



May 10, 2022

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

**Re: Regulatory Notice 21-40 – FINRA Requests Comment on Amendments to Rule 11880
Shortening the Settlement of Syndicate Accounts**

Dear Ms. Mitchell:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to provide the following submission for consideration by the Financial Industry Regulatory Authority (“FINRA”) regarding Regulatory Notice 21-40 (“Notice 21-40”) and proposed amendments to Rule 11880 shortening the settlement of syndicate accounts (the “Proposal”).²

SIFMA and its member firms have been and remain fully supportive of the policy goals set forth in the Proposal, including providing firms of all sizes that participate in syndicates with earlier access to capital to participate in new offerings, maintain business operations or use the funds for other purposes, and lowering barriers to enter the corporate debt underwriting market. To that end, we are pleased to support the two-stage approach to syndicate settlement referenced by FINRA in Notice 21-40,³ the details of which were developed with input from broker-dealers that frequently act as syndicate managers as well as other broker-dealers that routinely act as syndicate members (including members of the Bond Dealers of America (“BDA”) and a coalition of minority, women, and veteran-owned broker-dealers (“MWVBDs”), a number of which submitted comments on the Proposal to FINRA directly or through the BDA). We believe the approach described below represents a balanced and workable solution for all broker-dealers that participate in underwriting syndicates for corporate debt securities because it simultaneously (i) provides for payment within 30 days of a very large percentage of the net compensation ultimately payable to syndicate members, thereby achieving the goal of providing a net capital benefit to syndicate members, and (ii) preserves the ability of syndicate managers to effectively manage the settlement process, offer meaningful aftermarket support that contributes significantly to the efficient functioning of the corporate debt markets and minimize the risk of burdensome resettlements.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry, nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry-coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

² The Proposal is available at <https://www.finra.org/rules-guidance/notices/21-40>.

³ See Notice 21-40, at 10.

Description of the Two-Stage Approach

The proposed two-stage approach would provide for settlement of syndicate accounts for public offerings of corporate debt securities to be made in two installments: the first installment, due no later than 30 days following the syndicate settlement date, would pay each syndicate member its *pro rata* portion of seventy percent (70%) of the *gross* underwriting spread from the offering, and the second installment, due no later than 90 days following the syndicate settlement date, would pay each syndicate member its *pro rata* portion of any remaining balance, after deduction of syndicate expenses, in the syndicate account.

This two-stage approach would allow syndicate members to use a substantial portion of the anticipated net syndicate profit ultimately payable as an allowable asset in the computation of net capital, to participate in new offerings, to offset expenses related to the syndicate offering or to otherwise operate their business. Syndicate managers, meanwhile, would continue to have adequate time and sufficient remaining funds in the syndicate account to be able to pay anticipated syndicate expenses without the need, except in rare cases, for burdensome resettlements.

As noted above, this two-stage approach is the product of successful dialogue among, and has the full support of, various constituencies, including SIFMA member firms, the BDA and its member firms and a coalition of MWVBDs with which the groups have worked.

We appreciate the opportunity to submit this proposed two-stage approach to syndicate settlement for your consideration and support an expeditious rulemaking to ensure the net capital-related goals of the Proposal are met as quickly as possible. Given the technical realities of SIFMA's member firms' operational capabilities, however, we respectfully request an implementation period of at least 90 days post-rulemaking. For example, if this proposal is adopted by October 1, 2022, or earlier, implementation could begin no later than January 1, 2023. In addition, we are encouraged by the effective dialogue that led to agreement on this two-stage approach, and believe the relationships created as a result of that process could be effective in facilitating further discussions regarding the syndicate settlement process for public offerings of other corporate securities.

If you have questions or would like additional information, please contact Joseph Corcoran at (202) 962-7383.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Ken Bentsen", with a long horizontal flourish extending to the right.

Kenneth E. Bentsen, Jr.
President and CEO