



By Electronic Mail (rule-comments@sec.gov)

May 03, 2022

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549

Re: Order Granting Petition for Review and Scheduling Filing of Statements; In the Matter of Financial Industry Regulatory Authority, Inc. Regarding an Order Granting the Approval of Proposed Rule Change, as Modified by Amendment No. 1, To Amend the Requirements for Covered Agency Transactions Under FINRA Rule 4210 (Margin Requirements) as Approved Pursuant to SR-FINRA-2015-036, 87 Fed. Reg. 23287 (Apr. 19, 2022) (the "Order").¹

Dear Ms. Countryman,

Mesirow Financial, Inc. is pleased, as provided for in the Order, to state its opposition to the action made pursuant to delegated authority and to support the Petition for Review filed by the Bond Dealers of America, Inc. (the "BDA") and Brean Capital, LLC ("Brean") on January 27, 2022 (the "Petition").

Mesirow Financial, Inc. is an independent, employee-owned, financial services firm founded in 1937. Our team of senior sales and trading professionals has an average of more than 20 years of experience in the fixed income markets, including the products affected by the proposed rule.

Mesirow Financial, Inc. has participated in the market for agency mortgage-backed securities ("MBS") for 25 years. We provide trading solutions and liquidity for regional mortgage originators, money managers, insurance companies and banks, and customers who are often not serviced by primary dealers. As a firm we deal in the new-issue and secondary agency MBS markets.

The CAT Amendment was, according to FINRA, designed to address concerns that SR-FINRA-2015-036 would disproportionately and negatively impact the smaller- and medium-sized firms that participate in the market for new-issue agency MBS. In our view, however, the CAT Amendment falls far short of that goal.

We believe, as detailed fully in the Petition, the CAT Amendment will harm firms like Mesirow Financial, Inc. because:

¹ On January 20, 2022 the Division of Trading and Markets of the Securities and Exchange Commission approved under delegated authority an amendment to SR-FINRA-2015-036, which amends the requirements for covered agency transactions ("CATs") under FINRA Rule 4210 (the "CAT Amendment").

- The CAT Amendment, like SR–FINRA–2015–036, is designed for a market that settles on T+2, but the market for new-issue MBS is forward settling. As shown in the Petition, the CAT Amendment will restrict the available liquidity by requiring us to earmark a disproportionate amount of net capital to satisfy margin requirements in case of market movement. This potential impact on liquidity is then amplified by the time gap between trade date and settlement. We already have in place ample protections. This reduction in liquidity will hurt our firm and markets generally, with no corresponding benefit. It will also hurt our customers, who come to us for liquidity because they are not well served by the primary dealers and large banks.
- The CAT Amendment will have an anticompetitive impact on smaller- and medium-sized firms, such as Mesirow Financial, Inc. Such firms stand at risk of losing business to non-FINRA regulated dealers. Additionally, firm’s with larger balance sheets and access to the federal reserve discount will have significantly lower costs of capital and thus a material advantage if this proposal becomes law.
- Existing regulation, including the net capital rules and other checks and balances, already provide for a well- functioning market. During times of instability, such as March 2020, smaller- and medium-sized firms stepped in and provided important liquidity to regional mortgage originators and market participants. During the market turmoil in 2008, 2009, and 2020 we remained active in the market, provided much needed liquidity, and had an extremely limited number of failed trades.

Therefore, we respectfully submit that the Commission reject the CAT Amendment and direct FINRA to revise SR–FINRA–2015–036 in line with long established market practices governing the clearance and settlement of new-issue agency MBS.

Respectfully submitted,



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