



**BDA** Bond  
Dealers of  
America

Advocacy / Representation



3Q 2019 Fiscal Year



To launch the third quarter of the BDA's 2019 fiscal year, I'm thrilled to announce the formation of the BDA's Affiliate Member Division – through direct partnership with BDA member firm HilltopSecurities.

The BDA now represents 125 firms and has become the predominant voice in Washington, DC for US focused fixed income dealers. My personal goal in 2019 continues to be advancing the BDA as THE fixed income *thought leader* as it relates to federal regulatory and legislative policy coming out of Washington, DC. Adding staff resources, outside counsel and now boosting membership to 125 firms equals more industry and DC presence, resulting in more impactful advocacy for all member firms. For more information on the new Affiliate Member Division please go to the BDA home page at [www.bdamerica.org](http://www.bdamerica.org).

In addition to the new Affiliate members, the BDA in 2019 has added the following as full members - Stern Brothers, D.A. Davidson, Loop Capital, Mesirow Financial, and the direct engagement of RBC Capital Markets.

The BDA is stronger and more effective with the right firms, and individuals engaged. In this respect, 2019 has been a productive year – with more to come.

On the advocacy front the BDA has assumed the lead defense for municipal bond dealers as we respond to the PFM and NAMA request for “exemptive relief” to allow non-dealer MAs to privately place securities. In addition to the three letters sent to the SEC, the BDA has met with SEC staff leadership, and Commissioner Robert Jackson, three times in the past four months with additional meetings forthcoming. Our letters are linked in the Legislative and Regulatory section below and can be found on the BDA website both on the home page and within our Advocacy section.

In the following 3Q update you'll see the full list of BDA policy priorities, the list of BDA member firms, the 2019 Board, and our full events calendar. I hope this quarterly update is helpful as a guide to your trade group's activities over the past three months.

Your direct support and engagement is instrumental to our advocacy success.

Thank you again and please don't hesitate to contact us in Washington, DC if you need anything from the BDA.

Mike Nicholas  
Chief Executive Officer  
Bond Dealers of America  
202.204.7901



## 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.



*Legislative & Regulatory Update  
September 2019*

### **Regulatory Advocacy Issues**

#### **PFM and NAMA Requests for Guidance on Private Placements**

Last fall, the municipal advisory firm PFM, requested guidance from the SEC on the role of MAs in municipal private placements. Specifically, PFM asked the SEC to publish guidance that would allow PFM and other non-dealer MAs to identify and assess qualified financing investors, interact with investors and perform coordination necessary with selected investors, activities believed to fit into the current definition of a broker-dealer.

Since learning of the initial PFM letter and the follow up letter from NAMA to the SEC, the BDA has taken many steps in order to combat the misinformation represented. After initial staff level meetings with the SEC Office of Municipal Securities and Trading and Markets, the BDA worked with membership to draft a [letter](#) to leadership of both offices in stark opposition to the request for guidance. The letter focused on the current state of the direct placements market, the actual activities of MA's in the municipal market, and the consequence of loosening investor protections if the PFM request was granted.

Following mid-September meetings with leadership at the SEC Office of Trading and Markets, including chief counsel, the Office of Municipal Securities and Commissioner Robert Jackson, the BDA submitted a [letter](#), to the SEC opposing the recent requests for guidance regarding private placement activity by non-dealer municipal advisors, while providing framework on potential relief at the request of Commissioner Robert Jackson. The letter, which can be viewed [here](#), addresses the request.

While remaining opposed to the SEC issuing any form of the requested relief, the BDA believes that, if relief were to be granted, it should be in the form of a narrowly tailored exemptive order that makes clear that engaging in the activity constitutes acting as a broker-dealer but, under the limited circumstances, the SEC would exempt municipal advisors from broker-dealer registration requirements.

#### **FINRA 4210 Amendments**

FINRA Rule 4210 (Margin Requirements) are the margin requirements that determine the amount of collateral customers are expected to maintain in their margin accounts, including both strategy-based margin accounts and portfolio margin accounts. The BDA believes that the amendments are anti-competitive to smaller and mid-size broker-dealers and believe that FINRA should revise the amendments to allow dealers to either charge margin or to take a "capital charge in lieu of margin" on certain transactions.

BDA members proposed the capital charge in a meeting with FINRA CEO Robert Cook in December 2017 and continued to advocate for the idea with comment letters and member fly-ins throughout 2018. The BDA partnered with senior leaders on the House Financial Services Committee and Senate Banking Committee to pressure the SEC and FINRA to rethink the rule, both advocating for the “capital charge” proposal as well for outright termination of the amendments.

As a result of BDA member outreach and advocacy efforts, FINRA and the SEC have delayed the implementation date of amendments to Rule 4210 to March 25, 2020 and are working to implement BDA’s recommended “capital charge in lieu of margin” proposal. More information is expected shortly – FINRA hopes to provide an update within the month.

### **Fixed Income Market Structure**

Several of BDA’s members sit on the SEC’s Fixed Income Market Structure Advisory Committee (FIMSAC), including Horace Carter (Raymond James), Brad Wings (Hilltop Securities), Amar Kuchinad, (Trumid Financial) and Richard McVey (MarketAxess).

Additionally, the BDA has formed its own Fixed Income Market Structure Working Group, which includes industry leaders at 26 BDA member firms. Brad Wings and Kevin Giddis (Raymond James) serve as co-chairs. The working group’s first meeting was held on October 15, 2018, and first D.C. fly-in was held on June 17, 2019, and the group expects to continue engagement with federal policymakers as a “Main Street” thought leader on these important topics.

### **FINRA Notice 19-12 -- Request for comment (through the SEC’s FIMSAC) on a TRACE pilot program for certain corporate bond block trades**

In June, the BDA submitted a comment letter on Notice 19-12. In summary, the BDA opposes the pilot program proposal. The BDA feels the proposed 48-hour delay in disseminating any trade information would introduce significant and damaging opacity to the market, and would disadvantage institutional and retail investors in several ways.

The BDA feels that the proposal includes no incentives for middle market firms to increase their capital commitment or provision of liquidity. In practice, the proposal would likely reduce liquidity in trading for smaller block sizes as mid-size dealers would be reluctant to take risk positions without knowing whether a large, un-disseminated block trade has taken place in the last 48 hours. If FINRA decides to move forward with the pilot, the BDA is likely to recommend several key changes would be required to protect investors and maintain market integrity.

### **90-day Settlement for Corporate Syndicates**

BDA is considering pursuing a solution to a 1980s regulation allowing corporate bond syndicates to settle over a 90-day period, unlike the 30-day settlement for municipal bonds. BDA is considering pursuing shortening this period.

### **Regulation ‘Best Interest’**

In June, the SEC adopted the long-anticipated “Regulation Best Interest” to replace the previous “fiduciary rule.” Regulation Best Interest will enhance the broker-dealer standard of conduct beyond existing suitability obligations and make it clear that a broker-dealer may not put its financial interests ahead of the interests of a retail

customer when making recommendations. The regulations will also require brokers to disclose potential conflicts of interest to their customers.

The BDA is keenly interested in how FINRA and MSRB suitability rules may change to better coordinate with the new SEC best interest rules.

### **Community Reinvestment Act (CRA) Reform**

In June, the BDA wrote to the heads of the Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and the Governors of the Federal Reserve System (Fed) to address whether targeted mortgage-backed securities should be excluded or eliminated from CRA consideration.

The BDA believes that any CRA reform measures to investments in loan-backed securities could have broad market implications and their eligibility for the CRA should be preserved. Further CRA action is expected soon.

### **Retail Confirmation Mark-up Disclosure Rules**

Due to the burdensome requirements and tight timetable of the mark-up rules, BDA member firms authored a “conformance period,” business plan, which was presented to the SEC, FINRA and the MSRB in the spring of 2018.

Under the BDA-authored plan, the mark-up rules 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, including the BDA, in late April 2018, the SEC denied the “conformance period” proposal the rules became effective on May 14, 2018. The BDA continues to work with the MSRB and FINRA regarding implementation of the rules.

### **MSRB Rule on Activities of Financial Advisors**

MSRB Rule G-23 establishes requirements applicable to a broker, dealer, or municipal securities dealer acting as a financial advisor with respect to the issuance of municipal securities. Rule G-23 prohibits a broker-dealer firm that also provides financial advisory services from serving as a financial advisor to the issuer and an underwriter on the same transaction.

Recently, the BDA and the MSRB discussed the modernization of Rule G-23 and the upcoming retrospective review of the Rule. The MSRB believes the restrictions and requirements imposed upon dealers acting in a financial capacity remain appropriate in light of the municipal advisor regulatory regime and remain clearly delineated.

The BDA submitted a comment letter in response to the MSRB request for comment. In the letter the BDA recommend specific changes to the structure and language of the Rule and associated interpretive guidance as specified above. We also recommend changing the Rule’s treatment of placement agent activities if and when the SEC acts on PFM’s request for guidance related to non-dealer MAs and private placements as well requested an exemption for some competitive transactions.

### **SEC’s Amendments to 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.

The BDA continues to work with issuer groups such as the GFOA to update its current best practices to reflect the new events, and work for clarity in processes going forward.

## **Legislative Advocacy Issues**

### **GSE Reform (Legislative & Regulatory issue)**

The BDA is actively engaging with membership and policymakers as the Trump Administration and Congress look at reforming Fannie Mae and Freddie Mac. The Senate Banking Committee, led by Chairman Mike Crapo (R-ID), has examined GSE reform in hearings in March 2019, and the House Financial Services Committee will begin work on this issue in September.

The BDA has authored a GSE reform "white paper" which focuses on 'Main Street' broker-dealer issues that we will distribute on Capitol Hill and with regulators as these conversations develop.

### **Infrastructure and Municipal Bonds**

The BDA continues to remain vigilant in protection of the tax-exempt status of municipal bonds. While there seems to be no immediate threat to their status, the BDA continues to educate staffers on Capitol Hill of their importance to America's infrastructure.

It is believed that the House Committee on Ways and Means will release a "Discussion Draft" infrastructure bill this fall and the BDA has tirelessly advocated for both the reinstatement of advance refundings and raising the limit of BQ Debt to be included. The BDA has continued to push for municipal bonds to be a cornerstone of any infrastructure package and have also worked to include the expansion of PABs, an issue that Committee appears to have some interest in addressing.

The BDA will continue to advocate for these priorities through the fall, and is planning an event in Washington, DC in early 2020 to ensure that municipal bonds remain highlighted heading into the presidential election.

### **Municipal Advance Refundings**

Recently, with support of the BDA and the MBFA, legislation to reinstate municipal advance refundings was introduced in the House of Representatives. H.R. 2772, the Investing in our Communities Act, drafted by Representatives Dutch Ruppersberger (D-MD) and Steve Stivers (R-OH), currently has 18 cosponsors.

The BDA is currently working with the House Municipal Finance Caucus to identify Senate offices to draft a companion bill, while also identifying House Members for co-sponsorship.

Since their elimination in the 2017 *Tax Cuts and Jobs Act*, reinstatement of tax-exempt advance refundings has been a top priority of the BDA. Working with our partners on

Capitol Hill and within the issuer community, the BDA has been raising awareness and interest in the legislation, including assisting in the drafting of similar legislation in 2018

### **Bank Qualified Bonds**

Recently, legislation to increase the limit on BQ debt was introduced in the House of Representatives. The Municipal Bond Market Support Act, co-sponsored by Rep Terri Sewell (D-AL) and Rep. Tom Reed (R-NY), both members of the powerful Committee on Ways and Means, has the support of Committee Chairman Richard Neal (D-MA) who has previously sponsored similar legislation.

As a longstanding priority for the BDA, the legislation will raise the BQ limit to 30 million, while tying increases to inflation, something that the 1986 tax law failed to implement.

The legislation also applies the bank qualified debt limit on a borrower-by-borrower basis, rather than aggregating all bank qualified bonds issued by a conduit issuer, so that schools, hospitals and other community organizations can more easily access capital.

The BDA recently met with Rep. Sewell's staff about next steps in the legislative process, including drafting a coalition letter in support of the legislation.





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## Member Firms

Advisors Asset Management  
Boca Raton, FL

Ameriprise Financial  
Minneapolis, MN

BB&T Capital Markets  
Richmond, VA

Baird  
Milwaukee, WI

Benchmark Securities Winter  
Park, FL

Bernardi Securities, Inc.  
Chicago, IL

B.C. Ziegler & Company  
Chicago, IL

B. Riley FBR  
Los Angeles, CA

Comerica Securities, Inc.  
Detroit, MI

Crews & Associates, Inc.  
Little Rock, AR

D.A. Davidson  
Great Falls, MT

MarketAxess  
New York, NY

Mesirow Financial  
Chicago, IL

Moreton Capital Markets  
Salt Lake City, UT

NatAlliance Securities, Inc. Dallas,  
TX

Northland Securities, Inc.  
Minneapolis, MN

Piper Jaffray  
Minneapolis, MN

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

RBC Capital Markets  
Jersey City, NJ

RBC Wealth Management  
Minneapolis, MN

Roosevelt & Cross Inc.  
New York, NY

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

Davenport & Company, LLC  
Richmond, VA

Dougherty & Company, LLC  
Minneapolis, MN

Duncan-Williams, Inc.  
Memphis, TN

Estrada Hinojosa  
Dallas, TX

Fifth Third Securities  
Cincinnati, OH

FTN Financial  
Memphis, TN

George K. Baum & Company  
Kansas City, MO

Hilltop Securities Inc.  
Dallas, TX

Hutchinson, Shockey, Erley & Co.  
Chicago, IL

Incapital, LLC  
Chicago, IL

J.W. Korth  
Miami, FL

Loop Capital Markets LLC  
Chicago, IL

LPL Financial  
Boston, MA

Stephens Inc.  
Little Rock, AR

Stern Brothers  
St. Louis, MO

Stifel, Nicolaus & Co.  
St. Louis, MO

TradeWeb Retail  
Jersey City, NJ

UBS Wealth Management  
Weehawken, NJ

U.S. Bank National Association  
Minneapolis, MN

Vanguard Brokerage Services  
Valley Forge, PA

Vining Sparks  
Memphis, TN

Wells Fargo Advisors  
St. Louis, MO

Wells Fargo Securities  
Charlotte, NC

Wells Nelson & Associates  
Tulsa, OK

## Affiliate Members

Alamo Capital  
Walnut Creek, CA

Lombard Securities  
Baltimore, MD

Calton & Associates  
Tampa, FL

Madison Paige  
New York, NY

Cape Securities, Inc.  
McDonough, GA

Midland Securities, LLP  
Dallas, TX

Capital Portfolio Management  
Lutherville Timonium, MD

Municipal Capital Markets Group  
Dallas, TX

Central States Capital Markets  
Prairie Village, KS

Navaid Financial Services Inc.  
Philadelphia, PA

Chelsea Financial Services  
Staten Island, NY

Neidiger Tucker Bruner  
Englewood, CO

CL King & Associates  
Albany, NY

Packerland  
Green Bay, WI

Continental Investors  
Longview, WA

R. M. Duncan Securities  
Little Rock, AR

Crescent Securities Group Inc.  
Dallas, TX

Regional Brokers  
Cherry Hill, NJ

CU Investment Solutions LLC  
Overland, KS

Robert Blum Municipal Securities  
San Francisco, CA

Dinosaur Financial  
New York, NY

RW Smith & Associates  
Jersey City, NJ

Dominion Investor Services, Inc.  
Horseshoe Bay, TX

Emmet & Co.  
Far Hills, NJ

First Financial Equity Corp.  
Scottsdale, AZ

First Southern Securities, LLC  
Alpharetta, GA

First National Bankers Bank  
Birmingham, AL

H.C. Denison  
Sheboygan, WI

Honey Badger Investment Securities  
Irvine, CA

ISC Group  
Dallas, TX

Intercoastal Capital Markets  
Boca Raton, FL

Isaak Bond Investments  
Lakewood, CO

Kiley Partners Inc  
Henderson, NV

Sentinel Brokers Co.  
Jupiter, FL

Sequoia Investments Inc.  
Roswell, GA

Sierra Pacific Securities, LLC  
Las Vegas, NJ

Signal Securities  
Ft. Worth, TX

Stark, Salter, & Smith  
Thousand Oaks, CA

Sterling Grace Municipals  
Spotswood, NJ

U.S. Brokerage, Inc.  
Columbus, OH

Valdes & Moreno Inc  
Kansas City, MO

Van Clemens & Co  
Minneapolis, MN

Westhoff Cone Holmstedt  
Walnut Creek, CA

WNJ Capital Inc.  
Philadelphia, PA

## Associate Members

Assured Guaranty  
New York, NY

AxeTrading  
London, England

Bloomberg TOMS  
New York, NY

Broadridge Financial Solutions  
New York, NY

Build America Mutual  
New York, NY

DPC Data  
Roseland, NJ

ICE BondPoint  
New York, NY

ICE Data  
Bedford, MA

Lumesis  
Stamford, CT

MTS Markets International  
New York, NY

MBIS  
New York, NY

Nixon Peabody  
Washington, DC

Pershing, LLC  
Jersey City, NJ

Quarles & Brady LLP  
Washington, DC

TMC Bonds  
New York, NY



## **2019 All Meetings Calendar**

Adding tangible value to BDA members through education, information sharing, networking and relationship building

### **Fixed Income Legal & Compliance Roundtable**

October 23

Quarles & Brady LLP

Chicago, IL

### **3Q Board Meeting (Board Members Only)**

October 23

BC Ziegler

Chicago, IL

### **Public Finance Leadership Roundtable**

October 24

Sofitel Hotel

Chicago, IL

### **National Fixed Income Conference**

October 24 – 25

Sofitel Hotel

Chicago, IL

### **4Q Board Meeting (Board Members Only)**

February 3, 2020

Royal Palms Resort

Scottsdale, AZ



## **Fixed Income Strategy Session**

February 3 - 4, 2020

Royal Palms Resort

Scottsdale, AZ

## **Past Events**

### **4Q Board Meeting (Board Members Only)**

February 13

Four Seasons Hotel

Austin, TX

### **Fixed Income Strategy Session**

February 13 - 14

Four Seasons Hotel

Austin, TX

### **National Municipal Bond Summit (In Partnership with The Bond Buyer)**

March 27 - 29

Nashville, TN

### **1Q Board Meeting (Board Members Only)**

April 18

Conference Call

### **Fixed Income Sales Manager Roundtable**

April 25

FTN Financial

Memphis, TN

### **Retail Fixed Income Roundtable and Dinner**

May 8 - 9

Wells Fargo Advisors

St. Louis, MO

## **Fixed Income Legal and Compliance Roundtable**

June 6

Nixon Peabody Office

Washington, DC

## **Public Finance Leadership Roundtable**

June 20

Quarles and Brady Office

Chicago, IL

## **2Q Board Meeting (Board Members Only)**

August 22

Ritz-Carlton Hotel

Dallas, TX

## **Institutional Fixed Income Roundtable and Reception**

August 22

Ritz-Carlton Hotel

Dallas, TX