

May 26, 2016

**Submitted Electronically**

Robert W. Errett  
Deputy Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-025

**RE: Proposed Amendments to FINRA Rule 4210 to Establish Margin Requirements for the TBA Market (SR-FINRA-2015-036)**

Dear Mr. Errett:

On behalf of the Bond Dealers of America (“BDA”), I write to submit a policy recommendation designed to ensure that SR-FINRA-2015-036, a proposal to establish a margin regime for ‘covered agency transactions’ is adopted in compliance with Exchange Act Section 15A(b)(6).

As currently drafted the amendments would be highly burdensome from an operational and technology-cost perspective for small-to-medium sized dealers who do not currently have existing derivatives margining operations or the associated personnel. The stated purpose of FINRA’s proposed amendments to Rule 4210 is to mitigate systemic risk. However, the proposed regime would apply unnecessarily to ‘covered agency transactions’ that do not create systemic risk and are scheduled to settle on the first good settlement date for the given security according to standard market convention.

As outlined below, BDA recommends that the definition of ‘covered agency transaction’ be amended to better focus the proposed amendments on long-dated settlements—the more likely source of systemic risk. In addition to the proposed language, BDA would urge to the Commission to strongly consider dropping specified pools, as defined in FINRA Rule 6710(x), from the scope of the amendments altogether. The specified pool market is an investment market, not a financing market, and there is significant retail participation. Greater than 50% of trades are ‘retail-sized trades’—less than \$100,000.

**BDA recommends that the definition of ‘covered agency transaction’ in proposed section H(i)(c) be replaced with the following**

c. The term "Covered Agency Transaction" means To Be Announced ("TBA") transactions, as defined in Rule 6710(u), inclusive of adjustable rate mortgage transactions; Specified Pool transactions, as defined in Rule 6710(x); or Collateralized Mortgage Obligations ("CMOs") transactions, as defined in Rule 6710(dd) where:

the contractual settlement date is later than the later of

1. three business days from trade date, or
2. where available pursuant to generally accepted industry practice, the next regular class settlement date for the security.

**Supplementary Material:**

The Securities Industry and Financial Markets Association (“SIFMA”) publishes a calendar of notification dates and corresponding settlement dates (the notification of mortgage pool information must generally be provided forty eight hours prior to the settlement) for Class A, B, C, and D Agency MBS and these settlement dates are generally considered the regular class settlement dates within the industry for TBA and Specified Pool transactions.

Excluding transactions that are executed and are scheduled to settle for cash on the first good settlement date will allow smaller dealers to continue to safely provide liquidity to this marketplace. Without this amendment many smaller dealers may choose to exit the marketplace because providing liquidity will become too expensive due to the operational and technology costs. Furthermore, excluding first good settlement date transactions from the 'covered agency transaction' definition will permit investors for whom margin transactions are prohibited transactions to continue to access these products on a cash-settlement basis.

BDA urges the Commission to disapprove FINRA’s proposed amendments to Rule 4210 unless significant amendments are adopted, including the BDA’s recommended amendment as outlined above.

Sincerely,



Mike Nicholas  
Chief Executive Officer