



## **BDA Board of Directors Meets with SEC Chair, FINRA CEO and MSRB Executive Director During Annual Trip to DC**

On June 4 & 5, the Bond Dealers of America Board of Directors convened in Washington, DC for a series of meetings with federal regulators, senior staff on Capitol Hill, and Congressman Steve Stivers (R-OH). BDA members spoke candidly on issues of importance to middle-market broker dealers, as described in more detail below.

The first day of meetings was held on Thursday, June 4 and consisted of discussions with with SEC Chair Mary Jo White, MSRB Executive Director Lynnette Kelly and FINRA CEO Rick Ketchum.

The BDA Board hosted a reception that evening at which we were joined by Congressman Steve Stivers who addressed the Board and engaged in discussions about issues that are currently impacting middle-market broker dealers active in the U.S. securities markets. Following the reception, members gathered for dinner and were joined by Stephen Harbeck, President and CEO of SIPC.

Day two consisted of meetings with SEC Commissioner Kara Stein, the SEC's Division of Trading & Markets, and the Office of Municipal Securities. In addition to meeting with the SEC, Board members had a high level meetings with senior staff members to Senate Banking Chairman Senator Shelby (R-AL) and Senator Schumer (D-NY).

Below is a more in-depth description of our meetings, including the topics discussed.

### **SEC Chair Mary Jo White**

BDA met with SEC Chair Mary Jo White and her staff. We shared the regulatory and market concerns that are unique to middle-market broker dealers and engaged with Chair White about ways to improve some of the rulemakings the industry is facing. Specifically, we discussed the following:

- Barriers to entry and the disproportionate impact of regulation
- The SEC's Municipal Advisor Rule and continued concerns and impacts to middle-market dealers
- DOL's fiduciary duty proposal and the SEC's role
- Pricing reference disclosure proposal
- The SEC's 2012 Municipal Market Report
- The market impact of industry consolidation

## **MSRB**

BDA met with Lynnette Kelly, Executive Director and Michael Post, General Counsel, Regulatory Affairs at the MSRB. We heard from Lynnette about the MSRB's priorities for 2015 and 2016 and discussed the following issues in more detail:

- The regulatory climate in DC and an increased interest in the fixed income markets
- Municipal advisor regulation
- Regulatory efficiency
- Price transparency and market structure issues including best execution, post-trade and pre-trade data elements
- EMMA and the potential for additional data to help educate investors
- BDA expressed that three months between the issuance of the best ex guidance and the implementation date will not be enough time to comply

## **FINRA**

BDA met with CEO Rick Ketchum and team. FINRA reviewed their priorities and we discussed the following items in more detail:

- Cumulative regulatory impact is troublesome for the industry generally and harms the ability to provide liquidity to customers
- How the dealer community has to comply with new regulatory hurdles and has less balance sheet to provide liquidity and enter new business lines
- MCDC and unintended consequences with regard to statutory disqualification
- FINRA's interest in focusing on breakdowns in the market and bigger pattern issues
- Best ex and whether FINRA will consider issuing guidance for the industry
- The DOL's fiduciary proposal

## **Congressman Steve Stivers (R-OH)**

BDA met with Mr. Stivers who sits on the Committee on Financial Services, Subcommittee on Capital Markets and Government-Sponsored Enterprises. We discussed issues related to ongoing challenges experienced by the middle-market broker dealers. Specifically, we discussed.

- Market liquidity challenges including maintaining a robust inventory
- The SEC's MCDC Initiative and ongoing challenges

### **SEC Office of Municipal Securities and Trading & Markets**

BDA met with Tom Eady and his team from the SEC's Division of Trading and Markets as well as Jessica Kane, Rebecca Olsen and their staff from the Office of Municipal Securities. We discussed the following items:

- Best execution and the need for more time between when the guidance may be issued and the effective date of the rule, given the challenging practicalities of implementation
- Pricing reference disclosure proposals at FINRA and the MSRB, the continued conversations and coordination among all regulators and our concern that the rule as proposed may be overly expensive to implement
- Ongoing challenges with the SEC's Municipal Advisor Rule
- Our concerns with non-dealer municipal advisors that act as a placement agents without registering as broker-dealers activity in violation of securities law
- Pre-trade transparency and the SEC's desire to collect more information on this topic from the industry

### **SEC Commissioner Kara Stein**

- Concerns about liquidity risk
- The SEC's desire for a more competitive market
- The constant tension with regard to discrepancies in how small and medium sized firms get treated versus larger firms with deeper pockets
- Concern with the decrease in the number of firms operating in our market in the past few years which is potentially troublesome for liquidity

### **Senior Staff to Senator Richard Shelby (R-AL)**

- BDA member concerns with MCDC and statutory disqualification
- The pace and scope of regulation, including the pricing reference disclosure rules and best execution
- BDA concerns with market liquidity

### **Senior Staff to Senator Charles Schumer (D-NY)**

- The burdens faced by middle-market broker dealers as a result of increased regulation
- Banking, housing and FS issues
- Municipal bonds as HQLA
- The importance of maintaining the tax exempt status of municipal bonds

BDA hosts this trip with regulators and Members of Congress in Washington, DC yearly and it is always beneficial for our membership due to the direct access it provides middle-market broker-dealers to regulators and top Washington lawmakers. It provides us with yet another opportunity for our members to share experiences with one another and for us to hear directly from regulator and Members of Congress.

We hope this information is helpful. Feel free to contact the BDA with any questions.

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