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FINRA Board of Governors Approves Shortening Syndicate Settlement Time

FINRA today announced that at their Board of Governors meeting last week, the Board approved a proposal to amend FINRA Rule 11880 to shorten the time to settle syndicate accounts. Although today's announcement is not specific as to the terms of the amendment, we have been informed unofficially by FINRA staff that their Board approved the "70-30 approach" that arose from a compromise between the BDA coalition and the bulge bracket firms that were opposed to a strict 30-day syndicate settlement.

If FINRA follows the proposal that was agreed to by BDA and the bulge brackets, then under the amendment, syndicate bookrunners would be required to pay out 70 percent of gross underwriting spread to syndicate members within 30 days of deal closing. The remaining 30 percent, net of syndicate expenses, would be required to be paid within 90 days.

The next step in the rulemaking process is for FINRA to transmit a formal rule change proposal to the SEC for approval. FINRA staff have told us that the Board directed staff to move as quickly as possible with the goal of having this rule change fully implemented by the end of the year. There will be an additional public comment period when the proposal is under consideration at the SEC, and BDA will submit comments in favor of FINRA's proposal.

Last week's decision comes after three years of BDA advocacy around shortening the syndicate settlement time. FINRA's summary of last week's Board meeting [is available here](#). As always, please call or write if you have any questions.

We hope this information is valuable. Please contact the BDA if you have any questions.
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