



REGIONAL  
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## **RBDA Calls on SIFMA to Stop Recommending Early Bond Market Closings; Association Says Early Closes Hurt Market Liquidity**

**February 26, 2009**—The Regional Bond Dealers Association is calling on the Securities Industry and Financial Markets Association to halt its practice of recommending early bond market closes on the business days preceding U.S. holidays such as Labor Day. In a letter to SIFMA, the RBDA says early closings severely hamper market liquidity, which is particularly challenging in the face of the difficult credit conditions investors continue to encounter.

“Closing the bond markets early on the last business day before a holiday serves no useful purpose, said Michael Decker, Co-Chief Executive of RBDA. “In these unprecedented times, we need to do everything we can to improve market liquidity, not get in the way.”

SIFMA’s holiday announcements typically recommend an early close at two in the afternoon but, in its letter, RBDA points out many large firms are thinly staffed the entire day and liquidity generally tails off much earlier than the recommended hour. Many dealers have defended the practice by saying they are simply following investors who exit the market early. The RBDA says it is the other way around. Investors leave the market because the dealers are absent.

“Early closes create a holiday atmosphere with thin staffs and less-than-full trading operations even during hours when the markets are supposed to be open,” said Mr. Decker. “Market volatility in the last year has been extraordinary and market participants deserve the ability to trade actively if market prices move. Early closes, because they substantially reduce market liquidity, take away the ability of investors and others to react to market events.”

The U.S. Treasury Department asked SIFMA earlier this year to reduce the number of early closes and the RBDA agrees, especially in light of the ongoing spike in Treasury issuance in response to the global economic crisis. The RBDA is asking SIFMA to eliminate all early closes except the day after Thanksgiving and Christmas Eve when the stock markets close early.

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*The Regional Bond Dealers Association is the only organization that exclusively represents regional securities firms and banks active in the bond markets.*