



**BDA**10 *Years  
Strong*

# Advocacy / Membership / Events



3Q 2018 Fiscal Year



To: BDA Member Firms

Re: 3Q Update on Representation of Member Firms

It is critical for a trade association to proactively represent their membership. For us this comes in two forms - 1) We will continue to represent the members when confronted with policy proposals that affect our industry; and 2) we will proactively advance Fixed Income issues that are impactful to the membership. Over the last 10 years the BDA has aggressively defended our membership by working against federal regulatory and legislative policies that negatively impact regional, middle market and small fixed-income dealers. As the BDA has expanded from 14 to 75 member firms and thus enhancing our presence within DC and the industry, the BDA is becoming a *thought leader* on issues of importance to the membership. Our members are now in a greater position to proactively advance policies as a *thought leader* providing representation of 75 member firms.

*Thought leadership* requires a forward-looking approach. In our industry it is anticipating the issues that will arise through market structure and political landscape changes. Wikipedia defines *thought leadership* as "an individual or firm that is recognized as an authority in a specialized field and whose expertise is sought and often rewarded."

With a larger membership, an expanded staff, and a recognizable presence in Washington, DC and throughout the securities industry, the BDA is positioned to be thought leader on issues such as tax reform, regulatory reform, GSE reform, infrastructure, and fixed income market structure, among many other issues.

Along with the leadership of the BDA Board of Directors - with an average of 28 years of industry experience - the staff of the BDA is actively working to assume the *thought leadership* mantle on key issues with the ultimate goal of being the most effective advocate possible for our membership. We will continue to provide consistent and comprehensive regulatory guidance as the market landscape evolves.

We encourage your direct engagement to ensure the BDA continues to best represent all member firms.

Thank you for your support of the BDA and as always please contact either of us if you need anything from your trade association in Washington, DC.

Sincerely,

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## **Federal Regulatory and Legislative Priorities 3<sup>rd</sup> Quarter 2018**

### **FINRA Rule 4210**

In April 2018, FINRA asked the SEC to delay Rule 4210 amendments to March 2019, indicating that many market participants have requested that FINRA reconsider the potential impact of an amended Rule 4210 on smaller and medium-sized broker-dealers. The BDA and its members are leading the charge in the request of this delay and would like FINRA and the SEC to reconsider these amendments.

The BDA believes that the 4210 amendments represent a regulatory overreach by FINRA. FINRA is using a broad statutory authority of the Securities and Exchange Act in an attempt to adopt a systemic risk rule, potentially violating Congressional intent. The BDA also believes that the 4210 amendments are anti-competitive to BDA members.

The BDA has proposed a capital charge in lieu of margin, which would allow dealers to remain competitive with money manager accounts and still manage any systemic risk. Positive conversations on this potential change are ongoing with FINRA staff.

Additionally, the BDA continues to engage Capitol Hill on next steps for FINRA Rule 4210 amendments. On Capitol Hill, the BDA strategy is two-fold: 1) request support for terminating the amendments before they are finalized on March 25, 2019 and/or 2) have Members of Congress reach out to FINRA in support of the capital charge proposal. Recent meetings have included the offices of House Financial Services Chairman Jeb Hensarling and Capital Markets Subcommittee Chairman Bill Huizenga. A meeting with Ranking Member Maxine Waters' staff is set for this week.

### **Promoting Tax-Exempt Municipal Bonds and Private-Activity Bonds Through Infrastructure**

The BDA has been building relationships with various state and local groups, coalitions, and trade associations to continue to advocate for the protection of tax-exempt municipal bonds and for expanded use of private-activity bonds.

In July 2018, both the House Ways and Means and Transportation and Infrastructure Committees released outlines of potential tax reform and infrastructure spending plans to be debated this fall. While neither draft proposal directly address municipal bonds, or private-activity bonds, both present an opportunity for the BDA to be a thought leader going forward through the fall of 2018 into the new Congress next year.

The BDA is planning a DC Roundtable in the 1<sup>st</sup> quarter of 2019 laying out financing principles needed in any infrastructure package. This event will bring together policy experts, elected officials and fixed income market participants to discuss a bipartisan approach to improving out country's lagging infrastructure.

### **SEC Fixed Income Market Structure Committee**

The BDA continues to play an active role in the SEC Fixed Income Market Structure Committee. BDA members of the SEC's Fixed Income Market Structure Advisory Committee (FIMSAC) include Horace Carter (Raymond James), Amar Kuchinad, (Trumid Financial) and Richard McVey (MarketAxess).

The BDA is establishing an internal Fixed Income Market Structure Working Group. This group will proactively get in front of federal regulatory policy impacting the US fixed income markets. The group will include bank and non-bank dealers, both retail and institutional focused.

### **Michigan Legislation on Competitive vs. Negotiated Bond Sales**

A bill was recently introduced in the Michigan State Legislature that would require municipal issuers to issue all outstanding debt through competitive bid, unless the issue is no more than \$500,000, at which point negotiated is an option. The BDA's Fixed Income Municipal Bond Committee has developed a strategy to fight against the anti-competitive nature of this bill and will engage in a grass-roots effort to stop the legislation from moving forward before other states follow suit.

The BDA placed an op-ed in the *BondBuyer* in opposition of the legislation. The piece laid out the BDA's argument in favor of allowing issuers the discretion of choice in what works best for them.

Due in part to the BDA and membership advocacy, the bill has been pulled from the legislative calendar, and further action has been postponed indefinitely.

### **Small Business Audit Correction Act**

In June 2018, Senators Tom Cotton (R-AR) and Doug Jones (D-AL) and Representatives French Hill (R-AR) and Vicente Gonzalez (D-TX) formally introduced *The Small Business Audit Correction Act* (S. 3004 & H.R. 6021). The bill would exempt small, privately-held, non-custodial broker-dealer firms from the requirement to use a Public Company Accounting Oversight Board (PCAOB) registered audit firm for their annual audits. Passage of legislation would allow eligible firms to conduct their annual audits in a less costly and burdensome manner.

In June, the Senate Banking, Housing, and Urban Affairs Committee held a hearing on *The Small Business Audit Correction Act* and the bill received bipartisan support. The Committee is expected to markup the bill sometime this fall. In the lower Chamber, the House Financial Services Committee is expected to markup the bill sometime in September.



### **Municipal Bonds for America (MBFA) Coalition/Municipal Advance Refundings**

The MBFA Coalition is dedicated to preserving the tax exempt status of all municipal bonds, including private-activity bonds and the recent loss of advance refundings. As discussions on Capitol Hill continue to develop on a federal infrastructure package and changes to the tax code begin to take form in "Tax 2.0," simply a second phase of tax cuts, the MBFA will host its annual Hill briefing for Members of Congress and staffers on municipal finance on September 24, 2018. The coalition will also provide an opportunity for BDA members to participate in its legislative Hill day on September 25, 2018, in which BDA members will have the opportunity to participate and explain why the tax exemption is critical for infrastructure financing.

The BDA is leading the advocacy push for H.R. 5003, legislation that would fully reinstate municipal advance refundings. The BDA continues to work simultaneously with Capitol Hill, the Municipal Bonds For America Coalition, and the full issuer community to place advance refundings into the infrastructure conversation as attention turns to a potential package next year.

Most recently, in May 2018, the BDA Municipal Bond Division Leadership submitted comments to the House Ways and Tax Policy Means Subcommittee's hearing titled, "Tax Reform and Small Businesses: Growing Our Economy and Creating Jobs," requesting to restore the ability of state and local governments to save taxpayer dollars and generate additional funds for infrastructure and other key initiatives by restoring tax exempt advanced refundings.

### **Retail Confirmation Mark-up Disclosure Rules**

In early 2018, the BDA presented to the SEC a plan for a "conformance period," in which the mark-up 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.

Despite opposition from various trade groups, in late April 2018, the SEC denied the conformance period proposal and the rules became effective on May 14, 2018.

The BDA is currently engaging with regulators regarding the guidance issued for compliance with the rules.

### **SEC Municipal Disclosures-Rule 15c2-12**

The BDA continues to advocate on Rule 15c2-12 to the SEC Office of Municipal Securities. Working with the Legal and Compliance Committee, the BDA continues to encourage commissioners to update the Commissions interpretative guidance last updated in 1994.

Recently, the SEC adopted the Rule amendments and the BDA hosting a conference call to discuss best practices and next steps. The BDA continues to work with OMS on next steps in preparation for the eventual release of FAQ's.

### **MSRB Rule for Municipal Advisors/Update Dealer Standards on Advertising**

The BDA has been active in submitting comments on the MSRB's new rule, MSRB Rule G-40, on advertising by municipal advisors, and amendments to MSRB Rule G-21, on advertising by municipal securities dealers.

BDA submitted comments in February 2018 to the SEC in response to the MSRB's proposed new rule and met senior SEC staff in April 2018. BDA also submitted a joint letter with NAMA and SIFMA, requesting for the SEC to institute disapproval proceedings for the MSRB's proposed amendments to Rule G-21 and new Rule G-40 until the MSRB further clarifies and addresses these key issues within the text of the rules themselves.

However, the SEC has approved MSRB's proposed rule change and its effective date will be February 7, 2019.

In July 2018, the BDA submitted comments to the MSRB on their draft set of FAQs related to the application of Rule G-40 and a municipal advisor's use of case studies and municipal advisory client lists. The BDA will continue to submit comments to the MSRB as they issue more draft sets of FAQs related to advertising by municipal advisors.

## Upcoming BDA Events

### **Fixed Income Legal & Compliance Roundtable**

October 24

Quarles & Brady

Washington, DC

### **3Q Board of Directors Meeting**

October 24

Nixon Peabody

Washington, DC

### **Heads of Public Finance Roundtable**

October 25

The Four Season Hotel

Washington, DC

### **National Fixed Income Conference**

October 25-26

TheFour Seasons Hotel

Washington, DC

[\*Register For Conference\*](#)

### **4Q Board of Directors Meeting**

February 13, 2019

Austin, TX

### **Fixed Income Strategy Session**

February 13-14, 2019

Austin, TX



## **Completed BDA Events**

### **Institutional Fixed Income Roundtable**

August 16  
Four Seasons Hotel  
Chicago, IL

### **2Q Board of Directors Meeting**

August 16  
Four Seasons Hotel  
Chicago, IL

### **Heads of Public Finance Roundtable**

June 21  
Quarles & Brady  
Chicago, IL

### **Municipal Market Seminar on Regulation, Compliance and Enforcement**

(Featuring FINRA, MSRB and SEC)  
May 16  
Four Seasons Hotel  
St. Louis, MO

### **Retail Fixed Income Roundtable**

May 17  
Wells Fargo Advisors Office  
St. Louis, MO

### **Fixed Income Legal and Compliance Roundtable**

June 7  
Nixon Peabody  
Washington, DC

### **Fixed Income Sales Managers Roundtable**

April 19  
Dougherty & Company  
Minneapolis, MN

**1<sup>st</sup> Quarter Board Meeting**

May 7

Conference Call

**National Municipal Bond Summit** (In Partnership with The Bond Buyer)

March 21 – 23

Trump National Doral Miami

Miami, FL

**Fixed Income Strategy Session** (BDA Full Members Only)

January 24 -27

The Dewberry Hotel

Charleston, SC

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## BDA Member Firms

Advisors Asset Management  
Boca Raton, FL

Amuni Financial, Inc.  
St. Petersburg, FL

Ameriprise Financial  
Minneapolis, MN

BB&T Capital Markets  
Richmond, VA

Benchmark Securities  
Winter Park, FL

Bernardi Securities, Inc.  
Chicago, IL

B.C. Ziegler & Company  
Chicago, IL

B. Riley FBR  
Los Angeles, CA

Calton & Associates  
Tampa, FL

Comerica Securities, Inc.  
Detroit, MI

Crews & Associates, Inc.  
Little Rock, AR

KeyBanc Capital Markets  
Cleveland, OH

LPL Financial  
Boston, MA

Moreton Capital Markets  
Salt Lake City, UT

NatAlliance Securities, Inc.  
Dallas, TX

Northland Securities, Inc.  
Minneapolis, MN

Piper Jaffray  
Minneapolis, MN

Raymond James & Associates, Inc.  
St. Petersburg, FL

RBC Wealth Management  
Minneapolis, MN

Robert W. Baird  
Milwaukee, WI

Roosevelt & Cross Inc.  
New York, NY

R.W. Smith & Associates  
Bellevue, WA

Davenport & Company, LLC  
Richmond, VA

Dougherty & Company, LLC  
Minneapolis, MN

Duncan-Williams, Inc.  
Memphis, TN

Estrada Hinojosa  
Dallas, TX

Fifth Third Securities  
Cincinnati, OH

First Southern Securities  
Alpharetta, GA

FTN Financial  
Memphis, TN

George K. Baum & Company  
Kansas City, MO

Hilltop Securities Inc.  
Dallas, TX

Hutchinson, Shockey, Erley & Co.  
Chicago, IL

Incapital, LLC  
Chicago, IL

Janney Montgomery Scott, LLC  
Philadelphia, PA

J.W. Korth  
Miami, FL

Sandler O'Neill + Partners L.P.  
New York, NY

Stephens Inc.  
Little Rock, AR

Stifel, Nicolaus & Co.  
St. Louis, MO

UBS Wealth Management  
Weehawken, NJ

U.S. Bank National Association  
Minneapolis, MN

Valdes & Moreno  
Kansas City, MO

Vanguard Brokerage Services  
Valley Forge, PA

Vining Sparks  
Memphis, TN

Wells Fargo Advisors  
St. Louis, MO

Wells Fargo Securities  
Charlotte, NC

Wells Nelson & Associates  
Tulsa, OK

William Blair  
Chicago, IL



## Associate Member Firms

Assured Guaranty  
New York, NY

MarketAxess  
New York, NY

AxeTrading  
London, England

Morgan Lewis  
Philadelphia, PA

Bloomberg TOMS  
New York, NY

MTS Markets International  
New York, NY

BondPoint  
New York, NY

Municipal Bonds Information Systems  
New York, NY

BMO National Bank N.A.  
Chicago, IL

Nixon Peabody  
Washington, DC

BondWave  
Wheaton, IL

Pershing, LLC  
Jersey City, NJ

Broadridge Financial Solutions  
New York, NY

Quarles & Brady LLP  
Washington, DC

Build America Mutual  
New York, NY

TMC Bonds  
New York, NY

DPC Data  
Roseland, NJ

Tradeweb Retail  
Jersey City, NJ

ICE Data  
Bedford, MA

Verus Consulting Group  
Naples, FL

Lumesis  
Stamford, CT