

Bond Case Briefs

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BDA's January 2016 Member Fly-in Focused on FINRA 4210 Margin Amendments.

BDA member firms met with senior regulatory staff at the SEC and FINRA and senior congressional staff in DC to discuss FINRA's proposed margin amendments for the mortgage market.

On Thursday January 7th, as part of BDA's member fly-in initiative, BDA member firms and BDA staff met with the SEC, FINRA, and senior staff at the Senate Banking Committee and the House Financial Services Committee to discuss the proposed TBA, CMO, and specified pool margin [amendments to Rule 4210](#) that FINRA filed with the SEC. BDA submitted a [comment letter](#) in October 2015. The proposed rule can be read [here](#).

Participants included:

- Erica Willems and Nick Pruhs from Baird
- Chris Melton from Coastal Securities
- Jason McCloud and Jeffrey Skinner from Stifel Nicolaus
- Allen Riggs from Vining Sparks

Meetings included:

- SEC Office of Trading and Markets
- FINRA senior regulatory staff
- Senate Banking Counsel
- House Financial Services Counsel

BDA members in attendance focused on the various compliance burdens the rule presents that are listed below. In addition, BDA expressed concerns to the SEC and senior congressional staff with SRO overreach in violation of congressional intent.

- Advocating for at least an 18 month implementation timeframe if this rule is approved.
- The burden of establishing margin agreements with all of a dealer's exempt and non-exempt accounts that trade mortgage products. And the fear that many dealer clients (large and small) will choose not to enter into margin agreements or that smaller dealers that do a small amount of mortgage business will chose to exit the market.
- Managing and tracking exposures to retail clients that do not present systemic risk and will very rarely have exposures that will exceed the proposed rule's \$250,000 minimum transfer level. BDA firms also advocated for higher minimum transfer and gross open position limits.
- The inconsistency of the margin and liquidation time requirements compared to existing rules for other securities.

Bond Dealers of America

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