

March 21, 2016

**VIA ELECTRONIC MAIL**

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

**RE: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt FINRA Rule 0151 (Coordination with the MSRB) and Amend FINRA Rule 0150 (Application of Rules to Exempted Securities Except Municipal Securities)**

Dear Mr. Errett:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit these comments regarding FINRA’s filing of two rule changes with immediate effectiveness (SR-2016-004). The BDA supports the adoption of FINRA Rule 0151 to support harmonization and coordination between FINRA and MSRB on rule interpretations and enforcement activities as explicitly required by Congress in Section 15A(b)(15) of the Exchange Act. The second rule change to FINRA 0150, which is now effective, strikes from the text of FINRA Rule 0150 *‘and business activities relating to, municipal securities,’* may be more impactful for broker-dealers and investors active in the municipal securities market and BDA has some substantial concerns. The BDA urges the Commission to suspend this rule and institute proceedings to allow for greater analysis of this rule’s impact on competition and investors in municipal securities.

The amendment to FINRA Rule 0150 raises some very serious questions regarding the new scope of ‘business activities’ related to municipal securities that FINRA now believes it has the ability to regulate. BDA members would have, at a minimum, appreciated a commentary in the rule filing that would have outlined the practical impact of this rule change on FINRA member firms, in addition to an opportunity to comment on the amendment prior to it becoming effective. BDA member firms do not assume that this rule change is an innocuous amendment with no potential to create a negative business impact. While the rule filing provides an explanation for why FINRA amended the rule text, it does not discuss how this change will impact the portions of the municipal securities business that FINRA has been heretofore explicitly prohibited from regulating. BDA members would have appreciated the opportunity of a public comment period and greater regulatory dialogue because it is not clear what competitive impact this rule change could have and what the economic impact of the rule could be. If this rule change opens the door for further rulemakings or other regulatory actions by broadening FINRA’s regulatory jurisdiction that would be a very serious change. Therefore, it is unclear if the rule has been appropriately deemed a ‘non controversial’ filing within the meaning of Rule 19b-4.

FINRA had recently entered into a dialogue with BDA member firms, and other municipal market participants, that focused primarily on applying a new and currently un-proposed margining regime to municipal securities with what FINRA describes as “extended settlements,” including new issue municipal securities. As part of those discussions, FINRA had stated that it was considering providing guidance, where possible, and adopting rule changes, when necessary, to erect a brand new margining regime for transactions in municipal securities in cash accounts with extended settlements. BDA member firms have questioned FINRA’s legal authority to adopt a margining regime for municipal securities. As part of those discussions, FINRA specifically requested industry feedback on the potential market impact of requiring a capital charge or margin and a requirement for customer risk limit determinations for exempt and non-exempt accounts similar to what it has proposed in its Rule 4210 mortgage security amendments (SR-FINRA-2015-036).

In addition to legal concerns, BDA firms noted during conference calls and in-person meetings, that the application of a new margin and capital regime for municipal securities would have a significant impact on competition in the municipal securities marketplace, especially with respect to retail participation in new issues. Secondly, a margin or capital requirement would naturally favor larger dealers with bigger balance sheets and significantly disadvantage smaller dealers with less balance sheet and capital capacity, resulting in an unfair and inequitable impact on market participants.

BDA members are concerned that after entering into a dialogue with FINRA that it has effectively filed this amendment to Rule 0150 to facilitate further rule changes or new interpretations of FINRA rules. If that is the case, then this rule is controversial, as it will impact issuers accessing the primary market, retail and institutional investors, and broker-dealers active in the municipal marketplace. BDA is disappointed that FINRA filed the rule with the Commission without a comment period because this amendment could facilitate future rulemakings that will have a significant impact on competition amongst municipal market participants, including issuers and investors.

BDA urges the Commission to exercise its authority under Exchange Act Section 19(b)(3)(A) to suspend FINRA Rule 0150 within the allowable 60-day timeframe. Instituting proceedings on this rule change is necessary, appropriate, and in the interest of the municipal securities marketplace. The proceedings process will allow for the Commission to provide greater time for public comment, including granting FINRA the time and opportunity to fully disclose the scope of this regulatory change, including its plans for additional, directly related rule changes. The proceedings process will ensure the Commission and the public are given the opportunity to understand this rule change before the Commission approves or disapproves the amendments to FINRA 0150 in the proceedings process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Nicholas".

Mike Nicholas  
Chief Executive Officer