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May 10, 2022

**BY EMAIL**

Ms. Vanessa Countryman, Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington DC 20549  
Email: rule-comments@sec.gov

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”)<sup>1</sup>

Dear Ms. Countryman,

Siebert Williams Shank & Co., LLC (“SWS” or the “Firm”) is pleased 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”).

SWS is a minority- and women-owned introducing broker-dealer that clears through its clearing firms. SWS has participated in the market for agency mortgage-backed securities (“MBS”) for over 25 years. The Firm’s customers are investors, such as commercial banks, money managers, many of the Federal Home Loan Banks, insurance companies, pension funds and hedge funds. SWS has been an active co-manager of Freddie Mac Multifamily commercial MBS (“CMBS”) and Fannie Mae Multifamily CMBS. The Firm has also been an occasional active selling group member of Freddie Mac and Fannie Mae Credit Risk Transfer MBS. SWS has sold securities to various investors in both CMBS and MBS new issue transactions.

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

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<sup>1</sup> On January 20, 2022, the Division of Trading and Markets of the U.S. 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”).

participate in the market for new-issue agency MBS. In our view, however, the CAT Amendment, falls far short of that goal.

We believe the CAT Amendment will harm firms like SWS 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. The CAT Amendment will limit the available liquidity by requiring SWS to earmark a disproportionate amount of net capital to satisfy margin requirements in case of market movement. This potential impact on liquidity is amplified by the time between trade date and settlement. This reduction in liquidity will hurt SWS and markets generally, with no corresponding benefit. It will also hurt SWS' customers, who will potentially have a smaller roster of dealers available for these types of transactions.
- The CAT Amendment will have an anticompetitive impact on smaller- and medium-sized firms, such as SWS. Such firms stand 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 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. SWS was active in both the primary and secondary markets throughout 2020. MBS fails are very rare and are usually resolved easily, quickly, and satisfactorily the next day.

Therefore, we respectfully request 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,



DiAnne Calabrisotto  
Chief Operating Officer