

**MEMO# 34512**

December 8, 2022

## **SEC Staff Modifies Relief from Rule 15c2-11 for Fixed Income Securities**

[34512]

December 8, 2022

TO: ICI Members SUBJECTS: Fixed Income Securities  
Investment Advisers  
Portfolio Oversight  
Risk Oversight  
Trading and Markets RE: SEC Staff Modifies Relief from Rule 15c2-11 for Fixed Income Securities

On November 30, the SEC staff provided updated no-action relief from the application of Rule 15c2-11 for broad categories of fixed income securities (the "letter").[\[1\]](#) The letter provides temporary relief with respect to those fixed income securities until January 4, 2025.

### **Background**

Rule 15c2-11 under the Exchange Act was adopted in 1971 and last amended in 2020. The rule sets out certain requirements for a broker-dealer seeking to initiate (or resume) quotations for securities in the OTC market. More specifically, it requires broker-dealers to collect, record, and review for currency, accuracy, reliability and "public availability" certain information related to securities before publishing or submitting quotations for them on a quotation medium. The rule's intent had long been understood as seeking to protect retail investors from fraud in the OTC equity markets.

In 2021, the SEC staff expressed its view that the rule applies to fixed income securities as well.[\[2\]](#) In late 2021, ICI and other trade associations maintained that the SEC should not apply the rule to the fixed income markets without first adapting its requirements to those markets.[\[3\]](#)

In December 2021, the SEC staff provided time-limited no-action relief for several categories of fixed income securities, set over three phases.[\[4\]](#) This relief for Rule 144A debt securities was scheduled to expire in January 2023. ICI (and other trade associations) continued to maintain that the rule should not apply to fixed income securities, and that at a minimum, the SEC staff should extend its relief for Rule 144A debt securities.[\[5\]](#)

## Description of 2022 Relief

The 2022 letter states that the Division of Trading and Markets will not recommend enforcement action to the SEC under the rule for brokers or dealers that publish or submit quotations for fixed income securities if the broker or dealer has determined that the fixed income security or its issuer meets one of the criteria in Appendix A of the letter, or that there is current and publicly available financial information about the issuer. Appendix A sets forth several broad categories of fixed income securities, including for a security that is "a corporate fixed income security or asset-backed security offered pursuant to Rule 144A under the Securities Act... ." The letter states that this staff position is temporary and shall expire on January 4, 2025. The letter also withdraws the 2021 staff letter.

Matthew Thornton  
Associate General Counsel

### Notes

[1] Letter from Josephine Tao, Assistant Director, Office of Trading Practices, Division of Trading and Markets, to Racquel Russell, Senior Vice President and Director of Capital Markets Policy, Office of the General Counsel, FINRA, Amended Rule 15c2-11 in Relation to Fixed Income Securities (Nov. 30, 2022), available at [www.sec.gov/files/fixed-income-rule-15c2-11-nal-finra-113022.pdf](http://www.sec.gov/files/fixed-income-rule-15c2-11-nal-finra-113022.pdf).

[2] See Letter from Josephine Tao, Assistant Director, Office of Trading Practices, Division of Trading and Markets, to Racquel Russell, Senior Vice President and Director of Capital Markets Policy, Office of the General Counsel, FINRA, Amended Rule 15c2-11 in relation to Fixed Income Securities (Sept. 24, 2021), available at <https://www.sec.gov/files/rule-15c2-11-fixed-income-securities-092421.pdf>.

[3] See, e.g., Joint Trade Associations Letter to SEC Chair Gary Gensler (Sept. 23, 2021), available at [www.ici.org/system/files/2021-09/33787a.pdf](http://www.ici.org/system/files/2021-09/33787a.pdf).

[4] Letter from Josephine Tao, Assistant Director, Office of Trading Practices, Division of Trading and Markets, to Racquel Russell, Senior Vice President and Director of Capital Markets Policy, Office of the General Counsel, FINRA, Amended Rule 15c2-11 in Relation to Fixed Income Securities (Dec. 16, 2021), available at [www.sec.gov/files/fixed-income-rule-15c2-11-nal-finra-121621.pdf](http://www.sec.gov/files/fixed-income-rule-15c2-11-nal-finra-121621.pdf).

[5] See, e.g., Letter from Matt Thornton, Associate General Counsel, Nhan Nguyen, Assistant General Counsel, and Hammad Qureshi, Senior Economist, to SEC Chair Gary Gensler (Oct. 25, 2022), available at [www.ici.org/system/files/2022-10/34325a.pdf](http://www.ici.org/system/files/2022-10/34325a.pdf).