

NASD Bond System Helps to Reduce Costs

a Wall Street Journal Staff Reporter

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NEW YORK -- New academic research finds that the National Association of Securities Dealers' four-year-old bond-trade reporting system may be saving corporate bond investors as much as \$1 billion a year in transaction costs.

The study, by scholars at the University of Utah, University of Arizona and Southern Methodist University, assessed the initial effects of the NASD's bond-reporting system, which is called Trace, or Trade Reporting and Compliance Engine. Thanks to the added price transparency, the study found, dealer markups on large institutional trades had narrowed by roughly one-half, or about \$2,000 per trade.

Kumar Venkataraman, a finance professor at Southern Methodist and a co-author of the study, said Trace levels the playing field among large institutions buying and selling bonds, and also gives a boost to smaller players who don't have as much information on the market.

Margaret Patel, a junk-bond portfolio manager at Pioneer Investment Management in Boston, said market reaction to Trace has been lukewarm.