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BDA Submits Comment Letter to the SEC on FINRA's Retail Confirmation Rule.

Today, Bond Dealers of America submitted a comment letter to the SEC in response to FINRA's proposed retail confirmation disclosure rule.

BDA's letter focuses on:

- The urgent need for FINRA and MSRB to harmonize their rules from a policy, testing date, and effective date standpoint
- BDA urges regulators to appreciate the operational burdens associates with automating the process for making a 'prevailing market price' judgement
- Due to the operational and technology burdens of the rule and the other major rules that will be effective in the next 18 months, BDA urges regulators to adopt an effective date no earlier than June 2018
- BDA urges the SEC to institute proceedings on both the FINRA and MSRB filings to extend the time period for assessing the rules prior to approval or disapproval

Proposal Overview

Scope of Securities: Corporate and agency debt securities

Scope of Transactions: The proposal will apply to retail trades when a dealer has entered into an offsetting principal trade in the same security in a total quantity greater than the retail trade during the same trading day

Timing of Trades: FINRA proposes to have the rule apply to offsetting principal and retail trades that are executed on the same trading day as opposed to over a certain amount of hours during a given trading day

Disclosure Computation: FINRA has proposed to base the confirmation disclosure computation on the difference between the prevailing market price that exists at the time of the retail trade and the retail trade price

Proposed Exceptions: FINRA has proposed two exceptions to the rule for 'functionally separate trading desks' and for fixed-price offering transactions executed at the fixed offering price

Proposed Effective Date: No later than 365 days after the SEC approves the rule

A recap of BDA's April 2016 Member Fly-in Meeting with FINRA and MSRB can be viewed here.

BDA's December 2015 comment letters to FINRA and MSRB can be reviewed here.

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