



BDA10 *Years
Strong*

Advocacy / Representation



4Q 2018 Fiscal Year



Expanding Presence Enhancing Representation

The BDA fiscal year ends February 28, 2019. As we close out the year and prepare for 2019, I can assure you the BDA has expanded our Washington, DC presence, has added several new members firms, and has led the advocacy for a number of fixed income issues, both regulatory and legislative.

It's fair to say the BDA is the only dedicated fixed income advocate in Washington, DC and we've proven that through focused success on the issues identified by you and the BDA Board. These issues include defense of the municipal bond tax exemption and private activity bonds, while promoting the return of advance refundings and the expansion of bank qualified bonds; FINRA 4210 and defense of the MBS business at BDA member firms; markup disclosure and pre-trade transparency; and defense of negotiated municipal bond underwriting.

Becoming a thought leader on fixed income issues was a priority in 2018 and demonstrated through BDA formation of our Fixed Income Market Structure Working Group (FIWG). Formation of FIWG had two purposes – 1) to assemble the most senior fixed income executives from BDA members to work directly with the SEC and other regulators on market structure concerns as identified primarily by the SEC's Market Structure Committee (FIMSAC); and 2) through this assembly of industry leaders to identify market structure challenges and develop market driven solutions that BDA can proactively advance to help ensure smart, cost effective resolutions.

An effective trade group provides value to members in multiple ways. Direct advocacy being the primary function of the BDA, we also strive to add value through conferences and events – bringing industry leaders together to expand business partnerships, to provide market trends and intelligence, and to collectively solve industry challenges and identify

opportunities. Thanks to your participation, BDA events – from market-focused roundtables to our annual conference – saw record attendance in 2018.

None of this works without your direct engagement and support. The BDA was founded ten years ago to provide direct, unfiltered advocacy to middle market, regional and small fixed income dealers. While the BDA staff works hard to provide this representation, it is due to your direct engagement that the BDA stands apart from other trade groups and adds tangible value to your businesses.

Thank you for a successful 2018 and we look forward to more effectively representing the BDA membership in 2019.

Sincerely,

Mike Nicholas
CEO
Bond Dealers of America



BDA Mission

The Bond Dealers of America is the Washington, DC-based trade association that exclusively represents securities dealers and banks whose primary focus is the U.S. fixed income markets. BDA works aggressively to promote public policies and market practices that improve the market environment while also providing a forum for its members to debate and discuss issues of common interest.

The BDA acts as a clearinghouse for industry information and issues and provides educational opportunities for industry professionals through conferences, seminars and roundtables.

By supporting the interests and prosperity of our members, we help to strengthen the companies, municipalities and investors who depend on them to raise the capital they need to grow and prosper.

Federal Regulatory and Legislative Priorities 4th Quarter 2018

FINRA Rule 4210

In April 2018, FINRA asked the SEC to delay Rule 4210 amendments to March 2019, indicating that many market participants have requested that FINRA reconsider the potential impact of an amended Rule 4210 on smaller and medium-sized broker-dealers. The BDA and its members led the charge in the request of this delay and would like FINRA and the SEC to reconsider these amendments.

The BDA believes that the 4210 amendments represent a regulatory overreach by FINRA. FINRA is using a broad statutory authority of the Securities and Exchange Act in an attempt to adopt a systemic risk rule, potentially violating congressional intent. The BDA also believes that the 4210 amendments are anti-competitive to BDA members, and expressed these viewpoints in a number of Capitol Hill meetings with senior-level members of the House Financial Services Committee.

In late 2017, the BDA proposed a “capital charge in lieu of margin” to FINRA CEO Robert Cook. This proposal would allow dealers to remain competitive with money manager accounts and still manage any systemic risk. The FINRA Board of Governors approved this revision, and other revisions, at their September 2018 board meeting. The 4210 revisions are currently in the process of being referred from FINRA to the SEC, and FINRA has indicated they will likely further delay the March 2019 deadline as well. BDA will provide updates as they become available.

Promoting Tax-Exempt Municipal Bonds, Private-Activity Bonds and Municipal Advance Refundings Through Infrastructure

The BDA has been building relationships with various state and local groups, coalitions, and trade associations to continue to advocate for the protection of tax-exempt municipal bonds, expanded use of private-activity bonds and reinstatement of municipal advance refundings.

In July 2018, both the House Ways and Means and Transportation and Infrastructure Committees released outlines of potential tax reform and infrastructure spending plans. While neither draft proposal directly addressed municipal bonds, or private-activity bonds, both presented conversation starters as the new Congress will take make these issues a priority in 2019. The BDA will continue to highlight developments on Capitol Hill and look for opportunities for members to engage in direct advocacy on these important issues.

The BDA continues to meet with Members of Congress on both sides of the aisle that serve on Committees of jurisdiction, as well developing relationships with new members of the House Municipal Finance Caucus. In conjunction with support of the Caucus, the BDA is planning a DC Roundtable in the 1st quarter of 2019 laying out financing principles needed in a federal infrastructure package. This event will bring together policy experts, elected officials and fixed income market participants to discuss a bipartisan approach to improving our country's lagging infrastructure.

Fixed Income Market Structure

The BDA continues to play an active role in the SEC Fixed Income Market Structure Committee. BDA members of the SEC's Fixed Income Market Structure Advisory Committee (FIMSAC) include Horace Carter (Raymond James), Amar Kuchinad, (Trumid Financial), Richard McVey (MarketAxess) and Brad Wings.

The BDA has also established an internal Fixed Income Market Structure Working Group. The group met in October and December 2018 and is planning a full slate of meetings in 2019. The working group will choose three to five key topics, will work to proactively get in front of federal policy and business decisions impacting the fixed income markets.

Also included in the Fixed Income Market Structure Working Group will be a Subcommittee on Municipal Disclosures. It is widely expected that the SEC will take a deeper look into the practices and the BDA plans to use this group in order to take proactive measures in early 2019.

SEC Municipal Disclosures-Rule 15c2-12

The BDA continues to advocate on Rule 15c2-12 to the SEC Office of Municipal Securities. Working with the Legal and Compliance Committee, the BDA continues to encourage commissioners to update the Commission's interpretative guidance that was last updated in 1994.

Recently, the SEC adopted the Rule amendments and BDA has been working tirelessly with multiple committees to draft Q&A's for OMS to consider. The BDA plans to set up a fly-in to meet with OMS on the draft Q&A's and discuss further action on municipal disclosure in early 2019.

Small Business Audit Correction Act

In June 2018, Senators Tom Cotton (R-AR) and Doug Jones (D-AL) and Representatives French Hill (R-AR) and Vicente Gonzalez (D-TX) formally introduced *The Small Business Audit Correction Act* (S. 3004 & H.R. 6021). The bill would exempt privately-held, small, non-custodial brokers and dealers in good standing from the requirements to hire a Public Company Accounting Oversight Board (PCAOB) registered audit firm to meet their annual SEA Rule 17a-5 reporting obligation to perform the audit in accordance with PCAOB standards. Passage of legislation would allow eligible firms to conduct their annual audits in a less costly and burdensome manner.

Through the BDA's advocacy's efforts, the Small Business Audit Correction Act steadily advanced in Congress throughout the year. In June 2018, the Senate Banking Committee favorably considered S. 3004 at their hearing titled, "Legislative Proposals to Increase Access to Capital." In September 2018, the House Financial Services Committee marked-up and approved H.R. 6021 by a vote of 36-16.

In 2019, the BDA will actively meet with the new members of the Senate Banking and House Financial Services Committees to garner support for the bill in the 116th Congress.

Pennying

In November 2018, the BDA responded to an MSRB inquiry into the practice of pennyng and how Best-Ex affected the practice. After multiple member and committee conference calls on the subject, BDA staff drafted a response to the MSRB and continued weekly follow up with the organization, including more discussion with BDA membership.

Currently, the BDA is working with the MSRB on answering follow-up questions on the comment letter and anticipates another iteration of the original request for comment to be produced in early 2019.

Primary Offering Practices

In the fall of 2018, the BDA submitted a letter in response to an MSRB request for comment on primary offering practices. In the letter, the BDA focused on G-11 Primary Offering Practices including free-to-trade wire and alignment of the time frame for the payment of group net sales credits with the payment of net designation sales credits. Also addressed was G-32 disclosures in connection with Primary Offerings including equal access to the disclosure of the CUSIP numbers refunded and the percentages and whether non-dealer Municipal Advisors should make the official statement available to the managing or sole underwriter after the issuer approves it for distribution.

Municipal Bonds for America (MBFA) Coalition/Municipal Advance Refundings

The MBFA Coalition is dedicated to preserving the tax-exempt status of all municipal bonds, including private-activity bonds and the recent loss of advance refundings. As discussions on Capitol Hill continue to develop on a federal infrastructure package, the MBFA will aim to defend the tax-exempt status of municipal bonds and identify other related issues of importance to infrastructure development, including advance refundings. The Coalition regularly provides opportunities to educate congressional staff on municipal bonds and their importance to infrastructure, local economic, development and investors. The MBFA will continue to update BDA members on the policymaking developments and organize opportunities for engagement on Capitol Hill.

The BDA is leading the advocacy push for H.R. 5003, legislation that would fully reinstate municipal advance refundings. The BDA continues to work simultaneously with Capitol Hill, the Municipal Bonds for America Coalition, and the full issuer community to place advance refundings into the infrastructure conversation as attention turns to a potential package next year.

In May 2018, the BDA Municipal Bond Division Leadership submitted comments to the House Ways and Tax Policy Means Subcommittee's hearing titled, "Tax Reform and Small Businesses: Growing Our Economy and Creating Jobs," requesting to restore the ability of state and local governments to save taxpayer dollars and generate additional funds for infrastructure and other key initiatives by restoring tax exempt advanced refundings.

Retail Confirmation Mark-up Disclosure Rules

In early 2018, the BDA presented to the SEC a plan for a "conformance period," in which the mark-up regulations would not be enforced if broker-dealers acted in good faith and worked to come into full compliance with the rules by December 31, 2018.

Despite opposition from various trade groups, in late April 2018, the SEC denied the conformance period proposal and the rules became effective on May 14, 2018. The BDA is engaging with regulators (SEC, FINRA and MSRB) regarding compliance with the rules.

MSRB Rule for Municipal Advisors/Update Dealer Standards on Advertising

In 2018, the BDA was proactive in submitting comments to the MSRB as they issued guidance through draft sets of frequently asked questions (FAQs) and compliance resources to implement proposed new rule, MSRB Rule G-40, on advertising by municipal advisors, and amendments to MSRB Rule G-21, on advertising by municipal securities dealers. MSRB Rule 40 and G-21 are set to become effective on February 7, 2019.

Specifically, in July 2018, the BDA submitted comments to the MSRB on their draft set of frequently asked questions (FAQs) related to Rule G-40 and a municipal advisor's use of case studies and municipal advisory client lists. In September 2018, the BDA submitted comments to their draft set of frequently asked questions (FAQs) related to the use of social media in advertising by municipal advisors and municipal securities dealers under Rule G-21 and Rule G-40. In October and December 2018, the BDA submitted comments a draft compliance resource regarding the application of the content standards under Rule G-40.

In the fall of 2018, the MSRB issued final guidance on its frequently asked questions (FAQs) regarding the use of municipal advisory client lists and case studies under Rule G-40. The guidance and revised FAQs include some clarifications requested by the BDA in its comments in July 2018.

In addition to submitting written comments, BDA has been actively engaged with MSRB staff as they develop guidance to proposed Rule G-40 and amended Rule G-21.

Michigan Legislation on Competitive vs. Negotiated Bond Sales

In June 2018 a bill was introduced in the Michigan State Legislature that would require municipal issuers to issue all outstanding debt through competitive bid, unless the issue is no more than \$500,000, at which point negotiated is an option. The BDA's Fixed Income Municipal Bond Committee has developed a strategy to fight against the anti-competitive nature of this bill and will engage in a grass-roots effort to stop the legislation from moving forward before other states follow suit.

The BDA placed an op-ed in the *BondBuyer* in opposition of the legislation. The piece laid out the BDA's argument in favor of allowing issuers the discretion of choice in what works best for them.

Due in part to the BDA and membership advocacy, the bill has been pulled from the legislative calendar, and further action has been postponed indefinitely.

Upcoming BDA Events

4Q Board of Directors Meeting

February 13, 2019

Austin, TX

Fixed Income Strategy Session

February 13-14, 2019

Austin, TX

National Municipal Bond Summit (In Partnership with the *Bond Buyer*)

March 25 – 27

Renaissance Nashville Hotel

Nashville, TN

1Q Board of Directors Meeting

April 18

Conference Call

Fixed Income Sales Managers Roundtable

April 25

FTN Financial

Memphis, TN

Retail Fixed Income Roundtable

May 9

Wells Fargo Advisors

St. Louis, MO

Fixed Income Legal & Compliance Roundtable

June 6

Nixon Peabody

Washington, DC

Public Finance Leadership Roundtable

June 20

Quarles & Brady

Chicago, IL

2Q Board of Directors Meeting

August 15

Chicago, IL

Institutional Fixed Income Roundtable

August 15

Chicago, IL

3Q Board of Directors Meeting

October – TBD

Fixed Income Legal & Compliance Roundtable

October – TBD

Location TBD

Public Finance Leadership Roundtable

October – TBD

Location TBD

National Fixed Income Conference

October – TBD

Location TBD

4Q Board of Directors Meeting

February 3, 2020

Royal Palms Hotel

Scottsdale, AZ

Fixed Income Strategy Session

February 3-4, 2020

Royal Palms Hotel

Scottsdale, AZ

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KeyBanc Capital Markets

Angelique David, Vice Chair

EMD, COO & GC
B.C. Ziegler & Company

Alex Wallace, Secretary-Treasurer

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Mike Allen

Manager, Municipal Products Division
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Sean Ladley

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Kelly Martin

MD, Head of Leveraged Finance
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MD, Manager-Institutional Portfolio Strategies

Robert W. Baird & Co.

Brad Winges

President & CEO

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Mike Nicholas

Chief Executive Officer

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Amuni Financial, Inc.
St. Petersburg, FL

Ameriprise Financial
Minneapolis, MN

BB&T Capital Markets
Richmond, VA

Benchmark Securities
Winter Park, FL

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Richmond, VA

Dougherty & Company, LLC
Minneapolis, MN

KeyBanc Capital Markets
Cleveland, OH

LPL Financial
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Moreton Capital Markets
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Dallas, TX

Northland Securities, Inc.
Minneapolis, MN

Piper Jaffray
Minneapolis, MN

Raymond James & Associates, Inc.
St. Petersburg, FL

RBC Wealth Management
Minneapolis, MN

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Milwaukee, WI

Roosevelt & Cross Inc.
New York, NY

R.W. Smith & Associates
Bellevue, WA

Sandler O'Neill + Partners L.P.
New York, NY

Stephens Inc.
Little Rock, AR

Stern Brothers
St. Louis, MO

Duncan-Williams, Inc.
Memphis, TN

Estrada Hinojosa
Dallas, TX

Fifth Third Securities
Cincinnati, OH

First Southern Securities
Alpharetta, GA

FTN Financial
Memphis, TN

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Kansas City, MO

Hilltop Securities Inc.
Dallas, TX

Hutchinson, Shockey, Erley & Co.
Chicago, IL

Incapital, LLC
Chicago, IL

J.W. Korth
Miami, FL

Stifel, Nicolaus & Co.
St. Louis, MO

UBS Wealth Management
Weehawken, NJ

U.S. Bank National Association
Minneapolis, MN

Valdes & Moreno
Kansas City, MO

Vanguard Brokerage Services
Valley Forge, PA

Vining Sparks
Memphis, TN

Wells Fargo Advisors
St. Louis, MO

Wells Fargo Securities
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Wells Nelson & Associates
Tulsa, OK

William Blair
Chicago, IL

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MarketAxess
New York, NY

AxeTrading
London, England

Morgan Lewis
Philadelphia, PA

Bloomberg TOMS
New York, NY

MTS Markets International
New York, NY

BondWave
Wheaton, IL

Municipal Bonds Information Systems
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Roseland, NJ

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ICE BondPoint
New York, NY

Tradeweb Retail
Jersey City, NJ

ICE Data
Bedford, MA

Verus Consulting Group
Naples, FL

Lumesis
Stamford, CT