



DIVISION OF
TRADING AND MARKETS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

November 30, 2022

Ms. Racquel Russell
Senior Vice President and
Director of Capital Markets Policy
Office of General Counsel
Financial Industry Regulatory Authority, Inc.
1735 K Street, NW
Washington, DC 20006

Re: Amended Rule 15c2-11 in Relation to Fixed Income Securities

Dear Ms. Russell:

On December 16, 2021, the staff of the Division of Trading and Markets (“Division”) issued a no-action letter stating that the staff would not recommend enforcement action to the Securities and Exchange Commission (“Commission”) under the amendments to Rule 15c2-11 (“Amended Rule”)¹ under the Securities Exchange Act of 1934 (“Exchange Act”) for brokers or dealers that publish or submit quotations, including continuous quotations, in a quotation medium, for fixed income securities under certain scenarios, in order to allow for an orderly and good faith transition into compliance with the Amended Rule.²

In response to indications from industry representatives that they need additional time to complete the operational and systems changes necessary to comply with the Amended Rule for fixed income securities, the Division will not recommend enforcement action to the Commission under the Amended Rule for brokers or dealers that publish or submit quotations, including continuous quotations,³ in a quotation medium, for fixed

¹ 17 CFR 240.15c2-11. All terms from Rule 15c2-11 that are used in this letter have the same meanings as in the rule. For example, “current” and “publicly available” are defined terms in paragraphs (e)(2) and (e)(5) of Rule 15c2-11.

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 (Dec. 16, 2021) (“December 2021 Letter”), available at: <https://www.sec.gov/files/fixed-income-rule-15c2-11-nal-finra-121621.pdf>.

³ We understand that fixed income securities are often quoted on quotation mediums rather than on interdealer quotation systems. Rule 15c2-11 applies to any broker or dealer that publishes or submits quotations in a quotation medium. “Quotation medium” is defined in Rule 15c2-11(e)(8) as “any device that is used by brokers or dealers to make known to others their interest in any security.” Brokers or

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, or that there is current and publicly available financial information (consistent with Rule 15c2-11(b)) about the issuer. This position of the Division is temporary and shall expire on January 4, 2025.⁴

In addition to the position expressed above, the Division will not recommend enforcement action to the Commission under the Amended Rule for brokers or dealers that publish or submit quotations, including continuous quotations, in a quotation medium, for any fixed income security if the broker or dealer reasonably has determined that the fixed income security is foreign sovereign debt or a debt security guaranteed by a foreign government.

Furthermore, the December 2021 Letter discussed above is hereby withdrawn.

Rule 15c2-11 governs the publication or submission of quotations for securities⁵ in a quotation medium other than on a national securities exchange. Since 1971, Rule 15c2-11 has applied to the publication or submission of quotations for any security (a defined term that has and continues to include fixed income securities⁶), except

dealers that publish or submit quotations in a quotation medium that is an “interdealer quotation system” (“IDQS”), defined as a system of general circulation that regularly disseminates quotations of “identified brokers or dealers,” may become eligible for the piggybacking exception of Rule 15c2-11(f)(3) (*see* subparagraphs (e)(3) and (e)(8)). The piggyback exception allows brokers or dealers to publish or submit continuous quotations without complying with the information review requirements before publishing or submitting each quotation. The piggyback exception is not available for quotations in a quotation medium that is not an IDQS (i.e., does not identify brokers or dealers) and, thus, continuous quotations are generally not permitted in such quotation mediums. The Division would not recommend enforcement action if brokers or dealers quoted certain fixed income securities without complying with the information review requirements for each such quotation (upon determining eligibility in accordance with this letter).

⁴ This letter represents the views of the staff of the Division. It is not a rule, regulation, or statement of the Commission. The Commission has neither approved nor disapproved its content. This letter, like all staff statements, has no legal force or effect: it does not alter or amend applicable law, and it creates no new or additional obligations for any person.

⁵ The recent amendments to Rule 15c2-11 did not alter the types of securities covered by the rule. *See* December 2021 Letter at 2 n.4.

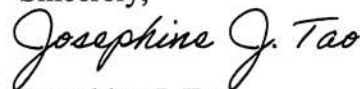
⁶ *See, e.g., Publication or Submission of Quotations Without Specified Information*, Exchange Act Release No. 68124 (Feb. 17, 1998); 63 FR 9661, 9669 (Feb. 25, 1998) (stating that Rule 15c2-11 covers debt securities but recognizing that brokers or dealers may not have focused on this aspect of the rule).

“exempted securities”⁷ and the rule has excepted municipal securities since 1976.⁸ The Commission also has stated that Rule 15c2-11 applies to fixed income securities.⁹

Following adoption of the amendments on September 16, 2020, certain market participants began requesting additional time to comply with the Amended Rule. The amendments to Rule 15c2-11 are designed to modernize the rule and to enhance investor protection by requiring that current and publicly available issuer information be accessible to investors. Accordingly, the approach outlined above should allow for brokers or dealers that publish or submit quotations for fixed income securities in a quotation medium to achieve the goals of Rule 15c2-11.

The position of the Division concerns enforcement action only and does not represent a legal conclusion with respect to the applicability of statutory or regulatory provisions of the federal securities laws.¹⁰ Furthermore, this no-action position does not apply to the anti-fraud and anti-manipulation provisions of the Exchange Act, including without limitation Sections 9(a) and 10(b), and Rule 10b-5 thereunder. Broker-dealers must continue to comply with these and other applicable provisions of the federal securities laws.

Sincerely,



Josephine J. Tao
Assistant Director

⁷ See Section 3(a)(12)(A) of the Exchange Act (definition of “exempted securities”). For example, “any security issued by or any interest or participation in any pooled income fund, collective trust fund, collective investment fund, or similar fund that is excluded from the definition of an investment company under section 3(c)(10)(B) of the Investment Company Act of 1940” is an exempted security under Section 3(a)(12)(A)(v) of the Exchange Act and, as such, Rule 15c2-11 would not be applicable.

⁸ See Rule 15c2-11(f)(4). See also *Regulation of Municipal Securities Professionals Transactions in Municipal Securities*, Exchange Act Release No. 12468 (May 20, 1976); 41 FR 22820, 22821 (June 7, 1976) (Final Rule).

⁹ See, e.g., *Publication or Submission of Quotations Without Specified Information*, Exchange Act Release No. 41110 (March 2, 1999), 64 FR 11124 (March 8, 1999) (re-proposing amendments to Rule 15c2-11 amendments proposed in 1998). The Commission, in stating that it agreed that applying Rule 15c2-11 to the securities of larger issuers, more liquid securities, and certain fixed-income debt securities was not directly related to microcap fraud concerns, proposed to exclude debt securities, non-participatory preferred stock, and investment grade asset-backed securities.

In connection with the earlier 1998 proposed amendments to Rule 15c2-11, the Commission stated, “the proposed amendments apply to all securities covered by Rule 15c2-11, not just microcap securities. . . [t]he Commission believes that the scope of the amendments is appropriate to preserve the general integrity of quotations in the over-the-counter market and to foster greater information transparency in a marketplace where issuers often are relatively unknown and their securities are traded infrequently.” See *Publication or Submission of Quotations Without Specified Information*, Exchange Act Release No. 39670 (Feb. 17, 1998), 63 FR 9661, 9669 (Feb. 25, 1998).

¹⁰ This letter does not address any FINRA rules applicable to the OTC market.

APPENDIX A

The broker or dealer publishing or submitting the quotation for the fixed income security reasonably has determined:

- The issuer of the fixed income security also has a class of securities that is listed on a national securities exchange;
- The issuer is subject to the requirement to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act and has filed all required periodic reports under Section 13 or 15(d) of the Exchange Act, as applicable, during the preceding 12 months (or for such shorter period that the issuer was required to file such reports);
- The issuer of the fixed income security has a class of equity securities that is exempt from registration pursuant to Rule 12g3-2(b) under the Exchange Act;
- The fixed income security is issued by an issuer where a qualified interdealer quotation system makes a publicly-available determination (in accordance with the requirements in Rule 15c2-11(a)(3)) that there is current and publicly available information about the issuer for any class of security of the issuer that is eligible for an exception in paragraphs (f)(2)(iii)(B), (f)(3)(ii)(A), or (f)(7) of Rule 15c2-11;
- There is current and publicly available information (consistent with Rule 15c2-11(b))¹¹ about the issuer of the subject security;
- The issuer of the fixed income security is a bank as defined in Section 3(a)(6) of the Exchange Act, a bank holding company, or a credit union regulated by the National Credit Union Association (“NCUA”) that reports information to the Federal Financial Institutions Examination Council or files call reports with the NCUA; or
- The subject security is a corporate fixed income security or asset-backed security offered pursuant to Rule 144A under the Securities Act, and the broker or dealer reasonably believes that the issuer of the subject security will provide the information specified in Rule 144A(d)(4), prior to a Rule 144A transaction, upon request.

¹¹ For purposes of this no-action letter, the Division would consider the Information Requirement discussed in Section II.D. of the Rule 144A Adopting Release, Release No. 33-6862 (Apr. 30, 1990), 55 FR 17933, 17939, to be consistent with Rule 15c2-11(b). In addition, for purposes of this no-action letter, the Division would not recommend enforcement action to the Commission with respect to any broker or dealer relying on information that satisfies the requirement in Rule 144A(d)(4) and acts consistently with relevant written Division of Corporation Finance No Action statements. *See, e.g.*, Division of Corporation Finance no-action letters to British Aerospace Public Limited Co. and British Aerospace Holdings, Inc. (May 9, 1990); Schering-Plough Corp. (Nov. 21, 1991); and Fédération des caisses Desjardins du Québec (Apr. 29, 2021).