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**SENT VIA ELECTRONIC MAIL**

October 29, 2024

Mr. Gary Gensler  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

***Re: Request for Permanent Relief from SEC Rule 15c-2-11 to Fixed Income***

Dear Mr. Gensler,

The American Securities Association<sup>1</sup> (“ASA”) writes to request that the Securities and Exchange Commission (SEC) provide for permanent relief from the application of Rule 15c2-11 to fixed income securities, codifying the no-action letter dated November 30, 2022. The SEC has provided ongoing relief to the industry through a series of no-action letters that we believe should be made permanent for all fixed-income securities. While we appreciate the permanent exemptive relief granted for Rule 144A fixed-income securities on October 30, 2023, significant concerns remain for applicability of other types of fixed-income securities in the over-the-counter (OTC) markets.

**Background**

The current no-action letter is set to expire on January 4, 2025, which will impact fixed-income securities sold under exemptions such as Regulation S, Section 4(a)(2), Section 4(a)(1½), and Regulation D. This letter, negotiated between regulatory staff and industry participants, has been the foundation for many control systems and compliance procedures. Many firms have invested substantial resources, both internally and with vendors, to ensure compliance with its provisions. Its expiration will require significant changes to these established systems, potentially causing disruption and inefficiency in the market.

**Impact on Broker-Dealers**

The SEC's interpretation of Rule 15c2-11 effectively prohibits broker-dealers from quoting these fixed-income securities without publicly available issuer information, which we do not believe was the intent of the rule. While municipal securities are generally exempt, many municipal desks also trade non-municipal securities that fall under the rule's purview. This creates a complex compliance landscape where firms must differentiate between exempt and non-exempt securities within the same operational unit.

**Practical Challenges**

Several practical challenges warrant consideration:

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<sup>1</sup> ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.





- **Quotation Mediums:** There is a lack of clear definition of what constitutes a "quotation medium" under the rule and uncertainty about what actions constitute "quoting" versus simply trying to liquidate inventory.
- **Retail Trading Platforms:** Many retail clients use white-labeled versions of platforms for order execution, creating uncertainty about whether these platforms are considered "quotation mediums" under the rule.
- **Inventory Management vs. Market Making:** There is confusion over whether seeking to liquidate inventory (e.g., through a "bid wanted") constitutes a quote under the rule.
- **Technology Limitations:** There is difficulty in controlling auto-execution features on some platforms, especially for retail client bases. Additionally, high costs are associated with implementing controls for a relatively small number of CUSIPs.
- **Regulatory Oversight:** There are questions about how stringently Self-Regulatory Organizations (SROs) will enforce the requirements and concerns about the practicality and cost-effectiveness of compliance for firms dealing with a limited number of affected securities.

### **Desire for Broader Permanent Relief**

There is overwhelming industry interest in making the exemptions outlined in the 2022 no-action letter permanent for all types of fixed-income securities covered in Appendix A. We believe that for the types of securities covered by the no-action letter, there is already adequate information available about the issuers, similar to the rationale used for exempting Rule 144A securities. Making the no-action letter permanent will preserve the existing market structure and liquidity, allowing broker-dealers to continue quoting these securities without needing to make issuer information publicly available. It will also provide certainty for market participants by removing the unpredictability of seeking no-action relief every few years and avoid potential disruptions in the fixed-income markets.

We appreciate your consideration of this request and are available to discuss further or provide additional information as needed.

Sincerely,

*Christopher A. Iacovella*

Christopher A. Iacovella  
President and Chief Executive Officer  
American Securities Association

Cc: Commissioner Hester Peirce  
Cc: Commissioner Mark Uyeda  
Cc: Commissioner Caroline Crenshaw  
Cc: Commissioner Jaime Lizarraga  
Cc: Mr. Haoxiang Zhu, Director, Division of Trading & Markets

