

Settlement of Syndicate Accounts

FINRA Amends Rule 11880 to Revise the Syndicate Account Settlement Timeframe for Offerings of Corporate Debt Securities

Effective Date: January 1, 2023

Summary

FINRA has amended Rule 11880 (Settlement of Syndicate Accounts) to revise the syndicate account settlement timeframe for offerings of corporate debt securities. The amendments to Rule 11880 establish a two-stage syndicate account settlement process whereby the syndicate manager is required to remit to each syndicate member at least 70 percent of the gross amount due to such syndicate member within 30 days following the syndicate settlement date, with any final balance due remitted within 90 days following the syndicate settlement date.

The amendments are effective for public offerings of corporate debt securities that commence on or after January 1, 2023.

The amended rule text is available in the online FINRA Manual.

Questions concerning this *Notice* should be directed to:

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- ▶ Cindy Friedlander, Senior Director, Fixed Income Regulation, at (202) 728-8133 or cynthia.friedlander@finra.org; or
- ▶ John Nachmann, Associate General Counsel, Office of General Counsel, at (240) 386-4816 or john.nachmann@finra.org.

Background & Discussion

FINRA has adopted amendments to Rule 11880 to establish a two-stage syndicate account settlement approach for public offerings of corporate debt securities.¹ Specifically, FINRA added new paragraph (b)(2) to Rule 11880 to provide that the final settlement of syndicate accounts for any public offering of a corporate debt security must be effected by the syndicate manager by remitting to each syndicate member at least 70 percent of the gross amount due to such syndicate member within

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Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Corporate Finance
- ▶ Legal
- ▶ Operations
- ▶ Senior Management
- ▶ Syndicate
- ▶ Underwriting

Key Topics

- ▶ Capital Raising
- ▶ Corporate Debt Security
- ▶ Fixed Income
- ▶ Initial Public Offerings
- ▶ Public Offerings
- ▶ Underwriting

Referenced Rules & Notices

- ▶ FINRA Rule 6710
- ▶ FINRA Rule 11880

30 days following the syndicate settlement date, with any final balance due remitted within 90 days following the syndicate settlement date. The amended syndicate account settlement timeframe is limited to public offerings of “corporate debt securities,” which term is defined under the rule as “a debt security that is United States (“U.S.”) dollar-denominated and issued by a U.S. or foreign private issuer, including a ‘securitized product,’ as defined in Rule 6710(m).”² Public offerings of convertible debt securities are not within the scope of “corporate debt security” for purposes of the amendments to Rule 11880.

The amendments become effective on January 1, 2023 for public offerings of corporate debt securities that commence on or after January 1, 2023 (and would not apply to public offerings of corporate debt securities that commenced prior to January 1, 2023, but that settle on or after January 1, 2023).

Endnotes

1. Securities Exchange Act Release No. 96279 (November 9, 2022) (Order Approving File No. SR-FINRA-2022-025).
2. For purposes of Rule 11880, a “corporate debt security” does not include a “money market instrument,” as defined in Rule 6710(o). See Rule 6710(o); *see also* Rule 11880(a)(1).