

July 14, 2017

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506

RE: FINRA Requests Comment on Proposed Limited Safe Harbor from FINRA Equity and Debt Research Rules for Desk Commentary (Regulatory Notice 17-16)

Dear Ms. Mitchell:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to the Financial Industry Regulatory Authority (FINRA) Regulatory Notice 17-16, a proposed limited safe harbor from FINRA Rule 2242 (Debt Research Analysts and Debt Research Reports) for desk commentary. BDA is the only DC based trade association representing middle-market securities dealers and banks focused on the U.S. fixed income markets.

BDA appreciates FINRA’s efforts to provide clarity for dealers who send desk commentary that may or may not contain “information reasonably sufficient upon which to base an investment decision” and thus qualify as a “debt research report” as defined by FINRA 2242. As FINRA states in the Notice, desk commentary is valued by institutional investors; does not typically contain the quantity or type of information that “fundamental research” reports typically contain; and does not form the basis for investment decisions by sophisticated, institutional fixed-income investors.

BDA believes the best solution to help facilitate the timely flow of commentary to investment managers would be a clear interpretation of “research report” that demonstrates that the vast majority of desk commentary is not fundamental research.

The central concern of BDA firms regarding FINRA 2242 is with what FINRA will judge to be a “debt research report”. Ideally, BDA members would like to see FINRA interpret the definition of “debt research report” more clearly and more broadly so that the vast majority of desk commentary, which does not contain fundamental research, can be shared with institutional investors without members having to be concerned that FINRA’s interpretation of what constitutes a “research report” may be broader than anticipated or may not be consistently applied or communicated across the

industry. However, absent such clarification, BDA appreciates FINRA's efforts to provide an alternative compliance solution to address the subjective nature of the underlying rule, especially when a dealer would be more comfortable distributing commentary under the safe harbor.

When FINRA proposes rule text for the safe harbor, it should provide clarity on desk commentary content.

BDA firms urge FINRA to provide more explanatory clarity, perhaps in the proposed rule's supplementary materials, about the content limitations set forth in the safe harbor. The investment firms to whom BDA members send desk commentary value brief commentary on the market, and while the brief observations typically are about contemporaneous market events, the commentary may have a medium-to-long-term outlook. For example, the expectation of a Federal Reserve rate hike (the near-term expected event) may be the catalyst for a medium-term trading idea like a credit-spread trade based on the expectations of widening credit spreads between two specific corporate credits or between two bonds with different maturities issued by the same issuer. The focus of the desk commentary may be that this trading opportunity will evolve over time driven by market events.

BDA urges FINRA to clarify that while the trigger for a desk commentary piece may be a short-term expected event, the idea or opportunity does not have to be limited to only market movements that occur in the short-term. While it is true that investment funds do value the immediacy of information and ideas based on the most current market conditions, BDA does not believe that the content of the commentary should be limited to what may or may not happen over the short-term. Furthermore, BDA wants to highlight that the clearest guidance on permissible content is based on the prohibition on ratings, price targets, and earnings estimates. This approach, defining the boundaries of permissible trading desk commentary by what such commentary may *not* contain, may be the most pragmatic approach, both from a "transparency to investors" perspective and from a "clarity to dealers" perspective. In any case, for the reasons stated above and below, it would be useful to all market participants to expand the type of content that is actually permissible.

Additionally, it would be appropriate to have commentary content under the safe harbor be more expansive than short-term focused observations because if the commentary was sent under the safe harbor, it would still not be fundamental research, but it would nevertheless be subject to the majority of the conflict-focused and investor protection requirements of the institutional exemption. BDA believes that institutional investors have a clear understanding of what they are receiving when they receive desk commentary. Given the absence of any meaningful risk to institutional investors from trading desk commentary, for those firms who are willing to comply with the other terms

of the safe harbor, expanding the scope of permissible content is both most helpful to the market and most sensible.

Thank you for the opportunity to comment on this proposal.

Sincerely,

A handwritten signature in blue ink that reads "Mike Nicholas". The signature is written in a cursive, flowing style.

Mike Nicholas
Chief Executive Officer