



March 31, 2023

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Regulation Best Execution, Release No. 34-96496; File No. S7-32-22

To the Chair and Commissioners:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to provide these comments to the SEC’s Proposed Regulation Best Execution (the “Proposal”) in the context of fixed income trading.² SIFMA is filing a separate comment letter (the “SIFMA Omnibus Comment Letter”) generally on the Proposal. However, SIFMA consulted a working group of member firms active in fixed income securities and, as a result of those consultations, SIFMA believes it would be helpful to provide separate comments focusing on differences specific to those markets. Because fixed income securities are substantially different from NMS equities, SIFMA believes that fixed income requires a different type of best execution analysis and presents additional issues with respect to the Proposal.

SIFMA endorses the importance of a robust best execution process for broker-dealers’ handling of customer orders. To have a well-functioning capital market, it is important that investors understand that when they entrust broker-dealers with an order, those brokers will use reasonable diligence to seek the most favorable terms reasonably available for the investors under prevailing market conditions—a policy objective that is equally applicable for fixed income securities. SIFMA commends the Commission for recognizing this principle and for supporting strong, effective and reasonably tailored rules, such as the existing FINRA and MSRB best execution rules discussed below, to achieve this goal. We also echo the SIFMA Omnibus Comment Letter’s support of the principles relied on by the Commission in the Proposal—increasing market efficiency, promoting competition, reducing costs, mitigating potential conflicts of interest, and recognizing the differences among market participants.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

² See Exchange Act Release No. 96496 (Dec. 14, 2022) (the “Proposing Release”) (available at <https://www.sec.gov/rules/proposed/2022/34-96496.pdf>).

Nonetheless, we concur with the concerns expressed in the SIFMA Omnibus Comment Letter about the Proposal, and we believe the Proposal raises additional concerns when applied to the fixed income markets. We do not believe that the Proposing Release adequately identifies a regulatory failure or gap or any harm to investors that requires the Commission to adopt its own best execution rule for fixed income securities.³ Specifically, in the fixed income area, broker-dealers are already subject to FINRA Rule 5310 concerning best execution, as well as FINRA Rule 2121 requiring fair prices and commissions (which has provisions specific to debt securities), FINRA Rule 2232 concerning disclosures of debt securities markups and markdowns, and FINRA Rule 2111 on suitability. In addition, broker-dealers are subject to an entire parallel set of MSRB rules, including Rule G-18 on best execution, Rule G-19 on suitability, Rule G-30 on fair pricing and commissions, Rule G-15 on markup disclosures, for which FINRA conducts surveillance, examinations and enforcement.⁴ Both FINRA and the MSRB have issued extensive commentary on their best execution rules in the fixed income context. Further, recommendations of securities (including fixed income securities) and strategies to retail investors are subject to Regulation Best Interest's conflict and care provisions for broker-dealers, and to the fiduciary duty obligations of investment advisers.

In other words, broker-dealers are already subject to a full suite of rules concerning best execution and related issues. And these rules have worked well: broker-dealers have developed extensive policies and procedures, frequently examined by FINRA, to review their clients' fixed income executions, and neither the Commission nor FINRA have provided any evidence that these policies and procedures are deficient or ineffective. The Commission has not clearly articulated the need or justification for a separate Commission-level best execution rule for broker-dealers, especially in light of the number of other changes the Commission has proposed to the financial services markets. SIFMA urges the Commission to withdraw or not proceed further with the Proposal.

Executive Summary

SIFMA does not support a Commission-level best execution rule for fixed income securities, and we offer the following comments:

- The Commission should not adopt a third separate rule different from the existing FINRA and MSRB best execution rules for fixed income securities.
- If the Proposal moves forward, it should include a broad institutional investor exemption comparable to the current Sophisticated Municipal Market Professional ("SMMP") exemption in the municipal securities markets.
- The "conflicted transactions" provisions of the Proposal would not work and are not justified for fixed income securities, primarily because virtually all fixed income transactions occur on a principal basis and occur in a decentralized market.

³ We observe that the other market structure rules proposed by the Commission on December 14, 2022 (concerning order execution, tick sizes and execution quality reporting), all address NMS equity securities, not fixed income securities. None of those other proposals explain the need for a Commission-level rule governing best execution of fixed income securities, and, for purposes of this letter, SIFMA is only commenting on the Proposal from the perspective of fixed income securities.

⁴ We support maintaining the MSRB's current role in promulgating best execution standards for municipal securities market in recognition of the constitutional principles of comity and the exempted status of municipal securities under Section 3(a)(2) of the Securities Act and Section 12(a) of the Exchange Act.

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- In the fixed income markets, the customer negotiation process, order placement and handling, and trading practices are very different from those for NMS equities, and the Proposal inappropriately attempts to apply quote-based equities market concepts to fixed income markets where those concepts do not apply.
- The Proposal also substantially underestimates the costs for fixed income securities and entirely ignores major categories of costs; the actual costs outweigh the Proposal's speculative benefits.

I. The Commission Should Not Impose a Third Distinct Best Execution Rule for Fixed Income

Notably, and uniquely in the fixed income area, broker-dealers are already subject to two different sets of best execution rules, one from the MSRB for municipal securities, and another from FINRA for all other types of fixed income securities. While these rules employ some similar concepts, they also have important differences, for example the concept of a SMMP in MSRB Rule G-48 that is not in FINRA's rules. These regulatory differences were designed (and approved by the Commission) specifically because of the differences in the markets for municipal versus other fixed income securities.⁵ The securities industry has accommodated these differences, generally by creating separate sales and trading desks, supervision, policies and procedures and compliance programs for municipal securities from other fixed income securities. The industry has spent considerable time and expense to develop robust and effective best execution processes for the existing fixed income best execution rules, and the Commission has not cited or even suggested any evidence that current industry practices are deficient or that they have resulted in any harm to customers. The rules and guidance that apply to fixed-income order handling have been developed over decades. From a policy and process perspective, SIFMA would have preferred an approach that started with a clear identification of a market failure, followed by FINRA and the MSRB requesting comment on possible updates to their rules, if necessary, to address any policy gaps identified by the Commission and the SROs. Creating yet a third, substantially different set of best execution rules and standards would impose an unnecessary and substantial cost and burden on broker-dealers – costs which ultimately would be borne by customers – with no clearly identified market failure or corresponding investor protection benefit.

We observe that the Commission has reorganized its own examination function for broker-dealers so that it primarily relies upon FINRA (not the Commission's Division of Examinations) to examine for broker-dealer compliance with the federal securities laws and SRO rules.⁶ And, under Exchange Act Section 19(g), the Commission may enforce SRO rules, including best execution rules, directly against FINRA member firms or their associated persons. In other words, the Commission would have to rely

⁵ The Commission's historical reliance on self-regulatory organizations (SROs) for issues such as best execution is fully consistent with the design of the Exchange Act. As the congressional report leading to the creation of what is now FINRA stated, having the SEC regulate the details of broker-dealer conduct would be undesirable because it: "would involve a pronounced expansion of the organization of the Securities and Exchange Commission; the multiplication of branch offices; a large increase in the expenditure of public funds; an increase in the problem of avoiding the evils of bureaucracy; and a minute, detailed, and rigid regulation of business conduct by law." Regulation of the Over-the-Counter Markets, S. Rep. No. 1455, 75th Cong., 3d Sess. 3-4 (1938).

⁶ See Marc Wyatt, Director, SEC Office of Compliance Inspections & Examinations, Inside the National Exam Program in 2016: Keynote Address at the National Society of Compliance Professionals 2016 National Conference (Oct. 27, 2016) (<https://www.sec.gov/news/speech/inside-national-exam-program-2016>) (announcing reallocation of SEC examiners from broker-dealers to investment advisers and FINRA).

primarily on FINRA to enforce Regulation Best Execution. It does not make sense to have FINRA attempting to evaluate and implement three different sets of overlapping best execution regulations.

We understand that FINRA and MSRB management have indicated publicly that they would attempt to harmonize their best execution rules with the Proposal, if it is adopted.⁷ While we hope that this would be the case, experience has taught us to be cautious of such assurances. It is impossible to know what future best execution obligations will be, and how the SEC and SRO rules may conflict, until FINRA and MSRB propose the details of the changes they intend to make.⁸ The Proposal explicitly imposes requirements and contains exemptions not currently set forth in either the FINRA or MSRB rules. The Proposal expressly permits FINRA and the MSRB to adopt or impose their own different or additional requirements beyond those in the Proposal.⁹ Further, as discussed in the SIFMA Omnibus Comment Letter, even if FINRA and the MSRB are able to successfully harmonize their rules, broker-dealers could still face increased uncertainty in examinations and enforcement due to potentially different interpretations of the different rules by different regulators. The adoption of three separate, inconsistent sets of rules on best execution is the worst possible regulatory result, including for investor protection.

II. The Proposal Should Include a Broad Exemption for Institutional Investor Transactions in Fixed Income Markets Parallel to the MSRB's SMMP Exemption

SIFMA endorses the Commission's view in the Proposing Release that most transactions with institutional customers should be exempt from the best execution standard. To the extent that aspects of the Proposal are adopted, SIFMA urges that the Proposal include a broad, harmonized exemption for transactions with institutional customers.

Most institutional customers are sophisticated, utilize multiple broker-dealers, and often have direct access to alternative trading systems ("ATSS") and other fixed income market centers. Indeed, because institutional customers have access to quotes and market information from multiple broker-dealers, they often have better information about market conditions and prices than even the largest broker-dealers.¹⁰ Institutional customers typically have their own best execution and fiduciary

⁷ See Letter from Ms. Marcia Asquith, Corporate Secretary, EVP, FINRA to Ms. Vanessa Countryman, Secretary, SEC at 2 ("FINRA and the MSRB recognize that the specific contours of a broker-dealer's best execution obligation may change in some respects if the Proposal is adopted. We also appreciate the need to avoid regulatory duplication and the importance of providing regulatory clarity for broker-dealers if FINRA and MSRB rules would address the same conduct as an SEC rule. For example, when the SEC adopted Regulation Best Interest, both FINRA and the MSRB amended our respective suitability rules. Similarly, if the Proposal is adopted, FINRA and the MSRB will take appropriate steps to address these concerns by adjusting our best execution rules and guidance accordingly") (available at <https://www.sec.gov/comments/s7-32-22/s73222-20156788-324933.pdf>).

⁸ The differences among the Proposal, FINRA Rule 5310 and MSRB Rule G-18 are quite substantive, for example (as discussed below) in their treatment of who are institutional investors and what exceptions apply to them, in the process for retail investor "conflicted transactions," and in the data analysis and retention duties the rules impose.

⁹ Proposing Release at Section IV and note 109.

¹⁰ The Proposing Release itself observes, at note 114, "Institutional customers in [fixed income] markets commonly request prices from broker-dealers for particular securities (prices for any given security are often not quoted and made widely available) and exercise their own discretion concerning the execution of a particular transaction."

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obligations, and perform their own execution quality analysis.¹¹ As the Proposing Release acknowledges, it does not make sense to require that sophisticated institutional investors be treated as if they were retail investors.¹² Further, different institutional customers in different situations may prioritize speed and size of execution (at the potential expense of further price discovery), or may prioritize working an order over time (while taking the risk of adverse market movements). Frequently institutional customers want dealers to provide proprietary liquidity in an attempt to avoid information leakage and to limit adverse market impact.

There is no single way to compare executions of institutional customers with different execution priorities and preferences (which may change in different situations even for a single customer). The MSRB's SMMP concept as defined in MSRB Rule D-15 allows an institutional customer to opt into or out of treatment as an SMMP. The result of that status, under MSRB Rule G-48, is that the broker-dealer no longer has a best execution obligation to that institutional customer, although the broker-dealer typically retains fair pricing obligations. The MSRB's SMMP approach is the superior alternative (superior both to the Proposal and to FINRA's current rules) and avoids the inherent ambiguity in analyzing institutional customers' changing execution priorities, which is far more common and acute for fixed income securities than for NMS equities.

SIFMA agrees with the observation in the Proposing Release that many (indeed in our view the large majority of) institutional investor trades should not be subject to a best execution obligation, consistent with current FINRA supplementary material 5310.04 and MSRB supplementary material G-18.05. The Proposing Release exempts a variety of transactions, such as where an institutional customer initiates a RFQ disseminated to multiple dealers.¹³ We also endorse the concept that a broker-dealer should not be deemed to have a best execution obligation when an institutional customer or another broker-dealer is merely executing against a broker-dealer's quote or RFQ response. The Proposing Release also contains an exemption from best execution analysis, consistent with FINRA supplementary material 5310.08 and MSRB supplementary material G-18.07, that when a broker-dealer processes an unsolicited instruction from a customer promptly and in accordance with its terms.¹⁴

¹¹ Cf. Coalition Greenwich, Fixed-Income TCA Adoption: What We Can Expect Going Forward (Feb. 28, 2023) (<https://www.greenwich.com/fixed-income/fixed-income-tca-adoption-what-we-can-expect-going-forward>) (finding that 65% of buy-side firms use or plan to use transaction-cost analysis for fixed income, but that users customize their data to reflect their own different execution quality priorities).

¹² See, e.g. Proposing Release at note 114. We recognize that some institutional customers, such as state or municipal pension plans, may not have the same level of sophistication as other institutional customers, and might choose not to be treated as "institutional". Such customers' orders would continue to be subject to a best execution obligation. Similarly, a customer might be "sophisticated" when it comes to municipal or Treasury securities, but not as to ABS, MBS, CDO or other similar securities. Broker-dealers should have the ability to decide whether to do business with such customers; firms should be permitted to have an "institutional only" business model.

¹³ Id. ("a broker-dealer's duty to provide best execution does not apply in circumstances when another broker-dealer is simply executing a customer order against the broker-dealer's quote . . . [or where] the broker-dealer would be acting solely as a buyer or seller of securities in transactions directly with an institutional customer").

¹⁴ Id. at page 52 and note 115 ("if a member receives an unsolicited instruction from a customer to route that customer's order to a particular market for execution, the member is not required to make a best execution determination beyond the customer's specific instruction").

The fact that institutional customers frequently enter into fixed income transactions in these ways is evidence of those customers' sophistication and their greater ability to monitor their own execution quality. These are common occurrences for fixed income securities, and we question whether the expensive obligations the Proposal would impose are worthwhile for the limited number of institutional investor transactions outside of these exemptions. Institutional investors often request quotations on long lists of fixed income securities, without having decided (until they receive responses) whether they wish to engage in a transaction or not. Similarly, institutional investors often post indications of interest (sometimes priced, often times not) for fixed income securities on ATSS or in other electronic trading systems. Often these indications of interest are only the beginning of a negotiation process, which may result in different prices or sizes, a transaction in a similar but different security, or may not result in a transaction at all. Institutional investors often utilize indications of interest for fixed income securities to allow a broker-dealer (or multiple competing broker-dealers) to seek liquidity, but without a firm commitment to trade until they obtain the results of the broker-dealers' efforts. We believe all of these common institutional fixed income trading strategies fall within the proposed exceptions to a broker-dealer's best execution duty. Because the large majority of institutional fixed income transactions fall within these exemptions, we believe it makes sense to follow the MSRB's SMMP approach, and allow institutional investors to opt out of best execution obligations altogether, rather than to require broker-dealers to build an elaborate and expensive infrastructure to handle the small sub-set of situations involving institutional investors that do not exercise "independent judgment" or discretion.

The Proposal requests comment on the definition of who should be considered an institutional customer. SIFMA strongly urges that there be a uniform definition to avoid unnecessary differences based on different fixed income products. If ultimately adopted, the Proposal should follow either the institutional customer definition in FINRA Rule 4512 and MSRB Rule G-8(a)(xi) or the SMMP definition in MSRB Rule D-15, and ideally the Commission should encourage the two existing self-regulators to harmonize their own definitions. Having multiple inconsistent definitions increases the costs to broker-dealers (and thus to the customers who ultimately bear those costs) and increases the confusion for issuers and investors, without any countervailing customer benefit.

III. The "Conflicted Transactions" Portion of the Proposal for Retail Transactions Is Inconsistent with Fixed Income Market Structure and Would Not Work for Fixed Income Securities

The Proposal would require that what it characterizes as "conflicted transactions" for retail investors be subject to enhanced requirements. SIFMA urges that this portion of the Proposal be abandoned, because in addition to the concerns discussed in the SIFMA Omnibus Comment Letter, it ignores the structure of the fixed income markets.¹⁵ To start, we note the logical fallacy of the "conflicted transactions" portion of the Proposal – the Proposal itself, without the conflicted transactions provisions, requires best execution. Requiring "bester" execution for a subset of transactions does not make sense: either a transaction gets best execution or it does not. If "bester" execution is required for some transactions, then effectively it is required for all transactions – otherwise the other transactions must not be receiving best execution. We believe there should be a single, consistent best execution standard for

¹⁵ The Proposal would require any retail "conflicted transaction" to be subject to a requirement to consider additional information from additional market centers and sources of liquidity - explicitly required to go "beyond [sources] identified as material" (Proposing Release at page 112) - with additional documentation requirements, beyond what would be needed for agency transactions.

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all transactions, as is the case under both the current FINRA and MSRB best execution rules. Most retail broker-dealers have systems in place for order handling that factor in reasonably available pricing sources, which may include principal bids. Some of these systems are automated at least in part, but many of these systems have manual components. Adding delay to these processes to search for additional sources of liquidity would lengthen current order handling processes and unnecessarily put customers at risk for adverse market movements, especially in rapidly changing market environments. The Proposal's treatment of "conflicted transactions" would require these changes in current practices without any evidence or data to suggest that current trading practices result in poor executions or that the proposed additional steps would lead to better executions for fixed income securities.¹⁶

The "conflicted transactions" portion of the Proposal is inconsistent with current order handling practices for fixed income securities. Different members of SIFMA employ different methods of handling retail fixed income trade orders. Those different methods of order handling reflect those firms' different business models, customer bases, and types of fixed income securities demanded by their customer bases. An important development in the past 20 years has been the use of fixed income ATSs, which most firms incorporate to some extent in their fixed income order handling processes. Some firms rely primarily on a single ATS, and others regularly use multiple ATSs.¹⁷ It is important to recognize that a large ATS does not represent a single source of liquidity; rather, it represents an aggregation of as many as 250-300 different sources of liquidity, including both broker-dealers and institutional investors. Some broker-dealers have direct electronic connections with ATSs, and some input orders manually to ATSs. Some broker-dealers provide ATS access directly to some customers (typically with market access rule filters), and some use fixed income traders to reach ATSs. While ATSs often are useful, they must be employed with care: many firms reported finding that a single source of liquidity for a security was represented on multiple ATSs at the same time, thus making the market appear more liquid and deep than it actually is.¹⁸ Also, some ATSs provide more liquidity for certain classes of fixed income securities than others, and some classes of fixed income securities are rarely quoted or traded on ATSs at all. Municipal securities, for example, have different markets with different participants from Rule 144A fixed income securities. Also, ATSs vary in terms of the historical quotation data, or RFQ response data, that they store – which can make it challenging to recreate execution quality data on a post-hoc basis.

¹⁶ And as discussed above, recommendations of securities (including fixed income securities) and investment strategies to retail investors are subject to Regulation Best Interest's conflict and care provisions for broker-dealers, and to the fiduciary duty obligations of investment advisers, as well as Department of Labor rules for ERISA and other retirement plan accounts. These provisions help protect against conflicts of interest without the need for a separate enhanced best execution obligation.

¹⁷ We do not oppose a requirement that broker-dealers which rely primarily on a single ATS when handling customer orders periodically evaluate whether they are meeting their best execution obligations. But as discussed above, currently there is no comparable, reliable, uniform data with which to conduct market center comparisons. We observe that there have been a number of start-ups in the fixed income area over the past decade that have failed to reach critical mass, and we do not think the obligation to evaluate ATSs or other market centers should extend to venues that have not yet demonstrated meaningful liquidity.

¹⁸ For example, a broker-dealer may post quotes for a 50-bond lot simultaneously on three different ATSs, thereby making it appear that (market-wide) 150 bonds are available, when in fact only 50 bonds are available. The firm can have good reasons for posting on multiple ATSs, to seek counter-parties available only on one of the ATSs. But a customer at another broker-dealer seeking to trade against that liquidity may have an impression that the market for that bond is deeper than it really is, because once the original 50-bond lot is traded at one ATS, the broker-dealer will remove the quotes at the other ATSs. This phenomenon is sometimes referred to as "duplicate liquidity".

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Some broker-dealers and clients utilize ATSS for some orders, but for large orders, or orders in securities that do not trade frequently, it may be more desirable to reach out directly to particular market participants. Broker-dealers often handle some fixed income orders manually, whether through an “ad hoc” RFQ process (for example through electronic messages to particular market participants), or through voice or electronic message outreach to specific market participants. Often, trade volume may be concentrated among a limited number of broker-dealers, such as those dealers that recently underwrote a bond or those that are known in the market to be active in certain issuers or sectors. In some circumstances (for example a customer needing to execute a large order size in a particularly illiquid fixed income security), a customer or a broker-dealer may desire to avoid a broad, competitive RFQ process because they are concerned about the potential for information leakage or withdrawal of quotes. Similarly, in some market conditions (such as rapidly moving markets at times of interest rate or price volatility, or in the face of a fund’s need to satisfy customer redemptions rapidly), customers may prioritize speed of execution over the possibility of an improved price through an RFQ process. Further, in none of these cases is there a reliable, automated way of recording all data considered by a fixed income trader when deciding where and how to execute an order. And requiring fixed income traders to record and preserve all of this data manually will not only make trading more expensive for customers, it will reduce the capacity of traders to handle customer demand at exactly the times (such as rapidly moving or unstable markets) when customers most need to be able to access the markets.¹⁹

Even more significantly, virtually all fixed income trades are executed on a principal basis. Some broker-dealers maintain a small agency trading capability to execute trades from an affiliated investment advisory function, but the vast majority of trades occur on a principal basis. As a result, under the Proposal virtually all retail fixed income transactions would be treated as “conflicted” simply because fixed income market structure is different from equities market structure. The Proposing Release has not and cannot justify treating fixed income markets as being more subject to conflicts than NMS equities markets. First, there is no rational basis to treat what are effectively riskless principal transactions differently from agency transactions.²⁰ The Commission has conceded that riskless principal and agency transactions are economically equivalent.²¹ Indeed, the Proposing Release itself recognizes that in fixed

¹⁹ Requiring broker-dealers to report all fixed income trades in shorter periods of time, as FINRA and the MSRB have suggested, would place further burdens on traders and also would make them less available to customers, especially during times of rapidly moving or unstable markets.

²⁰ For purposes of this letter, we use the term “riskless principal” to refer to a set of contemporaneous transactions in which a dealer intermediates a series of “back-to-back” transactions so that the dealer’s risk is offset. Although the Proposing Release discusses riskless principal trading for fixed income, it does not actually define the term, nor does it explain its data sources for determining which fixed income trades occurred on a riskless principal basis. Neither Rule 10b-10 nor the TRACE reporting rules require disclosure of “riskless principal” status for fixed income trades; fixed income trades are either principal or agency.

²¹ See, e.g., Order Competition Rule, Exch. Act Rel. No. 96495, at 205 (Dec. 14, 2022) (<https://www.sec.gov/rules/proposed/2022/34-96495.pdf>) (“Wholesalers determine which orders to execute internally and which to reroute to other trading venues, often using a riskless principal transaction. . . . Alternatively, a wholesaler can achieve the same economic result by rerouting the original order in an agency capacity as well.”); Revisions to Rules 144 and 145, Sec. Act Rel. No. 8869, at 29 (Dec. 6, 2007) (<https://www.sec.gov/rules/final/2007/33-8869.pdf>) (“We believe that these riskless principal transactions are equivalent to agency trades.”); Securities Confirmations, Exch. Act Rel. No. 15219 (Oct. 6, 1978) (“‘Riskless’ principal transactions . . . are in many respects equivalent to transactions effected on an agency basis . . .”).

income markets, “riskless principal trading in this context is analogous to the executing broker trading on an agency basis”.²² In other words, the “introducing broker” portion of the Proposal, which treats a typical introducing broker-clearing broker relationship as not conflicted, recognizes this distinction by providing that riskless principal trades by an executing broker in fixed income securities will be considered to be handled on an agency basis.²³ Even fixed income trades on an ATS, where (in economic terms) market participants often interact directly with one another, typically are executed on a principal basis matching the seller and buyer (with the ATS typically executing the trades on a back-to-back basis) so as to protect the anonymity of the trade participants, and prevent information leakage about potential future trades. This is the opposite of a conflict.²⁴

The Proposal would require a broker-dealer in a “conflicted” situation to review additional potential liquidity sources, even if those sources are not “material”. The Proposal indicates that a broker-dealer must do more than for an agency order, but with no articulated standard for how much “more” is sufficient. The Proposal’s requirement to check additional sources imposes more costs and greater delays (and thus risk) on broker-dealers and their customers in handling the order. The Proposal does not explain why reviewing more markets is the only possible mitigant for the asserted conflict (as opposed to a more principles-based approach to mitigating conflicts).²⁵ As an initial matter, comparable SEC Rule 605-type order execution information disclosures does not exist in fixed income. In the ATS context for fixed income, this requirement to review additional liquidity sources serves no purpose – an ATS already offers as many as 250-300 different liquidity providers. The Proposing Release does not justify requiring all principal fixed income trades to seek liquidity from multiple different ATSS, especially since the liquidity in other ATSS may simply duplicate the liquidity available in the first ATS. For some orders in some market conditions, sequentially accessing different market centers may create an illusion of increased market demand, and may result in lower quality quotes or the withdrawal of existing quotes. Especially where a customer’s order is time-sensitive (for example in unsettled or rapidly moving markets), a sequential process in which a broker-dealer must access different market centers so as to demonstrate “best” execution is unlikely to help and actually may hurt customer execution quality.²⁶

²² Proposing Release at page 150.

²³ The introducing broker exemption as proposed is unworkable for fixed income trading for other reasons. The lack of comparable public execution quality data for fixed income securities means there is no effective means to identify the execution quality an introducing broker could have obtained from another executing broker-dealer.

²⁴ The Proposal cites no data to support any suggestion that principal trades in any asset class receive worse quality executions than agency trades, and we respectfully suggest that in the absence of such data, the Commission cannot justify treating them differently. The Proposal should exempt “back-to-back” principal trades, whether at an ATS or a broker’s broker, where the purpose of the principal trades is to protect the anonymity of the respective customers. These trades simply are not “conflicted”.

²⁵ For example, payment for order flow, a potential conflict in the NMS equities markets, is almost entirely absent from fixed income securities. The different types of conflicts in different markets may lead to different solutions in terms of conflict mitigation.

²⁶ It is precisely for these reasons that FINRA abandoned its previous “three quote rule,” requiring broker-dealers to obtain at least three quotations to comply with best execution for fixed income products. See FINRA Notice 12-13 (March 2012) (repealing three-quote rule).

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Similarly, some U.S. broker-dealers use a structure in which an introducing broker routes trades for execution to an affiliated clearing broker, or where one broker-dealer relies on a fixed income trading desk at an affiliated broker-dealer. The Proposal would treat all of these trades as “conflicted” for the purposes of best execution analysis. Whether that portion of the Proposal makes sense in the NMS equities context (we doubt that it does, at least where the affiliate routes to another market), it certainly should not be applied in the fixed income context. There is no logical difference between an integrated firm routing a fixed income order to a third-party market center for execution (on a riskless principal basis) and an introducing firm routing the same order to its affiliated clearing firm, for further routing to exactly the same third-party market (also on a riskless principal basis). Neither of these transactions present a conflict of interest, and neither should be treated as conflicted under the Proposal. In both cases, for some orders in some market conditions, requiring the orders to be sequentially routed to other ATSS or market centers risks having the market move away and could result in worse quality executions.

Moreover, SIFMA does not believe that fixed income principal trades (even those not executed on what is effectively a riskless principal basis) should be subject to the “enhanced liquidity” provisions of the Proposal. In many cases, a customer may desire that a broker-dealer use its own balance sheet to purchase or sell a fixed income security (or give its broker-dealer the option to do so). Many broker-dealers keep an inventory of some fixed income securities to meet reasonably anticipated near-term customer demand. For fixed income securities, principal trading – including “at risk” principal trading (as opposed to riskless principal trading) – often can provide the best execution to a customer. In our experience, customers frequently prefer speed and certainty of execution when providing fixed income orders to their broker dealers (rather than the assurance that a broker-dealer has exhausted every potential source of liquidity prior to execution). This is especially true for a customer with a large position or a position in an infrequently traded fixed income security, or a customer with a need for immediate liquidity or who desires to settle on a non-standard basis (such as extended settlement, or same-day or next-day settlement). This willingness to provide balance-sheet support through principal trading can be a critical factor in a customer’s choice of broker-dealers, and the Commission should not discourage or disincentivize this vitally important source of liquidity.²⁷ We acknowledge that there is some potential conflict involved in any true principal trade. However, the provisions of FINRA Rule 2232 and MSRB Rule G-15 requiring markup/markdown disclosure requirements for fixed income securities reasonably address this potential conflict in the fixed income markets. The Proposing Release has not explained any way in which these rules have failed or are inadequate.²⁸

²⁷ For a variety of reasons, including the Volcker Rule’s limits on financial holding company proprietary trading, many observers have found that liquidity in some parts of the fixed income markets, and willingness of dealers to provide balance sheet support for fixed income trading, have declined over the past 15 years, especially during periods of market disruption. See, e.g., Bank of International Settlements, Fixed Income Market Liquidity (2016) (<https://www.bis.org/publ/cgfs55.pdf>); Alliance Bernstein, Playing With Fire, The Bond Liquidity Crunch and What To Do About It (2016) (<https://www.sec.gov/spotlight/fixed-income-advisory-committee/alliancebernstein-bond-market-liquidity-fimsa-011118.pdf>); Bloomberg, ‘Fragile Liquidity’ in Bond Market Could Threaten Fed’s QT Plans (Oct. 10, 2022) (<https://www.bloomberg.com/news/articles/2022-10-10/-fragile-liquidity-in-bond-market-could-threaten-fed-s-qt-plans?leadSource=verify%20wall>); cf. Market Stress Snarls Trading in U.S. Treasuries, Wall Street Journal (Mar. 15, 2023) (<https://www.wsj.com/articles/market-stress-snarls-treasury-trading-a84a5417>). The Commission should not adopt any proposals that would exacerbate these worrisome trends.

²⁸ Nothing in the Proposing Release suggests that investors receive lower quality executions on principal trades – and without such data, we respectfully suggest there is no basis for imposing burdensome and expensive additional regulatory requirements on principal trades.

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As discussed above, often a customer's need for immediate liquidity is best served by trading on a principal basis with their broker-dealer or an affiliate, where they conclude that the terms provide best execution. Often, a broker-dealer (which anticipates its customers' likely future demand) already may have in inventory a security that is most appropriate for those customers.²⁹ We agree that retail customers are entitled to the markup/markdown disclosures they currently receive in those situations. But the Proposing Release does not demonstrate that it will always (or regularly) benefit the customer to delay the customer's trade executions to poll third-party liquidity sources (especially in fast moving or unsettled markets, and when these additional sources are "immaterial" and therefore unlikely to provide better prices). The "conflicted transaction" provisions are so onerous that they may cause broker-dealers to route fixed income trades away, even when a principal trade might provide the customer with the best available terms. Broker-dealers should retain the discretion to determine when to execute fixed income trades immediately as principal rather than being required to "shop" every principal order.³⁰

The "conflicted transaction" provisions of the Proposal would also impose significant costs. Because of the lack of consistent, comparable cross-market fixed income market data, the "conflicted transaction" provisions of the Proposal would require broker-dealers to build expensive data capture systems to document the state of the market at the time of a particular trade. Those data capture systems currently do not exist, and the Proposal completely ignores the costs of building and maintaining those systems. As discussed above, manual data capture would reduce traders' capacity to handle customer demand at times (such as rapidly moving or unstable markets) when customers most need prompt access to the markets.³¹ We believe the costs of system development to implement connections to multiple different market centers are significantly higher than the estimate in the Proposing Release. For firms that currently do not utilize automated systems for fixed income order handling, the costs of building the technology necessary to establish these connections would be even higher. These costs would fall disproportionately on smaller broker-dealers, which is contrary to the Commission's Exchange Act Section 3(f) mandate to promote efficiency and encourage competition.

²⁹ As the MSRB has observed, "because municipal securities are typically only tax-exempt in the jurisdiction in which they were issued, [they] attract investors from that local community. Many such smaller trades are the focus of smaller and regional broker dealers, and voice interdealer brokers who make markets in these securities by calling investors known to be interested in similar securities."

³⁰ The Proposing Release (at pages 89-90) refers to the controversy over broker-dealers taking a "last look" at the results of an RFQ for the possibility of the broker-dealer (in a principal trade) providing price improvement to the customer beyond the RFQ result, a practice sometimes pejoratively referred to as "pennying" (see MSRB Notice 2018-22 (Sept. 7, 2018)). As the Proposing Release acknowledges (at note 167), broker-dealers *must* evaluate whether the results of an RFQ that they conduct provide a fair price (and best execution) to a customer. Generally, the Proposal encourages broker-dealers to provide price improvement to customers; in our view price improvement usually is a good thing, for fixed income securities just as in NMS equities markets.

³¹ Further, by treating all fixed income principal trading as conflicted, the Proposal may impact access to capital for issuers. Investors ultimately may choose to not purchase thinly traded corporate or municipal bonds if they cannot readily liquidate their positions. As a result, small-to-medium-sized enterprises, schools, cities, and infrastructure projects may find it more difficult to obtain necessary funding. This result would be contrary to the Commission's Exchange Act Section 3(f) obligation to promote capital formation.

For all of the reasons discussed above, SIFMA urges the Commission to abandon the entire “conflicted transaction” concept, at least with respect to fixed income transactions.³² If the Commission proceeds with a fixed income best execution rule at all, it should contain a single best execution concept no matter the capacity in which a retail customer’s trade is executed.

IV. The Quotation-Based Elements of the Proposal Are Not Adequately Tailored for Fixed Income Markets

The Commission appears to have drafted the Proposal primarily with NMS equity markets in mind. Many if not most of the questions raised in the Proposing Release assume an NMS equity market structure, with lit markets, consolidated firm quotes, and real-time transaction reporting. But fixed income markets are very different from NMS equity securities markets.

The fixed income execution process is more varied and complex than the equity execution process; orders can be subject to delays or rejection. Liquidity constraints create execution challenges. There are market structure elements quite different from those impacting NMS equity execution that are not addressed in the Proposal. Only a few thousand NMS equities securities are listed, quoted and traded on the national securities exchanges. By contrast, there are (at a minimum) hundreds of thousands of corporate fixed income securities, including agency and other asset-backed securities. There are over a million municipal fixed income securities (the precise number still outstanding is unknowable). Most fixed income securities are quoted or traded infrequently if at all – some may go weeks, months or even years without trading. There are no continuous two-sided quoted markets for the large majority of fixed income products.

The fixed income markets, unlike the NMS equities markets, do not feature designated or primary market-makers or specialists with an exchange-rule obligation to provide quotes or commit capital to maintain an orderly market. Most quotes in the fixed income market serve as a pre-trade indication of interest so that parties can then negotiate the terms of a potential trade. A substantial majority of fixed income trading volume occurs through that negotiation process, rather than against pre-existing actionable resting live quotes.³³ Many transactions occur after a Request for Quote (“RFQ”) or “Bid Wanted” process (sometimes to confirm a published indicative only quote). But even after an RFQ (if the RFQ is conducted by a broker-dealer and not by the customer, as is often the case), as the Proposing Release acknowledges, a broker-dealer must evaluate the resulting bids or offers to determine if they represent a fair market price.

³² If, contrary to our recommendation, the Commission were to proceed with the “conflicted transactions” concept for fixed income securities, it should provide a safe harbor to provide broker-dealers with clarity. For fixed income securities, for example, at least at the present time, an RFQ to an ATS with a sufficiently large number of participants, or other process reasonably designed to reach material market participants, should be conclusively deemed to satisfy the conflicted transactions obligation. A broker-dealer should not then be required to poll additional venues, especially not those it deems to be immaterial sources of liquidity.

³³ The Proposal should recognize and incorporate for all fixed income trading the MSRB’s Rule G-43 guidance concerning the use of RFQs and brokers’ brokers, which is well understood in the industry. As discussed above, fixed income RFQs should not be considered “conflicted transactions” even when they result (as they almost always do) in executions in a riskless principal capacity.

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There are no inter-market linkages or Regulation NMS trade-through rules for fixed income securities. Even where there are indicative quotations for fixed income securities, those quotations rarely are firm or actionable, and may not even necessarily be related to previous quoting and trading activity in the particular security. As FINRA and the MSRB have noted, some fixed income quotes may not reflect the fair market value of a security.³⁴ The sheer number of different fixed income securities outstanding and the infrequency with which the majority trade would make it impossible for broker-dealers to manage the risk associated with providing firm quotes. Because of these differences in market structure, the Proposal simply would not work for fixed income securities.

The Proposal would require a best execution analysis based primarily on comparisons to quoted bid-asked spreads. But because of the quoting and trading characteristics of fixed-income markets, and unlike NMS equities markets (with its CTA and UTP tapes), there are no industry-wide sources of fixed income quotation data. Even post-trade trade reporting data for fixed income securities varies widely by asset class.³⁵ These features of the fixed income market represent carefully considered balances of transparency while protecting investor anonymity and promoting liquidity in different classes of fixed income.³⁶ These differences reflect years of analysis concerning different markets for different classes of fixed income with different issuers and different investors. But the result is that measuring execution quality for the various classes of fixed income securities is fundamentally different than for NMS equities securities. Nor do the fixed income markets have any standardized, comparable market center aggregate execution quality information comparable to Regulation NMS Rule 605 reports for exchanges, ATs and market-makers in the NMS equities markets. The lack of quotation data alone makes a best execution rule based primarily on comparing quotes impossible to administer for fixed income securities, and as discussed below, broker-dealers and clients today both primarily rely on factors other than quotations when evaluating fixed income best execution.

SIFMA is aware of various proposals to increase the amount of pre-trade and post-trade transparency for certain fixed income securities. These proposals each should be addressed on their own merits in terms of whether they would increase or decrease market liquidity and benefit or harm large

³⁴ See MSRB, Notice to Dealers that Use the Services of Brokers' Brokers (Dec. 22, 2012) (<https://www.msrb.org/Notice-Dealers-Use-Services-Brokers-Brokers>). The MSRB adopted Rule G-13 to prohibit non-*bona fide* quotations for municipal securities, although of course this rule only applies to municipal brokers and not to other market participants who may place quotes for municipal securities. See also FINRA Regulatory Notice 15-46 (Nov. 2015) ("FINRA also notes that prices of a fixed income security displayed on an electronic trading platform may not be the presumptive best price of that security for best execution purposes, especially for securities that are illiquid or trade infrequently. Thus, although a firm should consider using this information as part of its reasonable diligence in determining the best market for the security, executing a customer order at the displayed price may not fulfill the firm's obligations, particularly if other sources of information indicate the displayed price may not be the best price available").

³⁵ The different reporting and public dissemination time-periods for different classes of fixed income are summarized in FINRA, TRACE Reporting and Transparency Protocols (<https://www.finra.org/filing-reporting/trade-reporting-and-compliance-engine-trace/trace-reporting-timeframes>) and MSRB Real-Time Reporting System (RTRS) Manual (<https://www.msrb.org/sites/default/files/RTRSWeb-Users-Manual.pdf>).

³⁶ Large buy-side investors, who provide the greatest long-term liquidity to the markets but whose trading strategies often must be executed over many hours or days, have consistently argued that excessively rapid transparency (especially for large orders) will facilitate information leakage about their strategies, and thus overall will reduce their willingness to provide capital to the markets.

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investors in those markets. Nor is could the proposals force market participants to quote the hundreds of thousands of fixed income CUSIPs that today are not quoted or traded on any given trading day. In any event, the cost estimates for the Proposal assume, erroneously for fixed income, that security-by-security quoting and trading information is regularly available today. The Proposal's cost estimates do not reflect the enormous costs that new fixed income transparency proposals would impose on the industry and thus on investors.³⁷

In other words, the market for fixed income securities is fundamentally different from that for NMS equity securities. Factors for evaluating fixed income best execution vary significantly, and depending on the security and the circumstances may include (among others) contemporaneous trades in the same security by the broker-dealer, contemporaneous trades in that security by other broker-dealers with institutional customers, contemporaneous trades in the security in the inter-dealer market, contemporaneous trades in related or similar securities, and spreads to Treasuries or other benchmark securities: all of these factors may be more relevant than quote-based measures.³⁸ When considering best execution for fixed income securities, it is even more important than for equities to consider a market center's fill rate, its willingness to provide additional (or any) liquidity, avoidance of information leakage and adverse price movements, avoidance of "failed" transactions,³⁹ and speed of execution (although these factors are all relevant in NMS equities markets as well). The weight of these factors can vary (as FINRA Rule 5310(a) recognizes) by prevailing market conditions, size and type of transaction, the character of the market for the security (including price, volatility, relative liquidity, and pressure on available communications), the terms and conditions of the order, and the accessibility of potential markets. By contrast, NMS equities-based measures relying on quotation data concerning price improvement such as effective/quoted spreads, or percentage or amounts of price improvement compared to quotes, are almost entirely irrelevant in fixed income markets.⁴⁰ These factors create a very different best execution calculus for fixed income securities from that applicable to NMS equity securities.⁴¹

³⁷ Indeed, some recent Commission actions limit quote transparency for fixed income securities. After the adoption of recent amendments to Rule 15c2-11, the Commission staff announced that the rule applies to most fixed income securities. As a result, the current interpretation forbids broker-dealers from publishing quotes for some fixed income securities. The Proposing Release does not explain how broker-dealers could use quotes to evaluate best execution for fixed income securities that cannot be quoted under Rule 15c2-11. The interpretation applying Rule 15c2-11 to fixed income is in tension with the Proposal's reliance on quote-based measures of execution quality.

³⁸ See FINRA Rule 2232, FINRA supplementary material 2121.02, MSRB Rule G-15, MSRB supplementary material G-30.06.

³⁹ Because so many fixed income securities trade so rarely, a "failed" transaction in fixed income securities has different implications than for NMS equity securities, where a "failed" transaction usually may be easily covered with another open-market transaction in the identical security. That process is not always possible for fixed income securities, so that the consequences of a "fail" for the broker-dealer and its customer are more significant, and transacting with reliable counter-parties is more important. Some fixed income ATSS offer a participant the ability to "block" certain other participants, so that they do not interact with participants who have proven unreliable at settlement in the past.

⁴⁰ Due to the OTC nature of fixed income securities, we do not believe that there is any single statistic that would effectively summarize a broker-dealer's execution quality for these types of assets.

⁴¹ See FINRA supplementary material 2121.02(b)(5) ("...a member must consider, in the order listed, the following types of pricing information to determine prevailing market price..." with quotations being considered only if there is no relevant information concerning contemporaneous transactions by the firm, *and* there are no contemporaneous

In summary, broker-dealer and customer discretion remain critical factors in best execution for fixed income securities. There is no “one-size-fits-all” approach to best execution in fixed income markets. The data sources available to evaluate best execution in fixed income securities are much different than those for NMS equity securities. The factors broker-dealers and customers consider in evaluating fixed income best execution are different (and vary by asset class and market conditions) compared to those for NMS equity securities. Broker-dealers have developed extensive procedures to evaluate fixed income execution quality, and these procedures can vary by firm, depending on its customers and the securities it trades. These procedures generally include multiple layers of review, including pre-execution reviews, post-trade reviews on a same-day or T+1 basis, and periodic monthly or quarterly regular and rigorous reviews of fixed income execution quality. These fixed income best execution review processes are subject to regular FINRA examinations, but there is no track record of enforcement referrals suggesting that these procedures are inadequate. The Proposing Release has presented no evidence that these procedures have failed or that investors have been harmed in any way. SIFMA opposes a Commission-level best execution rule that does not sufficiently account for different types of securities with different characteristics – and, in particular we oppose a rule that adopts prescriptive guidance superimposing NMS equities concepts on fixed income.⁴²

V. The Proposing Release Substantially Underestimates the Costs the Proposal Would Impose in the Fixed Income Markets, Without Identifying Concrete Benefits

SIFMA believes that the Commission’s economic and cost-benefit analyses for the Proposal substantially underestimate the costs of the Proposal, without explaining any quantifiable benefits, with respect to the fixed income markets. The Proposing Release contains only the most minimal economic analysis of corporate, municipal and government bonds, and no economic analysis at all of other types of fixed income securities such as ABS, CMOs, CDOs, or CLOs.⁴³ The only data it presents concerning fixed income transaction costs simply averages purchase prices and compares them to averaged sales prices, with no discussion of quotes at all.⁴⁴ With respect to the anticipated benefits of the Proposal for fixed income securities, the Proposing Release is candid: “the Commission cannot ascertain the extent to which this benefit [improved customer execution quality] would be realized because the Commission lacks data on how many broker-dealers would change order handling procedures in response to the

interdealer transactions in the fixed income security at issue – and only then if the interdealer transactions with institutions in that security typically occur at the quoted prices).

⁴² The Proposing Release does not discuss the implementation period for the Proposal. If, contrary to our comments, the Commission were to go forward with the Proposal, we urge that there be a dialogue about the proper length of an implementation period, because (as discussed above), for fixed income securities, the Proposal would require extensive systems changes and dramatic changes in current order handling processes.

⁴³ See Proposing Release at pages 271-75 (corporates), 275-79 (municipals) and 279-81 (governments). By comparison, the economic analysis spends more than 70 pages analyzing execution quality for NMS equities and options. Proposing Release at pages 200-71. These differences in both quality and quantity of economic analysis illustrate the equities-focused nature of the Proposal.

⁴⁴ See Proposing Release at Chart 17, pages 273-74. Table 18 (at pages 287-88) reflects the fact that the overwhelming majority of fixed income trading occurs on a principal basis (99.7% to 99.8% for corporate bonds), but with no data to show that customers obtain worse prices from principal trading as compared to agency trading, and nothing to justify the radically different treatment of principal and agency trades in the Proposal.

[P]roposal.”⁴⁵ While candid, the admitted lack of *any* relevant data does not justify applying the Proposal to fixed income securities.

Where the Proposing Release falls furthest short is with respect to the costs it would impose for the trading of fixed income securities. The Proposing Release identifies only two sets of potential costs, the cost of subscribing and connecting to alternative fixed income liquidity providers, and the cost of converting some fixed income riskless principal trading to agency trading.⁴⁶ First, the cost of building and maintaining the linkages to multiple fixed income trading venues (and the corresponding cost of expanding a broker-dealer’s fixed income trading desk) is far from “low cost”, especially when considering the need to integrate and evaluate information from the different venues in real time so as to limit the risks of fast-moving or unstable markets. Second, the cost estimate ignores the effect of poorer quality executions on customers when markets move away during the extended period of time it would take to poll markets for supplemental liquidity as required under the “conflicted transactions” provisions of the proposal, or the costs to customers of broker-dealers withdrawing liquidity because of the “conflicted transactions” provisions. And last but importantly, the cost estimate ignores the lack of integrated market-wide quotation or comparable execution quality data in the fixed income markets. The Proposal would require broker-dealers to build and maintain complex systems that do not currently exist to capture and store quotation data from multiple market centers and in response to RFQs, in order to satisfy the proposed requirements to justify the execution prices provided to customers (especially for, but not limited to, the “conflicted transactions” portion of the Proposal). This data currently exists for NMS equities, but not for any class of fixed income securities. Nor does uniform, comparable data exist today to allow broker-dealers to meet the proposed requirements to compare fixed income execution venues, or for introducing brokers to compare fixed income clearing brokers.

The costs to build and maintain these systems would be enormous, and far outweigh the entirely speculative benefits of the Proposal. These costs ultimately would be borne by investors. Further, the Proposing Release entirely fails to recognize or justify the serious anti-competitive effects such costs would impose on start-up, smaller or regional broker-dealers, or the harmful effects of the Proposal on capital formation for small fixed income issuers. Without an accounting of benefits that even purports to outweigh these large and mostly unacknowledged costs in the fixed income markets, the Proposal as written could not hope to survive judicial review.

Conclusion

For all of the reasons discussed above, SIFMA urges the Commission to reconsider the Proposal as it applies to fixed income securities. As the SIFMA Omnibus Letter explains, we do not believe the Proposal is justified for any markets, and we urge the Commission to withdraw or not proceed further with the Proposal. But we particularly cannot support the Proposal as currently written as applied to fixed income securities and markets. If the Commission proceeds with the Proposal, then the Commission should reconsider both the “conflicted transactions” and “institutional” aspects of the Proposal as they apply to fixed income securities and markets because they are unworkable and are unlikely to yield improved executions for customers. We appreciate the Commission’s consideration of our comments.

⁴⁵ Proposing Release at page 318.

⁴⁶ Proposing Release at pages 340-41.

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SIFMA would be happy to discuss any of these issues with you further, and we thank the Commission for the opportunity to comment on this matter.

Sincerely,



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Leslie M. Norwood
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cc: W. Hardy Callcott, Sidley Austin LLP