



January 2, 2015

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

RE: Comment regarding FINRA Proposed Rule 2232 – Pricing Disclosure in the Fixed Income Markets

I am president, CCO and CEO of Institutional Securities Corporation, an introducing broker-dealer that is considered a “small firm” under the FINRA definition. My firm is an active participant in the fixed income markets, conducting fixed income trades every day. I am writing in opposition to this proposed rule, as I believe that if adopted as currently written, the rule would disproportionately hurt small member firms to the benefit of large broker-dealers. More specifically, as written, the rule would enable large firms to circumvent price disclosure simply by holding bond positions overnight in inventory, while small firms that do not necessarily have the regulatory capital to do so will become competitively disadvantaged against their larger peers as they report prices and see margins continue to deteriorate. The consequence of a further unlevelled playing field will lead to further degradation of the small broker-dealer business model, further industry consolidation, and fewer FINRA member firms.

In my experience, while price transparency is certainly an ideal, price is just one component of the value of any particular product, especially in non-quoted markets like fixed income. My firm has brokers that work very hard to research issues and obtain the best prices they can for their clients, inclusive of markups/markdowns. The value they bring in working a bond, on both the buy side and the sell side, often results in better net returns to our customers than would have been achieved from buying or selling for a nominal ticket charge without working the issue or from just taking the bonds and the prices that the custodian or clearing firm is offering. It is my opinion that the intrinsic value of this research and negotiation will get commoditized away if this rule takes effect as written, making it uneconomical for brokers that are subjected to the rule to spend the time and energy required to research and negotiate the best bonds for their customers. While big firms will continue to enjoy the same profits on their fixed income trades free from the burdensome requirements of this rule, small firms and their brokers will get squeezed out leaving their customers to take whatever issues and prices the remaining big firms have to offer. Less competition is rarely a good thing for the consumer and that will be the long-term result of this rule if adopted.



Finally, FINRA already has rules in place that protect retail customers by limiting markups, as well as processes in place for disciplining firms that violate these rules. Requiring firms to publish the cost at which they purchase their products (bonds) without regard to the time and effort that goes into finding and procuring those products is onerous and harmful to small businesses like mine that deal in fixed income markets.

If the intent of the proposed rule is to increase customer protection, I believe this objective would be actually be better served by FINRA working with member firms to provide greater clarity with respect to existing rules related to markups. Everyone that I know that trades bonds wants to do the best job they can for their customers and comply with all of the rules and regulations. Rule violations can be prevented and customers can thereby enjoy greater protections if ambiguities in these rules can be resolved and if compliance with the rules becomes less qualitative.

Respectfully submitted,

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President and CEO
Institutional Securities Corporation