

BDA Bond Dealers of America

Recap: 2017 BDA Retail Roundtable Hosted by Wells Fargo Advisors, St. Louis

On May 10th-11th, the BDA held its 2017 Retail Roundtable in St. Louis, Missouri. The event included a networking reception and dinner at Bissinger's hosted by TMC Bonds and Assured Guaranty on the evening of Wednesday, May 10th. The Thursday, May 11th Roundtable was hosted by Wells Fargo Advisors and was attended by over 50 retail fixed-income leaders from middle-market dealers, platforms, and technology vendors. The Roundtable was sponsored by KCG BondPoint, Tradeweb Direct, and National Public Finance Guarantee.

The roundtable included an active discussion of the biggest issues facing middle-market dealers in the retail fixed-income markets, including the retail confirmation markup disclosure rule and the Department of Labor Fiduciary Duty Rule.

Roundtable Recap:
Thursday, May 11th
Wells Fargo Advisors
St. Louis, MO

Market and Regulatory Discussion Topics

Featured Discussion Leader: *Patrick Early, Chief Municipal Analyst, Wells Fargo Advisors.* Patrick kicked off the roundtable with a discussion of the recent Puerto Rico bankruptcy filings.

Best Execution Review

- Discussion of experiences with best execution exams and sweeps
- Firms discussed their annual reviews of policies and procedures, including policies and procedures related to blocking a counterparty on an ATS
- BDA's 2016 Best Ex Review Document can be accessed [here](#).

DOL Fiduciary Duty

- Discussion of the pros and cons of the best interest contract exemption and the principal trading exemption
- Discussion of plans for utilizing the exemptions
- Discussion of amendments to compensation grids
- Liquidity and credit standard compliance under the principal trading exemption and vendor compliance applications

FINRA and MSRB Retail Confirmation Rules

- Recap of 4/27 BDA DC Fly-In at the SEC, which can be accessed [here](#) in detail.
- Challenges with automating the waterfall (FINRA 2121/MSRB G-30)
- Dealer vendor experiences
- Discussion of waterfall case law

- Discussion of meaning of “contemporaneous” and any guidance that could be ascertained through case law
- Discussion of enforcement actions related to the FINRA waterfall and fixed income markups
- Discussion of impact of contemporaneous cost and prevailing market price rule on principal trading market makers v. agency trading firms
- Legal issues and concerns with confirmation language

Featured Discussion Leader: *Ed Fierro, Partner, Bracewell.* Ed recently joined Bracewell from the SEC’s Office of Municipal Securities where he worked on market structure issues and regulations, including retail confirmation disclosure and pre-trade transparency.

Next Steps on MSRB Minimum Denomination Rule

- Recap of BDA position on issue and next steps for advocacy now that MSRB has withdrawn its proposed rule from SEC consideration
- Feedback and discussion of challenges with MSRB G-15 in its current form for muni retail market
- BDA planning a member fly-in to engage with MSRB and the SEC directly
- BDA’s latest position as stated in a comment letter to the SEC can be accessed [here](#).
- BDA has a minimum denomination advocacy agenda call on Friday, May 19th. To view the call agenda click [here](#).

Examination and Enforcement Trends

- FINRA inquiries about how dealers gain access to new issues
- Discussion of a recent FINRA sweep letter focused on MSRB G-18, blocking counterparties, and ATSS
- Negative yield inquiries
- Discussion of inquiries related to compensation on long-dated bonds with call features

FINRA 4210 Mortgage Margin Amendments

- Discussion of impact of implementation of retail risk limit determinations and future compliance obligations for mortgage securities
- Discussion of approaches for MSFTAs with retail accounts
- Discussion of trading issues when dealer offer lifted on a platform and dealer does not have an MSFTA with the counterparty

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2017 Retail Fixed-Income Roundtable

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