



January 18, 2022

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006

Re: Regulatory Notice 21-40 (Settlement of Syndicate Accounts)

Dear Ms. Mitchell:

The American Securities Association (ASA)¹ welcomes this opportunity to comment on the Financial Industry Regulatory Authority's (FINRA) recent proposal to shorten the time period for final settlement of syndicate accounts. We appreciate FINRA's ongoing work to review and modernize existing rules to help markets run more efficiently and reduce unnecessary compliance burdens for broker-dealers.

The ASA supports shortening the final settlement cycle period for corporate debt offerings from 90 days to 30 days. The existing 90-day requirement was established 35 years ago, prior to significant technological and logistical improvements that could allow settlement cycles to be significantly shortened. We believe a 30-day timeline is a reasonable target.

As the Proposal notes, in 2009 the Municipal Securities Rulemaking Board shortened the settlement cycle for municipal securities from 60 days to 30 days, citing more efficient billing and accounting systems for broker-dealers and the importance of protecting syndicate members from the credit risk of the syndicate manager. This time period has functioned effectively in the municipal space and should be adopted for corporate debt as well.

We also appreciate and agree with FINRA's assertion that shortening the settlement cycle could be particularly beneficial for small and mid-size broker-dealers. Because syndicate receivables cannot be counted towards a firm net capital, prolonging the settlement cycle can limit the ability of smaller brokers participate in new offerings and create a competitive disadvantage that favors large firms.

¹ The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a diverse membership of almost one hundred members located in every geographic region of the United States.





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Conclusion

We commend FINRA for reviewing its existing rulebook and putting forth a constructive proposal. We look forward to working collaboratively with FINRA and the Securities and Exchange Commission (SEC) as this initiative moves forward.

Sincerely,

Kelli McMorrow
Head of Government Affairs
Director, Fixed Income Policy
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