

MEMO# 34325

October 26, 2022

ICI Submits Follow-Up Letter to SEC on Rule 15c2-11 and Rule 144A Debt Securities

[34325]

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TO: ICI Members

Fixed-Income Advisory Committee SUBJECTS: Fixed Income Securities

Trading and Markets

Valuation RE: ICI Submits Follow-Up Letter to SEC on Rule 15c2-11 and Rule 144A Debt Securities

On October 25, ICI submitted the attached follow-up letter to SEC Chair Gary Gensler on the applicability of Rule 15c2-11 to fixed income securities, particularly to Rule 144A debt securities.[\[1\]](#) ICI previously joined several industry associations last fall in submitting an initial letter requesting that the SEC not apply the rule to the fixed income markets without first adapting its requirements.[\[2\]](#) SEC staff subsequently provided time-limited, no-action relief for various types of fixed income securities set over three phases.

ICI's letter expresses concern about the limited nature of the relief provided for Rule 144A debt securities, which following the expiration of Phase 1 relief in January 2023, will require 144A issuer information to be current and publicly available prior to broker-dealers quoting those securities on quotation mediums. The letter specifically states that this may lead to abrupt reductions in liquidity and transparency in this market.

While ICI continues to request that the SEC not apply the rule to fixed income securities broadly, the letter includes a request that SEC staff more immediately extend the relief as provided under Phase 1 for Rule 144A debt securities until the later of (i) January 5, 2026, three years after the end of Phase 1; or (ii) the compliance date for any amendments to Rule 15c2-11 that address its applicability to fixed income securities. During this extended period, ICI urges the SEC to revisit the issue through a formal rulemaking that addresses the costs and benefits of applying the rule to fixed income securities.

In support of these requests, ICI's letter provides data that highlights the size and importance of Rule 144A debt securities holdings to high-yield fund portfolios, in particular, those issued by private companies.

Nhan Nguyen
Assistant General Counsel, Securities Regulation

Notes

[1] The rule concerns the publishing of quotes for securities in OTC markets and requires broker-dealers to collect, record, and review for timeliness, accuracy, reliability, and "public availability" of certain information related to securities before "publishing a quote" in any quotation system for OTC quotes.

[2] ICI Memorandum No. 33787 (Sept. 24, 2021), <https://www.ici.org/memo33787>.

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