

Bond Case Briefs

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BDA Opposes SEC's Best Execution Proposal.

BDA today filed a comment letter with the SEC in opposition to their proposed Regulation Best Execution. In the letter we ask the SEC to abandon the initiative because it is unnecessary, overly restrictive, and needlessly expensive. If the SEC moves forward with the proposal, we asked that it be amended to make it more workable with the following changes:

- Remove riskless principal trades from the definition of conflicted trade.
- Define institutional investor to encompass existing definitions in FINRA and MSRB rules and clarify the scope and focus of the institutional investor exemption in the context of fixed income.
- Make it clear that last look and internalizing fixed income trades to the benefit of customers would not violate Regulation Best Execution or cause a trade to be treated as "conflicted."
- For conflicted trades, eliminate the requirement to survey a broader range of markets beyond material potential liquidity sources and to separately document the best execution analysis for every trade.
- Eliminate the requirement to provide annual best execution reports to firms' boards of directors.
- Permit dealers to use the introducing broker partial exemption when its executing broker is affiliated.

The SEC's proposal would impose a new best execution rule across the capital markets, including the fixed income markets. The new rule would be in addition to, not instead of, existing FINRA and MSRB best execution rules. The proposed rule would impose significant new requirements on broker-dealers especially for "conflicted trades," which would include all principal trades, including riskless principal.

BDA's comment letter is available [here](#). The SEC proposal is available [here](#). Please call or write if you have any questions.

Bond Dealers of America

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