

Bond Case Briefs

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4210 Update: Rep Hultgren Sends Letter to SEC Chair Raising Anti-Competitive and FINRA Statutory Authority Concerns.

House Municipal Finance Caucus Chairman Randy Hultgren (R-IL) last week wrote a letter to the SEC and FINRA, in favor of the BDA “Capital Charge” proposal and warns of regulatory overreach by FINRA.

The letter highlights the potential effects of implementation of the rule on small and medium sized dealers in Illinois. The Congressman is strongly in support of the Capital Charge proposal stating, “These margin requirements will push small-to-medium sized dealers nationwide out of the trading of these securities with large buy-side-institutions.” Further he added concern about competition, “A capital charge would allow these dealers to remain competitive and still manage any systematic risk.”

In addition to strong support of the BDA proposal, the Congressman raised concerns of FINRA overreach stating, “FINRA may be overstepping Congressional intent by attempting to regulate credit markets, this authority has been traditionally reserved for the Federal Reserve Board.” He concluded by saying, “I again urge the Commission to carefully reconsider the potential impacts and statutory limitations of this proposal. “

BDA Leading Advocacy

The BDA continues to work with partners on the House Financial Services Committee and Senate Banking Committee to pressure the SEC and FINRA to rethink the rule. This includes both advocating for the “Capital Charge” proposal as well for outright termination of the amendment due to its anti-competitive nature before implementation on March 25, 2019.

The strategy also includes direct engagement with the regulators. Last week, the BDA submitted a [letter of support](#) of the “Capital Charge” proposal to FINRA. The letter featured two smaller firms, Duncan-Williams and NatAlliance, and how the proposal would better the rule without creating a “race to the bottom.”

The BDA will continue to provide updates as they become available.

Bond Dealers of America

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