

**Testimony of The Bond Dealers of America before the  
United State House of Representatives Committee on  
Financial Services, Subcommittee on Capital Markets**

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Rayburn House Office Building the Subcommittee on Capital  
Markets

“The Role of Self-Regulatory Organizations in the U.S. Markets:  
Examining FINRA and the MSRB”

Submitted by:

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Thank you, Chair Wagner and Vice-Chair Garbarino, Ranking Member Sherman, and other members of the Subcommittee. I am Michael Nicholas, CEO of the Bond Dealers of America. BDA is the only industry organization in the country exclusively focused on the US fixed income markets. Our 80 member firms underwrite and trade across all bond market segments, and with an office presence in almost every state in the Country.

Our \$50 trillion dollar US bond market is a national asset, financing the Treasury, federal agencies, corporations, state and local governments, and homebuyers, while providing

safe, liquid investments for institutions and individuals. BDA's mission is to promote better, more efficient bond markets for investors and issuers alike. We take that mission seriously and appreciate the opportunity to testify today.

First let me say, the BDA strongly supports FINRA and the MSRB remaining independent Self-Regulatory Organizations. The SRO model, when functioning properly, brings market expertise and operational flexibility that government agencies alone cannot replicate. Both SROs operate under SEC oversight, and we would urge this Subcommittee to ensure that that oversight is active and rigorous. The question before this Subcommittee is not whether we need SROs, but whether they are performing their roles with appropriate regard for cost, market structure, and the regulatory burden on dealers and the broader industry.

Turning to FINRA, we are genuinely encouraged by the launch of FINRA Forward—a comprehensive initiative to modernize rules, reduce unnecessary burdens, and strengthen member firm compliance. This is the kind of rigorous self-examination an effective SRO should undertake, and BDA participated in the comment process. We also commend FINRA and the MSRB for reversing their one-minute bond trade reporting proposals, even after SEC approval—a demonstration of exactly the independent judgment the SRO model requires. But encouragement must be paired with candor. FINRA Forward is a commitment, not yet a result. We urge the Subcommittee to monitor whether it produces genuine rule changes, not just consultation documents.

One example - FINRA's ongoing review of its "modern workplace" framework, including remote supervision under Rule 3110 - presents an important opportunity to modernize oversight. Supervision has changed drastically since Rule 3110 was established. Work habits have evolved since the pandemic. Bond dealers use technology, not proximity, to supervise their traders and others. Supervision rules should reflect this reality. We are encouraged that the MSRB has taken the first steps in this direction.

We also continue to raise concerns about the depth of fixed income expertise among FINRA examiners—a gap that wastes dealer resources and produces inconsistent examination outcomes. And we again flag the structural inequity of Dodd-Frank’s requirement that FINRA collect fees from municipal securities dealers to fund GASB, whose work benefits issuers and investors far more than dealers. Congress should revisit that provision.

On the MSRB, we acknowledge the new “rate card” fee structure as a constructive step toward transparency. But we have serious concerns about governance and resource management that have persisted for years and demand attention from this Subcommittee. Regarding the MSRB’s annual budget: nearly 60% of MSRB spending goes not to market regulation, but to technology and infrastructure. Broker-dealers fund the overwhelming majority of the MSRB’s budget – almost 80% in 2025 - through underwriting, transaction, and technology fees. The MSRB’s public-facing Web site revamp appears to be over budget and behind schedule. Compared to how FINRA or the SEC display comparable market data, the MSRB’s platforms include unnecessary complexity and cost. We ask this Subcommittee to direct the SEC to examine whether MSRB expenditures are proportionate and prudently managed.

On governance: the MSRB board includes seats for non-dealer municipal advisors—firms that advise issuers but do not underwrite or trade. We do not object to municipal advisors having representation. But as a group, municipal advisors contribute only a small fraction of total MSRB fee revenue – 6% in 2025, while broker-dealers pay the vast majority. That imbalance between fee contribution and board influence is a structural problem that has persisted and has been unaddressed for years. Municipal advisor board members participate in decisions about budget priorities, technology investments, and rulemaking that fall disproportionately on dealers who bear most of the cost. This is not equitable, and it helps explain the resource allocation problems we have described. Congress should revisit the Dodd-Frank provisions governing MSRB board composition with this imbalance

squarely in view. More broadly, both the MSRB and FINRA have moved to majority-public boards, which has diluted the market expertise embedded in their governance. We urge Congress and this Subcommittee to reconsider whether that balance is serving the markets well.

To conclude, let me re-emphasize that both FINRA and the MSRB are worth preserving as independent SROs—but their independence must be matched by accountability. FINRA Forward is a promising step. The MSRB’s governance and budget problems are long overdue for correction. This Subcommittee, working with the SEC, has an important role to play in ensuring both organizations meet the standard the markets require. We appreciate the opportunity to assist in that work and welcome your questions.