



May 15, 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 – Fixed Income Letter**

Dear Ms. Countryman:

SIFMA¹ and SIFMA AMG² appreciates the opportunity to comment on the Securities and Exchange Commission’s proposed amendments to Exchange Act Rule 15c2-11 (the “Proposal”).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 current scope of Rule 15c2-11.

The Proposal 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 discusses the Proposal as it relates to fixed-income securities, and SIFMA expects to submit a follow-on letter addressing additional recommendations regarding other types of securities, including issues raised by the proposal’s incorporation of the Rule 3a11-1 definition of “equity security.”⁴

SIFMA strongly supports revising Rule 15c2-11 so that it explicitly applies only to equity securities and no longer can be interpreted to scope in fixed-income products. The proposal is a constructive and important correction that appropriately aligns the rule with the manipulative trading concerns historically associated with the over-the-counter equity markets, rather than

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 As will be explained more fully in SIFMA’s follow-on letter, SIFMA believes that targeted carve-outs are necessary because of the breadth of the Rule 3a11-1 definition

fixed-income markets including Rule 144A debt, asset-backed securities (“ABS”), and municipal securities. The Commission itself recognizes in the proposing release that the regulatory concerns underlying Rule 15c2-11 were manipulative schemes observed in the OTC equity markets, particularly involving issuers with little or no business activity or assets, and that the rule was designed to prevent broker-dealers from initiating market-making activity critical to those schemes.⁵

SIFMA is not repeating here the full litany of arguments against the Commission’s 2021 decision to begin to enforce the Rule in fixed income markets as set forth in the SIFMA/SIFMA AMG letter dated March 2, 2026, which SIFMA incorporates by reference and has attached to this letter.⁶

I. Executive Summary

This letter discusses three material considerations regarding the Commission’s proposal as it relates to fixed-income securities.

- First, the Proposal is a constructive and important correction for fixed-income markets, and should be finalized as soon as practicable for these markets;
- Second, the Commission should preserve the existing treatment of ABS, including residual tranches;
- Third, the Commission should retain the municipal securities exclusion.

II. The Proposal Is a Constructive and Important Correction for Fixed-Income Markets, And Should Be Finalized as Soon as Practicable for These Markets

SIFMA vigorously supports the Commission’s proposal to revise Rule 15c2-11 so that it refers only to equity securities and no longer imposes a regulatory framework not fit for purpose in the fixed-income markets. The proposal would replace references to “security” and “securities” with “equity security” or “equity securities,” as defined in Rule 3a11-1, while leaving the existing substantive information-gathering and review framework otherwise unchanged.

That approach is consistent with Rule 15c2-11’s history and purpose. Rule 15c2-11 was designed to address manipulative and fraudulent trading schemes in OTC equity markets, not the institutional fixed-income markets.⁷ The Commission previously recognized in the 1999 release that the issuer information required by Rule 15c2-11 is “much less relevant” to the pricing and trading of fixed-income securities, that microcap fraud and manipulation had not been evident in the fixed-income market, and that non-convertible debt securities and investment-grade ABS

⁵ Proposal, *supra* n.3, at 13244.

⁶ Letter from Christopher B. Killian, Managing Director, SIFMA and Lindsey Weber Keljo, Managing Director, SIFMA AMG (Mar. 2, 2026) (“SIFMA Letter”).

⁷ 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.”).

generally trade at prices, in denominations and with investors that make those securities less likely targets for manipulation.⁸

SIFMA's March 2, 2026 letter explains in greater detail why Rule 15c2-11 is ill-suited to fixed-income markets, including the rule's historic focus on OTC equity markets, the absence of comparable retail pump-and-dump concerns in fixed-income markets, the fundamental differences between fixed-income and equity market structure, and the burdens and inefficiencies caused by attempting to apply an equity-focused quotation rule to fixed-income instruments. SIFMA continues to believe that no-action relief and exemptive relief are not an adequate long-term substitute for a rule fix. The Commission's proposal is therefore a needed course correction and a welcome response to longstanding industry concerns.

SIFMA urges the Commission to finalize and make effective this proposal as it regards fixed-income markets as soon as possible. To the extent the Commission believes further deliberation is needed with respect to other aspects of the proposal, it should not delay the effectiveness of the changes that would remove fixed-income products from the scope of the Rule.

III. The Commission Should Preserve the Existing Treatment of ABS, Including Residual Tranches

SIFMA supports the continued exclusion of ABS from Rule 15c2-11's scope, including ABS tranches that may be labeled "equity," "residual," or similar terms but that function as structured-finance interests rather than the type of equity security Rule 15c2-11 was designed to police. SIFMA urges the Commission to confirm in the rule text or adopting release that residual tranches of ABS remain outside Rule 15c2-11. While some market participants sometimes colloquially refer to these tranches as "equity" tranches, they do not resemble traditional equity securities in any way. They do not convey any special voting, management or information rights. They are simply the lowest tier in the set of tranches that comprise an asset-backed security, and pay interest (and repay principal) after the other tranches are paid (or repaid). Their trades are reported to TRACE, the trade reporting facility for fixed income securities. Their confirms are subject to the provisions of Rule 10b-10(a)(7) applicable to fixed income securities. They are issued pursuant to exactly the same offering documents; the purchasers are subject to exactly the same qualification requirements; and they give their holders exactly the same rights to information about the ABS pool as the other ABS tranches.

This clarification is important because the proposal incorporates the Rule 3a11-1 definition of "equity security," which is broad and includes, among other things, stock or similar securities, certificates of interest or participation in profit-sharing agreements, limited partnership interests, joint venture interests, and securities convertible into equity securities. Without clarification, that broad definition could create interpretive uncertainty for ABS residual tranches, even though those interests arise within the same securitization structures, are reported to TRACE, and trade in the same fixed-income market context limited to qualified institutional investors (QIBs) as the related senior and mezzanine ABS tranches. Although we do not think Rule 3a11-1 on its face should

⁸ *Id.* at 13246.

apply to these residual tranches, we request that the Commission confirm expressly that it does not intend to treat these securities as equity securities for the purposes of Rule 15c2-11.

Absent an express clarification, residual tranches could be treated differently from the rest of an ABS transaction solely because of nomenclature or structural position in the waterfall. That result would create an unnecessary disparity among tranches of the same securitization and would likely impair the ability of market participants to trade residual or equity tranches that are substantively part of the broader ABS offering. It also would be inconsistent with the Commission's rationale for narrowing Rule 15c2-11 to the markets, the investors, and instruments for which the rule was designed.

The Commission's existing Rule 144A exemptive order supports this conclusion. In that order, the Commission defined "fixed-income security" to include, among other instruments, notes, bonds, debentures, certificates of deposit, and asset-backed securities.⁹ The Commission explained that Rule 144A fixed-income securities are limited to resales to qualified institutional buyers, an investor base the Commission described as sophisticated and able to obtain basic financial information concerning issuers.¹⁰ The Commission further stated that the availability of Rule 144A information can help prospective investors which are QIBs make informed investment decisions and assess risks, and that, for ABS, the relevant information includes basic, material information concerning the structure of the securities, distributions, the nature and performance of the supporting assets, servicing, and credit enhancement.¹¹ The Commission expressly included all tranches of fixed income securities, including residual tranches, in its existing Rule 144A fixed income exemptive relief, and distinguished those securities from equity securities.¹²

Accordingly, SIFMA respectfully requests that the Commission expressly state, either in the final rule text or in the adopting release, that ABS residual or equity tranches are not within the scope of Rule 15c2-11 solely because they are labeled "equity," "residual," or similar terms. This clarification would prevent interpretive uncertainty, preserve consistent treatment across ABS capital structures, and ensure that the Commission's fixed-income solution is complete.

IV. The Commission Should Retain the Municipal Securities Exclusion

SIFMA also supports continued exclusion of municipal securities from Rule 15c2-11. The Proposal would remove the current municipal securities exception in paragraph (f)(4), because, according to the Commission, that exception would no longer be necessary if Rule 15c2-11 were revised to apply only to equity securities. The Commission has specifically requested comment on

⁹ Securities Exchange Act Release No. 98819, 88 FR 75343 (Nov. 2, 2023).

¹⁰ *Id.* at 75344.

¹¹ *Id.*

¹² *Id.* at n.3; *see also id.* at n.15 (distinguishing equity securities issued pursuant to Rule 144A).

whether Rule 15c2-11 should continue to include an exception for municipal securities if the rule is revised to refer only to equity securities.¹³

SIFMA believes the Commission should preserve an explicit municipal securities exception or, at a minimum, clearly confirm in the adopting release that municipal securities remain outside the scope of Rule 15c2-11. Even if municipal securities would be outside the revised rule as a technical matter, explicit preservation would avoid interpretive uncertainty and future scope creep.

There is no evidence that the abuses Rule 15c2-11 was designed to address are present in the municipal securities market. Municipal securities have been excepted from Rule 15c2-11 since 1976, and the Commission's proposing release recognizes that a robust municipal securities disclosure regime has developed since the adoption of Exchange Act Rule 15c2-12 in 1989.¹⁴ The proposing release also notes that MSRB Rule G-47 requires brokers, dealers, and municipal securities dealers to disclose to customers, at or prior to the time of trade, all material information known about the transaction and material information available through established industry sources.¹⁵

Maintaining an express exclusion also respects the statutory framework governing municipal securities. The Tower Amendment provides that neither the Commission nor the MSRB may, directly or indirectly through a purchaser or prospective purchaser, require a municipal issuer to file with the Commission or the MSRB, before sale, any application, report, or document in connection with the issuance, sale, or distribution of municipal securities.¹⁶ Rule 15c2-12 and MSRB rules already provide a tailored disclosure framework for the municipal securities market, while respecting the limits Congress placed on regulation of municipal issuers.

For these reasons, SIFMA recommends that the Commission retain paragraph (f)(4), revise it as necessary to conform to the final rule's equity-security terminology, or otherwise state clearly in the adopting release that municipal securities are not subject to Rule 15c2-11.

V. Conclusion

SIFMA appreciates the Commission's proposal to revise Rule 15c2-11 so that it applies only to equity securities. The Proposal is an important and constructive correction that aligns the rule with its historical purpose and avoids imposing an equity-market quotation framework on fixed-income markets.

SIFMA looks forward to continuing to work with the Commission and its staff on these issues and expects to submit a follow-on letter with additional recommendations regarding specific securities. Please feel free to contact us at ckillian@sifma.org / 212-313-1126 for Chris Killian,

¹³ See Proposal, *supra* n.3, 13248 (Q.6).

¹⁴ *Id.* at n.23.

¹⁵ *Id.* at n.83.

¹⁶ 15 U.S.C. § 78o-4(d).

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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Lindsey Weber Keljo, Esq.
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Attachment: SIFMA/SIFMA AMG Letter dated March 2, 2026

cc: The Hon. Paul Atkins, Chairman
The Hon. Hester M. Peirce, Commissioner
The Hon. Mark T. Uyeda, Commissioner

Attachment

SIFMA/SIFMA AMG Letter to Commission Regarding the Application of Rule 15c2-11 to Fixed-Income Securities Dated March 2, 2026

March 2, 2026

The Honorable Paul S. Atkins, Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Application of Rule 15c2-11 to Fixed-Income Securities

Dear Chairman Atkins,

SIFMA¹ jointly with its Asset Management Group² commends the Commission for its planned review of the scope of Rule 15c2-11 (the “Rule”) as noticed in the Regulatory Flexibility Agenda of Spring 2025.³ The Regulatory Flexibility Agenda states that *“The Division is considering recommending that the Commission amend Rule 15c2-11, which governs the publication of quotations for over-the-counter (“OTC”) securities, to exclude certain types of securities.”*

This letter discusses the application of the Rule to fixed-income securities⁴ and is intended to reiterate SIFMA and SIFMA AMG’s long-standing positions on this issue, highlighted by our August 26, 2021 exemptive request⁵ and other communications, and SIFMA AMG et. al.’s September 23, 2021 letter.⁶

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 whose combined assets under management exceed \$45 trillion. 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 Spring 2025 Regulatory Agenda, “Publication of Submission of Quotations Without Specified Information”, <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202504&RIN=3235-AN36>

⁴ This letter relates solely to the expansion of the scope of application of the Rule to fixed-income and other similar securities that occurred in 2021.

⁵ Letter from SIFMA and Bond Dealers of America (August 26, 2021), <https://www.sifma.org/wp-content/uploads/2021/09/SIFMA-BDA-Exemptive-Request-Fl-2021-08-26.pdf> (“SIFMA Request”).

⁶ Letter from SIFMA AMG, Investment Advisor Association, Investment Company Institute, U.S. Chamber’s Center for Capital Markets Competitiveness, and the Managed Funds Association, <https://www.sifma.org/wp-content/uploads/2021/09/Investor-15c2-11-letter-final-2021-09-23.pdf> (“Investor Letter”).

In remarks from May 2025 you noted that “[i]n years past, the Commission has unfortunately demonstrated a tendency to prioritize regulatory expansion over meticulous economic analysis, potentially jeopardizing this delicate balance” of investor protection with promoting capital formation and market efficiency.⁷ The unwarranted expansion of the scope of Rule 15c2-11 is an example of the concerns you expressed in these remarks.

This Rule, for the first 50 years of its 55-year history, was only applied to OTC equity securities and their markets. There was no serious consideration of application to, or any enforcement in, fixed-income markets until 2021. SIFMA’s long-standing position remains that application of the rule by the Commission should be reverted to its pre-2021 scope. Until the Commission has had the opportunity to examine the expansion of the rule through a separate, specific, open, and transparent notice-and-comment process, this Rule or any similar rule should not apply beyond OTC equity markets to fixed income (or substantially similar) securities.⁸

1. Executive Summary

We urge the Commission to take this opportunity to correct previous failures to follow good regulatory practice and revert the application of the Rule solely to OTC equity markets, reversing the unexpected and unjustified application of an ill-fitting Rule to fixed-income securities. This will ensure that the application of the Rule reflects decades of regulatory and enforcement practice, as well as the significant differences between fixed-income and equity market structure.

In this letter we discuss the following topics:

- The application of the Rule beyond OTC equity markets was not supported by any economic analysis, public notice and comment, or other rulemaking actions;
- The rule was developed with a focus on penny stocks traded in retail OTC equity markets, as shown by its history, amendments, and historic application;
- Fixed-income markets are very different from equity markets; they are far larger, primarily institutional, and almost entirely OTC;
- The Rule cannot accommodate fixed-income markets and OTC equity markets at the same time; no-action letters (“NAL”) and exemptive relief are not a permanent solution;
- The burdens of compliance with this equity-focused rule are proportionally more burdensome in fixed-income markets; and
- Rule 15c2-11 should apply only to those markets for which it was designed – OTC equity markets.

⁷ See, Chairman Paul S. Atkins, “Remarks at the 12th Annual Conference on Financial Market Regulation”, May 16, 2025, <https://www.sec.gov/newsroom/speeches-statements/atkins-conference-financial-market-regulation-051625>. (“May 2025 Remarks”)

⁸ SIFMA members do not view the current enforcement relief, or a subsequent SEC rule based on the current enforcement relief, as an optimal, long-term regulatory solution for U.S. fixed income markets.

2. The Application of the Rule Beyond of OTC Equity Markets Was Not Supported by Any Economic Analysis, Public Notice and Comment, or Other Rulemaking Actions

The Rule was promulgated 55 years ago, in 1971, and governs broker-dealer quotation activities. While it nominally applies to all securities, from the time of its origination until 2021, the Commission conducted its economic and market structure analysis, rule design, and application of the Rule solely in equity markets.⁹

Prior to the 2020 amendments to the Rule, the last statement by the Commission on its application to fixed income securities was that “*The fraud and manipulation that we have observed in the microcap securities have not been evident in the fixed-income market...Further, the type of issuer information required by the Rule is much less relevant to the pricing and trading of these types of securities.*”¹⁰ This statement remains true today.

When the 2020 amendments were finalized, the Commission’s press release noted that the amendments were targeted at “*reducing fraud in these markets where retail presence is significant and, unfortunately, pump-and-dump and other frauds are too common*”, and that “*the amended rule represents another important step in our tireless and proactive efforts to protect retail investors from being victimized by microcap fraud*”, and that “[*s*]ecurities that trade on the OTC market are primarily owned by retail investors.”¹¹ Fixed income securities, as we will discuss further: (1) are not subject to pump-and-dump schemes, (2) are not microcap stocks, and (3) are not primarily owned by retail investors.

These and other statements confirmed the industry’s long-held understanding that the rule was not intended to apply to fixed income securities. Further bolstering this view, FINRA did not examine broker-dealers for compliance with the rule for fixed income securities, and FINRA’s Form 211 remains explicitly designed for equities. In 2019, when the SEC proposed amendments to the Rule, the proposing release did not discuss the possibility of applying the rule to fixed income securities beyond a single question (out of 154) that received no responses.¹² Nor did the 2020 adopting release for those amendments discuss the application to fixed-income securities – and the economic analysis in the adopting release only addressed equity securities.¹³ For example, the 2020 adopting release stated that the Commission had identified only 19,141 unique OTC equity securities – less than 1% of the number of fixed-income securities (as we will discuss later in this letter).¹⁴ In fact, the words “fixed-income” do not appear.

In 2021, the Commission unexpectedly announced its intention to begin to enforce the Rule in fixed-income markets, without modifications. This sudden application of the Rule to fixed-income markets, upending 50 years of Commission practice, was done without notice and

⁹ For further discussion, see SIFMA Request, at 5.

¹⁰ Proposing Release, Publication or Submission of Quotations without Specified Information, Exch. Act Rel. No. 41110 (Feb. 25, 1999) (at Q15).

¹¹ See “SEC Adopts Amendments to Enhance Retail Investor Protections and Modernize the Rule Governing Quotations for Over-the-Counter Securities”, <https://www.sec.gov/newsroom/press-releases/2020-212>.

¹² Proposing Release, Publication or Submission of Quotations without Specified Information, Exch. Act Rel. No. 87115 at q87 (Sept. 25, 2019).

¹³ Adopting Release, Publication or Submission of Quotations without Specified Information, Exch. Act Rel. No. 89891 (Sept. 16, 2020).

¹⁴ 2020 Amendment fn640.

comment or any other public consultation, and was first publicly announced in a staff No-Action letter.¹⁵ Thus the previous Commission did not follow basic principles of reasoned rulemaking such as those that you outlined in your May 2025 remarks, e.g., “*Before we act...identify a problem to be solved and propose a resolution that is tailored to solve it – rather than create a solution in search of an unidentified problem.*”¹⁶ The previous Commission did not perform the “*rigorous economic analysis*” which you rightly emphasized is “*... the bedrock upon which our sound regulatory policies are built. It is important for us as an agency to ensure that thorough and unbiased economic analysis is not being overshadowed by any driving desire to implement regulatory measures that impose unnecessary burdens on our markets.*”¹⁷

In 2021, with respect to the application of the Rule to fixed-income markets, there was:

- No explanation of why it had not been enforced in fixed-income markets for 50 years;
- No discussion of what had changed to suddenly require its immediate enforcement;
- No consideration of whether it was even possible to apply the Rule to fixed-income markets in its current equity-focused form, and what changes might be needed if not;
- No economic analysis of the impacts of its application to fixed-income markets;
- No contemplation of how historical guidance and enforcement practice might need to be adapted for application outside of OTC equity markets;

Instead, it was simply done. Following the release of the September 2021 no-action letter, Commissioner Peirce indicated that the Commission’s rule-making process never really contemplated the rule to apply to fixed-income securities, that the no-action letter was “*ill-tailored*”, and that the entire process was “*wholly inadequate*” and “*without proper deliberation.*”¹⁸ We agree with this statement.

The reality is that the Rule does not work for fixed-income markets, and application in its current form would have disrupted these important sources of capital. Accordingly, the SEC has issued multiple shifting and sometimes time-limited notices of relief from this position for many fixed income securities.¹⁹ In response to a legal challenge²⁰ to application of the Rule to 144A fixed-income securities, there was an expeditious grant of exemptive relief to this portion of the

¹⁵ Letter to FINRA, Amended Rule 15c2-11 in relation to Fixed Income Securities (pub. avail. Sept. 24, 2021). At the time of the SEC staff no-action letter, Commissioner Peirce indicated that the SEC Commissioners were not aware, when they considered the 2020 amendments to Rule 15c2-11, that they could be applied to fixed income securities. Statement on Staff No-Action Letter Regarding Amended Rule 15c2-11 in Relation to Fixed Income Securities (Sept. 24, 2021).

¹⁶ Chairman Paul S. Atkins, May 16, 2025.

¹⁷ *Id.*

¹⁸ Commissioner Hester M. Peirce, “Statement regarding Staff No-Action Letter Regarding Amended Rule 15c2-11 in Relation to Fixed Income Securities”, September 24, 2021, <https://www.sec.gov/newsroom/speeches-statements/peirce-nal-rule-15c2-11-2021-09-24>. “Although the text of the rule always has encompassed more than just equity securities, there appears to have been limited, if any, application of the rule to fixed income markets prior to the Commission’s 2020 adopting release. Nothing in the adopting release suggests that the Commission considered the application of these rules to the fixed-income markets. The policy analysis focuses entirely on the need for additional disclosure in the OTC equity markets to deter fraud in those markets, and the justification rests on the need to protect retail shareholders. The economic analysis focuses on the effects and incentives the rule creates in the OTC equity markets. “

¹⁹ Letter to FINRA, Amended Rule 15c2-11 in Relation to Fixed Income Securities (pub. avail. Nov. 22, 2024); Letter to FINRA, Amended Rule 15c2-11 in Relation to Fixed Income Securities (pub. avail. Nov. 30, 2022); Letter to FINRA, Amended Rule 15c2-11 in Relation to Fixed Income Securities (pub. avail. Dec. 16, 2021).

²⁰ Exemptive Order, Exch. Act Rel. No. 98819 (Oct. 30, 2023).

market, perhaps reflecting deficiencies in the process that led to its application to those markets.²¹ However, many fixed income securities remain subject to Rule 15c2-11, without Commission explanation or any policy justification, and without the Commission ever having conducted any economic analysis of its effect on efficiency, competition or capital formation, as required by Section 3(f) of the Exchange Act.

As you noted in your May 2025 remarks, “*we must show our work so that the public understands what we are proposing and why. We must show that we have considered the potential effects of our rules, including the negative ones. Robust economic analysis of our regulatory initiatives helps us to do just that. It provides us with a framework to assess the potential unintended consequences of new regulations. In choosing when and how to regulate our markets we should be cognizant to measure twice and cut once. Otherwise, we risk damaging our markets and unnecessarily adding costs to issuers and investors.*”²² We fully agree with this statement.

3. The Rule was Developed for OTC Equity Markets, as Shown by Its History, Amendments, and Application

The Rule (as well as related interpretations and knowledge development of the regulators at the SEC and FINRA) was developed in an equity-specific framework.²³ The cost-benefit analysis of the most recent amendments to the Rule, which introduced very significant public availability requirements, was based solely on equity-market data.²⁴ Furthermore, as the Investor Letter notes, “*The Commission stated in the 2020 Amendment that “[s]ecurities that trade on the OTC market are primarily owned by retail investors.*”²⁵ (emphasis added) *This may be true in the OTC equity markets, but is not accurate for the [fixed-income] markets. Indeed, this statement is footnoted by the Commission to a paper on OTC equity markets.*”²⁶ The stated premise of this rule and its recent amendment is to regulate a segment of the equity markets to protect retail investors from pump-and-dump schemes and other types of fraud present in these penny stock markets, and no effort has ever been made to take into account fixed-income market structure.

²¹ “NAM, KAM Bring Suit Against SEC”, September 13, 2023, <https://nam.org/nam-kam-bring-suit-against-sec-28374/> and “SEC Reverses Course After NAM Legal Challenge”, November 1, 2023, <https://nam.org/sec-reverses-course-after-nam-legal-challenge-29349/>.

²² Chairman Paul S. Atkins, May 16, 2025.

²³ For example, FINRA’s Form 211 is specifically applicable to equity securities, and FINRA has indicated that it doesn’t have plans to change the nature of the form.

²⁴ See Investor Letter at 3. See also Publication or Submission of Quotations Without Specified Information, SEC Rel. 34-89891 (Sept. 16, 2020) (“2020 Amendment”) at n.640 for reliance on equity market data: “*The Commission uses three sources of data on OTC securities. OTC Markets Group’s ‘End-of-Day Pricing Service’ and ‘OTC Security Data File’ provide closing trade and quote data for the U.S. OTC equity market and include identifying information for securities and issuers, as well as securities’ piggyback eligibility. The Commission also uses information from the weekly OTC Markets Group’s ‘OTC Company Data File.’ Company Data Files include information about issuer reporting, shell, and bankruptcy status, as well as the SEC Central Index Key (CIK) identifier and whether an issuer’s financial statements are audited.*”, <https://www.sec.gov/rules/final/2020/33-10842.pdf>

²⁵ See 2020 Amendment at 5.

²⁶ See 2020 Amendment at n.3, which cites to Andrew Ang et al., Asset Pricing in the Dark: The Cross-Section of OTC Stocks, 26 Rev. Fin. Stud. 2985–3028 (2013). This paper begins by stating that “[o]ver-the-counter (OTC) stocks are far less liquid, disclose less information, and exhibit lower institutional holdings than listed stocks. We exploit these different market conditions to test theories of cross-sectional return premiums.” The paper does not appear to discuss “bonds” or “fixed-income.”

4. Fixed-income Markets are Very Different from OTC Equity Markets, and are Not Sources of Fraud Targeted Toward Retail Investors²⁷

As mentioned above, fixed-income markets are quite different than equity markets. As stated in the Investor Letter, “*the FI markets are vastly larger than equity markets—for example, FI CUSIPs number over 2.5 million, whereas equity CUSIPs number in the tens of thousands (and the most actively traded equity securities are exempt from the Rule by virtue of being listed).*”²⁸ In the 2020 Adopting Release the Commission identified fewer than 20,000 OTC securities – it clearly did not contemplate fixed-income products in its rulemaking.²⁹ Another difference is that fixed-income issuers may issue dozens of CUSIPs (vs. a single equity CUSIP). Issuers may be created specifically for the purpose of issuing fixed-income securities (e.g., securitization SPVs). Issuers may issue 10-50 separate CUSIPs as a part of a single transaction (possibly with different payment priorities, as in many asset-backed securities), or similar numbers of CUSIPs in regular issuances across months and years. Fixed-income securities typically have a maturity date and may amortize. On the other hand, equity issuers typically issue a single class of equity securities representing ownership of the issuer. Accordingly, any given fixed-income security is likely to trade far less frequently than any given equity security given the granularity and complexity of the market.

Furthermore, there is a party (a qualified interdealer quotation system, or QIDQS) in the OTC equity markets that makes determinations of public availability of information upon which dealers may rely for Rule 15c2-11 compliance. Since 2021, no vendors, SROs, bond exchanges or ATSS have stepped forward to take this role in the fixed-income markets, and we do not expect any ever will. Analysis under the Rule is complex, open to interpretation, and requires the grafting of equity-market concepts onto fixed income markets even if they aren’t relevant, making it difficult and risky to make determinations as a QIDQS. Instead, vendors in the fixed income markets provide information that dealers may use to make their own determinations of the quotability of fixed income securities. Accordingly, dealers’ compliance efforts are not standardized and are duplicative, costly, and inefficient.

OTC trading is not the exception in fixed-income markets -- it is the rule. While there may be some fixed-income CUSIPs listed on U.S. exchanges (e.g., NYSE Bonds), they do not trade there in meaningful volumes. Trading is done on ATSS and/or bilaterally through messaging systems or even live on the phone. The entire fixed-income industry has developed and evolved around OTC markets, from the largest market makers to the smallest regional dealers. In equity markets the situation is reversed. For equities, OTC trading is the exception, not the rule, and is often focused on by firms which are not primary market makers in the listed equity market.

²⁷ We speak in general terms in this letter but Congress has been more specific, see e.g. H.R. 3959, the bi-partisan “Protecting Private Job Creators Act”, introduced by Reps. Downing (R-MT) and Fields (D-LA). This legislation would exempt fixed-income securities, defined as “(1) any note, bond, debenture, certificate of deposit for a security, certificate of deposit, asset- backed security, or any other evidence of indebtedness; and (2) any security described under paragraph (1) that is convertible, with or without consideration, into any equity security or carrying any warrant or right to subscribe to or purchase any equity security.”

²⁸ Investor Letter at 3-4.

²⁹ To point out the magnitude of this oversight, the Federal Reserve in 2019 performed a CUSIP aggregation exercise in its mortgage-backed securities portfolio that reduced the number of CUSIPs it held by 125,000 -- a number far greater than the total of OTC equity CUSIPs, yet representing just a portion of a single class of fixed-income investments held by a single investor.

Fixed-income securities may be issued in a variety of ways; they may be registered or issued subject to an exemption from registration. Accordingly, disclosure may be posted publicly (e.g., registered securities), or otherwise available on request for investors (e.g., 144A securities). Disclosure is, in either case, available to investors.

Finally, fixed-income markets are not sources of retail-focused fraud and manipulation, such as the pump-and-dump schemes that occur in penny stock markets. First, most of the trading volume in fixed-income markets is institutional in nature; these investors are not targets of retail fraud. Notwithstanding that, this type of fraud does not occur in retail fixed income markets either. This is, in part, due to technical mechanics in the market that make it more difficult to manipulate pricing in fixed income versus equities.

In 2021, our counsel reviewed decades of enforcement actions and could not find any that addressed a pump-and-dump (or similar) scheme in fixed-income markets. We noted that “[t]hese concerns, while clearly relevant to the OTC equity markets, have much less salience in the fixed income markets...which do not have a history of fraud and manipulation aimed at retail investors that is at issue in the OTC equity markets. In fact, we have not identified any domestic securities enforcement action against a broker-dealer that involved fraud and manipulation in fixed income markets that would be related to the information requirements of Rule 15c2-11.”³⁰ Corroborating our review, the Commission in 1999 acknowledged the lack of any quoting abuses in the fixed income market similar to those it has found in the OTC equities markets.³¹ Our previous letters on this topic provide further explanation of these differences.³²

5. The Rule Cannot Accommodate Fixed-Income Markets and OTC Equity Markets at the Same Time; NAL and Exemptive Relief is not a Permanent Solution

As discussed above, fixed-income markets are very different from equity markets, not only in terms of security structure, but also in terms of market conventions, mechanisms of communication and trading, liquidity, risk factors, the nature of broker-dealer counterparties, and many other respects.

In response to feedback from SIFMA and numerous other commentators, the Commission has issued multiple no-action letters and an exemptive order that effectively created a separate framework for the application of the Rule to fixed-income markets. Together, these Commission actions define categories of fixed-income securities for which broker-dealers can presume compliance if certain criteria are met. The markets currently operate under this relief. The relief mitigates the worst impacts of the ill-fitting Rule for many fixed-income products so long as the currently-effective no-action letter remains in place and so long as broker-dealers take steps to ensure categorization of securities. However, the no-action relief does not exempt securities from the scope of the Rule (except the exemptive order does exempt 144A fixed-income securities), may be withdrawn at any time, does not eliminate significant compliance burdens, increases costs, and does not address all sectors of the fixed-income markets.

³⁰ SIFMA Request at 5.

³¹ Proposing Release, Publication or Submission of Quotations without Specified Information, Exch. Act Rel. No. 41110 (Feb. 25, 1999) at Q15.

³² See section D of the SIFMA Request, beginning on page 8, for a longer discussion.

Compliance with the Rule remains burdensome and has resulted in an inefficient use of resources. Broker-dealers must categorize (and continually monitor the categorization of) every fixed-income security they may potentially trade. Broker-dealers have been required pursuant to FINRA Rule 3110 to develop comprehensive control, compliance, and monitoring regimes for the entirety of their fixed-income business across trading desks, involving significant involvement of internal staff, as well as the use of third parties. This includes monitoring quotation activity, development of written procedures, testing, integration of vendor products, development of restricted lists or other means to block quotations, surveillance, vendor review, and self-assessments (among other things). Additionally, FINRA stood up an examination program to review compliance with this rule, despite the lack of clarity on how it should be applied to fixed-income markets, when it could instead have been directing those resources to more meaningful efforts.³³

Despite this expense and effort, there is no countervailing benefit. It is important to consider that the NAL framework only exists because Rule 15c2-11 is so ill-suited to regulate fixed-income markets. If the SEC wishes to apply a similar rule to quotations of fixed-income securities, it should construct a rule from the ground up. However, we challenge the premise that this is necessary in the first place.

6. Rule 15c2-11 Should Apply Only to those Markets for Which It Was Designed – OTC Equity Markets

In August 2021, SIFMA and the Bond Dealers of America submitted an exemptive request to the Commission. The positions, arguments, data, and citations in that request remain relevant today, and with this letter we reiterate them and highlight a few points for emphasis below.

- Fixed-Income Investors Have Access to Information

Fixed-income investors have access to current information about fixed-income securities.³⁴ Registered offerings are subject to voluminous mandatory registration and disclosure requirements, including specific requirements for asset-backed securities, pursuant to the 33 and 34 Acts, all of which is public. Rule 144A issuers are required to provide information to investors and potential investors upon request. Regulation S securities, while not subject to specific requirements by the Commission, reflect the primacy of the laws in the jurisdictions in which they were issued, and a quote from the Commission we referenced in the SIFMA Request remains relevant here: “*As investors choose their markets, they choose the laws and regulations applicable in such markets*”³⁵ Also as we noted in the SIFMA Request, Regulation D includes requirements regarding when information must be furnished.³⁶ As a general matter, institutional investors do not

³³ See, e.g., FINRA’s 2025 Annual Regulatory Oversight Report (at 61-63) for a sense of FINRA’s examination scope and findings, <https://www.finra.org/sites/default/files/2025-01/2025-annual-regulatory-oversight-report.pdf>. See also FINRA’s 2026 Annual Regulatory Oversight Report, which includes a section on manipulative trading and highlights Rule 3110, <https://www.finra.org/sites/default/files/2025-12/2026-annual-regulatory-oversight-report.pdf>.

³⁴ SIFMA Request at 6.

³⁵ See Offshore Offers and Sales, Release No. 33-6863 (Apr. 24, 1990).

³⁶ SIFMA Request at 7.

invest in fixed-income securities for which they are unable to obtain information, and likely have on file with dealers FINRA 2111(b) certifications indicating their sophistication.

- *Fixed-income Markets are Critical to U.S. Economic Success*

U.S. fixed-income markets exceed 50 trillion dollars in size.³⁷ Governments are funded by fixed-income markets, the 30-year mortgage only exists because of fixed-income markets, and thousands of small, medium, and very large companies finance their activities in fixed-income markets. The fixed-income markets drive our economy, support industry, and provide jobs for Americans.

- *There is No Problem in Fixed-income Markets that Necessitates Application of this Rule*

In its 2021 action, the Commission never identified a problem to be solved by the application of the Rule to fixed-income markets. As a part of our development of the SIFMA Request, our counsel reviewed enforcement actions under the Rule and could not find evidence of a single regulatory action under the auspices of the Rule in fixed-income markets.³⁸ Pump-and-dump schemes (and similar penny stock fraud), to our knowledge, don't exist in fixed-income markets. As discussed above, the Commission has acknowledged the lack of quoting abuses in the fixed income markets like those it has found in the penny stock markets.

- *Fixed-income Investors are Protected by Other Regulations (...But May be Harmed by the Application of the Rule)*

Best execution requirements, frontrunning rules, and markup rules (including FINRA Rule 2232) apply to fixed-income trading. Retail fixed-income investors have the additional protections of Regulation Best Interest. Suitability rules also apply, and it is hard to conceive of how a recommendation to invest in a security for which no information is available could be considered suitable for a retail customer. Further, Rule 10b-5 and other anti-fraud standards apply in these markets.

Conversely, application of the Rule can make it more difficult for broker-dealers to fulfill their best execution obligations (by making it harder to solicit quotations), and we have previously discussed how decreases in price transparency can harm investors,³⁹ and how the Rule can make it more difficult for retail investors to access quotations and sell securities.⁴⁰

7. Conclusion

SIFMA and SIFMA AMG's position remains that the Rule should only be applicable to OTC equity markets, and that the Commission should revert to its prior position that the Rule does

³⁷ See, e.g., World Economic Forum Data, SIFMA data.

³⁸ SIFMA Request at 12.

³⁹ See, e.g., sections 3 and 4 of the Investor Letter at 5-6.

⁴⁰ SIFMA Request at 13.

not apply to fixed income markets. The history of the Rule, the equity-specific construction of the Rule, and the realities of the fixed-income markets compel this conclusion. The impending rulemaking is an opportunity for the Commission to address and resolve previous flaws in regulatory practice, and we urge the Commission to take this opportunity.

To the extent that the Commission desires that a rule similar in spirit to Rule 15c2-11 apply to fixed-income markets, it should undertake a new and distinct rulemaking that would create a new rule. This process would be based on fixed-income data and fixed-income market structure, would consider the specific costs and benefits to fixed-income markets and their participants, and result in a conclusion that was appropriate for fixed-income markets. We suspect the conclusion of such a course of action would be that rules similar to Rule 15c2-11 are not needed.

We appreciate the opportunity to provide these comments and would encourage you or your staff to contact us with any questions or for further discussion of these issues at ckillian@sifma.org / 212-313-1126 for Chris Killian, or lkeljo@sifma.org / 202-962-7312 for Lindsey Keljo.

We stand ready to assist this Commission with this important work.

Sincerely,



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Lindsey Weber Keljo, Esq.
Head – Asset Management Group

CC: The Honorable Hester M. Peirce, Commissioner
The Honorable Mark T. Uyeda, Commissioner