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US Bond Lobbies Warn SEC of Severe Disruption Under Rule Change.

Lobbying groups warn that activity in the world's largest bond market could stop at the end of this month without last-minute exemption from the vague US 50-year-old rule that previously aimed only at equities. doing.

Bond industry groups have told regulators that the revised rules will have a "significant and detrimental effect" on the government and corporate bond markets, calling for more time for explicit grace or compliance. The amendment was first proposed last year, but market participants assumed that until the last few months, the rules would only relate to the stock market.

"We believe that the application of such rules is widespread and unnecessary," writes the American fixed income dealers, securities industry and financial markets associations.

The SEC's 1971 statute, known as "Rule 15c2-11," "Publishing or submitting" Of the price for buying and selling securities away from the exchange. Market participants primarily believe that this is an attempt to protect retail investors from predatory plans and fraudulent activity in Penny shares.

This rule requires broker-dealers such as JPMorgan Chase and Citi to review a wide range of information about publishers, including quarterly and annual reports. Last year, the SEC, led by Jay Clayton, fine-tuned the rules for the first time in almost 30 years and included requirements for disclosure of information.

"Improvements to Rule 15c2-11, which focuses on these individual investors, have been delayed for a long time," said Clayton at the time, and technological advances allow investors to be more up-to-date before trading. I added that I can do it.

The law has not explicitly excluded bonds, but in reality it has never been applied to bonds for a lifetime of 50 years. This has long been suitable for markets where many corporate issuers are not listed on the stock market and do not regularly produce regular earnings reports. It is unclear what disclosure will be required for government bonds, such as government bonds issued by the US Treasury.

However, BDA Vice President of Policy and Research Michael Decker said the SEC, led by new chief Gary Gensler, will also affect government and corporate bonds under the amendments outlined last year. He said he confirmed. Only municipal bonds have an explicit exemption.

"It's been a few days here and little work has been done. It's pretty clear to me that the SEC didn't really think about this," Decker said.

The SEC declined to comment.

Bankers, trading platforms and investors are facing stringent compliance requirements ahead of unexpected end-of-month deadlines, and growing awareness of new requirements is disrupting bond

markets.

Without guidance and amendments from the SEC, broker-dealers will withdraw for fear of attracting enforcement action from securities regulators, and some bond market transactions will stop when the rules come into force at the end of this month. I am concerned about that.

The SEC's move has come a time of increased regulatory scrutiny of fixed income transactions, and Gensler said this month it intends to bring greater efficiency and transparency to the market.

Broker-dealers are struggling to understand how to collect, verify, and publish information about companies that trade bonds. They also question what counts as a bond quote is published or submitted, a term that is not defined in the rules.

Bond trading is increasingly shifting to electronic venue trading, with prices being streamed to the screen. To avoid market disclosure, some market participants may return the transaction to the phone until clearer guidance is available.

"The risk is that if a broker-dealer feels out of compliance based on the interpretation of an internal team, he may be forced to stop quoting certain bonds to avoid non-compliance," Kevin said. • McPartland states. Head of Research, Market Structure and Technology at Greenwich Associates.

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