

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC. 20006-1506

January 20, 2015

RE: Regulatory Notice 14-52 Pricing Disclosure in the Fixed Income Markets

Dear Ms. Asquith:

We want to thank you for reaching out to the community of dealers for feedback on its Proposal to TRACE retail-size transactions of fixed income securities.

At Brean, we make markets in, and trade, many smaller pieces of RMBS, CMBS, and ABS securities. As such, we believe we are in a position to comment on the Proposal as it relates to our business. We also have surveyed our customer base about the change in policy to get their feedback, as well. Although we know that FINRA is primarily interested in its dealer reactions, we think actively about our customers and how any market changes might affect them.

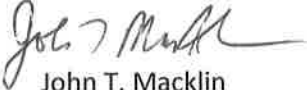
Our customer base is strictly institutional. Our accounts have the knowledge and more importantly the systems to analyze these types of securities. And many of these bonds are unique securities unto themselves, with different levels of subordination and different ratings dependent on a whole host of factors. Some class or tranche sizes are very small. And of course some are larger. The general risk surrounding the Proposal pivots on the notion that smaller pieces trade significant discounts to larger pieces. The pricing services rely on TRACE for changes and updates to their own matrices. Let's say an account owns 50mm of a bond, which is priced at 101. They lose an account. A third party liquidator sells 75k current face bid wanted and the bond TRACES at 97-00. Is the 50mm that the Account owns now priced at 97? Imagine this hell-storm going on hundreds of times a month across different securities and almost the entire institutional client base. Tough to adjudicate if you are the money manager who just got written down 4 points on 50mm current face. How does an account get relief?

Today this dramatic and violent repricing of bonds in mutual funds, insurance companies and asset managers does not occur. Tomorrow it might with other unintended and, I dare say, more dire consequences. Put yourselves, for the moment, in the shoes of a risk taker – either a money manager or and dealer. Assume the above example of the 50mm in the customer account and the attendant loss of 75k, 4 points below the last mark. If you are a dealer or ANOTHER customer and you happen to own that same bond.....you may now very well have to mark your position 4 points down. All this is to say that liquidity in the product will surely suffer if repricing can have that kind of impact on P&L. On this point there is little question or doubt.

It is worth noting that, in our opinion, "retail" should not be buying certain esoteric mortgage or amortizing bonds without the ability to understand them. The systems involved cost tens of thousands of dollars annually. As such, at least RMBS, CMBS, and certain ABS classes should be designated institutional and perhaps then not subject to TRACE.

There is certainly more to talk about on this subject. We would welcome any invitation to sit with FINRA to discuss these matters.

Sincerely yours,


John T. Macklin
Director of Operations