STRUCTURED FINANCE ASSOCIATION

SEC Rule 15c2-11

- Regulates the publication of quotations in OTC markets and allows broker-dealers to initiate or resume trading quotes on OTC securities not listed on a national securities exchange by requiring dealers to obtain and review issuer information prior to quoting the securities.
- Rule carves out municipal securities and does not distinguish between types of other securities. However, there is no instance of the SEC enforcing the Rule on fixed income securities and while no carve-out exists.

Amendments to SEC Rule 15c2-11

- SEC adopted amendments to the Rule to, among other things, "provide greater transparency to investors and other market participants by requiring that information about the issuer and its security be current and publicly available before a broker-dealer can begin quoting that security."[1]
- Amendments were effective 9/28/2021. After receiving feedback, the SEC issued a no-action letter to FINRA stating that it will not take enforcement action against those that do not comply with SEC Rule 15c2-11 on fixed income securities until January 3, 2022.
- The no-action letter stated "Since its original adoption in 1971, the Rule has applied to all securities including fixed income securities except for "exempt securities""[2]
- In the Statement on Staff No-Action Letter Regarding Amended Rule 15c2-11 in Relation to Fixed Income Securities, SEC Commissioner Peirce acknowledge the Rule was focused on the OTC equity context and expressed a failure by the SEC to solicit comments on the rule's broader application.

To be Discussed: Possible Impacts to Fixed Income, as Noted by Members

- Anticipated to present major obstacles in the private securities market as well as the full fixed income market
- Potential for being counterproductive to the goal of market transparency: dealers may be less willing to provide certain information if it is required to be made available to the public
- Possible disruption of bid-sheet practices, which would reduce transparency of private placement, low-volume-traded securities
- Knock-on effects foreseen include an ultimate detriment to investors by way of reduced liquidity, impediments to new issuance pricing, and unwillingness to invest in impacted markets

[1] SEC Press Release 2020-12
[2] SEC letter to FINRA, September 24, 2021