



Retail Confirmation Markup Disclosure Rules

Background:

The MSRB and FINRA amended rules G-15, G-30 and FINRA Rule 2232 to require dealers to disclose the compensation received on certain municipal and corporate debt transactions. These disclosures must appear on confirmations sent to retail clients, based on the security's prevailing market price. The rules were approved by the SEC in November 2016 and are slated to become effective on May 14, 2018.

BDA's Recent Advocacy Actions:

In the fall of 2017, a BDA working group submitted an amendment recommendation to the rules to both FINRA and MSRB. The BDA policy recommendation introduced the concept of "general market liquidity provider" to allow dealers that provide liquidity and offer bonds in support of their network of financial advisors to rebut the presumption that their cost is the best measure of prevailing market price for the purposes of the disclosure. The BDA also continued to advocate for a delay of the rules.

Throughout December 2017, BDA staff continued conversations with FINRA staff, and also reached out to SEC commissioners' staffs to discuss our concerns in-depth after hearing that SEC commissioners were balking on a delay of the rules.

In January 2018, BDA members met with SEC Chairman Jay Clayton, SEC Commissioner Kara Stein, and senior staff to SEC Commissioner Mike Piwowar in support of a delay of the rules and to make clear to the SEC the numerous compliance problems small firms are facing with vendors, implementation, etc.

The SEC commissioners held their position that the rules should not be delayed. However, BDA felt that they did leave the door open for an extended timeline without enforcement. Chairman Clayton prompted BDA to draft a "business plan" laying out the framework of steps to be taken if a delay of enforcement were to be granted.

The plan BDA presented in our [February 7, 2018, letter](#) to Chairman Clayton includes a "conformance period," in which the regulations would not be enforced if broker-dealers acted in good faith and worked to come into full compliance with the rules by December 31, 2018.

As a follow-up, in March 2018, BDA members met with the two new SEC commissioners, Hester Peirce and Robert Jackson, Jr., regarding the markup rules. **Also in March 2018, the BDA was notified that regulators are seriously considering the BDA's conformance period proposal. Currently, the BDA is in communication with member firms, industry groups and regulators to ensure a positive outcome and collect data to pass along to FINRA, the MSRB and the SEC. More information on this issue should be available soon.**