



111 West Jackson Blvd., Suite 1901
Chicago, IL 60604
T 312.913.4900 F 312.913.4928
Toll Free 888.294.8898
www.loopcapital.com

May 12, 2022

By Electronic Mail (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 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”). Loop Capital Markets LLC (“Loop Capital”) is pleased, as provided for in the Order, 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”).

Loop Capital is a minority owned investment bank that operates as a fully-disclosed introducing broker. Loop Capital has participated in the market for agency mortgage-backed securities (“MBS”) for nearly 20 years, serving both institutional investors and regional mortgage originators, including customers not always on the radar of primary dealers.

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 Loop Capital 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,



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the CAT Amendment will restrict the liquidity available for business by requiring smaller- and medium-sized firms to earmark a disproportionate amount of net capital to satisfy margin requirements in case of market movement. This potential impact on liquidity is then amplified by the time gap between trade date and settlement. The parties most hurt will 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. Such firms stand at risk of losing business to non-FINRA regulated dealers. Customers will have legitimate concerns about smaller and medium-sized firms' ability to satisfy capital requirements, and take their business elsewhere.
- 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.

Therefore, 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,

Loop Capital Markets LLC

Stephen Berkeley
Chief Compliance Officer and Regulatory Counsel