

June 22, 2016

VIA ELECTRONIC MAIL

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549

RE: Request for Comment on Proposed Amendments to MSRB G-12 on Close-out Procedures (SR-MSRB-2016-07)

Dear Mr. Fields:

The Bond Dealers of America (“BDA”) is pleased to offer comments to the Securities and Exchange Commission (the “Commission”) regarding the proposed notice (the “Notice”) to amend MSRB Rule G-12 on uniform practice regarding close-out procedures for municipal securities (SR-MSRB-2016-07). The BDA is the only Washington DC-based organization that represents securities dealers and banks primarily active in the U.S. fixed income markets.

BDA members support the MSRB’s proposed amendments to shorten the mandatory close-out deadline, which should decrease the costs and risks associated with interdealer fails. BDA would also support an even shorter close-out period (than the 20 days provided for by the MSRB) in order to further encourage close-outs to occur as soon as possible. To that end, we would be supportive of the following language: The mandatory close-out deadline should be no later than 10 calendar days after settlement, with an exception that an affirmative consent of the buyer would permit the dealer failing to deliver, another 10 days, for an aggregate total of 20 days.

BDA-member firms still have outstanding questions about how the proposed rule would impact close-out processes related to accounts transferred to a broker-dealer via the Automated Customer Account Transfer Service (“ACATS”). The ACATS system facilitates the transfer of securities from one trading account to another at a different brokerage firm or bank. The proposed timeframes for Rule G-12 would work for ACATS transfers. However, ACATS transfers are based off of a ‘validation’ date according to MSRB Rule G-26, as opposed to a ‘settlement’ date. In addition, fail transfers can be closed out by a fail reversal if the receiving firm cannot buy-in the security due to a lack of market availability. According to Rule G-12, there is no mention of relying on fail reversals for account transfers to be closed out in accordance with rule G-12(h). Therefore, it is not clear how proposed Rule G-12 amendments would be applicable to ACATS given the rule does not mention fail reversals or a ‘validation date’.

Therefore, the BDA urges the Commission and the MSRB to provide additional guidance on its proposed amendments with regards to the ACATS system so that operational staff has clarity on how these amendments impact ACATS. The BDA appreciates the opportunity to comment on this proposal and looks forward to continuing to work proactively with regulators on this rulemaking.

Sincerely,

A handwritten signature in blue ink that reads "Mike Nicholas". The signature is written in a cursive style with a large initial "M".

Mike Nicholas
Chief Executive Officer