

BDA ADVOCACY PRIORITIES

Fourth Quarter 2016

Regulatory Issues

FINRA and MSRB's Retail Confirmation Markup Disclosure Proposals

[MSRB](#) and [FINRA](#) have each filed retail confirmation disclosure proposals with the SEC that require dealers to disclose a markup for retail account trades where there is an offsetting principal trade. In November 2016, FINRA and the MSRB submitted additional amendments to the SEC. The amendments focus on harmonization of the rules and require a confirmation web link to EMMA or TRACE, a time-of-trade disclosure, and an 18-month effective date. BDA will continue to monitor progress of these proposed rules at the SEC.

MSRBs Comment Request on Minimum Denominations

BDA has submitted a second comment letter to the MSRB stating that the proposed MSRB Rule G-49 should be focused on issuances with 'minimum authorized denominations' of \$100,000 and also argues that dealers should have increased flexibility to sell a portion of a below minimum denomination position acquired from a customer in an inter-dealer transaction. BDA will monitor this rule and will comment if it is submitted to the SEC.

Improving Municipal Disclosure: SEC Rule 15c2-12

BDA continues to work with our members and industry colleagues to engage the SEC on improving the clarity of disclosures in the municipal marketplace. Specifically, the BDA submitted a [comment letter](#) to the SEC recommending several specific policy changes with respect to SEC Rule 15c2-12 including changing the timing of and 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. More recently, the BDA signed onto an industry-wide letter to the SEC requesting many of the changes we suggested in our original comment letter. The industry letter can be found [here](#).

Compliance Issues

Fiduciary Duty

In April 2016, the Department of Labor (DOL) approved a [rule](#) to expand the definition of 'fiduciary' under ERISA. The new rule applies a fiduciary duty to those providing

investment advice to retirement investors. In response to the DOL's April 2015 rule proposal, BDA submitted a [comment letter](#) to the DOL and [testified](#) at a DOL public hearing where we advocated for a rules-based approach and a coordinated effort with the SEC. BDA continues to assist our membership with their compliance efforts under the final rule.

MSRB and FINRA Best Execution Standards

MSRB Rule G-18 established a best execution standard for municipal securities transactions. The rule went into effect on March 21, 2016. MSRB published [implementation guidance](#) and FINRA also published [best execution guidance](#) for the fixed-income securities under their jurisdiction. BDA held a best execution implementation webinar in February 2016 and compiled a Best Execution Considerations Document for members, accessible in the *Member Resources* section of our website.

FINRA Mortgage Security Margin Amendments

In October 2015, FINRA filed [proposed amendments](#) with the SEC to Rule 4210 to establish margin requirements for transactions in TBAs, specified pools, and collateralized mortgage obligations. BDA [submitted comments](#) to the SEC in November 2015 and February 2016 that highlighted concerns with the proposal. BDA also met with the SEC in [January](#) and [May](#) to discuss concerns and to advocate for changes, which we outlined in a [letter in early May and another letter in late May](#). FINRA amended the rule three times, including changes BDA recommended to increase to the allowable gross open position limit, an increased minimum margin transfer threshold, and to permit risk limits for advisor accounts to be made at the advisor level. The SEC approved the rule in June 2016. The rule has a 6-month implementation timetable for making risk limit determinations (December 2016) and an 18-month implementation period for the rule's other requirements (December 2017).

Municipal Advisor Regulatory Regime

The SEC's Municipal Advisor (MA) rule went into effect on July 1, 2014. The MSRB has completed the core set of regulations for the MA regime which go into effect this year, including pay to play obligations (G-37), supervisory and compliance obligations (G-44), core standards of conduct (Rule G-42) and limitations on gift-giving (Rule G-20). BDA will be working with our members to ensure disclosure updates associated with standards of conduct are streamlined and efficient.

Private Placement Activity of Non-Dealer Municipal Advisors

BDA remains concerned that non-dealer municipal advisors (MAs) may be violating securities law and denying investors 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.

Legislative Advocacy Priorities

Financial Reform Legislative Priorities

BDA will work with the new Congress and Administration to advance regulatory reform legislation. This will include working to advance BDA's advocacy priorities including requiring more stringent regulatory cost-benefit analyses, High Quality Liquid Asset legislation, amendments to the Department of Labor Fiduciary Duty Rule, revisiting the Municipal Advisor Rule, and more.

Protecting Tax-Exempt Bonds

BDA [wrote](#) to the Ways & Means Committee opposing any proposal to modify or eliminate the tax-exempt status for municipal bonds. Additionally, BDA [wrote](#) a letter to House Speaker Paul Ryan (R-WI) and Rep. Kevin Brady (R-TX), Chairman of the House Ways & Means Committee, in response to the federal tax reform plan known in Washington as the "Blueprint". Municipal bonds have worked for issuers and taxpayers as a cost efficient means to finance critical infrastructure, transportation, and other community improvement projects for over 100 years. Limiting their value would significantly increase costs to state and local governments, taxpayers, and investors. BDA works with industry partners, including issuers and state and local groups, through the [Municipal Bonds for America](#) (MBFA) Coalition to preserve the tax exemption. Recently the MBFA Coalition held a [Muni Bonds 101 Seminar](#) in which over 35 House and Senate offices were represented for a panel discussion on the importance of preserving the present-law treatment of tax-exempt municipal bonds.

Bank Qualified Bonds

The Municipal Bond Market Support Act of 2016 has been introduced in both the House and the Senate. BQ legislation would increase the annual volume limit for bank-qualified bonds from \$10 Million to \$30 Million and index for inflation. In addition, the legislation allows for the use of pooled financings and calculates the volume cap at the issuer, rather than issuance, level. BDA has lobbied Congress extensively on the bank-qualified issue over the past six years. Unfortunately, there are few opportunities left on the 2016 legislative schedule to secure action on this measure, but it is likely that the bills can be quickly re-introduced in early 2017 and acted upon by the incoming Congress.