May 18, 2026

Via Electronic Mail: rule-comments@sec.gov

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
110 F Street, N.E.
Washington, D.C. 20549-1090

Re: Amendments to Proposed Rule 15c2-11 (File No. S7-2026-08; RIN 3235–AN36)

Dear Secretary Countryman:

MFA[1] appreciates the opportunity to submit comments to the U.S. Securities and Exchange Commission ("**Commission**" or "**SEC**") in response to the proposed amendments to Rule 15c2-11 under the Securities Exchange Act of 1934 ("**Exchange Act**").[2]

We support the proposed amendments to refocus Rule 15c2-11 on the equity markets and commend the Commission for responding to the issues raised by market participants on the application of the rule to fixed income securities. As we have previously noted, efforts by the previous administration to extend Rule 15c2-11 to fixed income and structured finance markets—without conducting a thorough cost-benefit analysis or soliciting public comment—would disrupt market functioning, reduce liquidity and transparency, and ultimately harm the very investors the rule is intended to protect.[3]

While we strongly support the intent of the Proposal, we believe the Commissions should not simply replace the terms "security" and "securities" in Rule 15c2–11 with the terms "equity security" or "equity securities," as defined in Rule 3a11–1, without modification. The term "equity

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1 Managed Funds Association (MFA), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

2 SEC, Publication or Submission of Quotations Without Specified Information, 91 Fed. Reg. 13243 (Mar. 19, 2026) ("**Proposal**"), available at: https://www.govinfo.gov/content/pkg/FR-2026-03-19/pdf/2026-05401.pdf.

3 *See, e.g.,* Letter from MFA, *et al.*, to Gary Gensler, Chairman, SEC (Nov. 23, 2021).

security" is complex and includes a broad range of financial instruments, including convertible securities, options, and bilaterally negotiated derivatives, which we do not believe should be subject to Rule 15c2-11.[4]

As explained further below, while we fully support the Commission's goal of focusing Rule 15c2-11 on the OTC equity markets, we recommend the Commission revise the amendments to clarify that Rule 15c2-11 applies only to "equity securities," as defined in Rule 3a11-1, subject to appropriate carve outs for instruments—such as convertible securities, options, and bilaterally negotiated derivatives—that do not present the policy concerns that Rule 15c2-11 was designed to address.[5]

The Focus of Rule 15c2-11 is the Retail OTC Equity Markets, Which Operate Very Differently than Fixed Income Markets

Historically, Rule 15c2-11 has been directed at mitigating fraud in retail-oriented OTC equity markets, particularly schemes involving microcap securities.[6] The rule's structure, exemptions, and cost-benefit analysis reflect that focus. The core premise of Rule 15c2-11—that broker-dealers can reasonably obtain, review, and assess "current and publicly available" issuer information—aligns with the characteristics of equity issuance and trading, but does not translate to fixed income markets.

Fixed income markets operate on an entirely different footing. They are characterized by an extremely large number of distinct securities, often issued in series, with varying maturities, coupon structures, and embedded features. Trading is predominantly dealer-intermediated and bilateral, rather than exchange-based, and quotations often function as indicative pricing inputs rather than firm, continuous markets. These differences are not incidental; they are foundational to how liquidity, price discovery, and risk management operate in fixed income markets.

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4 Commissioner Peirce specifically requested commenters' views on questions relating to the definition of "equity security." *See* Traveling Back From the Road Wrongly Taken: Statement on the Proposed Amendments to Exchange Act Rule 15c2-11 (Mar. 16, 2026), available at: https://www.sec.gov/newsroom/speeches-statements/peirce-statement-exchange-act-rule-15c2-11-031626.

5 Other types of securities that should be excluded from application of Rule 15c2-11 include, without limitation, any security for which secondary-market transactions are required to be reported to FINRA's Trade Reporting and Compliance Engine ("**TRACE**"), such as covered hybrid securities, registered securities pending listing, and for at least a temporary period securities out of bankruptcy. We encourage the Commission to consider the views of other commenters on the appropriate limitations on the scope of the rule.

6 *See* Publication or Submission of Quotations Without Specified Information, 85 Fed. Reg. 68124 (Oct. 27, 2020).

Applying an equity-centric quotation and information review regime to fixed income instruments would therefore create a substantial mismatch between regulatory requirements and market realities. In many cases, including Rule 144A securities, securitizations, and other structured finance products, the type of issuer-level information contemplated by Rule 15c2-11 either does not exist or is not updated on a continuous basis. As a result, broker-dealers could face significant legal and operational uncertainty in attempting to comply with the rule if it applied to fixed income securities.

Extending Rule 15c2-11 Beyond Equity Markets Would Reduce Liquidity and Transparency

If Rule 15c2-11 were applied to fixed income products, many broker-dealers would likely be forced to curtail or cease quoting activity altogether rather than assume substantial compliance risk. For example, a dealer making indicative markets in hundreds of Rule 144A corporate bond issuances—each with different maturities, coupons, and call features—cannot reasonably perform the issuer-level "current information" review contemplated by Rule 15c2-11 for each instrument before displaying pricing. Faced with that uncertainty, the rational response, as many dealers contemplated doing before the Commission issued no-action relief, would be to withdraw indicative quotations altogether. This outcome would be particularly acute for products with complex structures or limited ongoing disclosure, where compliance may be impracticable or impossible. Reduced quoting activity would fragment liquidity, impair price discovery, and diminish transparency—outcomes that directly conflict with the Commission's broader market structure objectives.

Over the past decade, fixed income markets have made meaningful strides toward greater transparency and efficiency through the growth of electronic trading platforms, algorithmic pricing, and post-trade reporting regimes. These developments have benefited investors by improving price discovery, lowering transaction costs, and enhancing risk management. Subjecting fixed income markets to Rule 15c2-11's quotation constraints would risk reversing these gains by discouraging indicative pricing, electronic quotations, and automated price generation—all of which serve as critical inputs for valuation, best execution, and portfolio management.

Importantly, diminished dealer participation would not merely affect institutional trading. Registered funds and other institutional investors rely on robust pricing information to value portfolios accurately and to manage liquidity risk. Any degradation in pricing quality or availability would ultimately be borne by end investors, including retail investors, through higher costs and less efficient markets.

Limiting Rule 15c2-11 to Equity Securities Aligns With Statutory Purpose and Investor Protection

The Commission's proposed amendments appropriately align Rule 15c2-11 with its original statutory purpose and long-standing application. There is no evidence of systemic fraud concerns in fixed income markets that would be addressed by extending Rule 15c2-11's issuer information review framework. The fraud risks historically associated with microcap OTC equities, such as issuer-sponsored quotation schemes and retail-targeted misinformation, do not have meaningful analogues in institutional fixed income markets, where trading is bilateral, disclosure is transaction-driven, and investor access is restricted. By contrast, the risks associated with misapplying the rule to fixed income markets—reduced liquidity, increased costs, and impaired transparency—are concrete and substantial.

Clarifying that Rule 15c2-11 applies only to equity securities ensures that the rule continues to target the markets for which it was designed, while avoiding unintended consequences in markets governed by distinct regulatory regimes and market structures. In this respect, the Commission's proposal represents a pragmatic and well-calibrated approach to investor protection and market integrity.

The Definition of "Equity Security" in Rule 3a11-1 is Overly-Broad for Purposes of Rule 15c2-11

The Commission proposes to amend Rule 15c2-11 to clarify that it applies only to "equity security" or "equity securities," as defined in Rule 3a11-1. Rule 3a11-1 broadly defines "equity security" to include the following instruments:

- Any stock or similar security, certificate of interest or participation in any profit sharing agreement, preorganization certificate or subscription, transferable share, voting trust certificate or certificate of deposit for an equity security, limited partnership interest, interest in a joint venture, or certificate of interest in a business trust;
- Any security future on any such security;
- Any security convertible, with or without consideration into such a security, or carrying any warrant or right to subscribe to or purchase such a security;
- Any such warrant or right; or any put, call, straddle, or other option or privilege of buying such a security from or selling such a security to another without being bound to do so.

We believe that applying the requirements of Rule 15c2-11 to some of these categories would not be appropriate or in the public interest.

Rule 15c2-11 was adopted to address fraud and manipulation in thinly traded OTC equity (penny stock) markets, where issuer disclosure is often sparse and retail investors are exposed. Its core mechanism is to require broker-dealers to review issuer information before publishing quotations—essentially a gatekeeping function tied to issuer transparency. Convertible securities, options, and bilaterally negotiated derivatives are not primarily valued based on issuer disclosure alone; they derive value from:

- An underlying equity price;
- Contractual features (strike, conversion ratio); and
- Market dynamics (volatility, liquidity).

This makes the rule's issuer-focused disclosure regime conceptually mismatched with the application of the rule to the broadly-defined term "equity security" in Rule 3a11-1. Rule 15c2-11 assumes a single corporate issuer whose disclosures anchor valuation—often not true for convertible securities, options, and bilaterally negotiated derivatives. Applying the rule to convertible securities, options, and bilaterally negotiated derivatives,would produce over-inclusive regulation with little investor-protection gain.

For this reason, we recommend the Commission amend Rule 15c2-11 to clarify that it applies to "equity securities," as defined in Rule 3a11-1, but include appropriate carve outs for instruments, such as convertible securities, options, and bilaterally negotiated derivatives, that do not present the policy concerns that Rule 15c2-11 was designed to address and whose valuation and trading dynamics differ materially from equity securities and for which the Rule's issuer-focused information requirements are not appropriately tailored.[7]

Conclusion

Fixed income markets have developed under a regulatory framework tailored to their distinct structure, participants, and trading practices. By limiting Rule 15c2-11 to equity securities (other than convertible securities, options, and bilaterally negotiated derivatives), the Commission appropriately calibrates regulatory obligations to markets where issuer-level public disclosure is both expected and continuously updated, while preserving the distinct disclosure and transparency regimes that already govern fixed income markets. Just as importantly, the proposed clarification promotes administrability and legal certainty for broker-dealers, reducing compliance ambiguity without weakening investor protections. Extending Rule 15c2-11 to the

[7] *See supra* note 5

fixed-income markets would not address documented fraud risks, but instead would impede liquidity, reduce transparency, and increase costs for investors.

MFA therefore strongly supports the Commission's proposal to limit Rule 15c2-11 to equity securities (other than convertible securities, options, and bilaterally negotiated derivatives) and urges the Commission to adopt the amendments, subject to the discussion above.

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We appreciate the opportunity to share our views on the proposed amendments to Rule 15c2-11. Please do not hesitate to contact Matthew Daigler (mdaigler@mfaalts.org) or the undersigned (jhan@mfaalts.org) with any questions regarding this letter.

Sincerely,

/s/ Jennifer W. Han

Jennifer W. Han
Chief Legal Officer & Head of Regulatory Affairs
MFA

Cc:

The Hon. Paul S. Atkins, Chairman
The Hon. Hester M. Peirce, Commissioner
The Hon. Mark T. Uyeda, Commissioner
Jamie Selway, Director, Trading and Markets