

## **REGIONAL BROKERS, INC. DISCLOSURE STATEMENT TO ITS COUNTERPARTIES EFFECTIVE 1.25.21**

Regional Brokers, Inc., is providing this Disclosure Statement in order to comply with MSRB Rule G-43, Sections (c) (i) (A) and (c) (i) (B).

Section (c) (i) (A) requires "the broker's broker to disclose the nature of its undertakings for the seller and bidders in bid-wanted and offerings".

Section (c) (i) (B) requires "the broker's broker to disclose the manner in which the broker's broker will conduct bid-wanted and offerings".

### **NATURE OF REGIONAL BROKERS INC. UNDERTAKINGS FOR THE SELLERS AND BIDDERS IN BID-WANTEDS AND OFFERINGS:**

RBI conducts business as a Municipal Securities Broker's Broker (MSBB).

RBI maintains no municipal in any proprietary or other accounts, other than for clearance and settlement purposes.

RBI does not self-deal.

RBI trades only with FINRA Member firms and Sophisticated Municipal Market Participants (SMMPs).

RBI considers, in the case of a Bid Wanted Auction, its "Client" to be that Broker/Dealer that has requested RBI to obtain fair and reasonable prices for its bonds through the use of an auction.

RBI considers, in the case of an Offering, or Situation Trade, it's "Client" to be either the seller of the bonds, or the buyer of the bonds, or both simultaneously.

RBI allows SMMP customers to place bids on its Bid Wanted Auctions. If an SMMP customer of RBI is the high bid on a bid-wanted or offering, RBI will disclose that fact to the seller.

### **RBI'S MANNER OF CONDUCTING BID WANTED:**

RBI, in its operations of its Bid Wanted Auctions, will make a reasonable effort to obtain a price for the client that is fair and reasonable in relation to

prevailing market conditions. RBI will employ the same care and diligence in doing so as if the transaction were being done for its own account.

RBI will take no action that would work against the client's interest to receive advantageous pricing.

RBI will take no action that gives preferential treatment to any Broker/Dealer in the operation of its business.

RBI operates by use of a commission scale that is published in this disclosure.

RBI will attempt to disseminate a bid-wanted widely (including, but not limited to, the underwriter of the issue and prior known bidders on the issue, to the extent reasonably feasible) and to obtain exposure to multiple dealers with possible interest in the block of securities, although no fixed number of bids will be required to be received in order for RBI to indicate the high bid to the client.

If securities are of limited interest (e.g. small issues with credit quality issues and/or features generally unknown in the market), RBI will make its best efforts to reach dealers with specific knowledge of the issue or known interest in securities of the type being offered.

RBI does not engage in encouraging off-market bids.

RBI will not give preferential information to bidders in bid-wanted regarding where they currently stand in the bidding process (including, but not limited to, "last looks," or any directions to a specific bidder that it should "review" its bid or that its bid is "sticking out").

RBI will not accept a changed higher bid on a bid wanted item from a Broker/Dealer after that certain Broker/Dealer has received a comment on the item regarding whether or not that Broker/Dealer is being used (currently the high bid) on the item. While bids entered by Broker/Dealers on items that have "Firm times" are expected to be good until the firm time ends, RBI has no legal ability to prevent a bidder from withdrawing or lowering a bid on an item at any time.

If RBI or its client has imposed a precise, or "sharp," deadline for the acceptance of bids, RBI will not accept bids or changes to bids after the bid deadline.

RBI will not adjust a bid without the bidder's permission.

**RBI makes use of guidelines as to when bidders may be informed as**

**to where they stood in an auction, and as to when they may be informed as to what bids were obtained by the auction:**

RBI considers information regarding auctions to be historic, and therefore reportable, once the auction has ended. RBI will make bid wanted auction information available to all market participants on an equal basis at no cost, upon the completion of an auction item.

The bids that RBI receives on its auctions may or may not represent the fair market value of the securities.

RBI will compare the results of the bid-wanted process against other objective data (e.g., recent transaction prices for the securities in question or for similar securities) in its attempt to establish a fair and reasonable price for the bonds.

Regarding its Bid Wanted Auctions, RBI has established various time-lines regarding the times at which bids are due on items, and the times at which auctions end. RBI operates Around, Around/Firm, and ASAP Bid Wanted Auctions.

If RBI is DIRECTED by a seller to sell an auction item, RBI will sell the bonds to the high bid at that time.

If RBI is INFORMED by a seller that an item will trade upon completion of the bid wanted process, RBI will fulfill its duties under MSRB Rule G-43 to employ the same care and diligence as if the transaction were being done for its own account and will not take any action that would work against the seller's interest in receiving advantageous pricing. RBI will complete the process as requested by the Seller, and continue to gather bids on the item, until such time as the Seller directs RBI to sell the bonds.

On an Around/Firm auction item, a bidder is asked to bid the item by the stated time and hold their level until the Firm time has elapsed. If a seller contacts RBI to inform them they may/will miss the Firm time of their auction, RBI will contact the high bidder to relay that information and to inquire whether or not the bidder will honor their bid past the Firm time. While the passing of the Firm time on a bid wanted necessarily moves all bids into the "Subject" column, it does not complete the process; the process is only complete either when RBI receives direction from the seller that the bonds will or will not trade on the bid, or the high bidder has indicated that they will not stand by their bid. As an active bid wanted, bid pad information is not made available to the market. In addition, bidding

information should not be made available to the market unless or until the high bidder indicates it will not stand by its bid and the seller has closed the item.

RBI reserves the right to establish a safe harbor in its fulfillment of its fair pricing duties as allowed in Rule G-43 (b) (vi) in order to contact a bidder in the event that an error may have been made by that bidder. In order to establish this safe harbor, RBI will establish certain parameters.

### **REGARDING PARAMETERS USED BY RBI**

Regional Brokers, Inc., in compliance with Municipal Securities Rulemaking Board Rule G-43, will make use of pre-determined parameters in order to determine whether or not RBI has garnered "fair and reasonable" bids in the performance of its municipal bid wanted auction activities. RBI will use a proprietary algorithm developed by MuniBrokers in order to determine whether or not a bid placed upon its bid wanted auction item are "fair and reasonable". RBI will use these parameters to determine, on a case-by-case basis, whether or not it will choose to establish a "safe harbor" regarding that bid wanted item. The methodology used to create the predetermined parameters is non-discretionary, systematically implemented, and periodically tested.

**The parameters MAY or MAY NOT represent fair market value. The parameters are not an attempt on the part of RBI or MuniBrokers to determine marketability; they are used solely for the purpose of compliance with MSRB Rule G-43.**

If the high bid on an item is above or below the predetermined parameters and RBI believes that the bid may have been submitted in error, RBI may contact the bidder prior to the deadline for bids, to determine whether the bid was submitted in error. This may be done without the consent of the Seller. If the high bid is within the predetermined parameters but RBI believes that the bid may have been submitted in error, RBI will contact the Seller to receive permission before contacting the Bidder to determine whether the bid was submitted in error. The seller's consent or denial, along with any subsequent action taken at the direction of the Bidder will be documented in the record of the bid in question.

If the high bid on a bid-wanted item is below the predetermined parameters, RBI will disclose that fact to the seller. RBI will execute the trade at that bid level if directed to by the Seller and the Seller acknowledges such disclosure and direction either orally or in writing. Such disclosure will take place at the time that an item is marked for sale at the high bid. RBI will document the disclosure and the direction given to it by the Seller. For purposes of fulfilling the requirements of MSRB Rule G-8 (xxv) (E), the name of the person who gave the auction item to RBI will be assumed to be the same person who gave direction to RBI as to whether or not to sell an item that is below RBI's parameter, unless otherwise documented.

RBI will allow for correction of typographical errors, and will allow Bidders to be contacted without the prior consent of the Seller, in cases where there has been a material change to the description of the bid wanted item.

In all cases where a high bid or cover bid has been changed on an item, RBI will disclose the change to the seller prior to execution and provide the seller with the original and changed bids.

RBI will not fail to post the Seller of the high bid, and, if requested, the number of bids and the price of all bids.

Regarding Offerings and Situation Trades, RBI will not change an offer without the permission of the Seller; RBI will assume that an offer posted on a public site such as Bloomberg Pick, is the correct offer price at which the bonds are being offered at that time.

RBI will not change the price of a bid shown by a Broker/Dealer against an offer without the Bidder's permission.

RBI will disclose the policies and procedures adopted pursuant to subsection (c)(i) of Rule G-43 to sellers and bidders in writing at least annually and post such policies and procedures in a prominent position on its website.

### **Policy Regarding Broker/Dealers using MSBBs Auction Process for Price Discovery**

**RBI agrees with (and will adhere to) the Best Practice wording released by SIFMA regarding this topic (December 2013), and includes the text from that release below:**

- 1. Selling Dealers Using the Bid-Wanted Process for Price Discovery.** The MSRB has warned Selling Dealers that they should not use the bid wanted process for price discovery. Selling Dealers who use broker's brokers for price discovery purposes harm the bid-wanted and offering processes by reducing the number of bidders participating, thereby reducing the likelihood that the high bid in a bid-wanted will represent the fair market value of the securities. Depending on the facts and circumstances, the use of bid-wanted solely for price discovery purposes may be an unfair practice within the meaning of Rule G-17. Selling Dealers should be discouraged from placing bid-wanted and offerings with broker's brokers if they have no intention of selling the securities through the MSBB. The repeated failure of Selling Dealers to transact at the high bid procured by the MSBB may be indicative of such Selling Dealers using the bid wanted process for price discovery. MSBBs should discontinue doing business with a Selling Dealer if it is determined that the Selling Dealer is using the bid-wanted process for price discovery.
- 2. Fair Pricing of Securities.** In support of the MSRB's request for fair pricing and for the preservation of the integrity of the bid wanted process (in accordance with MSRB Rules G-17, G-30, and G-43), MSBBs may request that Selling Dealers submit competitive bids prior to the close of the bid collection process when the Selling Dealer makes the MSBB aware that it will be in competition with the MSBB. Receiving this information prior to the close of the bid collection process when a Selling Dealer is in competition with a MSBB will help to avoid any appearance of impropriety should the Selling Dealer decide to internalize the bid without executing the sale to the high bidder in the bid wanted.
- 3. Fair Dealing in Bid-Wanted Auctions:** MSRB Rule G-17 requires that dealers deal fairly with all persons with whom they conduct municipal securities business. Implicit in this requirement is that dealers do not engage in practices that imperil the integrity of essential market functions such as the bid wanted auction process. Such practices include "pennying up" whereby a Selling Dealer that does not provide a competitive bid prior to the close of the collection process, purchases securities following the bid wanted for their own

account at prices that exceed the high bid obtained by the MSBB by a very small amount. This practice may violate MSRB Rule G-17 if the repeated failure of Selling Dealers to transact at the high bid procured by the MSBB is due to the Selling Dealers using the bid-wanted process for price discovery.

#### **COMMISSION SCHEDULE IN USE BY RBI**

The current commission schedule is as follows

##### **Bid Wanted\*:**

1-5m	1 ½ point
6-14m	1 point
15-24m	¾ point
25-49m	½ point
50-99m	¼ point
100m and up	Negotiable

##### **Situations\*:**

1-5m	1 ½ point
6-10m	1 point
11-24m	¾ point
25-49m	½ point
50-99m	¼ point
100m and up	75 cents

\*Suggested maximum commission per bond

All situations are negotiable based on coupon, size and maturity.