



May 18, 2026

By Email

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington DC 20549

**Re: Publication or Submission of Quotations Without Specified Information;
Release No. 34-105004; File No. S7-2026-08 – Definition of Equity Security**

Dear Ms. Countryman:

SIFMA¹ and SIFMA AMG² appreciate the opportunity to comment on the Securities and Exchange Commission’s proposed amendments to Rule 15c2-11 (the “Proposal”) under the Securities Exchange Act of 1934 (“Exchange Act”).³ SIFMA thanks the Commission for taking this important step and for responding to concerns that market participants have raised for several years regarding the scope of Rule 15c2-11.

As we explained in our May 15th comment letter regarding fixed-income securities,⁴ the Proposal is a constructive correction because it would revise Rule 15c2-11 to refer only to “equity securities,” as defined in Exchange Act Rule 3a11-1, without otherwise changing the rule’s substantive information-gathering and review requirements. This letter addresses additional recommendations regarding the proposed use of Rule 3a11-1, including: (i) instruments that should be excluded or clarified, (ii) registered securities pending listing (iii) tokenization, (iv) securities

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 SIFMA’s Asset Management Group (SIFMA AMG) brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG’s members represent U.S. and global asset management firms that manage more than 50% of global AUM. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit <http://www.sifma.org/amg>.

³ Securities Exchange Act Release No. [105004](#), 91 FR 13243 (March 19, 2026).

⁴ Available here: <https://www.sec.gov/comments/S7-2026-08/s7202608-778667-2374074.pdf>

issued in bankruptcy, (v) the potential development of an expert market, and (vi) the proposed simultaneous effective and compliance dates.

I. Executive Summary

SIFMA generally supports the Commission's use of Rule 3a11-1 as a familiar and established starting point for identifying equity securities under Rule 15c2-11. At the same time, this rulemaking is necessary only because market participants faced years of uncertainty and disruption following the Commission's unexpected position that Rule 15c2-11 applied to fixed-income securities—an application that had not previously been understood by market participants to fall within the rule. That history counsels particular care here: in narrowing Rule 15c2-11 to equity securities, the Commission should ensure that it does not inadvertently expand the rule again to capture instruments that historically have not been treated as within its scope and that do not implicate its core OTC equity-market concerns. Rule 3a11-1 was not designed specifically for Rule 15c2-11, and importing it wholesale would sweep in instruments that do not present the policy concerns that Rule 15c2-11 was designed to address, or present those concerns only marginally.

Accordingly, SIFMA respectfully recommends that the Commission make targeted changes in the final rule or adopting release:

- *Carve-Outs from the Equity Security Definition* – To appropriately calibrate the Rule 3a11-1 definition for purposes of Rule 15c2-11, the Commission should adopt a targeted exclusion or clarification for convertible debt securities, which are properly considered a type of fixed income security. The Commission also should adopt an exclusion for listed options, bilateral derivatives (e.g., over-the-counter (“OTC”) options), forwards, rights, warrants and similar instruments where the relevant investor-protection analysis turns on the underlying security, the contract terms and counterparty arrangements, rather than separate issuer information about the instrument itself. The Commission also should exclude from Rule 15c2-11 any security for which secondary-market transactions are required to be reported to FINRA's Trade Reporting and Compliance Engine (“TRACE”), such as covered hybrid securities. A TRACE-based exclusion would provide an administrable line that is consistent with the fixed-income treatment of these instruments and with prior Commission-approved FINRA guidance for certain hybrid securities.
- *Registered Securities Pending Listing* – The Commission should also provide a narrow exclusion, or at least clear guidance, for securities that have been registered and are reasonably expected to be listed on a national securities exchange within a brief period. During that short interim period, the relevant issuer and security information is publicly available through the registration statement, and market participants generally understand that exchange listing is imminent.
- *Tokenization* – The Commission should confirm that tokenization does not change the treatment of a security under Rule 15c2-11. A tokenized instrument should be analyzed according to its substantive rights and characteristics; tokenization alone should not bring an instrument into, or take an instrument out of, the rule.

- *Securities Out of Bankruptcy* – The Commission should provide a transitional exemption for securities issued in court-approved bankruptcy reorganizations, either (i) for at least until 12 months after the effective date of the relevant exchange or distribution, or (ii) where the relevant orders in the bankruptcy proceeding provide for the issuer to make ongoing reporting of information to qualified institutional buyers (“QIBs”) or other institutional market participants.
- *Develop an Expert Market* – The Commission should re-propose and further develop an expert market framework as a complementary reform. The framework should support best execution and price transparency for market professionals and sophisticated investors in secondary markets for equity securities with an institutional or accredited investors. Such a framework should preserve professional-market liquidity, allow broker-dealer proprietary quotations and price discovery for securities that cannot be fully quoted to retail investors under Rule 15c2-11, while maintaining appropriate limits on retail access and restrict public distribution of bids and offer quotations of securities of issuers without adequate current information publicly available.
- *Simultaneous Effective and Compliance Date* – SIFMA supports aligning the effective date and compliance date for this burden-relieving rulemaking, but the Commission should make clear that this approach should not be treated as a precedent for rulemakings that impose new obligations or require operational builds.

II. Targeted Carve-Outs from the Rule 3a11-1 Equity Security Definition Are Necessary

SIFMA agrees that Rule 3a11-1 provides a familiar and administrable starting point. Using that definition should avoid the uncertainty that could result from creating an entirely new, free-standing definition of “equity security” for Rule 15c2-11.

At the same time, the recent history of Rule 15c2-11 counsels caution. The need for this rulemaking arose because the Commission and staff took the position that Rule 15c2-11 applied to fixed-income securities, despite Commission precedent to the contrary, and even though market participants had previously not understood the rule to apply in that manner and had not built compliance, trading or quotation systems around that interpretation. The Commission should therefore take particular care not to repeat that experience here by adopting an overbroad definition of “equity security” that would sweep in instruments that historically have not been treated as subject to Rule 15c2-11 and that do not implicate the rule’s core OTC equity-market concerns.

Rule 3a11-1 is broad. Among other things, it includes securities convertible into equity securities, warrants or rights to subscribe to or purchase equity securities, and other interests that may be treated as equity securities for purposes of Exchange Act Section 12(g).⁵ Rule 15c2-11 has a different purpose. The rule focuses on the publication of OTC quotations and is designed to help prevent fraudulent or manipulative quotations in securities of issuers about which market

⁵ 17 CFR § 240.3a11-1.

participants may lack current information.⁶ The Commission has recognized in the Proposal that the relevant regulatory concerns arose principally in OTC equity markets, particularly for shares of issuers with little or no business activity or assets.⁷

For that reason, SIFMA recommends that the Commission either add a tailored definition of “equity security” in Rule 15c2-11(e), or expressly provide in the rule text or adopting release that only a subset of instruments within Rule 3a11-1 is covered for Rule 15c2-11 purposes. A tailored approach would preserve the core investor-protection benefits of the rule without extending the rule to instruments for which issuer information is not the information that drives valuation, trading interest or investor protection.

TRACE-reportable securities and covered hybrid securities

As a threshold matter, SIFMA recommends that the Commission exclude from Rule 15c2-11 any security for which transactions are required to be reported to TRACE. TRACE reportability is an administrable and objective indicator that the security is treated in market structure and regulatory reporting as part of the fixed-income market, even if the instrument has certain equity-like features or could otherwise create interpretive questions under the broad Rule 3a11-1 definition.

This approach would be particularly important for convertible debt securities and hybrid securities, including certain \$1,000 liquidation-preference preferred or trust preferred instruments that trade in institutional fixed-income markets. For these securities, the relevant trading, valuation and disclosure considerations are fundamentally different from the retail OTC equity markets that Rule 15c2-11 was designed to address.

FINRA Regulatory Notice 14-23 provides useful context for this approach.⁸ In that notice, FINRA explained that the Commission approved an interpretation requiring transactions in certain “covered hybrid securities”—including unlisted depositary shares with a liquidation preference of \$1,000 or more, unlisted non-convertible preferred securities with a liquidation preference of \$1,000 or more, and unlisted capital trust or trust preferred securities—to be reported to TRACE. FINRA also stated that any such security deemed a TRACE-Eligible Security would be excluded from the defined term “OTC Equity Security.”

That Commission-approved treatment reflects a judgment that at least certain hybrid instruments with both debt-like and equity-like features should be handled through the fixed-income reporting framework rather than the OTC equity reporting framework. The same judgment should apply for Rule 15c2-11—if a security is required to be reported to TRACE, it should not

⁶ Proposal, *supra* n.3, at 13244 (“Rule 15c2-11 was designed to prevent certain manipulative and fraudulent trading schemes that had arisen in connection with the distribution and trading of unregistered securities issued by shell corporations or other companies having outstanding but infrequently traded securities.”) (internal citations omitted).

⁷ *Id.* at 13246 (recognizing that the regulatory concerns underlying Rule 15c2-11 were manipulative schemes observed in the OTC equity markets, particularly for shares of issuers with little or no business activity or assets).

⁸ FINRA, Reg. Notice 14-23 (May 15, 2014), <https://www.finra.org/rules-guidance/notices/14-23>.

be subject to an OTC equity quotation rule designed for a different market and different investor-protection concerns.

A TRACE-based exclusion would also reduce unnecessary operational complexity. Broker-dealers already determine whether transactions in a security are reportable to TRACE. Using that existing regulatory classification would avoid a separate, duplicative product-by-product analysis under Rule 15c2-11 for instruments that FINRA's reporting framework already treats as fixed-income or fixed-income-like securities. It is unclear whether some covered hybrid securities would meet the definition of "equity security" in Rule 3a11-1, but because the Commission has already approved FINRA's determination that these securities should be reported to TRACE, there is no investor-protection benefit in requiring a separate determination under Rules 3a11-1 and 15c2-11.

The TRACE exclusion should not be the only relevant carve-out. Some convertible debt securities or other instruments may not be TRACE-reportable solely because of technical limitations in the TRACE definition, such as currency denomination or other reporting criteria. Those instruments should still be eligible for the separate exclusions discussed below where either (i) the instrument is clearly a fixed income security, (ii) the underlying security is listed or otherwise exempt, or (iii) where the instrument otherwise does not raise Rule 15c2-11's core OTC equity concerns.

Convertible debt securities

The Commission should exclude convertible debt securities. Convertible debt securities are debt instruments: they create a liability on the issuer's balance sheet, pay interest to investors, and trade and are reported as debt to TRACE (and would therefore generally be covered by the TRACE-exclusion described above). Convertible debt securities are treated as fixed income securities for the purposes of SEC Rule 10b-10(a)(4)-(6).⁹ However, convertible debt securities contain an embedded conversion feature that gives the holder the right, but not the obligation, to convert into equity in accordance with the terms of the instrument. That conversion may never occur. Upon conversion, the convertible debt security ceases to exist and the holder receives a separate equity security. That equity security should be analyzed under Rule 15c2-11 according to the ordinary rules applicable to that equity security.

For purposes of this request, SIFMA is focused on convertible bonds and similar debt instruments that are convertible into equity, rather than warrants, rights or other stand-alone equity-linked instruments that may raise separate considerations.¹⁰ Convertible bonds are traded, valued

⁹ 17 CFR § 240.10b-10(a)(4)-(6).

¹⁰ SIFMA respectfully requests that the final rule or adopting release expressly exclude both convertible debt securities and derivative instruments, including listed options, OTC options, forwards and similar instruments, from Rule 15c2-11 where the rule's issuer-information framework is not fit for purpose. With respect to convertible debt securities, that exclusion is warranted for the same reasons that the Division of Trading and Markets provided relief for fixed-income securities in its November 22, 2024 no-action letter: convertible debt trades, is valued and is risk-managed as fixed income, even though it contains an embedded conversion feature. The exclusion for convertible debt securities should be no less broad than the relief provided in that no-action letter, including the categories of issuer- and security-based relief identified in the letter. SIFMA believes this relief should be incorporated into any final rule or adopting release; to the extent it is not, SIFMA respectfully requests that the staff extend the no-action relief so that the Proposal does not reintroduce uncertainty for fixed-income securities.

and risk-managed as fixed-income instruments before conversion, even though they contain an embedded conversion right.¹¹

SIFMA therefore recommends that the Commission clarify that convertible debt securities are outside Rule 15c2-11. If and when conversion occurs, then the equity security received upon conversion should be analyzed under Rule 15c2-11 according to the ordinary rules applicable to that equity security. Absent this relief, we are concerned that convertible debt could be considered an equity security for the purposes of Rule 3a11-1, which we believe is not the result that the Commission should intend. Convertible debt securities were outside of the coverage of Rule 15c2-11 prior to 2020, and we recommend that the Commission return to that status quo ante.

Listed options

The Commission should also exclude listed options, as well as other listed puts, calls, warrants, rights or similar instruments on exchange-traded or otherwise exempt underlying securities.¹² Listed options trade in highly regulated exchange markets. They are not issued by the public company whose equity underlies the option series—rather, they are issued by the Options Clearing Corporation (“OCC”). While current financial information about OCC is publicly available and assures that the option will be honored, that information is not used by investors to value any particular option series. The relevant information is the information about the underlying exchange-listed security, the option’s listed terms, market price, volatility, time to expiration and other standard option-pricing inputs.¹³ For listed options, all of that information is current and publicly available to all investors.

Applying Rule 15c2-11 to listed options (as opposed to the underlying securities) would therefore impose a form of issuer-information review that is not fit for purpose. It also would risk unnecessary uncertainty for instruments that already trade under exchange and clearing frameworks designed for listed options markets. SIFMA recommends an express exclusion for listed options and similar exchange-traded derivative instruments on exchange-listed or otherwise exempt underlying securities.

Bilateral derivative arrangements including OTC options

Bilateral derivative arrangements such as OTC options, security futures, and forwards likewise should be excluded from Rule 15c2-11. OTC options and similar derivative instruments

¹¹ The vast majority of convertible debt securities are issued by companies with underlying equity securities listed on a national securities exchange. For these securities, the information most relevant to an investor is the current and publicly available information regarding the underlying equity, together with the contractual terms of the convertible instrument. Separate issuer-information review under Rule 15c2-11 for the convertible instrument itself would not materially advance the rule’s anti-manipulation purpose.

¹² SIFMA acknowledges that listed options likely fall with the existing Rule 15c2-11(f)(1) exception, which generally excludes quotations in a security that is admitted to trading on a national securities exchange given that listed options are admitted to trading on a national securities exchange. However, Rule 3a11-1 defines an equity security to include “any put, call, straddle or other option or privilege of buying such a security from or selling such a security to another without being bound to do so.” 17 CFR § 240.3a11-1. Accordingly, SIFMA believes that express clarity regarding listed options is warranted.

¹³ Listed options are only available on equity securities that are themselves exchange listed, or on ETFs that are SEC registered, exchange-listed, and provide periodic reporting as required by the Investment Company Act and the Securities Act. In either case, the relevant information used for valuing the listed option is publicly available on equal terms to all investors.

are typically bilateral contractual arrangements, generally governed by International Swaps and Derivatives Association (“ISDA”) documentation, between sophisticated institutional counterparties. They generally are not quoted into a retail OTC quotation medium, and there is no ordinary mechanism by which a broker-dealer publishes a firm market in an OTC option or similar instruments to the investing public. They are negotiated transactions in which price and risk are determined by the underlying security, contract terms, counterparty credit and collateral arrangements.

The issuer-information rationale underlying Rule 15c2-11 does not fit these instruments. Requiring a broker-dealer to conduct Rule 15c2-11 review for an OTC option or similar bilateral derivative arrangements would not provide meaningful additional protection to investors, but it could create operational burdens and interpretive uncertainty for bilateral derivatives activity that is not the type of OTC quotation activity the rule is designed to regulate. To the extent an OTC option or other bilateral derivative is physically settled, the delivery of the underlying security at settlement should not itself be treated as a published quotation for purposes of Rule 15c2-11.

III. Registered Securities Pending Exchange Listing

SIFMA also recommends that the Commission provide a narrow exclusion, or at least clear guidance, for the brief period after a security has been registered with the SEC but before it begins trading on the exchange listing market. In certain offerings, including some preferred securities, there may be a short interval (usually no more than a few days) between the effectiveness of the registration statement or completion of the registered offering and the commencement of exchange trading. During that interval, there may be OTC trading interest even though the security is expected to be listed within a few days.

Rule 15c2-11 should not apply during this limited interim period where: (i) a registration statement or other public offering document containing the relevant issuer and security information is publicly available; (ii) the issuer has represented that the security will be listed on a national securities exchange; and (iii) market participants have a reasonable expectation that listing will occur promptly. In that circumstance, the policy concerns underlying Rule 15c2-11 are not implicated in the same way as they are for an OTC equity security of an issuer lacking current public information. The registration statement filed by the issuer provides the necessary public information for investors to make informed decisions about these securities.

The Commission could address this issue through rule text, adopting release guidance or a statement that broker-dealers may reasonably rely on the public registration statement and imminent listing expectation during this short transition period. If the expected listing does not occur promptly, then the ordinary Rule 15c2-11 analysis would apply.

IV. Tokenization/Crypto Status Should Not Affect Treatment Under Amended Rule 15c2-11

The Commission asks in the proposing release whether Rule 15c2-11 should include a crypto-asset exception or a tailored information requirement for equity securities that are crypto

assets.¹⁴ SIFMA believes the rule should remain technology neutral. Tokenization alone should not change the regulatory status of a security for Rule 15c2-11 purposes.

If a tokenized/crypto instrument is substantively an equity security within the scope of Rule 15c2-11, and no exemption or exception applies, then the rule should apply. Conversely, if the same instrument in non-tokenized form is not substantively an equity security within the scope of Rule 15c2-11, or if an exclusion or exception would apply to the same instrument in non-tokenized form, then tokenization alone should not bring it within the rule. A tokenized convertible debt security, tokenized option, or tokenized share should be analyzed based on the rights it represents, the market in which it is quoted or traded, and the availability of relevant information—not based solely on the use of distributed ledger or similar technology.

SIFMA therefore does not recommend a bespoke crypto exception simply because a security is tokenized. The relevant question should be whether the instrument presents the OTC equity quotation risks Rule 15c2-11 is designed to address.

V. SIFMA Supports a Transitional Exemption for Securities Issued in Bankruptcy

SIFMA supports an exemption for securities issued in a court-approved bankruptcy reorganization or similar proceeding. In bankruptcy reorganizations, securities may be issued under a confirmed plan pursuant to Section 1145 of the Bankruptcy Code, which provides a bankruptcy-specific exemption from Securities Act registration for qualifying securities issued under a plan of reorganization. In other instances, securities may be issued pursuant to Section 3(a)(10) of the Securities Act of 1933 (“Securities Act”) in exchange transactions approved after a court or authorized governmental authority has considered the fairness of the terms and conditions of the exchange.¹⁵ In either case, the relevant court-approved process, together with the confirmed plan and related disclosure materials, serve a registration-like function for creditors and other recipients of securities in the immediate post-bankruptcy period, and provide information comparable to that provided by an SEC registration statement or SEC periodic reporting. We recommend that all equity securities issued in a court-approved bankruptcy proceeding be exempt from Rule 15c2-11 for 12 months after issuance; this time period would mirror the current requirement for current information in Rule 15c2-11(b)(5).

This issue is not limited to securities of issuers that will quickly become Exchange Act reporting companies. In many reorganizations, the post-emergence issuer may remain private, and the securities received by creditors or other stakeholders may not be followed by a near-term Form 10-K or Form 10-Q reporting cycle. A rule that assumes all post-bankruptcy issuers will become ordinary public reporting companies within a short period would therefore fail to address a significant part of the market.

Many of these securities arise directly out of the fixed-income and distressed-debt markets. Creditors may receive equity in satisfaction of debt claims under a confirmed plan, including

¹⁴ See Proposal, *supra* n.3, at 13249 (Questions 9 and 10).

¹⁵ 15 U.S.C. § 77c(a)(10).

securities issued pursuant to Bankruptcy Code Section 1145,¹⁶ and in some cases new equity may be issued in related private placements under Securities Act Section 4(a)(2).¹⁷ Although the resulting instrument may be equity, the trading market typically remains closely connected to the distressed-debt and institutional restructuring community.

For non-reporting reorganized companies, information access is typically addressed through the plan, disclosure statement, governing documents, shareholder agreements, data sites, confidentiality undertakings and contractual information rights. Those arrangements commonly provide that the company will furnish information to securityholders or that securityholders may provide information confidentially to prospective buyers. As a result, the market often has an information-access framework that is more closely analogous to a Rule 144A market than to a retail OTC equity market lacking current issuer information.

The analogy to Rule 144A is important. Trading in these securities is generally concentrated among QIBs, institutional creditors, distressed investors and other sophisticated participants that can obtain and evaluate the relevant information. In many cases, transfer restrictions, buyer and seller representations, confidentiality arrangements and governing-document provisions further support an institutional market structure rather than a retail quotation market. In practice, these securities typically are traded by the fixed income desks of broker-dealers, like Rule 144A securities.

Securities issued upon emergence from bankruptcy may not fit neatly into Rule 15c2-11's compliance mechanics on day one. A reorganized issuer may have extensive court-approved disclosure and a new capital structure, but may not yet have completed the ordinary periodic reporting cycle that would allow market participants to satisfy the rule in the same way as for an established reporting company. Without a transitional exemption, broker-dealers may be reluctant to publish quotations, impairing liquidity for creditors, former stakeholders and other investors precisely when an orderly market is most important.

That liquidity concern is not theoretical. If Rule 15c2-11 were applied in a manner that effectively prevents broker-dealers from facilitating quotations or secondary trading in post-reorganization securities, it could have a negative effect on the ability of companies to use the bankruptcy process to reorganize. Creditors may be less willing to accept equity in a restructuring, and new-money investors may be less willing to provide financing, if the securities they receive will be effectively illiquid. That result could have substantial negative consequences for bankruptcy restructurings and for distressed companies' ability to raise capital and emerge from bankruptcy.

SIFMA recommends that the Commission exempt all equity securities issued in a bankruptcy exchange until at least 12 months after the effective date of the exchange or

¹⁶ 11 U.S.C. § 1145.

¹⁷ 15 U.S.C. § 77d(a)(2).

distribution.¹⁸ During that period, broker-dealers and market participants could rely on the confirmed plan, disclosure statement and other court-approved or publicly available emergence materials. In addition, for reorganized issuers that remain private after that period, the Commission should provide a continuing exemption where trading is limited to QIBs, accredited investors or other sophisticated institutions, and where the governing documents or related contractual arrangements provide continuing information rights or other means for prospective investors to continue to obtain the information necessary to make informed investment decisions. The exemption should be available where the broker-dealer has a reasonable basis to believe that eligible purchasers have access to sufficient current information through one or more objective sources, including the confirmed plan, disclosure statement, public bankruptcy docket, governing documents, contractual information rights, issuer data rooms, confidentiality undertakings or similar arrangements that permit prospective purchasers to obtain information necessary to make informed investment decisions.

This bankruptcy exemption should be separate from, and not dependent on, the development of an expert market discussed below. The expert market proposal addresses a broader category of securities for which professional investors may have trading interest but current public information is not available. The bankruptcy issue is narrower and distinct—it concerns securities that arise from a court-supervised restructuring process, usually out of fixed-income claims, and that generally trade through institutional channels supported by contractual information arrangements.

VI. SIFMA Supports Re-Proposal and Development of an Expert Market

SIFMA supports the Commission re-proposing and further developing an expert market framework, as suggested in the proposing release.¹⁹ This reform should be treated as complementary to, and not a reason to delay, adoption of the Proposal's equity-only amendments. Even if Rule 15c2-11 is narrowed to equity securities, there will remain a meaningful category of equity securities that fall between listed equity securities and securities for which current and publicly available information is sufficient to support full public quotation to retail investors. This category may include delisted securities, securities of issuers that became public through Exchange Act Section 12(g)²⁰ without a registered offering, and other securities for which professional investors may have a legitimate trading interest but for which unrestricted public quotation raises Rule 15c2-11 concerns.

At a high level, an expert market can provide a lawful and transparent channel for sophisticated or professional participation without exposing retail investors to the principal risks that Rule 15c2-11 was designed to address. The expert market should be understood as a distinct market tier subject to regulatory and other restrictions, with quotes distributed only to broker-

¹⁸ Rule 15c2-11 uses a 12-month look back for many of the specified information items with respect to the issuer. 17 CFR § 240.15c2-11(b)(5)(i) (requiring specified information “as of a date within 12 months prior to the publication or submission of the quotation, unless otherwise specified”).

¹⁹ See Proposal, *supra* n.3 at 13249 (Questions 11 and 12).

²⁰ 15 U.S.C. § 781(g).

dealers, institutions and accredited investors.²¹ SIFMA believes that an expert market can support best execution and price transparency for eligible professional participants, preserve secondary-market liquidity, and facilitate price discovery while maintaining appropriate limits on retail access and public quotation visibility.

SIFMA recommends that the Commission address the following issues in a re-proposal specific to an expert market rather than attempt to finalize all expert market details in this rulemaking.

- *Participant qualification* – Access should be limited to broker-dealers and appropriately sophisticated or professional investors, such as institutional investors and accredited investors, with clear standards that can be implemented operationally.
- *Quotation visibility and retail protections* – Quotations should be visible only to eligible participants, and the framework should prevent the use of expert market quotations as a means of broadly soliciting retail interest in securities that do not have current public information.
- *Affiliate and insider restrictions* – The framework should include appropriate restrictions on affiliate or insider quotations or orders where needed to prevent evasion of Rule 15c2-11’s investor-protection objectives.
- *Operationally workable automated controls* – The Commission should permit qualified inter-dealer quotation systems,²² broker-dealers and other market participants to implement objective automated controls, including eligibility screens and access controls, rather than requiring bespoke manual review for each quotation.
- *Clear compliance processes* – The Commission should provide affirmative guidance or safe harbors for acceptable compliance processes. Without broker-dealers knowing what constitutes acceptable compliance processes and appropriate levels of due diligence, the utility of an expert market would be undermined by making firms uncertain whether they may rely on the exemption or exception.
- *Solicited and unsolicited interest from professional participants* – The framework should permit eligible professional investors to submit both solicited and unsolicited bids and offers, and should permit broker-dealers to publish proprietary quotations to eligible participants, subject in each case to appropriate safeguards. Restricting the market only to unsolicited interest would materially limit its usefulness as a liquidity and price-discovery mechanism for expert participants.

An expert market would not eliminate the importance of current public information, and it should not become a substitute for full compliance where securities are eligible for public

²¹ See Cromwell Coulson, [The Expert Market: Its Larger Role Post Rule 15c2-11](#), OTC Markets Blog (Sept. 14, 2023).

²² 17 CFR § 240.15c2-11(a)(2).

quotation under Rule 15c2-11. Rather, it would address the intermediate cases in which professional investors can responsibly evaluate risk, but retail-accessible public quotations should remain restricted unless and until the relevant current information becomes available.

For these reasons, SIFMA encourages the Commission to re-propose an expert market exemption or exception, solicit detailed public comment on implementation and best practices related to compliance, and develop a framework that balances investor protection, market transparency, best execution, liquidity and operational feasibility. We recognize that developing a full expert market exception will take further time and input. Accordingly, we urge the Commission not to wait until it develops a full expert market framework before adopting the current proposal to reform Rule 15c2-11.

VII. Aligning the Effective Date and Compliance Date Is Appropriate Here, But Should Not Establish a Precedent

SIFMA supports the Commission's proposal to use the same effective date and compliance date for this rulemaking. The Proposal is burden relieving: it would narrow Rule 15c2-11 so that it applies only to equity securities and would reduce uncertainty for non-equity securities. The Administrative Procedure Act permits a substantive rule to become effective in less than 30 days where the rule grants or recognizes an exemption or relieves a restriction.²³ In this context, aligning the effective and compliance dates is appropriate and would allow market participants to benefit promptly from the Commission's clarification.

SIFMA emphasizes, however, that this approach should not be treated as a model for most other SEC rulemakings. Where a rule imposes new obligations, changes compliance architecture, requires technology builds, or alters supervisory and recordkeeping systems, separate effective and compliance dates generally remain essential for orderly implementation and fair notice. The Commission should make clear in the adopting release that the aligned dates are appropriate here because the rule is burden relieving and clarifying and should not be used as a routine precedent for future administrations.

In the meantime, between now and the time the Commission adopts a final rule, we urge the Commission not to expend the resources of its Divisions of Examinations or Enforcement on Rule 15c2-11 issues, outside of the core intended focus of the OTC equity markets. We also suggest that the Commission urge FINRA to exercise parallel restraint until the finalization of this rule.

VIII. Conclusion

SIFMA appreciates the Commission's proposal to revise Rule 15c2-11 so that it applies only to true equity securities. SIFMA generally supports the Commission's use of Rule 3a11-1 as a starting point, but urges the Commission to adopt targeted exclusions and clarifications to align

²³ 5 U.S.C. § 553(d)(1).

the rule with its historical purpose and to prevent sweeping in instruments for which Rule 15c2-11's security-specific information framework is not fit for purpose.

SIFMA looks forward to continuing to work with the Commission and its staff on these issues. Please feel free to contact us at ckillian@sifma.org / 212-313-1126 for Chris Killian, or lkeljo@sifma.org / 202-962-7312 for Lindsey Keljo, or our counsel, Hardy Callcott (hcallcott@sidley.com) and Charlie Sommers (csommers@sidley.com) of Sidley Austin LLP.

Respectfully submitted,



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