BondWave's Mark-Up Disclosure Rule Checklist

Meeting the needs of the new regulatory requirements proved to be no small undertaking. While many firms chose solutions that offer an automated and unbiased approach to the PMP 'waterfall,' and precise, consistent and defendable PMP values, other solutions (whether in-house or 3rd party) may not give full consideration to the rule. Some of these regulatory gaps were identified as part of the October 2019 Report on FINRA Examination Findings and Observations, leaving many to wonder where their firm's process stacks up against the industry.

The mark-up disclosure rule, implemented on May 14th, 2018, requires firms to disclose on their customer confirmation, mark-ups and mark-downs, based on the "Prevailing Market Price" (PMP) on corporate, agency and municipal bonds bought from or sold to retail customers on the same day that they are bought or sold for the firm's own account (with certain exceptions). The rule prescribes how firms should determine the PMP, establishing a multilevel/multistep 'waterfall' approach for determining the value.

How many boxes can your firm check?

Mark-Up Disclosure Rule Checklist	Your Process	BondWave
Do you have a solution or process that strictly follows the prescribed PMP 'waterfall'?		✓
Does your solution permit the setting of parameters and definitions that produce PMP calculations to uniquely fit your firm's compliance standards?		✓
Are you able to establish interest rate and ratings change thresholds that would cause you to continue beyond Level I of the waterfall?		✓
Does your solution account for side-of-market adjustments in Level II, Level III and Level IV situations?		✓
Can your solution adjust side-of-market by bid/offer spreads, including average mark-up or mark-down? Can you adjust PMP calculations for retail, mini institutional and institutional trades?		✓
Can your solution calculate pre-trade, time of trade, and/or end-of-day PMP calculations?		✓
Do you have a process to accurately identify those trades that are subject to mark-up disclosure?		✓
Is your solution able to identify and resolve PMP exceptions (i.e. a PMP value that triggers a mark-up that is not within your compliance parameters)?		✓
Does your process support a supervisory review and workflow to support post-trade PMP adjustments with proper documentation?		✓
Do you have a trade oversight system that can provide an intuitive, visual and flexible data repository while offering access to all PMP data and ability to review, remediate and report exceptions?		✓

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Imagine that

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BONDWAVE MARK-UP DISCLOSURE (PMP WATERFALL)

Relying on subjective methodologies to meet this regulatory obligation carries significant risks. BondWave's PMP solution is an automated and unbiased approach to the PMP 'waterfall' that provides precise, consistent and defendable PMP values. It determines a PMP number as well as Level and Step in the 'waterfall' — all of which are archived for compliance review and any regulatory inquiry. Effi's PMP solution follows the regulations and is supported by BondWave's proprietary QTrades data and your firm's data, definitions and controls.

To learn more, please visit www.bondwave.com,

email info@bondwave.com

or call 877.795.2929

ABOUT BONDWAVE LLC

Founded in 2001, BondWave is a financial technology company specializing in fixed income solutions. We serve a wide range of customers, from small independent RIAs to some of the largest broker-dealers and custody providers in the financial services industry. Traders, portfolio and asset managers, advisors and compliance professionals use our tools to provide a superior fixed income experience to their clients while supporting critical compliance mandates.

Effi™, our Engine for Fixed Income, is the single platform through which we deliver all our solutions, including analytics and reporting, monitoring, trade opportunity mining, proposal generation, mark-up disclosure and oversight, best execution tools, and transaction cost analysis (TCA). BondWave leverages advanced data science and technologies to develop proprietary data that fuels our innovative solutions. We are agnostic to the liquidity pool or execution venue, so we can provide unbiased analytics that help our clients find the best bonds for their customers.