

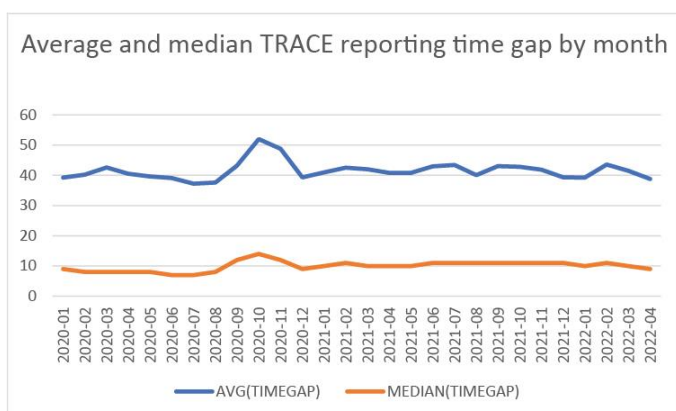
# Analyzing Chair Gensler's Comments on TRACE Reporting

## Highlights

- The SEC chair recently announced the SEC was considering reducing the reporting window for US corporate bond transactions to TRACE from 15 minutes to 1 minute in an effort to improve post-trade transparency in the fixed income market.
- Currently, greater than 80% of all uncorrected prints on TRACE are already disseminated within 60 seconds.
- Trades that would be most impacted by such a change to reporting requirements are block trades.

## SEC chair's proposal and the current bond landscape

During a recent regulatory event, SEC chair Gary Gensler [outlined](#) several potential changes to corporate bond reporting in an effort to increase transparency in capital markets. One of the more notable mentions was to reduce the reporting window for TRACE corporate bond transactions significantly, from the [current 15 minute requirement](#) – which has been in place since shortly after TRACE was launched in 2005 – to just 1 minute. Citing the increasing electronic of bond markets, the proposition was backed with the understanding that a large portion of municipal bond trades are already reported well within the potential timeframe\*. Our analysis\*\* of recent TRACE data from the month of April 2022 shows that 83% of trades were reported within 60 seconds of execution. The average time to report for all trades was 37.9 seconds, and half of all trades were disseminated within 9 seconds.



Going back to the start of 2020, average and median time to report for the TRACE platform have remained within a very tight range. Average time to report has stayed within 35-50 seconds, while median has been between 7 and 14 seconds. This has held through periods of high and low trading activity, including the extreme volatility as seen in the COVID market shock of 2020, and does not show any seasonality effects.

## Using trace feed to determine affected parties

A further examination of TRACE data allows us to qualify the above and identify those trades that would be most affected by this potential change. The below chart shows the breakdown of trades from April 2022 by size bucket and what portion of each were reported within the proposed timeframe. As noted in a [2019 piece by Greenwich Associates](#), upwards of 90% of micro-lot trades (below 100 bonds) are executed on electronic marketplaces. These trades make up a large majority of the trade feed by count but are often less than 5% of overall volume collectively. The largest trades are currently reported with the largest gaps in time from execution.

TRACE reporting time gap by trade size (Apr. 2022)

Size Bucket	Trades	% Within 60 Seconds
0-100k	1,078,493	85.9%
100k-1mm	421,596	79.4%
1mm-5mm	158,372	70.9%
5mm+	26,081	66.9%

\*A 2012 study by MSRB listed that 73.4% of all trades were reported within 1 minute

\*\*The universe for the above TRACE analysis is all trade prints reported in the month of April 2022 (except where noted), excluding cancellations, corrected records, and records that occurred outside of market hours