase agreement markets, futures contracts which reference U.S. Treasuries, and U.S. Treasury exchange traded funds traded as equities. This diversity in trading venues and participants often leaves any individual regulator with only a partial view of U.S. Treasury market risk transfer and price discovery. Data from across the U.S. Treasury cash and futures markets is necessary to conduct comprehensive analysis or surveillance of these markets, which are tightly integrated and across which market participants conduct trading activity."

Yet, as the Notice also states "[t]he official sector does not currently receive any regular reporting of Treasury cash market transactions."

It thus seems that the top priority is to begin the process of collecting audit trail data on Treasury cash market transactions.

From the discussion in the Notice and other public sources, it appears that of the relevant official regulators, the U.S. Treasury does not receive any regular reporting on cash Treasury transactions, the SEC is still working on its consolidated audit trail reporting requirements, while the CFTC has been collecting transaction-level data for Treasury futures for a period of time.

With that in mind, it would be appropriate to design reporting requirements for Treasury cash market transactions to be closely based on the existing audit trail specifications for Treasury futures at the CFTC.

In particular, this would mean that each transaction in Treasury cash market is reported by both the buyer and the seller separately. It would also be appropriate to have the buyer and the

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seller in Treasury cash market report their respective trading account ID's and order level operator ID's that they use in Treasury futures and Treasury ETF markets, so that an integrated reference database can be made properly linking firms engaged in transactions across both cash, futures and ETF markets. At the start, the frequency of collection and the granularity of the data should also be the same as it is currently being done at the CFTC and all transactions in Treasury cash markets should be reported by the entities regulated by the CFTC and the SEC.

If the CFTC audit trail template is being used as the basis for the Treasury cash audit trail, then answers to specific questions in sections 3.5 and 3.6 would follow directly from the current reporting requirements at the CFTC.

Regarding official infrastructure, in my opinion, a possible place to develop capacity to receive, process, and analyze Treasury transaction-level data is the Office of Financial Research (OFR) of the U.S. Treasury. There are three main reasons for this. First, the OFR is being funded by the financial services industry rather than U.S. taxpayers, so among the current regulators, it is in a unique position to undertake such an effort. Second, according to official statements, the OFR has already been working with the CFTC on data issues, so leaning from the CFTC on how to quickly build an audit trail should be easier. Third, the OFR has been developing the ability to bring academic researchers to work with proprietary data. This ability will become critical for future quantitative analysis of the consolidated Treasury data.

Finally, Section 3.7 asks "[i]s it appropriate to have transactions, orders, and quotes time stamped at a certain clock precision (e.g., microsecond) level?" At current market latencies, a microsecond time stamp seems appropriate. All reporting entities should also be mandated to synchronize their clocks (up to a microsecond, but with latency jitter allowed for – see FINRA and ESMA for examples), so that a consolidated view can actually be properly constructed.

Hope you find this useful.

If you have any follow up questions, please do not hesitate to contact me by phone or e-mail.

Sincerely,

Andrei Kirilenko