BDA Bond Dealers of America

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May 10, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K St NW
Washington DC 20006

In regard to FINRA Regulatory Notice 21-40

Transmitted electronically

Dear Ms. Mitchell,

On January 18, 2022 the Bond Dealers of America (BDA) sent a comment letter on FINRA Regulatory Notice 21-40, "FINRA Requests Comment on Amendments to Rule 11880 Shortening the Settlement of Syndicate Accounts" (the "Notice"), and on March 15, 2022 we sent a supplemental letter addressing issues raised during the comment process. We kindly request that you accept this additional supplementary comment letter with revised views and perspective. BDA is the only DC-based organization exclusively representing the interests of securities dealers and banks focused on the US fixed income markets. This letter represents the views not only of BDA's member firms, large and small, and also a coalition of minority-, women-, and veteran-owned broker-dealers with whom we are working.

The Notice requests comment on amending FINRA Uniform Practice Rule 11880 to shorten the time allowed for managers of corporate bond underwriting syndicates to pay out net revenue derived from the transaction to syndicate members who participated in the syndicate from 90 days after deal closing to 30 days. Rather than a firm 30-day deadline to pay out all net revenue from an underwriting transaction, BDA believes a rule which specifies that the syndicate manager must pay out 70 percent of the gross underwriting spread within 30 days of deal closing and any remaining balance after deduction of expenses within 90 days (the "70-30 Approach") is a more practical way to shorten the time to pay out revenue to syndicate members. Recognizing the differences in the corporate and municipal markets, the 70-30 Approach would strike an appropriate balance between ensuring that all syndicate members, including mid-size broker-dealers that often serve as comanagers, have ready access to their funds and minimizing the number of resettlements where syndicate managers must invoice syndicate members for expenses that were recognized after the syndicate account was closed. It would also benefit investors by encouraging broader syndicate membership and making new-issue corporate bonds available to customers of a wider group of broker-dealers.

In discussions with some of the leading corporate bond underwriting syndicate managers, we have learned that it would be possible for syndicate managers to implement the 70-30 Approach relatively quickly. We therefore support and urge FINRA to adopt a January 1, 2023 implementation date for the 70-30 Approach.

Moreover, we believe that the current industry dialog around syndicate closings for corporate bond underwritings sets the stage to visit the issue of shortening the syndicate settlement time for equity underwritings as well. Once FINRA completes rulemaking related to the issues raised in the Notice, we urge you to take up the issue of an appropriate syndicate settlement time for equity transactions. BDA commits to work constructively with regulators and other stakeholders to address equity syndicate settlements.

We believe the 70-30 Approach to corporate bond underwriting syndicate settlements would be a fair and reasonable solution to the issue of syndicate members' funds being tied up for too long after deal closing. It would appropriately balance the needs of syndicate managers and other syndicate members, and it offers the added benefit of having the support of a broad cross-section of the industry, including firms of all sizes and types. We urge FINRA to adopt the 70-30 Approach and we commit to working with FINRA and stakeholders on implementing the change efficiently.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Michael Decker
Senior Vice President