

BondWave's 2021 Mark-Up Disclosure Rule Checklist

Much has changed since implementation of the FINRA and MSRB Fixed Income Mark-Up Disclosure Rule in May 2018 that required dealers to disclose mark-ups and mark-downs based on a 'prevailing market price' (PMP) for trades that meet certain criteria. At the time, firms were rushing to get a solution in place, while pressing the regulators to delay the implementation of the Rule without success. To complicate things further, the arrival of COVID-19 in 2020 completely uprooted the traditional workplace and spurred a decentralized and remote work environment, challenging firms' existing processes, and making efficient technology solutions more critical than ever to effectively navigate the current climate.

Findings from the recently published [2021 Report on FINRA's Examination and Risk Monitoring Program](#) indicate that there will be a renewed focus on firms' [Fixed Income Mark-Up Disclosure practices](#). As with all new regulation, the initial focus of the regulators was to ensure that firms had a process established. The recent announcement indicates there will now be a deeper analysis of those processes to ensure that they adequately address the Rule. Using the considerations outlined in the FINRA report, we have revisited our Mark-Up Disclosure Rule Checklist to help firms determine whether their current process is sufficient.

Mark-Up Disclosure Rule Checklist	Your Process	BondWave's Solution
Do you possess the ability to perform frequent and detailed reviews of the accuracy of your firm's confirmations, and does it include reviewing samples of confirmations?	?	✓
Does your firm efficiently work with its clearing firm(s) to ensure the accuracy of confirmations?	?	✓
Do you have an automated process to ensure that mark-up disclosures appear on confirmations?	?	✓
Is the scope of diligence and oversight your firm conducts on customer confirmation vendors comprehensive?	?	✓
Does your firm properly maintain consistent and correct disclosures for fixed income transactions executed across different vendors, platforms or trading desks?	?	✓

*Questions derived from the "Related Considerations" section on page 16 of the 2021 Report on FINRA's Examination and Risk Monitoring Program.



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With Effi's [Market Calculator](#) and [Trade Oversight](#) modules - leveraging the regulatory prescribed PMP 'waterfall' process - firms can effortlessly check the box on these key considerations.

The BondWave solution provides users with:

- a precise, repeatable, and defensible PMP value, with calculated observations across each level and step of the 'waterfall' including surfacing all supporting market data,
- supervisory workflows to address exception handling,
- the ability to identify trades that are subject to disclosure, and
- a permanent archive of all calculations and supporting data with robust analytics and reporting to support compliance and regulatory reviews.

To learn more, contact us at info@bondwave.com.

ABOUT BONDWAVE LLC

Founded in 2001, BondWave, an affiliate of First Trust Portfolios, is a financial technology firm specializing in fixed income solutions. We serve a wide range of users including traders, compliance professionals, and RIAs from the smallest to the largest firms in the industry who use our tools to provide a superior fixed income experience to their clients while supporting critical regulatory mandates.

Effi™, our Engine for Fixed Income, is the single platform through which we deliver all our solutions providing intuitive dashboards and insights into every fixed income position and transaction. Capabilities include portfolio analytics and reporting, custom alerts, and proposal generation, as well as tools that support best execution, fair pricing, and mark-up monitoring and disclosure on both a pre- and post-trade basis. BondWave leverages advanced technologies and data science to develop proprietary data sets that fuel our innovative solutions.