



By Electronic Mail ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))

May 10, 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").

Dear Ms. Countryman,

On January 20, 2022 the Division of Trading and Markets of the Securities and Exchange Commission (the "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"). Performance Trust Capital Partners, LLC ("Performance Trust") is writing this letter to state its opposition to the action made pursuant to delegated authority and its support for the Petition for Review filed by the Bond Dealers of America, Inc. and Brean Capital, LLC on January 27, 2022 (the "Petition").

Performance Trust is an experienced broker-dealer specializing in highly analytical, performance driven strategies, which has participated in the market for agency mortgage-backed securities ("MBS") for over 25 years. Performance Trust's customer base includes regional mortgage originators and other customers not serviced by primary dealers and other large institutions.



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 Performance Trust because:

- 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 liquidity available to businesses by requiring smaller- and medium-sized firms to earmark a disproportionate amount of net capital to satisfy margin requirements in case of market movements, an impact that would be amplified by the time gap between trade date and settlement. In this scenario the parties hurt most severely would be 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, the firms most at risk of losing business to non-FINRA regulated dealers.
- Existing regulation, including the net capital rules and other checks and balances, already provide for a sound and well-functioning market. During times of instability, such as March 2020, smaller- and medium-sized firms stepped in to provide important liquidity to their clients, including regional mortgage originators and other market participants.



In light of the foregoing concerns and the matters addressed in the Petition, 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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*Chirag G. Shah*  
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President and Chief Executive Officer