

Bond Case Briefs

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FINRA Requests Comment on Rule 4210 - Follows BDA Member Recommendations.

Today, [following extensive work with the BDA and its members](#), FINRA announced that they seek to comment on proposed amendments to Rule 4210 (Margin Requirements) that would clarify and incorporate into the rule current interpretations regarding when issued and other extended settlement transactions, and provide relief to facilitate the application of the rule to these transactions.

The BDA will host a call in the coming weeks to work on draft comments with membership. Comments are due May 14, 2021

The notice can be viewed [here](#).

All BDA advocacy on Rule 4210 can be viewed [here](#).

On extended settlement trades, FINRA intends to adopt these provisions:

- Extended settlement transaction will be defined as any time a trade is not funded by a customer within the standard T+2 settlement cycle. The rule will make clear that extended settlement is an extension of credit.
- The rule will permit a capital charge in lieu of customer-posted margin for trades with extended settlement cycles of up to 35 days with “DVP customers,” a term which will be defined in the rule, for trades with settlements.

On when-issued transactions, FINRA intends to adopt these provisions:

- When-issued trades will be subject to the margin rule.
- The rule will permit capital charges in lieu of customer margin for all when-issued trades with “exempt accounts.” That will be in addition to interdealer and designated trades which are exempted in the current rule.
- Exempt accounts will be defined as minimums of \$45 million in financial assets, \$40 million in net assets, and providing sufficient financial information to conduct a credit review.
- There will be an exception to margin requirements for trades in new-issue Treasury securities that settle within T+14 and new-issue municipal securities that settle within T+42.
- The rule will permit a capital charge in lieu of margin for DVP customers on when-issued new issues in general if the trades are settled soon after securities are issued.

Bond Dealers of America

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