May 18, 2026

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Release No. 34-105004; Proposed Amendment to Rule 15c2-11

Dear Ms. Countryman:

LSTA, Inc. ("LSTA")[1] respectfully submits this letter supporting the Securities and Exchange Commission's (the "Commission") proposed amendment to Rule 15c2-11 (the "Proposed Rule"), which would clarify that Rule 15c2-11 applies solely to equity securities.

LSTA is the leading trade association representing the U.S. corporate lending markets. Collateralized loan obligations ("CLOs") represent a cornerstone of corporate lending and the primary source of demand for syndicated loans.

LSTA previously submitted comments explaining that the Commission's decision to apply Rule 15c2-11 to fixed income securities, particularly CLO notes, would be inconsistent with the rule's purpose and would impair market functioning. Indeed, the Commission's novel and mistaken interpretation of Rule 15c2-11 created significant disruption and uncertainty in institutional credit markets. The Commission's Proposed Rule appropriately recognizes these concerns and would restore the rule to its intended scope. For this reason, LSTA urges the Commission to adopt it as proposed.

Background

[1] LSTA, Inc. is a not-for-profit trade association that has been the leading advocate for the U.S. corporate lending market since 1995. LSTA's mission is to promote a fair, orderly, efficient and growing corporate loan market while advancing and balancing the interests of all market participants. Our 600+ member institutions include commercial banks (ranging in size from GSIBs to community banks), investment banks, broker-dealers, asset managers, and institutional lenders, as well as law firms and market service providers. LSTA undertakes a wide variety of activities in pursuit of its mission, including advocacy, thought leadership, data analytics, education, and standardization of documents, practices and operations. LSTA's offerings are designed for the voluntary use by our members and benefit from LSTA's ability to build a consensus of diverse stakeholders. For more information, visit www.lsta.org.

CLOs were among the instruments most adversely affected by the Commission's prior interpretation, because the application of Rule 15c2-11 to CLO notes is fundamentally incompatible with the way these instruments are structured, disclosed, and traded.

A CLO is an actively managed securitization collateralized by a pool of loans to sub-investment grade corporate borrowers. These loans are typically sourced from the broadly syndicated loan ("BSL") market or originated directly by the CLO manager ("private credit CLOs"). CLOs issue multiple tranches of floating-rate notes and a subordinated equity tranche to finance the collateral pool and cover formation expenses.

Cash flows from loan interest payments are distributed through a hierarchical waterfall: senior tranches are paid first, followed by junior tranches, with any residual cash returning to equity holders. Losses are absorbed in reverse order, with equity absorbing losses first.

CLOs are special purpose vehicles structured as private funds under the Investment Company Act of 1940's 3(c)(7) exemption, which exempts entities from SEC registration if their investors are qualified purchasers. This structure eliminates the public disclosure requirements applicable to registered investment companies while maintaining investor protections given that CLO notes are issued to and traded among sophisticated institutional investors in the form of Rule 144A securities.

I. CLO Disclosure Practices Are Robust but Not Public in the Manner Contemplated by Rule 15c2-11

CLO notes are issued in transactions that provide extensive, standardized, and ongoing disclosure to investors. At issuance, investors receive detailed offering memoranda describing the transaction structure, collateral eligibility criteria, manager obligations, and tranche-specific risks. Following issuance, CLOs provide regular, detailed reporting—typically through monthly or quarterly trustee reports—that include comprehensive information regarding the underlying loan portfolio, cash flows, coverage tests, and performance metrics.

These trustee reports are a central feature of the CLO market and are relied upon by investors and dealers for valuation, risk management, and trading. In addition, CLO notes are commonly offered and traded pursuant to Rule 144A, under which investors have the right to obtain specified information from the issuer upon request.
However, these robust disclosure practices are not designed to satisfy, and do not align with, the "public availability" standard embedded in Rule 15c2-11. CLO reporting is generally made available through investor-restricted platforms, trustee websites, or data services that require appropriate credentials or confidentiality undertakings. This structure reflects the institutional nature of the market and the need to balance transparency with confidentiality and operational efficiency.

As LSTA has previously emphasized, attempting to impose a requirement that such information be made publicly available as a condition for dealer quotations is not only impractical, but would fundamentally alter the way the CLO market functions.

II. Dealer Quotation Practices in CLO Markets Depend on Institutional Information Channels

Broker-dealers play a critical role in facilitating liquidity in CLO notes by publishing quotations and making markets across a wide range of tranches. These activities rely on the availability of transaction-specific information obtained through established market channels, including trustee reports, data vendors, and direct engagement with market participants.

Unlike the OTC equity markets for which Rule 15c2-11 was designed, CLO markets do not rely on publicly disseminated issuer information as the basis for quotations. Instead, dealers and investors operate within a well-developed ecosystem of institutional information flows that provide a high degree of transparency to relevant market participants without requiring public dissemination.

The application of Rule 15c2-11 to CLOs would disrupt this framework by conditioning dealer quotation activity on the public availability of information that is neither intended nor structured to be public. Faced with this requirement, many dealers would be unable or unwilling to publish quotations, leading to a material reduction in liquidity.

III. The Prior Interpretation Created Significant Market Disruption and Uncertainty

The prior staff position suggesting that Rule 15c2-11 could apply to fixed income securities introduced immediate and significant uncertainty into the CLO market. Market participants were forced to assess whether existing disclosure practices could satisfy the rule's requirements and whether continued quotation activity would be permissible.

This uncertainty had practical consequences. Dealers considered limiting or ceasing quotation activity for certain CLO notes, particularly those for which public information could not be readily identified. Given the central role of dealer quotations in supporting market liquidity, these developments posed a meaningful risk to the orderly functioning of the CLO market.

The need for temporary and conditional regulatory relief – which were fortunately obtained - further underscored the mismatch between Rule 15c2-11 and fixed income markets. The Proposed Rule appropriately and permanently resolves this uncertainty through clear and definitive rulemaking.

IV. Impairing CLO Liquidity Would Have Direct and Adverse Effects on Loan Market Financing

BSL CLOs are among the largest and most consistent investors in U.S. syndicated loans, providing almost $1 trillion dollars in essential funding to a broad range of corporate borrowers. This figure represents approximately 78% of BSL loans outstanding. Private credit CLOs ("PCLOs") account for a relatively smaller $150 billion of financing but are an increasingly critical capital source for borrowers in the private corporate credit market. Financing from PCLOs has grown from $23 billion over the past 10 years, and accordingly, their share of the CLO market has more than doubled over the same period from about 6% to 14%, demonstrating their scale and significance.[2]

If liquidity in CLO notes is impaired, investors will demand higher yields to compensate for reduced tradability and increased uncertainty. This increase in funding costs would directly reduce the capacity of CLOs to acquire or make corporate loans, thereby decreasing demand in the primary BSL and private corporate credit markets.

The resulting impact on corporate borrowers would be significant. In this way, the application of Rule 15c2-11 to CLOs would have extended far beyond the trading of their notes, ultimately constraining capital formation in the broader economy.

Conclusion

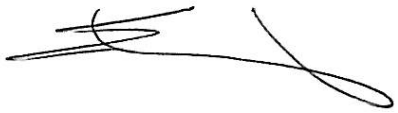
Conditioning broker-dealer quotations on the public availability of CLO-related information would significantly impair dealer quotation activity, which is essential to secondary market liquidity. Reduced liquidity in CLO notes would, in turn, increase funding costs for CLOs, diminish demand for corporate lending, and ultimately constrain capital formation for U.S. businesses—particularly sub-investment grade companies that rely heavily on these markets.

[2] BofA Securities Research.

For these reasons, LSTA respectfully urges the Commission to adopt the Proposed Rule as proposed. Clarifying that Rule 15c2-11 does not apply to fixed income securities—particularly CLO notes—is essential to preserving the efficient functioning of the CLO market and, by extension, the broader U.S. corporate loan market.

LSTA appreciates the Commission's consideration of its views and would welcome the opportunity to engage further on these issues.

Respectfully submitted,



Elliot Ganz
Head of Advocacy