



BDA Fixed Income Legal & Compliance Roundtable Recap

On Wednesday, October 7, 2015, the BDA held a Fixed Income Legal & Compliance at the Ritz-Carlton in Denver, CO. The roundtable was held in conjunction with our [National Fixed Income Conference](#), which was attended by over 200 attendees from firms headquartered coast to coast.

The Legal & Compliance roundtable, the second this year, was sponsored by BDA member firm [Quarles & Brady](#) and was attended by over 30 BDA representatives and industry participants. Kicking off the event was candid dealer to dealer discussion about a variety of issues directly impacting business at member firms including:

The SEC's Municipal Advisor Rule

- Discussions about what constitutes advice and how to relay certain information to your issuer client without running afoul of the rule
- Conversations surrounding what firms are seeing in exams as well as documentation of transaction activities and reliance on certain exemptions under the rule
- Recent BDA G-42 meetings with the SEC and MSRB and specific BDA follow up with the regulator as it relates to our proactive suggestions regarding an approach to identifying and managing conflicts of interests and our concerns with timing and documentation of transaction activities
- How firms have adjusted roles within their compliance departments to ensure proper compliance with and supervision of components of the MA rule

Municipal Continuing Disclosure Cooperation Initiative (MCDC)

- Discussion of the most recent round of settlements with industry firms, which you can find [here](#)
- Continued focus on the required due diligence procedures for transactions and lessons learned from MCDC generally

Debt Research

- Approaches firms are taking in anticipation of being prepared for the rule's

implementation date of February 22, 2016

- The creation of a BDA working group to discuss various outstanding items in need of attention including separation of analysts, supervision and overall guidance needs from FINRA or the BDA

Minimum Denomination Bonds

- Discussion about FINRA's focus on firms that sell municipal bonds in less than the minimum denomination in violation of MSRB Rule G-15
- Firm's policies and procedures to prevent the purchase of bonds less than the established minimum denomination and whether we might see FINRA look to corporate bonds next

Best Execution for Municipal Securities

- BDA's recent meetings with the MSRB and SEC and our suggestions for certain topics to be incorporated into a future guidance document
- Discussion as to whether FINRA and MSRB will harmonize future guidance on best execution as we believe that is the approach which should be taken by the regulators

For the last hour of the roundtable, we were joined by Cindy Friedlander, Director, Fixed Income Regulation, Regulatory Operations at FINRA. Cindy spoke in detail about the following items:

- Recent FINRA exam findings including their approach and feedback received in the way of information collection with regard to the Municipal Advisor rule
- Bank loans and ensuring a loan is not actually a security by referring to the Reeves test
- Market Access (SEC Rule 15c3-5) and to ensure firms have appropriate parameters in place to meet the requirements of the rule and that these parameters are tested
- Minimum denominations and FINRA's focus on firms that sell municipal bonds in less than the minimum denomination, in violation of MSRB Rule G-15. We discussed whether it would be helpful for the market to receive interpretive guidance (likely from the MSRB) based upon what the MSRB is seeing in market, coupled with FINRA's exam findings
- Muni short positions including how to ensure firms have adequate procedures in place (Regulatory Notice 15-27 provides guidance and can be found [here](#))
- Future rule proposals including proposed rules to protect seniors; more information can be found [here](#)
- Pricing disclosure including coordination with the MSRB's efforts regarding their markup proposal, available [here](#). FINRA's re-proposal was released just days after our meeting and is available [here](#)
- Best ex guidance, which we should see soon. FINRA and the MSRB's efforts should align with respect to the fixed income part of FINRA's overall purview
- Ongoing effort to address extended settlements of all types

After the event concluded, there was a networking reception and dinner at Elway's Restaurant at the Ritz-Carlton Hotel where members continued to engage one another and share information. The day's events were a success but wouldn't be possible without the interest, attendance and shared information among our member firms and industry participants. Our thanks goes out to you!

Thank you again for your continued support and feel free to contact the BDA with any questions.

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