

January 28, 2022

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

Dear Ms. Mitchell,

CastleOak Securities, L.P. (“CastleOak”) is pleased to offer comments on FINRA Regulatory Notice 21-40, “FINRA Requests Comment on Amendments to Rule 11880 Shortening the Settlement of Syndicate Accounts” (the “Notice”). Headquartered in New York City, CastleOak specializes in primary and secondary sales and trading of fixed income, equity, and money market securities. We are a small minority-owned firm, which participates in an average of 150 bond offerings per year. These types of deals account for a significant portion the firm’s revenue, and a change to the Notice would be a significant leveling of the playing field for smaller firms, many of whom operate within the Minority, Women, or Veteran owned space.

As a FINRA-registered broker-dealer and frequent participant on corporate bond underwritings in capacities ranging from co-lead to senior manager to co-manager, CastleOak fully supports the proposal in the Notice to shorten the deadline in FINRA Uniform Practice Code Rule 11880 for syndicate lead managers to settle syndicate accounts and revert earned fees, commissions and concessions to the respective co-managers.

As a co-manager in corporate bond underwriting syndicates, our firm’s role is to share with other syndicate members the risks associated with the underwriting and the responsibility for distributing bonds to investors. Further, in the days and weeks following each transaction, co-managers have ongoing responsibilities and service commitments to assist other issuer clients while providing secondary market liquidity to institutional investor clients. Under current Rule 11880, once a corporate bond transaction settles, co-managers must wait up to 90 days to receive funds earned from the underwriting. Under the SEC Net Capital Rule, we cannot count the receivable due from the senior manager towards our regulatory capital, which limits our ability to conduct business, including both more new-issue underwritings and secondary market trading. In addition, we lose the “float” on these delayed funds for as long as they sit with the syndicate manager, and we face an unnecessary extension of the counterparty risk that the senior manager could become insolvent before the payment of deal revenue to co-managers.

The 90-day standard in Rule 11880 has been on the books since 1987. Since that time, we have seen the emergence of many new technologies that have greatly improved the speed and cost of the syndicate account settlement process. Despite these improvements in efficiency, the 90-day deadline has not been addressed in 35 years. Indeed, FINRA's proposal is consistent with a standard that has prevailed in the municipal securities market since 2009. Many of the leads on municipal deals are the same as on the corporate debt syndicate deals. There is no doubt that corporate debt syndicate managers, who are generally much larger and much better capitalized firms, have the ability to settle accounts within 30 days.

The time has come to modernize Rule 11880. We support the Notice's proposal to shorten the syndicate settlement deadline to 30 days and we urge FINRA to adopt the proposal expeditiously.

Sincerely,

A handwritten signature in black ink, appearing to read "D.R. [unclear]", with a long horizontal flourish extending to the right.