



Recap: BDA Legal and Compliance Roundtable Featuring SEC, FINRA, and MSRB at Morgan, Lewis & Bockius

On January 15th, BDA hosted a Legal and Compliance Roundtable which featured significant engagement between BDA member firms and top SEC, FINRA, and MSRB regulators. The roundtable focused on several critical regulatory issues currently facing middle-market dealers.

This Legal and Compliance roundtable was the first in BDA's 2015 Roundtable Series which is designed to maximize BDA member engagement with regulators, policymakers, and other top investment industry professionals. Throughout the year, the Roundtable Series will provide forums to discuss and debate the highest priority regulatory, legal, and market practice issues facing middle-market dealers.

The roundtable was held at the offices of Morgan, Lewis & Bockius in Philadelphia and was attended by over 20 BDA member firms and featured the following regulators:

- Cynthia Friedlander, Director, Fixed Income Regulation, FINRA
- Larry Sandor, Deputy General Counsel, MSRB
- Mark Zehner, Deputy Chief, Municipal Securities and Public Pensions Unit, Division of Enforcement, SEC

Regulators outlined their top priorities for 2015 and also discussed several ongoing regulatory, examination, and enforcement initiatives including:

- **Best execution in the municipal securities market**
 - Larry Sandor discussed MSRB's desire for firms to put in place policies and procedures with respect to best execution and urged BDA members to raise specific issues in writing with respect to guidance on the best execution standard.
- **Pricing reference disclosure rules**
 - Without being specific as to what value the disclosure will provide to

investors, regulators believe that price reference information on confirms will prove to be valuable for investors and the market.

- **MA exam priorities and initial findings**

- Cindy Friedlander discussed that FINRA is interested in seeing evidence of engagement for whichever MA rule exclusion an entity is utilizing. In terms of MA rule violations, she stated that FINRA had not seen many underwriter violations. But they have seen placement agents engaging in underwriting activities and firms attempting to structure deals as FA and placement agent.

- **Market access in the fixed income market**

- Cindy Friedlander outlined the importance for fixed income firms to have Market Access Rule policies and procedures in place when trading through an ATS.

- **Municipal shorts**

- Cindy Friedlander stated that a Regulatory Notice was coming soon relating to inadvertent short positions in municipal securities. FINRA's expectation is that if a trading error or 'fail to receive' occurs dealers should have policies and procedures in place to rectify the error, notify the customer, and correct its records.

- **MCDC**

- Mark Zehner stated--without specifics on timing--that MCDC settlements would come in three "waves." He stated that in each wave firms will be bundled together in one MCDC-related press release and that it is unlikely that firms will be singled out in firm-specific releases from the Commission.

- **Private placements**

- Mark Zehner stated that the Commission was discussing guidance on the issue of non-dealer MAs and private placements. He also discussed that the strongest argument against non-dealer MAs engaging in a private placement of securities, in his view, would demonstrate the risks to investors of having a non-dealer MA and not an underwriter involved in a deal.

We hope this information is helpful. Feel free to reach out to the BDA with any questions or comments.

The BDA will continue to engage FINRA, the MSRB, and the SEC on each of the issues listed above. Please feel free to reach out to us for any additional color on the topics discussed or if you are interested in sharing information with us so that we can bolster our discussions with regulators in the future.

Jessica Giroux at jgiroux@bdamerica.org

John Vahey at jvahey@bdamerica.org

Samantha DeZur at sdezur@bdamerica.org