



REGIONAL  
BOND DEALERS  
ASSOCIATION

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February 26, 2009

T. Timothy Ryan  
Chief Executive Officer  
Securities Industry and Financial Markets Association  
120 Broadway  
35<sup>th</sup> Floor  
New York, NY 10271

Dear Tim,

As you know, for many years SIFMA—and before SIFMA, the Bond Market Association—has made recommendations regarding closing the fixed-income markets early in advance of holidays. The Regional Bond Dealers Association believes that closing the bond markets early hampers market liquidity, especially in the context of the difficult credit market conditions that investors continue to face. We urge SIFMA to rescind most of its early market close recommendations for the U.S. fixed income markets for 2009 and 2010 and to no longer recommend early closes for the U.S. bond markets except for the day after Thanksgiving and Christmas Eve, when the equity markets close early.

Closing the bond markets early on the last business day before a holiday serves no useful purpose. In practice, on days when there is a recommended early bond market close, large, “bulge-bracket” securities firms often have only a limited trading staff on hand, even during the hours when the market is ostensibly open, with the result that market liquidity suffers significantly. Even though SIFMA’s early close recommendations generally specify a 2:00 p.m. closing time, in practice trading activity on those days is light in the morning and trails off much earlier in the day than 2:00. If SIFMA’s recommendation was for a fully open market, active trading would continue well into the afternoon hours.

Some have argued that investors are not active on early close days, and that in closing early, dealers are simply following their customers’ leads. However, investors are not active on days preceding holidays because they recognize that liquidity is light as a result of the early close recommendation. If SIFMA stops recommending early closes, investors will be more active because the market will function more normally on those days and will benefit from better trading conditions.

Keeping the markets fully open is particularly important in the current market and economic environment. Market volatility in the last year has been extraordinary, and market participants deserve the ability to trade actively if market prices move. Early closes, because they substantially reduce market liquidity, take away the ability of investors and others to react to

market events. Moreover, maintaining liquidity throughout the day is especially important in light of the ongoing spike in the issuance of Treasury securities brought about by aggressive government actions to stem the effects of the financial crisis and the recession.

We recognize that SIFMA's actions on market closes are recommendations only and that market participants are free to trade as they wish. However, because large securities firms follow SIFMA's recommendations so closely, their reduced participation in the market on early close days has the practical effect of closing the entire market. Early close recommendations create a holiday atmosphere in the market on those days. Staffing is thin, and firms operate at less-than-full capacity even during the hours when the market is supposed to be open. The result is that liquidity and customer service suffer.

In the current, difficult market climate, we believe that all fixed income market participants should look for ways to enhance, not detract from, market liquidity. Eliminating most early closes would be a simple step towards improving the ability of investors to get good trade execution on days when liquidity would otherwise be thin. In the interest of enhancing the operation of the U.S. fixed income markets, we urge you to rescind most of SIFMA's outstanding early close recommendations and to stop the practice of recommending early market closes except for the day after Thanksgiving and Christmas Eve.

Please do not hesitate to contact us if you have any questions.

Best regards,

/s/

Michael Decker  
Co-Chief Executive Officer

/s/

Mike Nicholas  
Co-Chief Executive Officer

cc: The Honorable Timothy Geithner  
Secretary  
United States Department of the Treasury