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December 20, 2012

VIA ELECTRONIC MAIL

Marcia E. Asquith Office of the Corporate Secretary Financial Industry Regulatory Authority 1735 K. Street, NW Washington, DC 20006-1506

RE: Regulatory Notice 12-42: FINRA Requests Comment on a Revised Proposal to Identify and Manage Conflicts Involving the Preparation and Distribution

of Debt Research Reports

Dear Ms. Asquith:

On behalf of its members, the Bond Dealers of America (BDA) is pleased to submit this letter in response to the Financial Industry Regulatory Authority's (FINRA) solicitation of comments in connection with its Regulatory Notice 12-42 in which it revised its debt research report proposal (Revised Proposal). BDA is the only DC based group representing the interests of securities dealers and banks focused on the U.S. fixed income markets. The Revised Proposal will directly impact many of our members. Accordingly, we welcome this opportunity to state our position.

While we are encouraged that the Revised Proposal incorporates several of our comments, we reiterate several of the concerns we raised in our comment letter to the original proposal.

Definition of Debt Research Report. We believe that subsection (a)(3)(C) of the proposed rule should be revised to exclude offering documents for unregistered transactions and securities. If a document is prepared by or at the request of the issuer or obligor of a security, such document should be specifically excluded from the definition of Debt Research Report under the proposed rule.

Institutional Investor Exception. While the Revised Proposal changes how institutional investors are excluded from the debt research report rules, it continues to impose a considerable burden on dealers and so it does not address our underlying concern. We believe that the debt research report rules should categorically exclude qualified institutional buyers from their scope. Qualified institutional buyers are in the business of investing and dealers should have no requirement other than ensuring that the institutional investor is in fact a qualified institutional buyer. Accordingly, we believe that FINRA should eliminate the requirements in (j)(1)(A) borrowed from FINRA Rule 2111 such as the requirement that, to be excluded, qualified institutional buyers must affirmatively indicate that they are exercising independent judgment in

evaluating the dealer's recommendations. In addition, we find it strange that a dealer may recommend a fixed income security to an "institutional account" if it follows the suitability requirements of FINRA Rule 2111 but those do not suffice for sending a debt research report to an "investment account" that is not a qualified institutional buyer. Therefore, we believe that the debt research rule should categorically exclude qualified institutional buyers and then impose requirements for other "institutional accounts" similar to the suitability standards for "institutional accounts" under Rule 2111.

Trading and Sales Reports. As outlined in The Bond Market Association's Guiding Principles to Promote Integrity of Fixed Income Research (Guiding Principles), we believe that trading and sales reports should be excluded from the revised proposal as it relates to institutional investors. Trader commentary is typically specific to bonds and how they are priced. Trader commentary forms an intrinsic part of how bonds are sold and its inclusion in the debt research rules is misplaced. We do not believe that institutional investors would be confused by trader commentary or believe that it represents the work product of an independent debt research analyst. We believe that the exclusion of trading and sales reports under the Guiding Principles was appropriate as long as there was accompanying language clearly disclosing that it is trader commentary.

Exemption of Federal Agency Securities. We reiterate our concern that agency obligations should be excluded from the debt research report rules just like U.S. Treasuries are excluded. Agency obligations, such as obligations, participations, or other instruments of or issued by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, a Federal Home Loan Bank, the Federal Agricultural Mortgage Corporation or a Farm Credit System institution, are generally treated as U.S. Treasuries with respect to their characteristics and qualities. Further, the offer and sale of agency obligations is exempt from registration under the securities laws which evidences Congress's belief that investors in agency obligations do not have the same need of the securities laws as with non-exempt securities and we believe that same reasoning extends to research reports about agency obligations as well. As a result, the market in these agency obligations is as transparent as the market for U.S. Treasury Securities. Further, it is unlikely that dealers would have conflicts of interests with respect to agency obligations that are much different than they would with U.S. Treasuries. Accordingly, we believe that agency obligations should be excluded from the coverage of the debt research report rule.

Compensation. Although the Revised Proposal does state that the debt research department's budget may take into consideration the revenues and results of the firm as a whole, we believe that a similar clarification should be added with respect to the compensation of the debt research analysts. That is, although the firm may not allow compensation based on specific investment banking services or specific trading transactions, we believe that the final rule should clarify that the compensation of a debt research analyst may be based on the revenues or results of the firm as a whole.

Thank you again for the opportunity to submit these comments.

Sincerely,

Michael Nicholas

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Chief Executive Officer