HMA | HEALTHY MARKETS ASSOCIATION
A MEMBER ORGANIZATION

August 30, 2022

Via Electronic Mail

Hon. Gary Gensler, Chair
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Application of Rule 15c2-11 to Fixed Income Securities

Dear Chair Gensler:

The Healthy Markets Association[1] writes to supplement our January 2022 letter regarding the application of Rule 15c2-11 to trading in fixed income securities.[2] While we generally support the objectives of applying the Rule to fixed income securities, we urge the Commission and staff to undertake urgent action to provide essential market clarity and avoid potential unnecessary market disruptions.

Background on Rule 15c2-11

Since its adoption in 1971,[3] Rule 15c2-11 has sought to reduce fraud and information asymmetries that harm investors by requiring broker-dealers to review certain issuer information and have a reasonable basis for believing it is accurate before the broker-dealer initiates or resumes providing quotations for it.[4] The justification for the rule is simple: if a security isn't quoted in a medium, then it is harder for investors to buy, which makes it harder for investors to be victimized by fraud and general information asymmetries.

Recent Commission Actions

In March 2019, then-Chairman Jay Clayton and Division of Trading and Markets Director Brett Redfearn gave joint remarks at Fordham University in which they

[1] Healthy Markets Association ("HMA") engages asset owners, asset managers, brokers, exchanges, data providers, policymakers, regulators, and other stakeholders to increase capital markets transparency and reduce conflicts of interest, risks, and costs for investors. To learn about HMA or our members, please see our website at http://healthymarkets.org.

[2] Letter from Tyler Gellasch, HMA, to Hon. Gary Gensler, SEC, Jan. 13, 2022, *available at* https://healthymarkets.org/wp-content/uploads/2022/02/15c2-11-Letter-to-SEC-1-13-22-1-1.pdf.

[3] *Initiations or Resumptions of Quotations by a Broker or Dealer Who Lacks Certain Information*, SEC, 36 Fed. Reg. 18641 (Sept. 18, 1971), *available at* https://archives.federalregister.gov/issue_slice/1971/9/18/18639-18643.pdf#page=3 ("Initial Rule").

[4] 17 C.F.R. 240.15c2-11. We note that there are also exceptions that allow brokers to continue quoting some OTC securities long after the information becomes stale.

suggested revising Rule 15c2-11 to make it more difficult for retail investors to trade OTC securities that didn't have any current public information.[5]

In September 2019, the Commission unanimously proposed revising the Rule and its exemptions.[6] The Proposal explicitly attempted to address situations where "there is no or limited current public information available about certain issuers of quoted OTC securities," so as to "allow investors or other market participants to make informed decisions regarding company fundamentals."[7]

Over 150 comments were received, with many objecting to the Proposal, including what appeared to be a large swath of day traders. However, the North American Securities Administrators Association[8] supported the Proposal, and Better Markets[9] asserted that the Proposal did not go far enough to combat abuses.

The Proposal did not say it applied to only equity securities: it used the broader rubric of "securities." In September 2020, the SEC adopted the revised Rule,[10] and set the implementation date for September 2021.

Days before the revised Rule was to go into effect, the staff for the Division of Trading and Markets released a three-month no-action letter essentially exempting debt securities from the rule's application.[11] On September 28, 2021, the revised Rule came into effect.

On December 16, 2021, the Commission staff issued another no-action letter that established a phasing in timeline for application of the revised Rule to different fixed income assets:[12]

- Phase 1 – the fixed income security or its issuer meets one of the criteria in Appendix A, or that there

[5] *Equity Market Structure 2019: Looking Back & Moving Forward, before the Gabelli School of Business, Fordham University*, Hon.Jay Clayton and Brett Redfearn, SEC, Mar. 8, 2019, *available at* https://www.sec.gov/news/speech/clayton-redfearn-equity-market-structure-2019.

[6] *Publications or Submissions of Quotations Without Specified Information*, SEC, 84 Fed. Reg. 58206 (Oct. 30, 2019), *available at* https://www.govinfo.gov/content/pkg/FR-2019-10-30/pdf/2019-21260.pdf (the "Proposal").

[7] Proposal, at 58207.

[8] Letter from Christopher Gerold, NASAA, to Vanessa Countryman, SEC, Dec. 7, 2019, *available at* https://www.sec.gov/comments/s7-14-19/s71419-6587836-201868.pdf.

[9] Letter from Dennis Kelleher and Lev Bagramian, Better Markets, to Vanessa Countryman, SEC, Dec. 30, 2019, *available at* https://www.sec.gov/comments/s7-14-19/s71419-6587882-201855.pdf.

[10] Publication or Submission of Quotations Without Specified Information, SEC, 85 Fed. Reg. 68124 (Oct. 27, 2020), *available at* https://www.govinfo.gov/content/pkg/FR-2020-10-27/pdf/2020-20980.pdf.

[11] Letter from Josephine Tao, SEC, to Racquel Russell, FINRA, Sept. 24, 2021, *available at* https://www.sec.gov/files/rule-15c2-11-fixed-income-securities-092421.pdf.

[12] Letter from Josephine Tao, SEC, to Racquel Russell, FINRA, Dec. 16, 2021, *available at* https://www.sec.gov/files/fixed-income-rule-15c2-11-nal-finra-121621.pdf ("December 2021 No Action Letter").

is current and publicly available financial information (consistent with Rule 15c2-11(b)) about the issuer. Phase 1 will be in place for a one-year period (from January 3, 2022 until, and including, January 3, 2023).

- Phase 2 – the fixed income security or its issuer meets one of the criteria in Appendix B, or there is current and publicly available financial information (consistent with Rule 15c2-11(b)) about the issuer. Fixed income securities sold pursuant to Rule 144A that do not otherwise meet the criteria in Appendix B would no longer qualify for Phase 2 unless the broker or dealer determines that there is current and publicly available information (consistent with Rule 15c2-11(b)) about the issuer. Phase 2 will be in place for a one year period (from January 4, 2023 until, and including, January 4, 2024).

- Phase 3 – the fixed income security qualifies for Phase 2 and: (1) the fixed income security is foreign sovereign debt or a debt security guaranteed by a foreign government; or (2) there is a website link, on the quotation medium on which the security is being quoted, directly to the current and publicly available information about the issuer (consistent with Rule 15c2-11(b)), provided that the broker or dealer has determined at least on an annual basis that the website link and its underlying information is current ("Phase 3"). Phase 3 commences at the expiration of Phase 2 (on or after January 5, 2024).[13]

Justifications for Applying Rule 15c2-11 to Fixed Income Securities

While we often think about the need for accurate financial information to value equities, that information is also important for valuing fixed income securities. However, accurate financial information about fixed income securities may be even less readily available than for equities. This may be particularly true for corporate bonds that may be offered and sold pursuant to the Commission's numerous regulatory exemptions–including those offered using Rule 144A.

However, just because financial information may not be publicly available does not mean that the information is not available. Broker-dealers often do have access to the

[13] December 2021 No Action, at 2.

information. And many institutional investors can also get access to some financial information, upon request. But what about the debt issuers that don't have current, public financials?

There is a significant risk that information provided to investors in these transactions may be inaccurate or out-of-date. Put simply, the private market exemptions generally don't compel issuers to provide investors with really any information, and while we might suggest large investors can fend for themselves, history has proven that they're not always very good at that.

While many institutional investors, including pension funds and insurance firms, may be provided the information they request, many – particularly smaller institutions – will not get all the essential information, and even those that do receive the information often do not have the resources to most effectively make use of it. There's a reason a Goldman Sachs trader sent this email about a private debt deal in the run-up to the Global Financial Crisis:

> **"[T]his list might be a little skewed towards sophisticated hedge funds with which we should not expect to make too much money since (a) most of the time they will be on the same side of the trade as we will, and (b) they know exactly how things work and will not let us work for too much $$$, vs. buy-and-hold rating-based buyers who we should be focused on a lot more to make incremental $$$ next year."**
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> **-- Goldman Sachs email from Fabrice Tourre, 12/28/06, GS MBS-E-002527843, Exhibit 61** [14]

In corporate debt securities, many investors often rely heavily on public financials of a parent or affiliate. However, in mortgage and other asset backed securities, investors often have little more to rely upon than credit ratings, limited due diligence of the issue (such as sampling), and some limited due diligence of the trustee.[15] Unfortunately, the risks may be far greater than immediately apparent.

Moreover, there is also a risk that the broker-dealer who may be providing quotations in a fixed income security has much more information about the security and issuer than the investor. For example, the broker-dealer is often involved in creating and selling the offering, or it may have other relationships with the issuer giving it access to greater and more accurate information than investors. This is important because it means placing an obligation on such a broker-dealer to have such information before it executes trades is in many instances not burdensome. Also consider that a dealer with such information

[14] *Wall Street and the Financial Crisis: Role of Investment Banks*, U.S. Senate Permanent Subcommittee on Investigations, Cmte on Homeland Security and Gov't Affairs, Apr. 27, 2010, Exhibits, *available at* https://www.hsgac.senate.gov//imo/media/doc/Financial_Crisis/042710Exhibits.pdf?attempt=2.

[15] We note that some trustees for asset backed securities are viewed by market participants as having higher quality and consistency standards and operations than others.

might be viewed as insider trading if it was in the public markets-a risk that is not purely theoretical.

Again, many of the "toxic assets" of the Global Financial Crisis arose in private debt offerings wherein the fixed income investors believed they had all the information they needed, history proved that they clearly did not have the information they needed. Further, that information was frequently possessed by their broker-dealer or could be obtained. In many instances, the issuers and banks selling these securities to investors did have information that would have materially impacted the prices and volumes of trading, had that information been publicly shared.

Interestingly, as described in greater detail below, applying Rule 15c2-11 to fixed income securities would have a targeted impact. For example, the issuers that have relied on Rule 144A to sell their debt that are most likely to be impacted (because they don't currently provide public financials) are disproportionately associated with private equity, and in industries like oil and gas (including pipelines), healthcare, retail, and telecommunications.

Further, applying Rule 15c2-11 to fixed income is also consistent with the Commission's overarching effort to ensure that investors get more information from large, widely held or heavily traded issuers.[16] For example, the SEC's Spring 2022 Agenda included reforms to Section 12(g),[17] which would pull more widely held, but technically private companies into the public reporting regime.[18]

Lastly, given the ongoing fights with the digital asset trading venues over their registration status as securities exchanges, the application of Rule 15c2-11 to digital asset securities could be important to avoiding regulatory evasion.

Concerns with Applying Rule 15c2-11 to Fixed Income Securities

Broker-dealers have generally not previously endeavored to comply with Rule 15c2-11 for trading in fixed income securities, and we are not aware of the Commission or FINRA ever bringing an enforcement action or taking other action to ensure the application of the rule to fixed income securities in the more than fifty years of the Rule's

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[16] *See, e.g., Going Dark: The Growth of Private Markets and the Impact on Investors and the Economy, before the Practicing Law Institute, 2021 SEC Speaks,* Hon. Allison Herren Lee, Oct. 12, 2021, *available at* https://www.sec.gov/news/speech/lee-sec-speaks-2021-10-12.

[17] Agency Rule List - Spring 2022, SEC, *available at* https://www.reginfo.gov/public/do/eAgendaMain?operation=OPERATION_GET_AGENCY_RULE_LIST&currentPub=true&agencyCode=&showStage=active&agencyCd=3235&csrf_token=ABBAA84824C29E01B566B0472A6E99E59C730916821A14613C79DE7F48AC8EAEF4CA3A7C929E9B10E667F119BAA4958D5293.

[18] *In the Public Interest: Why Policymakers and Regulators Must Restore the Public Capital Markets*, HMA, Jan. 2022, *available at* https://healthymarkets.org/product/public-vs-private-markets-a-special-report.

existence. Consistent with the view that the Rule wasn't applied to fixed income trading, we are not aware of FINRA ever asking brokers-dealers how they are complying with the Rule in fixed income or having any examination module dedicated to the topic.

At an initial level, broker-dealers will need to engage in a process (or buy a product from a vendor such as Bloomberg, ICE Data Services, etc.) to ensure that they can comply with the Rule. That means not just obtaining information for issuers, but also having "a reasonable basis under the circumstances for believing that: (1) The documents and information specified in paragraph (b) of this section are accurate in all material respects; and (2) The sources of the documents and information specified in paragraph (b) of this section are reliable."[19]

What should broker-dealers be required to provide, and what will FINRA and the SEC want to see? Some vendors have been working on this matter for over a year now, but there are many questions surrounding the permitted exemptions and the data that is required to be captured and reviewed, in the fixed income context.[20]

There are several technical questions and challenges for how broker-dealers may comply with the Rule, given that it would now apply to fixed income securities. For example, who's the relevant "issuer" for a mortgage or other asset-backed security? The form brokers use to check compliance wasn't created with fixed income in mind, so we think it should be tweaked to be more relevant for fixed income.

Additionally, there are a number of technical questions to be resolved that could dramatically ease compliance, reducing burdens on broker-dealers, and mitigating potential negative market impacts. For example, could a broker-dealer:

- provide prices and volumes in response to a bilateral request for a quote from another broker?
- rely upon "unaudited" financial statements, and if so, could they be simply "auditor reviewed," or some other standard?[21]
- determine that the fixed income securities are guaranteed by an affiliate that is listed on an exchange, and simply provide links to the financials of the affiliate?

[19] 17 C.F.R. 240.15c2-11.

[20] In general, we appreciate that the information may ultimately be largely similar to that required in the equities context. We further note that lesser variability between asset types could ease compliance and consistency challenges for broker-dealers seeking to comply with the Rule.

[21] We note that Rule 15c2-11 has historically required audited financials. *See, e.g.,* Revised Rule, at 68158 ("The asset test and shareholders' equity prong under amended Rule, however, require use of an audited balance sheet, which should help mitigate any potential concerns about the reliability of the financial information."). However, audited financials are not required by regulation and may not be required by investors in offerings made pursuant to Rule 144A. As a result, applying a requirement that financials are "audited" could impact a non-trivial number of Rule 144A debt issuers.

More broadly, how would the Commission define a "quotation" and a "medium" for purposes of 15c2-11? Again, a fixed income ATS would be likely to be considered a "medium," but could a broker send out its inventory and include prices to its customer lists? What if those lists include other brokers? If not, would that put smaller fixed income broker-dealers at a competitive disadvantage in the affected securities, because they may have smaller customer lists and may rely on other brokers to help distribute seasoned securities?

In addition to these technical considerations, we question what the Commission and FINRA will expect a broker-dealer to do to comply with the "reasonable basis" requirement? As a pragmatic question, quotations in fixed income securities are typically provided by trading desk personnel. Trading desk personnel are typically not individuals who are tasked by their firms with collecting or assessing financial statements of issuers. They are typically not research analysts. They are typically not auditors or accountants who might have expertise in assessing the reliability or accuracy of financial statements. Would the Commission intend to restrict compliance with Rule 15c2-11 in fixed income securities to only those broker-dealers that have the size and material resources to provide what is essentially investment research about each issue prior to providing quotations?

Substantively, even if those issues are addressed, there could nevertheless be some impact on the trading markets.

Many have noted that a significant portion of corporate debt is offered through Rule 144A and some of these issuers don't provide sufficient public information to satisfy the Rule. Thus, if the Commission simply lets the December 2021 No Action Letter expire for Rule 144A securities as anticipated, and this subset of issuers does not provide more information, then trading in these debt securities could get more challenging. Particularly, the broker-dealers looking to assist investors in trading these securities may widen their spreads, because they may have a less liquid market in trading between brokers. This risk could be particularly acute for private equity debt and some of the holdings in high yield bond ETFs.

But how big is that, really? According to data obtained from a Rule 15c2-11 regulatory product created by Bloomberg Financial L.P. ("Bloomberg"), there are approximately 37,000 corporate debt issuers with approximately 425,000 active corporate bonds. Applying some algorithmic rules-based tests pursuant to the December 2021 No Action letter, Bloomberg was not able to identify a reason to support quotation in approximately 14,000 issuers with approximately 73,000 securities–the vast majority of which were from foreign issuers.[22]

As for Rule 144A securities, the Bloomberg tool identifies about 14,000 CUSIPs from approximately 5,600 issuers. Applying some algorithmic rules-based tests pursuant to

[22] Only 11% of the issues are from U.S. issuers.

the December 2021 No Action letter, Bloomberg was not able to identify a reason to support quotations for approximately 2,500 (approximately half of which were US issuers). Interestingly, of the nearly 4,800 Rule 144A debt securities that could not be quoted over a medium, nearly 2,200 of them appear to have available credit ratings.

Put another way, the majority of Rule 144A securities will have public financials or otherwise meet an exemption so as to allow for the continued quotation in a medium. But not all of them. Unfortunately, according to the Bloomberg tool, about 200 of the approximately 1250 components of HYG index used by the iShares iBoxx $ High Yield Corporate Bond ETF do not appear to have an identifiable reason to support their quotation.[23] All of these issues, however, have credit ratings.

One question we think is important to address is which debt issuers and issues are likely to have securities that brokers would no longer be able to provide quotations in mediums for.

Put simply, who's most likely to be impacted? It's generally not the privately-sold debt of public companies, as this cohort of companies publish financials that could satisfy the rule. Based on our review of the issuers in the Bloomberg data, it appears that many are private equity-related companies. The issuers in this data appear to be disproportionately oil and gas (including pipelines), healthcare, retail, and telecommunications. This makes sense, given that these companies are both likely to have the sophistication and resources to tap into the private debt markets, but also generally be unwilling to publicly disclose their financials.

Will these issuers decide to provide the information to the public so that their debt is remains eligible to be readily quoted to Qualified Institutional Buyers (QIBs), or will they just instead not engage in new disclosures and thus leave investors in their debt securities which may have last been sold years ago with potentially a less liquid secondary market security that could impact pricing and liquidity in related ETFs? Notably, these issuers can also always just engage in new offerings and provide the data, as necessary.

However, it is not clear how issuers will respond. Further, to the extent that they believe that the Commission will retreat from applying Rule 15c2-11 to fixed income securities, they may delay the decisions to publish their financial information.

Recommendations to Promote Investor Protection and Mitigate Potential Market Disruptions

[23] *See*, *iShares iBox $High Yield Corporate Bond ETF*, BlackRock, *available at* https://www.ishares.com/us/products/239565/ishares-iboxx-high-yield-corporate-bond-etf (last viewed Aug. 19, 2022).

To protect investors, HMA recommends that the Commission moves forward with applying Rule 15c2-11 to fixed income securities, as contemplated. However, given the reality that the Rule has not traditionally been applied to fixed income securities, we believe regulators should take a number of steps to maximize the benefits, while minimizing the potential negative impacts on investors.

The steps outlined below could be achieved through modifications to the December 2021 No Action Letter and FINRA Rules. However, we also note that the Commission could separately and simultaneously seek to eliminate any potential litigation risks,[24] and implement the reforms pursuant to a formal rulemaking.

First, the Commission should educate the markets on what Rule 15c2-11 prohibits – and what it does not. Unfortunately, we have seen many market participants misunderstand how the Rule operates, including, for example, mistakenly believing it would prohibit an investor from selling a previously acquired debt security. While these fears are unfounded, we are concerned that the mistaken belief could, by itself, artificially depress asset prices and lead to disruptions.

Second, while the Commission should outline the broad parameters of what is to be expected of broker-dealers, it should not be in charge of day-to-day oversight and enforcements. That should be deferred to FINRA, which has decades of expertise overseeing this Rule. Put simply, this should be FINRA's problem to address.

Third, the Commission should work with FINRA to expeditiously further refine its substantive expectations on an asset class by asset class basis. One way to do this would be to direct FINRA to tailor Form 211 for each asset class of securities for which a broker-dealer is seeking to initiate or resume quotations.[25]

Without customizing the substantive expectations of compliance based on further delineating securities types, the Commission and FINRA could create unnecessary confusion and inconsistent results. For example, for asset backed securities (including mortgage backed securities) it is unclear who should be listed as the "issuer." Given that

[24] Within the past few years, HMA has twice offered amicus briefs to legal challenges under the Administrative Procedures Act to Commission actions. And while HMA offered briefs in support of the Commission's approval of IEX's D-Limit order type and in opposition to the Commission's approval of FINRA's corporate bond reference data rule, we are not expressing any opinion on the potential merits of likely legal actions brought against the Commission for potential enforcement of Rule 15c2-11 regarding broker-dealer quotations of fixed income securities. We do note, however, that while the Proposal did include a question on the impact to fixed income securities, the cost-benefit analysis solely relied on information related to OTC equities. In that analysis, the Commission estimated there were 3,180 OTC equity issuers or shell companies with approximately 3,095 securities issues that would not be eligible to be quoted on a quotation medium. Revised Rule, at 68187. As shown above, the number of issues and issuers impacted are potentially much greater if the Rule is applied to fixed income securities.

[25] See Form 211, FINRA, *available at* https://www.finra.org/filing-reporting/over-the-counter-reporting-facility-orf/form-211 (last viewed Aug. 22, 2022).

one of the key factors is often the trustee of the pool of assets, we question whether the Commission and FINRA might – at least as an initial step for January 2023 – seek to rely upon the information provided by the trustee, and then revisit in future.

Fourth, as an interim measure, the Commission could direct FINRA to consider elements offering specified exemptions for processes that appear to be related to the risk of the securities that a broker-dealer is seeking to quote in a medium. Specifically, we urge the Commission to work with FINRA to temporarily apply Rule 15c2-11 on only those Rule 144A securities that are not TRACE Eligible and for which there is not a credit rating.

While the Dodd-Frank Act generally directed the SEC to eliminate references to credit ratings from its rules,[26] FINRA is not statutorily prohibited from ignoring them. To the contrary, FINRA currently distinguishes TRACE reporting and dissemination based upon credit ratings. Often, investors understand that personnel at a nationally recognized statistical rating organization must obtain the relevant information and perform a robust analysis when assessing the credit risks associated with a security.[27] And while the oversight over credit rating agencies and their work should be separately improved, credit ratings remain valuable tools for market participants. Frankly, irrespective of the Dodd-Frank Act, for many investors in the marketplace, credit ratings continue to be – rightly or wrongly – heavily relied upon when making investment decisions.

Fifth, we urge the Commission and FINRA to provide clarity on the application of the piggyback provisions of Rule 15c2-11 and potential reliance on so-called "stub quotes." We'll note that over fifty years ago, when the Rule was first adopted, the Commission explained that "brokers and dealers should be aware that the submission or publication of a quotation at a price which does not bear a reasonable relationship to the nature and scope of the issuer's business or its financial status or experience, may constitute a part of a fraudulent or manipulative scheme."[28] We believe that this logic may still hold true. However, it does not appear to be consistent with current market participant practices and FINRA compliance expectations.[29] Accordingly, if the Commission or FINRA are to disallow stub quotes provided late in 2022 and early 2023 to be used for grandfathering

[26] *Dodd-Frank Wall Street Reform and Consumer Protection Act*, Pub. L. 111-203, § 939A(a).

[27] *Updated Investor Bulletin: The ABCs of Credit Ratings*, SEC, Oct. 12, 2017, *available at* https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-8.

[28] Initial Rule, at 18641.

[29] Following the "Flash Crash" of 2010, regulators implemented a number of reforms, including efforts intended to eliminate stub quotes. See, *Order Granting Accelerated Approval to Proposed Rule Changes, as Modified by Amendment No. 1, to Enhance the Quotation Standards for Market Makers*, SEC, Exch. Act Rel. No. 34-63255 (Nov. 5, 2010), *available at* https://www.sec.gov/rules/sro/bats/2010/34-63255.pdf. However, in the fixed income context, we wonder what would constitute a "stub quote." What would be the objective parameters that would permit market participants to ensure their compliance?

purposes, we urge you to clearly state so, and offer both justifications and alternatives to avoid market disruptions.

We acknowledge that taking the above recommended actions may take more than the next three and a half months. We do not believe that the Commission should unilaterally suspend its application of Rule 15c2-11 to fixed income generally or just Rule 144A securities. However, it needs to make the system work. Accordingly, we urge the Commission and FINRA to immediately announce their compliance expectations for January 2023, and announce a schedule for updating them as they may change (such as with revisions to Form 211).

Lastly, as a longer term project, we urge the Commission and FINRA to consider bifurcating historical issues from new ones, and consider new underwriter obligations for new issues. For example, perhaps regulators should obligate broker-dealers engaged in the offering of a debt security for which a quotation in a medium may be subsequently sought to collect the required information, publish it, and allow all other brokers to piggyback off of its ongoing basic due diligence. While these types of regulatory solutions would not directly address the current challenge facing regulators and market participants with the application of Rule 15c2-11 in a few months, it could improve the accessibility to the same types of information.

Conclusion

While we agree with the overall objectives of generally applying Rule 15c2-11 to fixed income securities, there are a number of technical challenges and outstanding regulatory questions that should be resolved in order to get an operational system up and running, and minimizing potential negative impacts of the transition to a more transparent and efficient market.

Thank you for your consideration. Should you have any questions or would like to discuss these matters further, please contact me at (202) 909-6138.

Sincerely,

Tyler Gellasch
President and Chief Executive Officer