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Thinking Ahead: Breaking Down FINRA's Revised Proposed Fixed-Income Research Rule

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In the fourth quarter of 2012, FINRA published Regulatory Notice 12-42 (the “Revised Proposal”), amending its proposal for substantive regulation of fixed-income research by FINRA-member firms.¹ The Revised Proposal represents the revision of FINRA’s earlier proposal, and modifies that proposal in meaningful ways.²

Executive Summary

The Revised Proposal amends FINRA’s earlier proposal. In particular, the Revised Proposal:

- Creates a new tier of institutional account that would not be required to affirmatively opt-in to receive institutional fixed income research, which is exempt from the Revised Proposal’s requirements for research distributed to retail investors. This “higher-tier” exemption would be available to Qualified Institutional Buyers that have indicated that they are exercising independent judgment in making investment decisions. Other institutional investors that do not satisfy the higher-tier requirements would have to affirmatively consent to receive institutional research, as required of all institutional investors under FINRA’s earlier proposal.
- For firms with small proprietary fixed-income trading operations, creates an exemption from certain requirements.

¹ See [Regulatory Notice 12-42](#), “FINRA Requests Comment on a Revised Proposal to Identify and Manage Conflicts Involving the Preparation and Distribution of Debt Research Reports”. The text of the proposed rule change can be found [here](#).

² FINRA’s earlier proposal was first discussed in Regulatory Notice 11-11 and amended in Regulatory Notice 12-09. FINRA Regulatory Notices are available at FINRA’s Internet website: <http://www.finra.org>. For a description of FINRA’s earlier proposals regarding the regulation of fixed-income research, you may refer to our March 2012 client publication, “[FINRA Releases Revised Proposal on Fixed-Income Research Reports](#)”, and our April 2011 client publication, “[FINRA Releases Concept Proposal on Fixed-Income Research Reports](#)”. Shearman & Sterling’s publication can be found on Shearman & Sterling’s internet website: www.shearman.com.

- For firms with small investment banking operations, creates an exemption from certain requirements.
- In response to comments, modifies certain of the disclosure and other requirements that are found in the earlier proposal. Examples include conforming the definition of “fixed-income research report” to that found in Regulation AC, and a provision that permits firms to omit disclosure of compensation received with respect to non-US sovereign fixed-income securities under certain circumstances.

Summary of Revised Proposal

Continued Application of Many of the Rules and Principles of Equity Research to Fixed-Income Research

The earlier proposal would have applied much of the regulation in place for equity research to fixed-income research intended for distribution to retail customers, and the Revised Proposal does not depart from that approach.

Institutional research is exempted from most of the Revised Proposal’s provisions regarding supervision, research coverage decision-making, budget and compensation decision-making, and all of the disclosure requirements applicable to fixed-income research reports distributed to retail investors. Firms availing themselves of the institution-only exemption, however, would be required to provide a prominent “health warning” disclosure on the first page of a fixed-income research report.³ The chart found below at [Appendix A](#) indicate procedural aspects of equity research regulation currently in place that will, if the Revised Proposal is adopted, apply to fixed-income research under the Revised Proposal.

Addition of a New Tier of Institutional Account

The initial proposal created two tiers of fixed-income research: retail fixed-income research, which could be distributed to any investor (and which requires the full panoply of research disclaimers and disclosures), and institutional fixed-income research, which was subject to fewer conflict-of-interest and similar disclosures, but which would have required the affirmative consent of the institutional investor prior to the distribution of such research to such investors.

The Revised Proposal adds a third, higher-tier category of institutional investor that would not be required to opt-in through a written agreement in order to receive institutional research. The higher-tier exemption permits the use of the less burdensome negative consent process, rather than a written agreement, to receive institutional research, and would be available to an institutional investor that:

- (1) meets the definition of Qualified Institutional Buyer (QIB) under Rule 144A of the US Securities Act of 1933; and
- (2) satisfies the new FINRA Rule 2111 institutional suitability standards in that:
 - i. the member firm has a reasonable basis to believe that the institutional investor is capable of evaluating investment risks independently, both in general and with regard to

³ This “health warning” includes: (1) that the research is intended for institutional investors only and is not subject to all of the independence and disclosure standards applicable to research provided to retail investors; (2) if applicable, that the firm trades the securities covered in the research for its own account and on behalf of certain clients; such trading interests may be contrary to the recommendations offered in the research and the research may not be independent of the firm’s proprietary interests; and (3) if applicable, that the research may be inconsistent with recommendations offered in the firm’s research that is disseminated to retail investors.

particular transactions and investment strategies involving a “fixed-income security” or “fixed-income securities,” as defined in the proposed fixed income research rules; and

ii. the QIB has affirmed in writing that it is exercising independent judgment in evaluating the firm’s recommendations pursuant to the suitability rule, provided such affirmation covers transactions in fixed income securities.

The QIB’s affirmation need not specify transactions in fixed-income securities, but must be broad enough to fairly encompass such transactions.⁴

Exemption for Firms With Small Proprietary Fixed-Income Trading Operations

The Revised Proposal adds an exemption for firms which conduct only limited amounts of principal fixed-income trading activity. Such firms are exempted from those provisions of the Revised Proposal that restrict or prohibit interaction between fixed-income research analysts and sales and trading and principal trading personnel with respect to pre-publication review of fixed-income research, supervision of fixed-income research analysts, compensation of fixed income research analysts, and fixed-income research budget determination. The exemption is available if the firm has (1) gains or losses (in absolute value) of less than \$15 million from principal fixed-income trading activity on average over the previous three years and (2) fewer than 10 fixed-income traders. The chart found below at [Appendix A](#) indicates which provisions are applicable to firms with small proprietary fixed-income trading operations.

Exemption for Firms With Small Investment Banking Operations

The Revised Proposal also provides an exemption for firms which conduct only limited amounts of investment banking activity. Such firms are exempted from the provisions of the Revised Proposal that restrict or prohibit interaction between fixed-income research analysts and investment banking personnel with respect to pre-publication review of fixed-income research, supervision and compensation of fixed-income research analysts and fixed-income research budget determination. This exemption applies if, during the previous three years, a firm has, on average, participated in 10 or fewer investment banking services transactions per year as manager or co-manager, and generated \$5 million or less in gross investment banking revenues from those transactions. The chart found below at [Appendix A](#) indicates which provisions are applicable to firms with limited investment banking operations.

Policies Required to Prohibit Selective Distribution

The Revised Proposal requires firms to establish policies and procedures that are designed to ensure that the firm does not selectively distribute a fixed-income research report to trading personnel or a particular customer in advance of other customers that are entitled to receive the fixed-income research report. The supplementary material included in the Revised Proposal explains that this provision does not preclude offering different research products to different customers, so long as the product is not differentiated only by the timing of receipt of recommendations, ratings or other potential market-moving information.

⁴ Firms that have prepared institutional suitability questionnaires, including service providers, may wish to consider the existing text of these questionnaires to ensure that this new concept is captured.

Research Report Disclosures

The fixed-income research report disclosure required by the Revised Proposal for the most part parallel those required for equity research reports under NASD Rule 2711(h). However, under the Revised Proposal a firm need not disclose member or affiliate ownership of 1% or more of any class of a subject company's equity securities, nor does it need to disclose whether it is making a market in the subject company's securities. On the other hand, the Revised Proposal requires disclosure of whether an analyst's compensation is based on the firm's principal or trading revenues, and the definition of ratings must include a time horizon and any benchmark on which a rating is based.

These differences and others are summarized in the "Analysis of Disclosure Requirements" chart found below in [Appendix B](#).

Regulation of Third-Party Research

The Revised Proposal also incorporates standards for third-party equity research paralleling the language used in the current iteration of NASD Rule 2711(h)(13). Thus, a firm need not review independent third-party fixed-income research prior to distribution, and may not have to include certain otherwise applicable disclosures depending on whether the research is "distributed" or "made available." If independent third-party research is distributed, a member firm would be required to accompany or provide, with the research report, a web address directing recipients to the disclosure of any material conflicts of interest that can reasonably be expected to have influenced the choice of the research report provider or the subject company of the report.

The Revised Proposal requires firms to have procedures to ensure that non-independent third-party fixed income research, including affiliate research, contains no untrue statement of material fact, is not otherwise false or misleading, and, in an expansion beyond the analogous requirements of current NASD Rule 2711, is reliable and objective. As it does under current NASD Rule 2711, such review obligation extends to false or misleading information that should be known from a reading of the report or is actually known based on other information the firm possesses. Whereas current NASD Rule 2711 requires registered principal approval prior to distribution, the Revised Proposal does not required registered principal approval for non-independent third-party fixed-income research reports. The review procedures that a firm adopts can be risk-based.

Finally, the Revised Proposal requires all third-party research, whether independent or non-independent, to be labeled as third-party research. The research report must be reliable and objective and must disclose any material conflict of interest that can reasonably be expected to have influenced the choice of third-party research provider or the subject company of the report.

Other Revisions

- *Standard for disclosures of conflicts:* The Revised Proposal requires disclosure in fixed-income research reports distributed to retail investors of all material conflicts that are known or should have been known by the firm or fixed income analyst at the time of publication or distribution of the report. This standard replaces the requirement in the earlier proposal to disclose "all conflicts that reasonably could be expected to influence the objectivity of the fixed-income research report."

- *Compensation disclosure for foreign sovereign debt:* The Revised Proposal provides that, in lieu of disclosing investment banking compensation received by a non-US affiliate from foreign sovereigns, firms may instead implement information barriers between that affiliate and the fixed-income research department to prevent direct or indirect receipt of such information. However, disclosure still is required if the fixed-income analyst has actual knowledge of receipt of investment banking compensation by the non-US affiliate.
- *Definition of fixed-income research report:* The Revised Proposal conforms the definition of “fixed-income research report” to the SEC’s Regulation AC definition and clarifies that the definition covers an analysis of either a fixed-income security or an issuer of a fixed-income security. The Revised Proposal definition of fixed-income research report also excludes commentaries on or analyses of particular types of debt securities or characteristics of debt securities.
- *Valuation method disclosure:* The Revised Proposal requires explanation of “valuation method used” only where a specific valuation method has been employed.

Conclusion

The Revised Proposal gives firms the ability to use a negative consent process to permit distribution of institutional fixed income research to QIBs, provides for exemptions from certain of its requirements for firms with limited proprietary fixed-income trading operations or investment banking operations, and amends the definition of fixed-income research report, among other changes. The regulation put forth in the Revised Proposal would create a complex and quite possibly confusing regulatory environment for FINRA-members distributing fixed-income research reports, which would vary depending on whether a firm distributes fixed-income research reports to retail investors and whether the firm qualifies for the limited proprietary fixed-income trading or investment banking operations exemptions. The last public comment FINRA has published was received in January 2013; the comment period has now ended. If the Revised Proposal is to be adopted, the next steps will either be an additional revision and request for public comment by FINRA or submission to the SEC for review and approval.

Appendix A

Differential Applicability of Revised Proposal's Policies and Procedures Provisions

DESCRIPTION OF PROVISION	APPLICABLE TO FIRMS DISTRIBUTING RETAIL RESEARCH?	APPLICABLE TO FIRMS DISTRIBUTING INSTITUTIONAL-ONLY RESEARCH?	APPLICABLE TO FIRMS CLASSIFIED AS LIMITED PRINCIPAL FIXED-INCOME TRADING OPERATIONS?	APPLICABLE TO FIRMS CLASSIFIED AS LIMITED INVESTMENT BANKING OPERATIONS?
Establish, maintain and enforce policies and procedures reasonably designed to identify and effectively manage conflicts of interest related to fixed-income research. (b)(1)	Yes	No	Yes	Yes
Prohibit prepublication review, clearance or approval of fixed-income research reports by investment banking personnel. (b)(2)(A)(i)	Yes	Yes	Yes	No
Prohibit prepublication review, clearance or approval of fixed-income research reports by sales and trading personnel. (b)(2)(A)(ii),(iii)	Yes	No	No	Yes
Restrict or prohibit prepublication review, clearance or approval of fixed-income research reports by persons not directly responsible for the content of such reports, other than legal and compliance personnel. (b)(2)(B)	Yes	No	No	No
Restrict or limit activities by fixed-income research analysts that can reasonably be expected to compromise their objectivity, including participation in pitches and road shows and other solicitation of investment banking activity. (b)(2)(C)	Yes	Yes	Yes	Yes
Prohibit investment banking personnel from directing a fixed-income research analyst to engage in marketing efforts. (b)(2)(D)	Yes	Yes	Yes	Yes

DESCRIPTION OF PROVISION	APPLICABLE TO FIRMS DISTRIBUTING RETAIL RESEARCH?	APPLICABLE TO FIRMS DISTRIBUTING INSTITUTIONAL-ONLY RESEARCH?	APPLICABLE TO FIRMS CLASSIFIED AS LIMITED PRINCIPAL FIXED-INCOME TRADING OPERATIONS?	APPLICABLE TO FIRMS CLASSIFIED AS LIMITED INVESTMENT BANKING OPERATIONS?
Restrict or limit input by investment banking department, sales and trading and principal trading personnel into fixed-income research coverage decisions to ensure that research management independently makes all final decisions regarding the research coverage plan. (b)(2)(E)	Yes	No	Does not apply with respect to sales and trading personnel input; applies to investment banking input	Does not apply with respect to investment banking personnel input; applies to sales and trading input
Prohibit prepublication review of fixed-income research reports by a subject company (except for fact checking). (b)(2)(F)	Yes	Yes	Yes	Yes
Limit supervision and compensatory evaluation of fixed-income research analyst to persons not engaged in (a) investment banking services transactions and (b) principal or sales and trading activities. (b)(3)(A)	Yes	No	Does not apply with respect to sales and trading personnel; applies to investment banking personnel	Does not apply with respect to investment banking personnel; applies to sales and trading personnel
Prohibit input by investment banking and sales and trading personnel into the determination of the research department budget, and prohibit consideration of revenues and results derived from investment banking or principal trading. (b)(3)(B)	Yes	No	Does not apply with respect to sales and trading personnel and revenues; applies to investment banking personnel and revenue	Does not apply with respect to investment banking personnel and revenues; applies to sales and trading personnel and revenue
Prohibit compensation of fixed-income research analysts based on specific investment banking services or specific trading transactions or contribution to a member's investment banking services or principal trading activities. (b)(3)(C)	Yes	No	Yes	Yes

DESCRIPTION OF PROVISION	APPLICABLE TO FIRMS DISTRIBUTING RETAIL RESEARCH?	APPLICABLE TO FIRMS DISTRIBUTING INSTITUTIONAL-ONLY RESEARCH?	APPLICABLE TO FIRMS CLASSIFIED AS LIMITED PRINCIPAL FIXED-INCOME TRADING OPERATIONS?	APPLICABLE TO FIRMS CLASSIFIED AS LIMITED INVESTMENT BANKING OPERATIONS?
Require that the compensation of a fixed income research analyst primarily responsible for the substance of a research report be reviewed by a committee reporting to the board of directors, without any representation from investment banking personnel or persons engaged in principal trading activities. (b)(3)(D)	Yes	No	No	No
Establish information barriers or other institutional safeguards to ensure that fixed income research analysts are insulated from review, pressure or oversight from persons involved in investment banking and sales and trading. (b)(3)(E)	Yes	Yes, with respect to insulation from pressure	Does not apply with respect to review, pressure and oversight from sales and trading personnel	Does not apply with respect to review, pressure and oversight from investment banking personnel
Restrict or limit fixed income analyst account trading in the securities, derivatives and funds related to the securities covered by the fixed income analyst. (b)(3)(F)	Yes	No	Yes	Yes
Prohibit retaliation against fixed income analysts by investment banking personnel or other employees as the result of an unfavorable research. (b)(3)(G)	Yes	Yes	Yes	Yes

DESCRIPTION OF PROVISION	APPLICABLE TO FIRMS DISTRIBUTING RETAIL RESEARCH?	APPLICABLE TO FIRMS DISTRIBUTING INSTITUTIONAL-ONLY RESEARCH?	APPLICABLE TO FIRMS CLASSIFIED AS LIMITED PRINCIPAL FIXED-INCOME TRADING OPERATIONS?	APPLICABLE TO FIRMS CLASSIFIED AS LIMITED INVESTMENT BANKING OPERATIONS?
Prohibit promises of favorable fixed income research coverage. (b)(3)(H)	Yes	Yes	Yes	Yes

Appendix B
Analysis of Disclosure Requirements

Disclosure	Required in Member-Produced Research Reports?	Required in Affiliate Third-Party Research Reports or Distributed* Independent Third-Party Research Reports?	Required in Independent Third-Party Research Reports Not Distributed*?
The research analyst or a member of the research analyst's household has a financial interest in the securities of the subject company, and the nature of the financial interest.	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(1)(A) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> Yes, (c)(5)(A) 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No
Member or affiliate ownership of 1% or more of any class of equity securities.	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(1)(B) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No 	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(13) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No
Any other actual material conflict of interest.	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(1)(C) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> Yes, (c)(5)(H) 	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(13) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> Yes, (g)(2) 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No
Research analyst compensation based on member's investment banking revenues or from the subject company in the past 12 months.	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(2)(A)(i) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> Yes, (c)(5)(B) and (G). Also requires disclosure of compensation based on sales and trading revenues. 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No
Member or affiliate: a. managed or co-managed a public offering of securities for the subject company in the past 12 months; b. received compensation for investment banking services from the subject company in the past 12 months; or c. expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(2)(A)(ii) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> Yes, (c)(5)(C) 	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(13) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> Yes, (g)(2) 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No

* An independent third-party research report is not deemed to be distributed where such research report is made available by a member (a) upon request; (b) through a member-maintained website; or (c) to a customer in connection with a solicited order in which the registered representative has informed the customer, during the solicitation, of the availability of independent research on the solicited debt security and the customer requests such independent research.

Disclosure	Required in Member-Produced Research Reports?	Required in Affiliate Third-Party Research Reports or Distributed* Independent Third-Party Research Reports?	Required in Independent Third-Party Research Reports Not Distributed*?
<p>a. the member received any compensation for products or services other than investment banking services from the subject company in the past 12 months; or</p> <p>b. the subject company currently is, or during the 12-month period preceding the date of distribution of the research report was, a client of the member.</p>	<p>2711:</p> <ul style="list-style-type: none"> ▪ Yes, (h)(2)(A)(iii) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ Yes, (c)(5)(D) and (E) 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No
<p>If the member trades or may trade as principal in the debt securities (or related derivatives) that are the subject of the research report.</p>	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ Yes, (c)(5)(F) 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ Yes, (g)(2) 	
<p>If member or affiliate of the member received any compensation for products or services other than investment banking services from the subject company in the past 12 months.</p>	<p>2711:</p> <ul style="list-style-type: none"> ▪ Yes, (h)(2)(A)(iv) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ Yes, (h)(5)(D) 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No
<p>If the research analyst or a member of the research analyst's household serves as an officer, director or advisory board member of the subject company.</p>	<p>2711:</p> <ul style="list-style-type: none"> ▪ Yes, (h)(3) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No, but material conflicts must be disclosed as per (c)(5)(H) 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No
<p>If a research report contains a rating, the member must define in the research report the meaning of each rating used by the member in its rating system.</p>	<p>2711:</p> <ul style="list-style-type: none"> ▪ Yes, (h)(4) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ Yes, (c)(3). Definition of each rating must include the time horizon and any benchmarks on which a rating is based. 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No
<p>A member must disclose in each research report the percentage of all securities rated by the member to which the member would assign a "buy," "hold/neutral," or "sell" rating.</p> <p>In each research report, the member must disclose the percentage of subject companies within each of these three categories for whom the member has provided investment banking services within the previous 12 months.</p>	<p>2711:</p> <ul style="list-style-type: none"> ▪ Yes, (h)(5) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ Yes, (c)(3) 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No 	<p>2711:</p> <ul style="list-style-type: none"> ▪ No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> ▪ No

Disclosure	Required in Member-Produced Research Reports?	Required in Affiliate Third-Party Research Reports or Distributed* Independent Third-Party Research Reports?	Required in Independent Third-Party Research Reports Not Distributed*?
Price Chart: If a research report contains either a rating or a price target, and the member has assigned a rating or price target to the subject company's securities rating for at least one year, the research report must include a line graph of the security's daily closing prices for the period that the member has assigned any rating or price target or for a three-year period, whichever is shorter.	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(6) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No line graph required, but report must show each date on which a member has assigned a rating and the rating assigned on that date as per (c)(4) 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No
A member must disclose in research reports if it was making a market in the subject company's securities at the time that the research report was published.	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(8) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No 	<p>2711:</p> <ul style="list-style-type: none"> Yes, (h)(13) <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No
Disclosure of any material conflict of interest that can reasonably be expected to have influenced the choice of a third-party debt research report provider.	<p>2711:</p> <ul style="list-style-type: none"> Not applicable <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> Not Applicable 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> Yes, (g)(2) 	<p>2711:</p> <ul style="list-style-type: none"> No <p><i>Revised Proposal:</i></p> <ul style="list-style-type: none"> No

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This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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