

February 17, 2017

**Submitted Electronically**

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street NW  
Washington, DC 20005

**RE: Request for Comment on Draft Amendments to MSRB Rule G-26 on Customer Account Transfers**

Dear Mr. Smith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to the MSRB’s request for comment on draft amendments to MSRB Rule G-26 on customer account transfers. The purpose of this letter is to cite specific areas of concern where the proposed amendments need to be improved in order to align with existing dealer systems and processes and facilitate a more efficient customer account transfer process.

BDA’s most significant concerns are with the proposed ACATS close-out procedures and the proposed harmonization between MSRB Rule G-26, MSRB Rule G-12(h), and FINRA Rule 11870(f)(1).

***The proposed amendment to the definition of ‘nontransferable asset’ in section (a)(iii)(C) is unworkable.***

BDA does not support updating the definition of ‘nontransferable asset’ to include any firm short position that ‘allocates’ to a customer long position. BDA firms understand the objective of the change, but current dealer systems are not designed to code or segregate interdealer transaction fails and account transfer fails in the way that the proposal describes. Most firms do not track fails at the account level for compliance with regulatory issues, such as properly tracking substitute interest. Firms typically track fails at the firm-level as opposed to the account level. Therefore, significant operational changes would have to occur in order to make this change feasible. BDA urges the MSRB to engage in dealer outreach to come up with a new solution that better aligns with existing dealer systems and processes.

*BDA urges MSRB to harmonize the G-26 timeframe for ACATS fails with the existing timeframes in FINRA 11870(f).*

BDA agrees that the settlement-based language of G-12(h) is not appropriately tailored to situations in which firms are dealing with an ACATS fail. However, BDA does not believe the optimal solution is shortening the G-26 account transfer close out timeframe to meet G-12(h) time requirements when FINRA 11870(f) is a perfectly adequate standard for ACATS close-outs. BDA previously stated in comment letters to the MSRB and to the SEC during the recent G-12 public comment process that the reference in G-26 to G-12 was not helpful because it is a reference to settlement dates, which is not a usable standard for resolving ACATS fails.

BDA firms believe that harmonizing G-26 with the timetable of the existing FINRA 11870, which already is well understood across all asset classes, will be a sufficient improvement to the ACATS close-out process. With respect to the recent changes to G-12, which created a more robust interdealer close-out process, there was a clear policy need to improve the rule. BDA members do not see a real policy need to amend G-26, in addition to FINRA 11870, to reduce the timeframes associated with account transfer fails—across all asset classes—in order to harmonize the account transfer close-out process with the municipal securities interdealer close-out process.

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In conclusion, the BDA urges the MSRB to engage in dealer outreach to improve the section of the proposed rule that is designed to align account transfer and interdealer transaction fails and to explore alternative solutions to the proposed definition of ‘nontransferable asset’.

Thank you for the opportunity to provide these comments.

Sincerely,



Mike Nicholas  
Chief Executive Officer