



Year in Review 2015

In this document –

You will find highlights of activities we have undertaken on behalf of our membership, focusing on the highest priority regulatory, legislative, and advocacy issues we faced this year. We highlight 2015 events, complete with fulsome recaps, providing you with insight into what to expect from our 2016 events. Additionally, we've launched a handful of new BDA member-driven initiatives including member fly-ins to Capitol Hill, webinars hosted in conjunction with outside consultants and with the direct participation of our member firms. This document also provides insights into what to expect in 2016. BDA is the ONLY Washington, D.C. based trade group representing your fixed income interests with a focus on the middle-market, regional, and small securities firms.

BDA is pleased to share our 2015 Year-in-Review.

In early 2015, BDA Board Chair Steve Genyk of Janney Montgomery Scott discussed the BDA's 2015 municipal market priorities in [an interview](#) with the Bond Buyer. Genyk discussed maintaining the tax-exemption for municipal bonds and increasing the annual issuance limit for issuers of bank-qualified bonds as two key legislative priorities for the BDA. He discussed regulatory issues and noted the disproportionate impact of rules and enforcement actions on small and medium-sized firms. It is in this vein that we advocated on your behalf, focusing on both regulatory and legislative issues, and blanketing the muni industry generally. Below is a recap of our efforts in 2015.

2015 REGULATORY INITIATIVES

During this period of massive regulatory change, BDA is focused on the highest priority regulatory issues impacting the U.S. fixed income markets and provides members with valuable opportunities to engage directly with regulators.

Municipal Advisor Regulatory Regime

The SEC's Municipal Advisor (MA) rule went into effect on July 1, 2014. The BDA worked closely with the SEC as it formulated the rule and the associated FAQs. The MSRB is currently engaged in completing the MA regulatory regime. The SEC recently [approved](#) amendments to MSRB [Rule G-42](#) on duties of non-solicitor municipal advisors and we also look forward to the finalization of Proposed Rule G-37 dealing with pay-to-play rules for municipal advisors, which MSRB [filed](#) with the SEC in late December.

Municipal Advisor Rule One Pager for Issuers

In order to reduce confusion and misinformation in the marketplace, the BDA and retained counsel Nixon Peabody, created a market document for our members. The purpose of the document is to inform issuers on the new MA rule requirements applicable to market participants, including issuers. The market document is available to BDA member firms upon request.

FINRA Margin Amendments

In October 2015, FINRA filed [proposed amendments](#) with the SEC to FINRA Rule 4210 to establish margin requirements for "to be announced" (TBA) transactions, specified pool transactions, and transactions in collateralized mortgage obligations. The proposal made changes in response to comments submitted by BDA in 2014 and creates exceptions designed to make dealer transactions with smaller customers workable within in the context of the rule. BDA [submitted comments](#) to the SEC in October 2015 that highlight ongoing concerns with the impact of the

proposal on small-to-medium sized dealers and will meet with the SEC in early January 2016 to discuss outstanding concerns.

Retail Confirmation Markup Disclosure Proposals

In late 2015, [FINRA](#) and the [MSRB](#) each released a rule proposal to require dealers to disclose a markup relative to a reference price or the contemporaneous inter-dealer price on trade confirmations for retail accounts. [BDA submitted a comment letter](#) in December that urged regulators to harmonize their proposals and to strive to create the lowest cost, least complicated rule for retail investors and dealers. BDA will continue to advocate for a less complex, less costly rule in 2016.

Market Impact of TRACE and MSRB Reporting Amendments

FINRA and MSRB updated the trade reporting requirements and processes throughout 2015. BDA commented on several proposals and regulatory changes.

- Securitized Products: BDA [commented](#) on the market and liquidity impact of requiring real-time reporting of securitized products.
- Trade Reporting Process: BDA [commented](#) on a new standard to require trade processes and procedures to report a trade 'as soon as practicable'.
- Market Data Sets: BDA [commented](#) on regulatory proposals to expand the offerings of new FINRA and MSRB data sets.
- 'No Remuneration' Indicator: BDA [commented](#) to FINRA and MSRB on a new trade-reporting indicator that will go into effective in mid-2016.

FINRA Extended Settlement Initiative

In September, BDA met with FINRA to discuss FINRA's intention to update guidance or engage in a rule making related to forward settlement transactions in municipal securities. The discussion was focused on the municipal market but FINRA would like to engage in a dialogue with BDA member firms about forward settlements in the taxable market, too. A full recap of the September 2015 meeting can be read [here](#).

IRS Proposed Regulations on Issue Price

In June 2015, the IRS and U.S. Treasury issued a proposed rule to amend the definition of issue price for municipal securities. BDA submitted a comment letter in September 2015 outlining our initial concerns and suggesting alternative approaches for consideration. Additionally, BDA discussed the proposal with senior regulatory officials at the IRS and Treasury during an [in person meeting](#) and through [testimony](#) at an IRS public hearing about the market impact of the rule. In December 2015, BDA submitted a follow-up [comment letter](#), which expands upon topics covered during BDA's previous testimony, comment letter, and our in-person meeting.

Fiduciary Duty

In April 2015, the Department of Labor (DOL) issued a [proposed rule](#) to expand the definition of 'fiduciary' under ERISA. The proposal would apply a fiduciary duty to broker-dealers providing investment advice to retirement investors. In July, BDA submitted a [comment letter](#) to the DOL and [testified](#) at a DOL public hearing. BDA has advocated for the DOL and the SEC to coordinate their efforts in order to harmonize the rules applicable to broker-dealers and to avoid denying customers access to advice. Additionally, the SEC has [stated](#) it intends to publish a proposed rule to harmonize the standards of care applicable to broker-dealers and investment advisers.

MSRB and FINRA Best Execution Standards

In December 2014, the SEC [approved](#) MSRB Rule G-18 establishing best execution standards for municipal securities. Per the MSRB [implementation guidance](#) released in November 2015, the rule will take effect on March 21, 2016. The best execution rule requires municipal securities dealers to use "reasonable diligence" to identify the best potential trading venue for a particular security and then execute transactions in that venue to provide the customer with a price as favorable as possible under prevailing market conditions. Additionally, in November 2015, FINRA published [best execution guidance](#) for fixed-income securities under FINRA's jurisdiction. BDA is working with internal working groups to determine the value of these guidance documents as firms develop compliance solutions.

High Quality Liquid Assets

In May 2015, the Federal Reserve [requested comment](#) on a proposed rule to include a certain subset of general obligation municipal securities as high quality liquid assets (HQLA) in the new banking liquidity rule. In July, the BDA submitted a [comment letter](#) recommending multiple improvements to the Fed's proposal and urged the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation to work on a comprehensive final rule that includes all investment grade municipal securities.

Private Placement Activity of Non-Dealer Municipal Advisors

BDA remains concerned that non-dealer municipal advisors (MAs) might be violating securities law in certain instances by acting as unregistered dealers in performing private placements. By engaging in broker-dealer activities without registering as a broker-dealer or complying with the regulatory requirements of broker-dealers, investors are denied the protections of the broker-dealer regulatory regime. BDA has [consistently encouraged](#) the SEC and MSRB to remind non-dealer MAs that soliciting investors and acting as a placement agent are registered broker-dealer activities.

Improving Municipal Disclosure: SEC Rule 15c2-12

BDA continues to engage the SEC on improving the clarity of disclosures in the municipal marketplace. In January, BDA submitted a [comment letter](#) to the SEC that recommended several specific policy changes for the SEC to consider with respect to SEC Rule 15c2-12. The policy recommendations included changing the timing of listed events, altering filing requirements for audited financial statements, eliminating the requirement for listed event notices for ratings changes, and providing obligated persons a more effective process for amending and updating financial and operating information filed pursuant to continuing disclosure agreements. In addition, BDA recommended improvements to EMMA and highlighted confusion among issuers regarding their disclosure responsibilities.

2015 LEGISLATIVE INITIATIVES

BDA provides its members with in-person access to key Capitol Hill policy makers on the Senate Finance Committee, the Senate Banking Committee, the House Financial Services Committee and the House Ways and Means Committee. The legislation developed by these committees directly impacts the fixed-income markets and our members.

Protecting Tax-Exempt Bonds

BDA opposes any proposal to modify or eliminate the tax exemption applicable to municipal bonds. As Congress continues to consider tax reform, BDA continues to work with industry partners, including issuers and state and local groups, through the Municipal Bonds for America ([MBFA](#)) Coalition to preserve the tax exemption. In 2015, BDA [wrote](#) multiple letters to the Senate Finance Committee working groups about the value of the municipal bond tax exemption to U.S. infrastructure. The MBFA Coalition 2015 year-end recap can be read [here](#).

Fiduciary Duty Legislation

BDA wrote a [letter of support](#) for [H.R. 1090](#), the Retail Investor Protection Act, which was introduced by Rep. Ann Wagner (R-MO). The legislation passed the House in October. BDA submitted this letter and met with Congressional staff to outline the need for legislation to promote a more harmonized rule making with the SEC in a lead role, not the DOL. H.R. 1090 would restrict the DOL from issuing a rule making related to establishing a fiduciary duty until 60 days after the SEC has issued a rule amending the standard of care applicable to dealers.

Bank Qualified Bond Legislation

BDA worked with key Congressional offices to assist in the introduction of [H.R. 2229](#), the Municipal Bond Market Support Act of 2015, which was introduced by Rep. Tom Reed (R-NY) and Rep. Richard Neal (D-MA). The bill would increase the BQ limit from \$10 to \$30 million, allowed the limitation to apply at the borrower level to allow for pooled financings and

indexes the limit for inflation. BDA and other trade groups partnered to advocate for the bill and educate lawmakers and staff on Capitol Hill.

HQLA

BDA is working to advance legislation to include municipal bonds as High Quality Liquid Assets under the banking Liquidity Coverage Ratio. BDA worked with Rep. Messer (R-IN) who introduced [H.R. 2209](#), which would classify municipal securities as Level 2A assets in the bank liquidity rule. As of December, the bill has passed the House Financial Services Committee.

MBFA Legislative Day and Muni Bonds 101 Seminar

On July 21, 2015, the MBFA Coalition hosted a Capitol Hill fly-in and a Municipal Bonds 101 Seminar for Congressional staffers. MBFA members spent the day meeting with House and Senate leadership, tax writing, budget, and banking committee staff discussing the benefits of municipal bonds and advocating preserving their tax-exemption. You can find a recap of that event [here](#).

NEW INITIATIVES & OPPORTUNITIES

Throughout the year, the BDA produces market practice documents, opinion pieces, and writes letters to securities regulators. Additionally, BDA works with outside consultants to provide you with direct answers to your policy questions, no matter the issue. We host a monthly member fly-in series, present opportunities for our members to participate in industry specific events. Below, please find a recap of those items. If there are any additional market documents you think would be helpful to you throughout the year, do not hesitate to reach out to us.

Due Diligence Webinar Series for Municipal Bankers

In light of increased scrutiny by the SEC and FINRA on the due diligence and documentation responsibilities of bankers in the municipal securities market, the BDA hosted a series of three webinars, exclusively for BDA member firms, focused on providing due diligence training for public finance bankers. BDA retained counsel Nixon Peabody led the webinar series, which featured senior legal and compliance representatives from BDA member firms. Audio files and slides from the three presentations are available to BDA member firms upon request.

BDA's Wall Street Journal 'Letter to the Editor' on Regulation

In February 2015, BDA's Letter to the Editor, ['Killing the Non-Giant Competition'](#) was published in response to the Journal's Commentary, ['Regulation Is Good for Goldman'](#), which focused on remarks made by Goldman Sachs CEO, Lloyd Blankfein regarding the impact of the current U.S. regulatory environment on competition in the U.S. financial markets, especially on the small-to-mid-sized securities firms BDA represents. The letter argues that the impact of the current regulatory environment, which includes multiple rules that require ongoing, high-cost technology, operations and compliance expenditures, is a massive burden for dealers, especially smaller dealers. This severely disadvantages smaller dealers and harms the competitive landscape for issuers and investors.

BDA Member Fly-In Series

BDA hosts monthly member "fly-ins" to Washington, D.C. to provide valuable opportunities for BDA member firms to meet directly with Members of Congress, senior staff from key congressional committees, and top market regulators. These meetings ensure that BDA member firms are able to engage and learn from regulators and lawmakers. In-person meetings allow BDA members to gain valuable insight into the rulemaking process, to discuss existing legislative and regulatory proposals, and ultimately to advocate for BDA member priorities. If you are interested in participating in a fly-in for 2016, please contact the BDA. For a complete listing of our 2015 member fly-in series, click [here](#).

BDA Participates in Tax Reform Working Group Roundtable

Earlier this year, the BDA participated in a roundtable hosted by the Senate Finance Committee's Tax Reform Working Group on Community

Development and Infrastructure. The discussion at the roundtable centered on the various bond programs and opportunities for reform, Guy Yandel of George K. Baum & Company represented BDA. For more information on that event, click [here](#).

Congressional Roundtable on Fixed Income Market Liquidity

In July, Dan Leland of Southwest Securities (Hilltop Securities) participated-as the sole dealer representative-in a fixed income liquidity roundtable hosted by U.S. Representative Randy Neugebauer, Chairman of the House Financial Services Subcommittee on Financial Institutions and Consumer Credit. You can view a video of the hearing [here](#). The roundtable focused on liquidity issues in the bond markets, including:

- Increased bank capital and liquidity rules and the Volcker Rule
- The pros and cons of "all-to-all" electronic trading platforms
- Standardization of fixed income issuance versus issuer flexibility
- Fixed income market transparency and TRACE reporting

BDA 2015-Fixed Income Compensation Survey

The BDA is pleased to present the results of its 7th Annual Fixed-Income Compensation Survey. It is our hope that the BDA 2015 Compensation Survey will serve as a valuable tool to enhance and inform your compensation management, strategic planning process and decision making. Please contact us for the member-only access to this document.

BDA 2015 EVENTS

BDA roundtables, seminars, member fly-ins, events, along with the BDA National Fixed Income Conference allow member firms to engage with key Capitol Hill policy makers, regulators, and fellow dealers to discuss significant market and regulatory issues. BDA events heighten awareness of the key business, market, regulatory and legislative challenges that directly impact the fixed-income markets.

- **3rd Annual Municipal Fixed-Income Legal and Compliance Roundtable**, January 2015, Philadelphia, PA. This event, co-hosted with Morgan Lewis, featured presentations from the SEC, FINRA, and MSRB as well as dealer-to-dealer discussions about the most pressing topics facing our firms. To view the event recap, click [here](#).
- **Fixed Income Sales Manager's Meeting**, January 2015, Memphis, TN. This event featured dealer-to-dealer discussions, as well as a presentation on Municipal Bond Information Services' (MBIS) market data, reporting services, and comparable securities service. To view the event recap, click [here](#).
- **Annual Strategy Session**, February 2015, Dallas, TX. The event featured two days of discussions on the taxable, municipal and retail fixed-income markets, the evolving role of technology in fixed-income as well as an in-depth discussion of the political and regulatory outlook for the BDA in 2015. To view the event recap, click [here](#).
- **National Municipal Bond Summit**, March 2015, Ft. Lauderdale, FL. Co-hosted with The Bond Buyer, the National Municipal Bond Summit was widely attended by issuers, investors, broker-dealers, regulators, public officials, and other municipal market participants. To view the event recap, click [here](#).

- **Municipal Market Seminar on Regulation, Compliance and Enforcement**, May 2015, St. Louis, MO. This event brought together over 100 industry professionals who heard from the SEC, FINRA and MSRB who discussed their current rulemaking initiatives and recent regulatory developments. To view the event recap, click [here](#).
- **Retail Fixed Income Roundtable**, May 2015, St. Louis, MO. Hosting almost 50 firms, attendees discussed the issues most important to their businesses, including candid dealer-to-dealer discussions about ongoing regulatory challenges and the various approaches to maximize resources. To view roundtable recap, click [here](#).
- **Fixed Income Legal and Compliance Roundtable**, June 2015, Washington, D.C. The roundtable included robust discussions of the SEC's MCDC Initiative, ongoing concerns with the SEC's Municipal Advisor rule, enforcement trends and more. Attendees also heard directly from senior staff at the SEC and FINRA. To view the event recap, click [here](#).
- **Annual DC Board of Directors Trip to Washington, DC**, June 2015, Washington, D.C. BDA Board of Director came to Washington, DC to meet with federal regulators, Members of Congress and senior staff on Capitol Hill. Specific meetings featured SEC Chair Mary Jo White, MSRB Executive Director Lynnette Kelly, and FINRA CEO Rick Ketchum. To view event recap, click [here](#).
- **2015 Institutional Fixed Income Roundtable**, August 2015, Chicago, IL. This event, attended by heads of fixed income from over two-dozen middle-market firms, featured presentations on taxable market structure and liquidity and municipal credit market issues. To view the event recap, click [here](#).
- **Fixed Income Legal & Compliance Roundtable**, October 2015, Denver, CO. Over 30 BDA representatives and industry participants attended this event with candid dealer-to dealer discussions about a variety of issues directly impacting business at member firms. To view the event recap, please click [here](#).

- **Annual National Fixed Income Conference**, October 2015, Denver, CO. This event garnered record numbers in attendees, exhibitors and sponsors. Attendees were given an opportunity to hear directly from FINRA, MSRB and the SEC during panel discussions and networking events. To see the event recap, click [here](#).

ADDITIONAL NEWS

We've Moved!

As of December 2015, the BDA has moved into new and expanded office space located in the heart of DC on K Street. We invite you to visit us in our new office space as you plan your trips to DC in 2016. For a link to our official announcement and to include our new address in your files, click [here](#).

BDA Continues to Add Members

BDA membership continues to grow year after year. In 2008, we launched our association with 14 member firms and are proud to say that in just over 7 years time, we've grown to over 56 members, including both full and associate members. In 2015, we welcomed the following firms as the newest BDA members:

Full Members

- [Benchmark Securities](#)
- [City Securities](#)

Associate Members

- [Algomi](#)
- [Kalotay Analytics](#)
- [Quarles & Brady LLP](#)