

SEC Proposes to Narrow Rule 15c2-11 to Equity Securities

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On March 16, 2026, the Securities and Exchange Commission (SEC) proposed amendments to Exchange Act Rule 15c2-11 that formally limit the rule's scope to equity securities. The proposal carries significant practical implications for broker-dealers, fixed-income issuers, and capital markets participants alike after years of regulatory uncertainty.

This proposal aligns the rule's text with its historical purpose and 50-year track record of enforcement. In this post, we discuss the proposal, explain its background, and offer strategic guidance for clients navigating its implications.

THE REGULATORY BACKSTORY: A RULE IN SEARCH OF SCOPE

Rule 15c2-11 was adopted in 1971 to combat manipulative and fraudulent trading schemes prevalent in the over-the-counter equity markets. The rule requires broker-dealers to gather and review issuer information before publishing quotations for securities in over-the-counter (OTC) markets—a gatekeeper function designed to prevent bad actors from legitimizing shell companies and fraudulent issuers through published quotations.

For five decades, market participants and regulators alike understood the rule to apply exclusively to OTC equity securities held by retail investors, primarily penny stocks. FINRA's related rules applied only to OTC equity securities, and the SEC never enforced Rule 15c2-11 in the fixed-income markets.

That understanding was disrupted after the SEC amended the rule in 2020. In a September 2021 no-action letter to FINRA, the SEC affirmed its view that the rule also applied to fixed-income securities, including Rule 144A debt securities, contrary to widespread market belief. The 2020 amendments relied entirely on OTC equity market data and never mentioned the term "fixed income."

YEARS OF UNCERTAINTY AND PATCHWORK RELIEF

What followed was a period of regulatory confusion. Trade associations and broker-dealers pointed out that the rule's requirements and exemptions were crafted for equity markets and were fundamentally incompatible with fixed-income trading. The fixed-income market involves over 2.5 million CUSIPs—exponentially larger than the equity market—and operates with different trading patterns, investor profiles, and information flows.

In response, the SEC staff issued a series of temporary no-action letters between 2022 and 2023, some lasting as little as three months, before eventually granting permanent exemptive relief for Rule 144A fixed-income securities in October 2023. But as SEC Commissioner Hester Peirce candidly acknowledged in her statement supporting the current proposal: “By then, we had fostered uncertainty in this market and wasted the resources of the industry, and our staff, for multiple years and for no good reason.”

WHAT THE PROPOSAL DOES

The proposed amendments would replace the term “security” throughout Rule 15c2-11 with “equity security,” using the existing definition of the term in Exchange Act Rule 3a11-1. This change would codify the longstanding market understanding that the rule’s information-gathering and review requirements apply only to equity securities traded in OTC markets.

SEC Chairman Paul S. Atkins noted: “Regulations should be appropriately tailored to fit the asset class to which they apply. This proposal would clarify regulatory obligations when publishing quotations and affirm what was always understood: Rule 15c2-11 applies to equity securities.”

Comments are due May 18, 2026.

IMPLICATIONS FOR FIXED-INCOME MARKETS

For issuers of corporate bonds, asset-backed securities, and other debt instruments, the proposal brings welcome regulatory clarity. The exemptive relief granted in 2023 provided meaningful certainty for the largest groups of fixed-income securities in the markets, but market participants remained concerned that the SEC could modify or revoke that relief. If adopted, the proposed amendments would embed the equity-only limitation directly into the rule text, providing a more durable solution.

Notably, while the 2023 exemptive order addressed Rule 144A fixed-income securities, it did not cover debt securities sold under other registration exemptions, such as Regulation S, Section 4(a)(2), or Regulation D. Those securities have relied on staff no-action relief. The proposed amendments would eliminate this distinction entirely, providing a single solution for all non-equity securities regardless of the exemption under which they were offered. Formalizing the equity security-only scope resolves longstanding compliance challenges and liquidity concerns in secondary markets for privately placed debt across the fixed-income landscape.

STRATEGIC TAKEAWAYS FOR CLIENTS

We recommend the following for clients in the capital markets space:

- **Submit comments.** The 60-day comment window is an opportunity to shape the final rule. Market participants should consider weighing in on any lingering ambiguities.
- **Evaluate current compliance frameworks.** Broker-dealers should assess whether their existing processes were built to address the broader interpretation of current Rule 15c2-11 and consider how the final rule may simplify operations.
- **Plan for transition.** If the proposal is adopted, implementation will require coordination between broker-dealers, issuers, and trading platforms.

Winston’s Capital Markets and Securities Law Watch will continue to monitor SEC guidance, rulemaking, and enforcement developments under Exchange Act Rule 15c2-11 and will provide updates as they become available. For more information, or if you have questions, please reach out to your regular Winston contacts.

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