

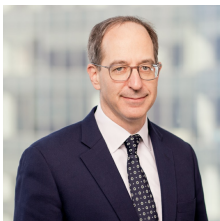
SEC Approves Bond Mark-Up Disclosure Rules

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By May 2018, broker-dealers for the entire range of debt securities must design and implement new policies, procedures and systems for disclosing their mark-ups and mark-downs on offsetting retail customer transactions, calculated from the bond's PMP. To determine PMP, firms must conduct a "waterfall" analysis as set forth in existing Financial Industry Regulatory Authority (FINRA) rules and adopted by the Municipal Securities Rulemaking Board (MSRB) as part of this rulemaking.

In developing their disclosure systems, firms must decide whether to (a) employ various manual techniques to perform the waterfall analysis on each retail trade, or (b) create, test and implement an automated system that fully and accurately captures the demands of the waterfall. The 18-month implementation period is an aggressive schedule in light of the work required.

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