

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * 188 | SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4 | File No.* SR - 2015 - * 02 Amendment No. (req. for Amendments *) |
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Filing by Municipal Securities Rulemaking Board
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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| Initial * <input checked="" type="checkbox"/> | Amendment * <input type="checkbox"/> | Withdrawal <input type="checkbox"/> | Section 19(b)(2) * <input checked="" type="checkbox"/> | Section 19(b)(3)(A) * <input type="checkbox"/> | Section 19(b)(3)(B) * <input type="checkbox"/> |
| Pilot <input type="checkbox"/> | Extension of Time Period for Commission Action * <input type="checkbox"/> | Date Expires * <input type="text"/> | Rule | | |
| | | | <input type="checkbox"/> 19b-4(f)(1) | <input type="checkbox"/> 19b-4(f)(4) | |
| | | | <input type="checkbox"/> 19b-4(f)(2) | <input type="checkbox"/> 19b-4(f)(5) | |
| | | | <input type="checkbox"/> 19b-4(f)(3) | <input type="checkbox"/> 19b-4(f)(6) | |

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| Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 | Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 |
| Section 806(e)(1) * <input type="checkbox"/> | Section 806(e)(2) * <input type="checkbox"/> |
| | Section 3C(b)(2) * <input type="checkbox"/> |

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| Exhibit 2 Sent As Paper Document <input type="checkbox"/> | Exhibit 3 Sent As Paper Document <input type="checkbox"/> |
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed amendments to the MSRB Rule G-14 RTRS Procedures, and the Real-Time Transaction Reporting System and subscription service

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Justin Last Name * Pica
 Title * Director of Product Management - Market Transparency
 E-mail * jpica@msrb.org
 Telephone * (703) 797-6600 Fax (703) 797-6700

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,
 Municipal Securities Rulemaking Board
 has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 03/19/2015 Corporate Secretary
 By Ronald W. Smith
 (Name *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Persona Not Validated - 1422382132618,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² the Municipal Securities Rulemaking Board (the “MSRB”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change consisting of amendments to the MSRB Rule G-14 RTRS Procedures, and the Real-Time Transaction Reporting System (“RTRS”) and subscription service (collectively, the “proposed rule change”). The proposed rule change would enhance the post-trade price transparency information provided through RTRS. The MSRB proposes that the effective date for the proposed rule change, if approved, be no later than May 23, 2016 and announced by the MSRB in a notice published on the MSRB website no later than sixty (60) days prior to the effective date.

The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(a) Not applicable.

(b) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the MSRB at its October 29-31, 2014 meeting. Questions concerning this filing may be directed to Justin R. Pica, Director of Product Management – Market Transparency, at (703) 797-6716.

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

MSRB Rule G-14, on reports of sales or purchases, requires brokers, dealers and municipal securities dealers (collectively “dealers”) to report all executed transactions in municipal securities to RTRS within 15 minutes of the time of trade, with limited exceptions.³ RTRS serves the dual objectives of price transparency and market surveillance. Because a comprehensive database of transactions is needed for the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR § 240.19b-4.

³ Transactions in securities without CUSIP numbers, in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are the only transactions exempt from the reporting requirements of Rule G-14.

surveillance function of RTRS, Rule G-14, with limited exceptions, requires dealers to report all of their purchase-sale transactions to RTRS, not only those that qualify for public dissemination to serve the transparency function of the system.⁴ The MSRB makes transaction data available to the general public through the Electronic Municipal Market Access (“EMMA”) website at no cost, and disseminates such data through paid subscription services to market data vendors, institutional market participants and others that subscribe to the data feed.

As more fully described below, the proposed rule change would enhance the post-trade price transparency information provided through RTRS by:

- expanding the application of the existing list offering price and takedown indicator to cases involving distribution participant dealers and takedown transactions that are not at a discount from the list offering price;
- eliminating the requirement for dealers to report yield on customer trade reports and, instead, enabling the MSRB to calculate and disseminate yield on customer trades;
- establishing a new indicator for customer trades involving non-transaction-based compensation arrangements; and
- establishing a new indicator for alternative trading system (“ATS”) transactions.

Expanding the Application of Existing List Offering Price and RTRS Takedown Indicator. Transaction reporting procedures require dealers that are part of the underwriting group for a new issuance of municipal securities to include an indicator on trade reports, which indicator is disseminated to the public, for transactions executed on the first day of trading in a new issue with prices set under an offering agreement for the new issue. These transactions include sales to customers by a sole underwriter, syndicate manager, syndicate member or selling group member at the published list offering price for the security (“List Offering Price Transaction”) or by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published list offering price for the security (“RTRS Takedown Transaction”). Such trade reports are provided an end-of-day exception from Rule G-14’s general 15-minute reporting requirement.

Since the introduction of the List Offering Price Transaction indicator in 2005 and RTRS Takedown Transaction indicator in 2007, certain market practices in this area have evolved. First, outside of traditional underwriting syndicates or selling groups, some dealers have entered into long-term marketing arrangements with other dealers that serve in the syndicate or selling group relating to purchases and re-sales of new issue securities (“distribution participant dealers”). The MSRB understands that these distribution

⁴ In this respect, RTRS serves as an audit trail for municipal securities trading, with the exception of certain internal movements of securities within dealers that currently are not required to be reported, customer identifications, and other related specific items of information. *Compare* [Consolidated Audit Trail](#), Release No. 34-67457 (July 18, 2012), 77 FR 45722 (August 1, 2012), File No. S7-11-10.

participant dealers agree to execute transactions with customers at the published list offering prices. Accordingly, the proposed rule change would expand the application of List Offering Price Transaction and RTRS Takedown Transaction indicators to sale transactions by distribution participant dealers to customers at the list offering price and sale transactions by a sole underwriter or syndicate manager to distribution participant dealers.

A second evolution in market practice in this area relates to the prices at which takedown transactions occur. The RTRS Takedown Transaction indicator currently is limited to inter-dealer transactions occurring at a discount from the published list offering price. The MSRB understands that, in some new issues, transactions between a sole underwriter or syndicate manager to a syndicate member, selling group member or distribution participant dealer are not executed at a discount from the published list offering price or at the full takedown amount. This typically occurs in the case of group net or net designated order arrangements. The proposed rule change expands the application of the RTRS Takedown Transaction indicator to any sale transaction by a sole underwriter or syndicate manager to a syndicate member, selling group member or distribution participant dealer on the first day of trading in the new issue.

Eliminating the Requirement for Dealers to Report Yield on Customer Trade Reports. Transaction reporting procedures currently require dealers to include on most reports of customer transactions to RTRS both a dollar price and yield.⁵ The yield required to be reported to RTRS for customer trades is consistent with the yield required to be displayed on a customer confirmation under Rule G-15(a), which requires that yield be computed to the lower of an “in whole” call or maturity, subject to certain requirements set forth in the rule for specific special situations (generally referred to as the “yield to worst”). Rule G-15(a) requires the confirmation to include the date to which yield is calculated if that date is other than the nominal maturity date, and also requires the confirmation for a transaction effected based on a yield other than yield to worst to include both yields. Since April 30, 2012, the MSRB has calculated and included in disseminated RTRS information the yield on inter-dealer trades computed in the same manner as required for customer trades.⁶

⁵ For inter-dealer transactions, dealers report the dollar price at which the transaction was effected and the MSRB calculates and includes in disseminated information the corresponding yield.

⁶ See “SEC Approves Amendments to MSRB Rule G-14, on Reports of Sales or Purchases, Including Rule G-14 RTRS Procedures, and Amendments to the Real-Time Transaction Reporting System,” MSRB Notice 2012-15 (March 21, 2012).

The proposed rule change would eliminate the requirement for dealers to include yield on customer trade reports.⁷ Consistent with the manner in which the MSRB calculates and includes in disseminated RTRS information yield on inter-dealer trades, the MSRB would calculate and disseminate yield on customer trade reports.⁸ This would remove one aspect of a dealer's burden in reporting customer transactions to the MSRB in compliance with MSRB Rule G-14⁹ and ensure that the calculation and dissemination of yields for both inter-dealer and customer transactions are consistent.

Establishing a New Indicator for Customer Trades Involving Non-Transaction-Based Compensation Arrangements. For principal transactions by dealers, the trade price reported to and publicly disseminated by the MSRB includes all aspects of the price, including any mark-up or mark-down that compensates the dealer for executing the transaction. In agency transactions, dealers are required to report to the MSRB both the price of the security and the commission charged to the customer. The prices publicly disseminated for agency transactions incorporate the reported commission to provide for comparability with the prices for principal trades. However, dealers effecting transactions with customers as part of an arrangement that does not provide for dealer compensation to be paid on a transaction-based basis, such as in certain wrap fee arrangements, report to the MSRB transaction prices that do not include a compensation component.

To distinguish in the transaction information disseminated publicly between customer transactions that do not include a dealer compensation component and those that include a mark-up or mark-down or a commission, the proposed rule change would

⁷ This change is anticipated to also have the benefit of alleviating particular operational concerns cited by dealers in connection with reporting certain "away from market" trade reports.

⁸ Note that dealers would continue to be able to report that a when, as and if issued transaction was executed on the basis of yield in the event that the settlement date is not known at the time the trade is executed, which prevents an accurate calculation of the corresponding dollar price to be performed.

⁹ RTRS currently performs price/yield calculations, compares RTRS-computed values to dealer-reported values, and returns errors to dealers when discrepancies are found. This results in dealers researching and responding to such errors which, in many cases, are the results of differences in vendor-provided security descriptive information utilized by dealers and RTRS. By removing the requirement to include yield on customer trade reports, the proposed rule change would have the effect of eliminating these errors. In addition, in the case of transactions arising from customer repurchase agreements, the proposed rule change would eliminate the burden on dealers of calculating for trade reporting purposes a yield consistent with the requirements of Rule G-15(a), which the MSRB understands presents operational challenges given that this represents a different calculation from the calculation used to determine the yield resulting from the terms of the repurchase agreement.

require dealers to include a new indicator on their trade reports that would be disseminated publicly. This would improve the usefulness of the transaction information disseminated publicly by enabling users of the price transparency information to distinguish those customer transactions that do not include a dealer compensation component.

Establishing a New Indicator for ATS Transactions. Dealers may use a variety of means to transact in municipal securities, including broker's brokers or ATSs as well as traditional direct transactions with a known counterparty. The MSRB currently identifies all transactions reported as having been executed by a broker's broker in the transaction information disseminated publicly. This identifier is applied based on the broker's broker informing the MSRB that it acts in such capacity. The MSRB does not currently identify trades as having been executed through an ATS.

To better ascertain the extent to which ATSs are used in the municipal market and to indicate to market participants on disseminated transaction information that an ATS was used, the proposed rule change would establish an additional new indicator. For those ATSs that take a principal position between a buyer and seller, the ATS and the dealers that transact with the ATS would be required to include the ATS indicator on trade reports. In instances where an ATS connects a buyer and seller but does not take a principal or agency position between those parties and therefore does not have a transaction reporting requirement under MSRB rules, the dealers that transact with each other as a result of using the services of the ATS would be required to include the ATS indicator on their trade reports. In all cases, the ATS indicator would be included on transaction information disseminated publicly. Identifying in disseminated transaction information that an ATS was employed should facilitate higher quality research and analysis of market structure by providing information about the extent to which ATSs are used and should complement the existing indicator disseminated for transactions involving a broker's broker.

Effective Date of the Proposed Rule Change

To provide time for the MSRB to undertake the programming changes to implement the proposed rule change, as well as to provide an adequate testing period for dealers and subscribers that interface with RTRS, the MSRB is proposing an effective date for the proposed rule change to be announced by the MSRB in a notice published on the MSRB website, which date shall be no later than May 23, 2016 and shall be announced no later than sixty (60) days prior to the effective date.

(b) Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act, which provides that the MSRB's rules shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to

foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The MSRB believes that the proposed rule change is consistent with the Act. The MSRB believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market in municipal securities by increasing the quality and usefulness of the post-trade price transparency information provided through RTRS. The MSRB believes the expansion of the application of the existing list offering price and takedown indicator to cases involving distribution participant dealers and takedown transactions that are not at a discount from the list offering price, establishment of a new indicator for customer trades involving non-transaction-based compensation arrangements, and establishment of a new indicator for ATS transactions would enable users of the post-trade price transparency information provided through RTRS to better understand the pricing of certain transactions as well as how such transactions were executed. As previously noted, identifying in disseminated transaction information that an ATS was employed should facilitate higher quality research and analysis of market structure by providing information about the extent to which ATSs are used and should complement the existing indicator disseminated for transactions involving a broker's broker. Accordingly, the proposed rule change would contribute to the MSRB's continuing efforts to improve market transparency and to protect investors, municipal entities, obligated persons and the public interest.

4. Self-Regulatory Organization's Statement on Burden on Competition

The MSRB does not believe the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Information disseminated by RTRS is available to all persons on an equal and non-discriminatory basis. In addition to making the information available for free on the EMMA web portal to all members of the public, the MSRB makes the information collected by RTRS available by subscription on an equal and non-discriminatory basis without imposing restrictions on subscribers from, or imposing additional charges on subscribers for, re-disseminating such information or otherwise providing value-added services and products to third parties based on such information on terms determined by each subscriber.¹⁰

¹⁰ The MSRB notes that subscribers may be subject to proprietary rights of third parties in information provided by such third parties that is made available through the subscription.

The MSRB recognizes that the proposed rule change would impose a burden on dealers and subscribers that interface with RTRS to comply with the reporting and dissemination of the new indicators that would be required by the proposed rule change. The MSRB solicited and received comment on several potential burdens of the proposed rule change and the specific comments and responses thereto are discussed in Part 5 below.¹¹ The MSRB plans to provide a six month testing period in advance of the effective date. The MSRB believes that a six month testing period in advance of the effective date would provide dealers and subscribers with sufficient time to make any required changes in due course without causing adverse disruptions to their information technology plans or budgets.

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

On January 17, 2013, the MSRB provided background information on the MSRB’s initiative under the Long-Range Plan¹² to refresh the technology of RTRS and sought public comment on the appropriate standard for “real-time” reporting and dissemination of transaction price and related information, as well as on baseline technology, processing and data protocols for post-trade transaction information (“January Release”).¹³ On July 31, 2013, the MSRB sought public comment on enhancements to data elements disseminated publicly through RTRS (“July Release”).¹⁴ Based upon the comments received in response to the January and July Releases, the MSRB identified specific enhancements to RTRS and solicited on August 13, 2014 public input on the specific components of the post-trade reporting and public dissemination enhancements as well as on the likely benefits and burdens associated with the potential enhancements (“August Release”).¹⁵ The MSRB received comments on the

¹¹ See “Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform,” MSRB Notice 2014-14 (August 31, 2014).

¹² See “MSRB Publishes Long-Range Market Transparency Plan,” MSRB Notice 2012-06 (February 23, 2012).

¹³ See “Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform,” MSRB Notice 2013-02 (January 17, 2013).

¹⁴ See “Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform,” MSRB Notice 2013-14 (July 31, 2013).

¹⁵ See “Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform,” MSRB Notice 2014-14 (August 13, 2014).

January Release from fifteen commenters,¹⁶ on the July Release from nine commenters,¹⁷ and on the August Release from seven commenters.¹⁸ The portions of these notices

¹⁶ Comments were received on the January Release from Barclays Capital Inc.: Letter from Scott Coxa, Director, Municipal Compliance, dated March 15, 2013 (“Barclays”); Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated March 15, 2013 (“BDA-1”); Charles Schwab & Co. Inc.: Letter from Michael P. Moran, Vice President, Fixed Income Compliance, dated March 15, 2013 (“Schwab”); Eastern Bank: E-mail from James N. Fox, SVP and Managing Director, dated March 15, 2013 (“Eastern”); Financial Information Forum: Letter from Arsalan Shahid, Program Director, dated March 15, 2013 (“FIF-1”); Financial Services Institute: Letter from David T. Bellaire, Executive Vice President and General Counsel, dated March 15, 2013 (“FSI”); Frost Bank: Letter from Robert N. Jacobs, Assistant Vice President/Compliance Officer, dated March 11, 2013 (“Frost”); Investment Company Institute: Letter from Dorothy Donohue, Deputy General Counsel-Securities Regulation, dated March 15, 2013 (“ICI”); J.W. Korth & Company LP: E-mail from James Korth dated March 14, 2013 (“JWKorth”); R.W. Smith & Associates, Inc.: E-mail from Paige Pierce dated March 20, 2013 (“RWSmith-1”); Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated March 15, 2013 (“SIFMA-1”); Seidel & Shaw, LLC: Letter from Thomas W. Shaw, President, dated March 15, 2013 (“Seidel”); Standish Mellon Asset Management Company LLC: E-mail from Daniel Rabasco dated March 15, 2013 (“Standish”); TMC Bonds, L.L.C.: Letter from Thomas S. Vales, Chief Executive Officer, dated March 15, 2013 (“TMCBonds”); and Tradition Asiel Securities, Inc.: Letter from Eric M. Earnhardt, Chief Compliance Officer, dated March 19, 2013 (“TASI”).

¹⁷ Comments were received on the July Release from Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated November 1, 2013 (“BDA-2”); Corporate Treasury Investment Consulting LLC: Letter from Mark O. Conner, Principal, dated August 16, 2013 (“CTIC”); Financial Information Forum: Letter from Manisha Kimmel, Executive Director, dated November 1, 2013 (“FIF-2”); Interactive Data Corporation: Letter from Mark Hepsworth, President, Interactive Data Pricing and Reference Data, dated November 1, 2013 (“IDC”); Leonard, Jack: Letter dated August 1, 2013 (“Mr. Leonard”); Long, Cate: E-mail dated November 1, 2013 (“Ms. Long”); Sayer, Steven: E-mail dated November 3, 2013 (“Mr. Sayer”); Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated November 1, 2013 (“SIFMA-2”); and Wells Fargo Advisors, LLC: Letter from Robert J. McCarthy, Director of Regulatory Policy, dated November 1, 2013 (“Wells Fargo”).

¹⁸ Comments were received on the August Release from Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated September 26, 2014 (“BDA-3”); Financial Information Forum: Letter from Darren Wasney, Program

relating to the proposed rule change, the comments received in response to such portions, and the MSRB's responses are discussed below.¹⁹

Expanding the Application of Existing List Offering Price and RTRS Takedown Indicators. The July Release solicited input on whether changes to the List Offering Price Transaction and RTRS Takedown Transaction indicators would be warranted given evolutions in market practices and the information publicly available through the EMMA website. The August Release proposed expanding the application of the List Offering Price Transaction and RTRS Takedown Transaction indicators to include scenarios where: (i) dealers have entered into long-term marketing arrangements with other dealers that serve in the syndicate or selling group for purchasing and re-selling new issue securities (“distribution participant dealers”); (ii) takedown transactions are not at a discount from the list offering price; and (iii) offerings that occur over a number of days with different list offering prices set each day.

FIF-3 and SIFMA-3 stated support for expanding the application of the List Offering Price Transaction and RTRS Takedown Transaction indicators. With respect to including distribution participant dealers in the definition of which dealers must use the indicator, SIFMA-3 noted that these dealers perform “a similar function to a selling group member.” Further, in response to whether takedown transactions that are not at a discount from the list offering price, which would occur in the case of a group net or net designated order arrangement, should be included in the definition of an RTRS Takedown Transaction, FIF-3 and SIFMA-3 indicated support and SIFMA-3 stated that this change “will conform the rule to widespread industry practice” although FIF-3 noted that they “see this happening frequently in the corporate bond market but infrequently in the municipal bond market.”

Comments were mixed in response to whether offerings that occur over a number of days with different list offering prices set each day should be included in the List Offering Price Transaction and RTRS Takedown Transaction indicators. FIF-3 offered support for this change and stated that it “agree[s] that if the distribution occurs on days

Manager, dated September 19, 2014 (“FIF-3”); Income Securities Advisor Inc.: E-mail from Richard Lehmann dated August 26, 2014 (“ISA”); Murez, Herbert: E-mail dated August 13, 2014 (“Mr. Murez”); RW Smith & Associates, LLC: E-mail from Paige W. Pierce, President and Chief Executive Officer, dated September 26, 2014 (“RWSmith-2”); Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated September 25, 2014 (“SIFMA-3”); and Trigo, Loren: E-mail dated August 13, 2014 (“Trigo”).

¹⁹ The January, July and August Releases contemplated additional enhancements to RTRS as well as the establishment of a new program for pre-trade transparency. Comments in response to those items are not addressed in this proposed rule change but would be addressed in any future rulemaking on those items that the MSRB determines to undertake.

that are not the first day of trading of a new issue, the distribution should still be reported as the list price.” SIFMA-3 did not support this change and stated that this “change would be confusing for investors.”

After careful consideration of the comments received, and given the absence of evidence of widespread use of offerings occurring over a number of days with different list offering prices set each day, the MSRB has determined not to propose to expand the application of the indicator to address this scenario at this time, although the MSRB may revisit this issue if these types of offerings become more frequent.

Eliminating the Requirement for Dealers to Report Yield on Customer Trade Reports. The July and August Releases proposed to eliminate the requirement for dealers to include yield on customer trade reports and, instead, enable the MSRB to calculate and disseminate yield on customer trades. The August Release solicited input on whether this change would alleviate operational concerns cited by dealers in connection with reporting certain “away from market” trade reports.

BDA-3, FIF-2, FIF-3, IDC, SIFMA-2 and SIFMA-3 supported eliminating the requirement to include yield on customer trade reports. Eliminating this requirement would make the MSRB’s RTRS yield reporting requirements consistent with those established by Financial Industry Regulatory Authority (“FINRA”) for corporate bond transactions and reduce the amount of error feedback returned to dealers when minor discrepancies arise. BDA-3 stated that “MSRB’s calculation of yields would avoid differences in yield calculations across dealers due to security master differences” and “[c]ustomers and dealers would also benefit from the improved consistency in the calculation of yield to worst.” SIFMA-3 noted that the “elimination of the broker-dealer requirement to report yield on customer trade reports does also alleviate some operational concerns in connection with reporting certain ‘away from market’ trade reports, such as transactions arising from customer repurchase agreements.”

FIF-3, SIFMA-2 and SIFMA-3 cited a concern related to potential differences in the yield calculated by MSRB and displayed on EMMA and the yield calculated by dealers and displayed on customer confirmations. FIF-3 stated that the MSRB should “consider the impact of discrepancies between the MSRB’s calculations and dealer-calculated yield to worst which will appear on a customer’s confirm” and recommends that the MSRB “[provide] guidance for cases where there are discrepancies between the MSRB’s calculations and dealer-calculated yield to worst on a customer’s confirm.” SIFMA-2 observed that dealers have the responsibility to report yield to customers on trade confirmations and that, due to the complicated nature of some redemption provisions, the dealer-calculated yield and the MSRB-calculated yield may not always match precisely. FIF-2 and IDC suggested that the display of the date to which this yield-to-worst calculation is determined would be helpful.

After carefully considering commenters’ concerns, the MSRB believes potential confusion would be addressed by additionally displaying on EMMA the calculation method (yield to call or maturity) and, for yield to call, the call date and price used.

Under this approach, any differences between dealer and MSRB calculations could be understood by viewing the inputs the MSRB used in its calculation.

Establishing a New Indicator for Customer Trades Involving Non-Transaction-Based Compensation Arrangements. The July and August Releases proposed the establishment of a new indicator to distinguish in the price transparency data between customer transactions that do not include a dealer compensation component and those that include a mark-up or mark-down or a commission.

BDA-3, FIF-2, FIF-3, Ms. Long, SIFMA-2, SIFMA-3, and Wells Fargo favored the addition of an indicator for identifying transactions that are not inclusive of a compensation component. SIFMA-2, however, opposed requiring the reporting of the details of the non-transaction based compensation arrangement. BDA-3 stated that a new indicator “would provide the users of trade transparency products with information that could explain certain variations in trade prices and assist in best execution determinations.” SIFMA-3 suggested that, if the MSRB publicly disseminates the existing agency or principal trade indicator currently collected, this would accomplish the same benefit and also stated that the MSRB should not consider collecting information on the nature of alternative compensation beyond an indicator as such information would be burdensome to report.

The MSRB does not believe that SIFMA-3’s suggestion that disseminating the existing agency or principal trade indicator currently collected would help distinguish in the price transparency data customer transactions that do not include a dealer compensation component, particularly because the MSRB understands that both agency and principal transactions can occur under current market practices without a dealer compensation component. With respect to SIFMA-2’s view that the MSRB should not consider collecting information on the nature of alternative compensation, the MSRB notes that this was not contemplated in the July or August Release and is not part of the proposed rule change.

Establishing a New Indicator for ATS Transactions. The July and August Releases proposed adding an indicator to identify transactions executed using the services of an ATS, which indicator would be included in the information disseminated publicly. The August Release also proposed that, in instances where an ATS does not take a principal position between two dealers, each dealer would be required to report the identity of the ATS employed.

In response to the July Release, Ms. Long supported the addition of an ATS indicator on trades, and stated that the specific ATS used should be identified, initially for surveillance purposes and potentially for future public dissemination. FIF-2 noted operational burdens associated with identifying trades executed using the services of an ATS, particularly in instances where the ATS does not act as the counter-party to the trade. SIFMA-2 questioned the “tangible transparency benefits to the market” of including an ATS indicator. In response to the August Release, SIFMA-3 and FIF-3 noted that this indicator would result in a cost to dealers to implement. SIFMA-3 stated

that it “recognizes that the MSRB has a legitimate interest in determining ATS participation in the market, and likely has no other way to get this information on a real-time basis.” FIF-3 noted that FINRA is pursuing the establishment of a similar ATS indicator for corporate bond trade reports.

In response to a potential requirement that dealers also would need to identify in some cases the ATS employed, SIFMA-3 and FIF-3 suggested that this component would add operational complexity and compliance costs to the requirement. SIFMA-3 stated that “[a]lthough flagging these trades would be a significant operational and administrative burden, the burden would be minimized for the broker-dealer community if the result was a mere change in an ‘M code’” (which is the change that would be made to simply identify that an ATS was employed, exclusive of the ATS’s identity). FIF-3 stated in response to the proposed requirement to identify the ATS employed that they “believe this would be challenging to implement.”

From a market structure perspective, the MSRB believes that it is important to know the extent to which ATSS are employed for inter-dealer transactions as such information could inform future system development, research and rulemaking initiatives. While also having the identity of the ATS in instances where the ATS does not take a principal position between two dealers would increase the usefulness of the ATS indicator, the MSRB is sensitive to the burden such a requirement would impose, particularly given the future potential establishment by the MSRB of a pre-trade transparency system. The MSRB notes that under a comprehensive pre-trade transparency system, it is anticipated that the identity of each ATS would be known and the extent to which each is used in the municipal market would therefore be quantifiable. Accordingly, the MSRB believes that proceeding with the establishment of an ATS indicator, which the MSRB plans to implement utilizing the existing special condition indicator (the “M code”) field in RTRS, is appropriate. The MSRB, however, in acknowledgement of the burdens identified by commenters, has not included in this proposed rule change a requirement to report the identity of the ATS that was used.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for Publication in the Federal Register

Exhibit 2. Notices Requesting Comment and Comment Letters

Exhibit 5. Text of Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____; File No. SR-MSRB-2015-02)

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of a Proposed Rule Change Consisting of Proposed Amendments to the MSRB Rule G-14 RTRS Procedures, and the Real-Time Transaction Reporting System and Subscription Service

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____ the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) filed with the Securities and Exchange Commission (the “SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The MSRB filed with the Commission a proposed rule change consisting of proposed amendments to the MSRB Rule G-14 RTRS Procedures, and the Real-Time Transaction Reporting System and subscription service (collectively, the “proposed rule change”). The MSRB is proposing that the effective date for the proposed rule change be no later than May 23, 2016 and announced by the MSRB in a notice published on the MSRB website no later than sixty (60) days prior to the effective date.

The text of the proposed rule change is available on the MSRB’s website at

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR § 240.19b-4.

www.msrb.org/Rules-and-Interpretations/SEC-Filings/2015-Filings.aspx, at the MSRB's principal office, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

MSRB Rule G-14, on reports of sales or purchases, requires brokers, dealers and municipal securities dealers (collectively "dealers") to report all executed transactions in municipal securities to RTRS within 15 minutes of the time of trade, with limited exceptions.³ RTRS serves the dual objectives of price transparency and market surveillance. Because a comprehensive database of transactions is needed for the surveillance function of RTRS, Rule G-14, with limited exceptions, requires dealers to report all of their purchase-sale transactions to RTRS, not only those that qualify for public dissemination to serve the transparency function of the system.⁴ The MSRB makes transaction data available to the general public through the

³ Transactions in securities without CUSIP numbers, in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are the only transactions exempt from the reporting requirements of Rule G-14.

⁴ In this respect, RTRS serves as an audit trail for municipal securities trading, with the exception of certain internal movements of securities within dealers that currently are not required to be reported, customer identifications, and other related specific items of

Electronic Municipal Market Access (“EMMA”) website at no cost, and disseminates such data through paid subscription services to market data vendors, institutional market participants and others that subscribe to the data feed.

As more fully described below, the proposed rule change would enhance the post-trade price transparency information provided through RTRS by:

- expanding the application of the existing list offering price and takedown indicator to cases involving distribution participant dealers and takedown transactions that are not at a discount from the list offering price;
- eliminating the requirement for dealers to report yield on customer trade reports and, instead, enabling the MSRB to calculate and disseminate yield on customer trades;
- establishing a new indicator for customer trades involving non-transaction-based compensation arrangements; and
- establishing a new indicator for alternative trading system (“ATS”) transactions.

Expanding the Application of Existing List Offering Price and RTRS Takedown Indicator. Transaction reporting procedures require dealers that are part of the underwriting group for a new issuance of municipal securities to include an indicator on trade reports, which indicator is disseminated to the public, for transactions executed on the first day of trading in a new issue with prices set under an offering agreement for the new issue. These transactions include sales to customers by a sole underwriter, syndicate manager, syndicate member or selling group member at the published list offering price for the security (“List Offering Price Transaction”) or by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published list offering price for the security (“RTRS Takedown

Transaction”). Such trade reports are provided an end-of-day exception from Rule G-14’s general 15-minute reporting requirement.

Since the introduction of the List Offering Price Transaction indicator in 2005 and RTRS Takedown Transaction indicator in 2007, certain market practices in this area have evolved. First, outside of traditional underwriting syndicates or selling groups, some dealers have entered into long-term marketing arrangements with other dealers that serve in the syndicate or selling group relating to purchases and re-sales of new issue securities (“distribution participant dealers”). The MSRB understands that these distribution participant dealers agree to execute transactions with customers at the published list offering prices. Accordingly, the proposed rule change would expand the application of List Offering Price Transaction and RTRS Takedown Transaction indicators to sale transactions by distribution participant dealers to customers at the list offering price and sale transactions by a sole underwriter or syndicate manager to distribution participant dealers.

A second evolution in market practice in this area relates to the prices at which takedown transactions occur. The RTRS Takedown Transaction indicator currently is limited to inter-dealer transactions occurring at a discount from the published list offering price. The MSRB understands that, in some new issues, transactions between a sole underwriter or syndicate manager to a syndicate member, selling group member or distribution participant dealer are not executed at a discount from the published list offering price or at the full takedown amount. This typically occurs in the case of group net or net designated order arrangements. The proposed rule change expands the application of the RTRS Takedown Transaction indicator to any sale transaction by a sole underwriter or syndicate manager to a syndicate member, selling group member or distribution participant dealer on the first day of trading in the new issue.

Eliminating the Requirement for Dealers to Report Yield on Customer Trade Reports.

Transaction reporting procedures currently require dealers to include on most reports of customer transactions to RTRS both a dollar price and yield.⁵ The yield required to be reported to RTRS for customer trades is consistent with the yield required to be displayed on a customer confirmation under Rule G-15(a), which requires that yield be computed to the lower of an “in whole” call or maturity, subject to certain requirements set forth in the rule for specific special situations (generally referred to as the “yield to worst”). Rule G-15(a) requires the confirmation to include the date to which yield is calculated if that date is other than the nominal maturity date, and also requires the confirmation for a transaction effected based on a yield other than yield to worst to include both yields. Since April 30, 2012, the MSRB has calculated and included in disseminated RTRS information the yield on inter-dealer trades computed in the same manner as required for customer trades.⁶

The proposed rule change would eliminate the requirement for dealers to include yield on customer trade reports.⁷ Consistent with the manner in which the MSRB calculates and includes in disseminated RTRS information yield on inter-dealer trades, the MSRB would calculate and

⁵ For inter-dealer transactions, dealers report the dollar price at which the transaction was effected and the MSRB calculates and includes in disseminated information the corresponding yield.

⁶ See “SEC Approves Amendments to MSRB Rule G-14, on Reports of Sales or Purchases, Including Rule G-14 RTRS Procedures, and Amendments to the Real-Time Transaction Reporting System,” MSRB Notice 2012-15 (March 21, 2012).

⁷ This change is anticipated to also have the benefit of alleviating particular operational concerns cited by dealers in connection with reporting certain “away from market” trade reports.

disseminate yield on customer trade reports.⁸ This would remove one aspect of a dealer's burden in reporting customer transactions to the MSRB in compliance with MSRB Rule G-14⁹ and ensure that the calculation and dissemination of yields for both inter-dealer and customer transactions are consistent.

Establishing a New Indicator for Customer Trades Involving Non-Transaction-Based Compensation Arrangements. For principal transactions by dealers, the trade price reported to and publicly disseminated by the MSRB includes all aspects of the price, including any mark-up or mark-down that compensates the dealer for executing the transaction. In agency transactions, dealers are required to report to the MSRB both the price of the security and the commission charged to the customer. The prices publicly disseminated for agency transactions incorporate the reported commission to provide for comparability with the prices for principal trades. However, dealers effecting transactions with customers as part of an arrangement that does not provide for dealer compensation to be paid on a transaction-based basis, such as in certain wrap

⁸ Note that dealers would continue to be able to report that a when, as and if issued transaction was executed on the basis of yield in the event that the settlement date is not known at the time the trade is executed, which prevents an accurate calculation of the corresponding dollar price to be performed.

⁹ RTRS currently performs price/yield calculations, compares RTRS-computed values to dealer-reported values, and returns errors to dealers when discrepancies are found. This results in dealers researching and responding to such errors which, in many cases, are the results of differences in vendor-provided security descriptive information utilized by dealers and RTRS. By removing the requirement to include yield on customer trade reports, the proposed rule change would have the effect of eliminating these errors. In addition, in the case of transactions arising from customer repurchase agreements, the proposed rule change would eliminate the burden on dealers of calculating for trade reporting purposes a yield consistent with the requirements of Rule G-15(a), which the MSRB understands presents operational challenges given that this represents a different calculation from the calculation used to determine the yield resulting from the terms of the repurchase agreement.

fee arrangements, report to the MSRB transaction prices that do not include a compensation component.

To distinguish in the transaction information disseminated publicly between customer transactions that do not include a dealer compensation component and those that include a mark-up or mark-down or a commission, the proposed rule change would require dealers to include a new indicator on their trade reports that would be disseminated publicly. This would improve the usefulness of the transaction information disseminated publicly by enabling users of the price transparency information to distinguish those customer transactions that do not include a dealer compensation component.

Establishing a New Indicator for ATS Transactions. Dealers may use a variety of means to transact in municipal securities, including broker's brokers or ATSs as well as traditional direct transactions with a known counterparty. The MSRB currently identifies all transactions reported as having been executed by a broker's broker in the transaction information disseminated publicly. This identifier is applied based on the broker's broker informing the MSRB that it acts in such capacity. The MSRB does not currently identify trades as having been executed through an ATS.

To better ascertain the extent to which ATSs are used in the municipal market and to indicate to market participants on disseminated transaction information that an ATS was used, the proposed rule change would establish an additional new indicator. For those ATSs that take a principal position between a buyer and seller, the ATS and the dealers that transact with the ATS would be required to include the ATS indicator on trade reports. In instances where an ATS connects a buyer and seller but does not take a principal or agency position between those parties and therefore does not have a transaction reporting requirement under MSRB rules, the dealers

that transact with each other as a result of using the services of the ATS would be required to include the ATS indicator on their trade reports. In all cases, the ATS indicator would be included on transaction information disseminated publicly. Identifying in disseminated transaction information that an ATS was employed should facilitate higher quality research and analysis of market structure by providing information about the extent to which ATSs are used and should complement the existing indicator disseminated for transactions involving a broker's broker.

Effective Date of the Proposed Rule Change

To provide time for the MSRB to undertake the programming changes to implement the proposed rule change, as well as to provide an adequate testing period for dealers and subscribers that interface with RTRS, the MSRB is proposing an effective date for the proposed rule change to be announced by the MSRB in a notice published on the MSRB website, which date shall be no later than May 23, 2016 and shall be announced no later than sixty (60) days prior to the effective date.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act, which provides that the MSRB's rules shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The MSRB believes that the proposed rule change is consistent with the Act. The MSRB believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market in municipal securities by increasing the quality and usefulness of the post-trade price transparency information provided through RTRS. The MSRB believes the expansion of the application of the existing list offering price and takedown indicator to cases involving distribution participant dealers and takedown transactions that are not at a discount from the list offering price, establishment of a new indicator for customer trades involving non-transaction-based compensation arrangements, and establishment of a new indicator for ATS transactions would enable users of the post-trade price transparency information provided through RTRS to better understand the pricing of certain transactions as well as how such transactions were executed. As previously noted, identifying in disseminated transaction information that an ATS was employed should facilitate higher quality research and analysis of market structure by providing information about the extent to which ATSs are used and should complement the existing indicator disseminated for transactions involving a broker's broker. Accordingly, the proposed rule change would contribute to the MSRB's continuing efforts to improve market transparency and to protect investors, municipal entities, obligated persons and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The MSRB does not believe the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Information disseminated by RTRS is available to all persons on an equal and non-discriminatory basis. In addition to making the information available for free on the EMMA web portal to all members of the public, the MSRB makes the information collected by RTRS available by subscription on an

equal and non-discriminatory basis without imposing restrictions on subscribers from, or imposing additional charges on subscribers for, re-disseminating such information or otherwise providing value-added services and products to third parties based on such information on terms determined by each subscriber.¹⁰

The MSRB recognizes that the proposed rule change would impose a burden on dealers and subscribers that interface with RTRS to comply with the reporting and dissemination of the new indicators that would be required by the proposed rule change. The MSRB solicited and received comment on several potential burdens of the proposed rule change and the specific comments and responses thereto are discussed below.¹¹ The MSRB plans to provide a six month testing period in advance of the effective date. The MSRB believes that a six month testing period in advance of the effective date would provide dealers and subscribers with sufficient time to make any required changes in due course without causing adverse disruptions to their information technology plans or budgets.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

On January 17, 2013, the MSRB provided background information on the MSRB's initiative under the Long-Range Plan¹² to refresh the technology of RTRS and sought public comment on the appropriate standard for "real-time" reporting and dissemination of transaction

¹⁰ The MSRB notes that subscribers may be subject to proprietary rights of third parties in information provided by such third parties that is made available through the subscription.

¹¹ See "Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform," MSRB Notice 2014-14 (August 31, 2014).

¹² See "MSRB Publishes Long-Range Market Transparency Plan," MSRB Notice 2012-06 (February 23, 2012).

price and related information, as well as on baseline technology, processing and data protocols for post-trade transaction information (“January Release”).¹³ On July 31, 2013, the MSRB sought public comment on enhancements to data elements disseminated publicly through RTRS (“July Release”).¹⁴ Based upon the comments received in response to the January and July Releases, the MSRB identified specific enhancements to RTRS and solicited on August 13, 2014 public input on the specific components of the post-trade reporting and public dissemination enhancements as well as on the likely benefits and burdens associated with the potential enhancements (“August Release”).¹⁵ The MSRB received comments on the January Release from fifteen commenters,¹⁶ on the July Release from nine commenters,¹⁷ and on the August

¹³ See “Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform,” MSRB Notice 2013-02 (January 17, 2013).

¹⁴ See “Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform,” MSRB Notice 2013-14 (July 31, 2013).

¹⁵ See “Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform,” MSRB Notice 2014-14 (August 13, 2014).

¹⁶ Comments were received on the January Release from Barclays Capital Inc.: Letter from Scott Coxa, Director, Municipal Compliance, dated March 15, 2013 (“Barclays”); Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated March 15, 2013 (“BDA-1”); Charles Schwab & Co. Inc.: Letter from Michael P. Moran, Vice President, Fixed Income Compliance, dated March 15, 2013 (“Schwab”); Eastern Bank: E-mail from James N. Fox, SVP and Managing Director, dated March 15, 2013 (“Eastern”); Financial Information Forum: Letter from Arsalan Shahid, Program Director, dated March 15, 2013 (“FIF-1”); Financial Services Institute: Letter from David T. Bellaire, Executive Vice President and General Counsel, dated March 15, 2013 (“FSI”); Frost Bank: Letter from Robert N. Jacobs, Assistant Vice President/Compliance Officer, dated March 11, 2013 (“Frost”); Investment Company Institute: Letter from Dorothy Donohue, Deputy General Counsel-Securities Regulation, dated March 15, 2013 (“ICI”); J.W. Korth & Company LP: E-mail from James Korth dated March 14, 2013 (“JWKorth”); R.W. Smith & Associates, Inc.: E-mail from Paige Pierce dated March 20, 2013 (“RWSmith-1”); Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated March 15, 2013 (“SIFMA-1”); Seidel & Shaw, LLC: Letter from Thomas W. Shaw, President, dated

Release from seven commenters.¹⁸ The portions of these notices relating to the proposed rule change, the comments received in response to such portions, and the MSRB's responses are discussed below.¹⁹

Expanding the Application of Existing List Offering Price and RTRS Takedown

Indicators. The July Release solicited input on whether changes to the List Offering Price

March 15, 2013 (“Seidel”); Standish Mellon Asset Management Company LLC: E-mail from Daniel Rabasco dated March 15, 2013 (“Standish”); TMC Bonds, L.L.C.: Letter from Thomas S. Vales, Chief Executive Officer, dated March 15, 2013 (“TMCBonds”); and Tradition Asiel Securities, Inc.: Letter from Eric M. Earnhardt, Chief Compliance Officer, dated March 19, 2013 (“TASI”).

¹⁷ Comments were received on the July Release from Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated November 1, 2013 (“BDA-2”); Corporate Treasury Investment Consulting LLC: Letter from Mark O. Conner, Principal, dated August 16, 2013 (“CTIC”); Financial Information Forum: Letter from Manisha Kimmel, Executive Director, dated November 1, 2013 (“FIF-2”); Interactive Data Corporation: Letter from Mark Hepsworth, President, Interactive Data Pricing and Reference Data, dated November 1, 2013 (“IDC”); Leonard, Jack: Letter dated August 1, 2013 (“Mr. Leonard”); Long, Cate: E-mail dated November 1, 2013 (“Ms. Long”); Sayer, Steven: E-mail dated November 3, 2013 (“Mr. Sayer”); Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated November 1, 2013 (“SIFMA-2”); and Wells Fargo Advisors, LLC: Letter from Robert J. McCarthy, Director of Regulatory Policy, dated November 1, 2013 (“Wells Fargo”).

¹⁸ Comments were received on the August Release from Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated September 26, 2014 (“BDA-3”); Financial Information Forum: Letter from Darren Wasney, Program Manager, dated September 19, 2014 (“FIF-3”); Income Securities Advisor Inc.: E-mail from Richard Lehmann dated August 26, 2014 (“ISA”); Murez, Herbert: E-mail dated August 13, 2014 (“Mr. Murez”); RW Smith & Associates, LLC: E-mail from Paige W. Pierce, President and Chief Executive Officer, dated September 26, 2014 (“RWSmith-2”); Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated September 25, 2014 (“SIFMA-3”); and Trigo, Loren: E-mail dated August 13, 2014 (“Trigo”).

¹⁹ The January, July and August Releases contemplated additional enhancements to RTRS as well as the establishment of a new program for pre-trade transparency. Comments in response to those items are not addressed in this proposed rule change but would be addressed in any future rulemaking on those items that the MSRB determines to undertake.

Transaction and RTRS Takedown Transaction indicators would be warranted given evolutions in market practices and the information publicly available through the EMMA website. The August Release proposed expanding the application of the List Offering Price Transaction and RTRS Takedown Transaction indicators to include scenarios where: (i) dealers have entered into long-term marketing arrangements with other dealers that serve in the syndicate or selling group for purchasing and re-selling new issue securities (“distribution participant dealers”); (ii) takedown transactions are not at a discount from the list offering price; and (iii) offerings that occur over a number of days with different list offering prices set each day.

FIF-3 and SIFMA-3 stated support for expanding the application of the List Offering Price Transaction and RTRS Takedown Transaction indicators. With respect to including distribution participant dealers in the definition of which dealers must use the indicator, SIFMA-3 noted that these dealers perform “a similar function to a selling group member.” Further, in response to whether takedown transactions that are not at a discount from the list offering price, which would occur in the case of a group net or net designated order arrangement, should be included in the definition of an RTRS Takedown Transaction, FIF-3 and SIFMA-3 indicated support and SIFMA-3 stated that this change “will conform the rule to widespread industry practice” although FIF-3 noted that they “see this happening frequently in the corporate bond market but infrequently in the municipal bond market.”

Comments were mixed in response to whether offerings that occur over a number of days with different list offering prices set each day should be included in the List Offering Price Transaction and RTRS Takedown Transaction indicators. FIF-3 offered support for this change and stated that it “agree[s] that if the distribution occurs on days that are not the first day of

trading of a new issue, the distribution should still be reported as the list price.” SIFMA-3 did not support this change and stated that this “change would be confusing for investors.”

After careful consideration of the comments received, and given the absence of evidence of widespread use of offerings occurring over a number of days with different list offering prices set each day, the MSRB has determined not to propose to expand the application of the indicator to address this scenario at this time, although the MSRB may revisit this issue if these types of offerings become more frequent.

Eliminating the Requirement for Dealers to Report Yield on Customer Trade Reports.

The July and August Releases proposed to eliminate the requirement for dealers to include yield on customer trade reports and, instead, enable the MSRB to calculate and disseminate yield on customer trades. The August Release solicited input on whether this change would alleviate operational concerns cited by dealers in connection with reporting certain “away from market” trade reports.

BDA-3, FIF-2, FIF-3, IDC, SIFMA-2 and SIFMA-3 supported eliminating the requirement to include yield on customer trade reports. Eliminating this requirement would make the MSRB’s RTRS yield reporting requirements consistent with those established by Financial Industry Regulatory Authority (“FINRA”) for corporate bond transactions and reduce the amount of error feedback returned to dealers when minor discrepancies arise. BDA-3 stated that “MSRB’s calculation of yields would avoid differences in yield calculations across dealers due to security master differences” and “[c]ustomers and dealers would also benefit from the improved consistency in the calculation of yield to worst.” SIFMA-3 noted that the “elimination of the broker-dealer requirement to report yield on customer trade reports does also alleviate

some operational concerns in connection with reporting certain ‘away from market’ trade reports, such as transactions arising from customer repurchase agreements.”

FIF-3, SIFMA-2 and SIFMA-3 cited a concern related to potential differences in the yield calculated by MSRB and displayed on EMMA and the yield calculated by dealers and displayed on customer confirmations. FIF-3 stated that the MSRB should “consider the impact of discrepancies between the MSRB’s calculations and dealer-calculated yield to worst which will appear on a customer’s confirm” and recommends that the MSRB “[provide] guidance for cases where there are discrepancies between the MSRB’s calculations and dealer-calculated yield to worst on a customer’s confirm.” SIFMA-2 observed that dealers have the responsibility to report yield to customers on trade confirmations and that, due to the complicated nature of some redemption provisions, the dealer-calculated yield and the MSRB-calculated yield may not always match precisely. FIF-2 and IDC suggested that the display of the date to which this yield-to-worst calculation is determined would be helpful.

After carefully considering commenters’ concerns, the MSRB believes potential confusion would be addressed by additionally displaying on EMMA the calculation method (yield to call or maturity) and, for yield to call, the call date and price used. Under this approach, any differences between dealer and MSRB calculations could be understood by viewing the inputs the MSRB used in its calculation.

Establishing a New Indicator for Customer Trades Involving Non-Transaction-Based Compensation Arrangements. The July and August Releases proposed the establishment of a new indicator to distinguish in the price transparency data between customer transactions that do not include a dealer compensation component and those that include a mark-up or mark-down or a commission.

BDA-3, FIF-2, FIF-3, Ms. Long, SIFMA-2, SIFMA-3, and Wells Fargo favored the addition of an indicator for identifying transactions that are not inclusive of a compensation component. SIFMA-2, however, opposed requiring the reporting of the details of the non-transaction based compensation arrangement. BDA-3 stated that a new indicator “would provide the users of trade transparency products with information that could explain certain variations in trade prices and assist in best execution determinations.” SIFMA-3 suggested that, if the MSRB publicly disseminates the existing agency or principal trade indicator currently collected, this would accomplish the same benefit and also stated that the MSRB should not consider collecting information on the nature of alternative compensation beyond an indicator as such information would be burdensome to report.

The MSRB does not believe that SIFMA-3’s suggestion that disseminating the existing agency or principal trade indicator currently collected would help distinguish in the price transparency data customer transactions that do not include a dealer compensation component, particularly because the MSRB understands that both agency and principal transactions can occur under current market practices without a dealer compensation component. With respect to SIFMA-2’s view that the MSRB should not consider collecting information on the nature of alternative compensation, the MSRB notes that this was not contemplated in the July or August Release and is not part of the proposed rule change.

Establishing a New Indicator for ATS Transactions. The July and August Releases proposed adding an indicator to identify transactions executed using the services of an ATS, which indicator would be included in the information disseminated publicly. The August Release also proposed that, in instances where an ATS does not take a principal position between two dealers, each dealer would be required to report the identity of the ATS employed.

In response to the July Release, Ms. Long supported the addition of an ATS indicator on trades, and stated that the specific ATS used should be identified, initially for surveillance purposes and potentially for future public dissemination. FIF-2 noted operational burdens associated with identifying trades executed using the services of an ATS, particularly in instances where the ATS does not act as the counter-party to the trade. SIFMA-2 questioned the “tangible transparency benefits to the market” of including an ATS indicator. In response to the August Release, SIFMA-3 and FIF-3 noted that this indicator would result in a cost to dealers to implement. SIFMA-3 stated that it “recognizes that the MSRB has a legitimate interest in determining ATS participation in the market, and likely has no other way to get this information on a real-time basis.” FIF-3 noted that FINRA is pursuing the establishment of a similar ATS indicator for corporate bond trade reports.

In response to a potential requirement that dealers also would need to identify in some cases the ATS employed, SIFMA-3 and FIF-3 suggested that this component would add operational complexity and compliance costs to the requirement. SIFMA-3 stated that “[a]lthough flagging these trades would be a significant operational and administrative burden, the burden would be minimized for the broker-dealer community if the result was a mere change in an ‘M code’” (which is the change that would be made to simply identify that an ATS was employed, exclusive of the ATS’s identity). FIF-3 stated in response to the proposed requirement to identify the ATS employed that they “believe this would be challenging to implement.”

From a market structure perspective, the MSRB believes that it is important to know the extent to which ATSs are employed for inter-dealer transactions as such information could inform future system development, research and rulemaking initiatives. While also having the identity of the ATS in instances where the ATS does not take a principal position between two

dealers would increase the usefulness of the ATS indicator, the MSRB is sensitive to the burden such a requirement would impose, particularly given the future potential establishment by the MSRB of a pre-trade transparency system. The MSRB notes that under a comprehensive pre-trade transparency system, it is anticipated that the identity of each ATS would be known and the extent to which each is used in the municipal market would therefore be quantifiable.

Accordingly, the MSRB believes that proceeding with the establishment of an ATS indicator, which the MSRB plans to implement utilizing the existing special condition indicator (the “M code”) field in RTRS, is appropriate. The MSRB, however, in acknowledgement of the burdens identified by commenters, has not included in this proposed rule change a requirement to report the identity of the ATS that was used.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period of up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MSRB-2015-02 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2015-02. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2015-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁰

Secretary

²⁰ 17 CFR § 200.30-3(a)(12).



MSRB NOTICE 2013-02 (JANUARY 17, 2013)

REQUEST FOR COMMENT ON MORE CONTEMPORANEOUS TRADE PRICE INFORMATION THROUGH A NEW CENTRAL TRANSPARENCY PLATFORM

The Municipal Securities Rulemaking Board (“MSRB”) is seeking comment on the first in a series of concept proposals relating to the planned development of a new central transparency platform (“CTP”) as a successor to the MSRB’s Real-time Transaction Reporting System (“RTRS”), as contemplated under the MSRB’s Long-Range Plan for Market Transparency Products (the “Long-Range Plan”).^[1] This concept proposal seeks public input on the appropriate standard for “real-time” reporting and public dissemination of municipal securities transaction price and related information upon implementation of the CTP. Currently, brokers, dealers and municipal securities dealers (collectively, “dealers”) are required to report to RTRS certain information regarding their purchase and sales transactions with customers and with other dealers within fifteen minutes of the time of trade, with certain limited exceptions. The Long-Range Plan notes that enhanced information provided through the CTP could include, among other things, more contemporaneous real-time trade price information, as described below.

This concept proposal is intended to elicit input from all interested parties on the potential benefits and burdens of providing for more contemporaneous dissemination of trade price information to the public, as well as on potential alternatives to achieving the purposes enunciated below. This concept proposal also seeks input on baseline technology, processing and data protocol matters to assist the MSRB in pursuing a CTP architecture that can support a broad array of data types in a manner that is most efficient for the MSRB as well as for market participants that may have a role in the submission or dissemination of such data. This input should assist the MSRB in designing the internal CTP infrastructure, understanding current and likely future industry participant systems capabilities and limitations, and planning any potential rulemaking necessary to implement the CTP using trade data that reflects, on a forward-looking basis, the real-time needs of an evolving municipal securities market.

Comments should be submitted no later than March 15, 2013 and may be submitted in electronic or paper form. Comments may be submitted electronically by clicking [here](#). Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. All comments will be available for public inspection on the MSRB’s website.^[2]

BACKGROUND

MSRB Rule G-14 currently requires dealers to report all transactions in municipal securities to RTRS within fifteen minutes of the time of trade, with limited exceptions. Since the implementation of RTRS in 2005, the MSRB has made transaction data available to the public through subscription services designed to achieve the widest possible dissemination of transaction information with the goal of ensuring the fairest and most accurate pricing of municipal securities transactions.

In addition to subscription services, the MSRB makes publicly available for free transaction data on the Electronic Municipal Market Access (EMMA®) website.^[3] Since the launch of EMMA as a pilot in 2008, MSRB has incorporated into the display of market-wide and security specific information all transaction data disseminated from RTRS so that transaction information would be available on the EMMA website simultaneously with the availability of information to subscribers to the RTRS subscription service.

CURRENT TIMING AND PROCESS FOR TRADE REPORTING

Fifteen-Minute Reporting Requirement. Rule G-14(b)(i) currently requires each dealer to report to RTRS information about each purchase and sale transaction effected in municipal securities in the manner prescribed by the Rule G-14 RTRS Procedures and the RTRS Users Manual. Subsection (a)(ii) of the Rule G-14 RTRS Procedures establishes the general

requirement that transactions effected with a Time of Trade (that is, the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price) during the hours of the RTRS Business Day (being 7:30 a.m. to 6:30 p.m., Eastern Time, Monday through Friday)[4] must be reported within fifteen minutes of Time of Trade to an RTRS Portal, as described below.

End-of-Day Reporting Exceptions. The Rule G-14 RTRS Procedures provide limited circumstances in which dealers may report trades by the end of the day of trade execution rather than under the standard 15-minute reporting requirement:

- List Offering Price Transactions, consisting of primary market sale transactions to customers executed on the first day of trading of a new issue by a sole underwriter, syndicate manager, syndicate member or selling group member at the published list offering price[5] for the security
- RTRS Takedown Transactions, consisting of primary market sale transactions executed on the first day of trading of a new issue by a sole underwriter or syndicate manager to a syndicate member or selling group member at a discount from the published list offering price for the security
- trades in short-term instruments maturing in nine months or less (“Short-Term Notes”), variable rate instruments that may be tendered for purchase at least as frequently as every nine months (“VRDOs”), auction rate products for which auctions are scheduled to occur at least as frequently as every nine months (“ARS”), and commercial paper maturing or rolling-over in nine months or less (“Commercial Paper”);[6] provided that any inter-dealer trades in VRDOs ineligible on trade date for processing through the Real-Time Trade Matching (“RTTM”) system operated by National Securities Clearing Corporation (“NSCC”) must be reported by the end of the day on which such VRDOs become eligible for automated comparison[7]
- “away from market” trades, consisting of trades at prices that differ substantially from the market price and trades arising from specific scenarios where the trade executed is not a typical arms-length transaction negotiated in the secondary market, including customer repurchase agreement transactions (“Customer Repurchase Agreement Transactions”), transactions from an accumulation account to a unit investment trust unit (“UIT-Related Transactions”), and trades into and out of derivative trusts for tender option bond programs (“TOB-Related Transactions”)[8]

The MSRB seeks comment on whether it should eliminate any of these end-of-day exceptions, or reduce the period of lag in reporting of trades currently subject to such exceptions, upon transitioning to the CTP. The MSRB also seeks comment on any costs or burdens associated with eliminating any of these exceptions or reducing the period of lag in reporting such trades.

Trade Reporting Process. Currently, dealers may report trade information through one of three RTRS Portals:

- the message-based trade input RTRS Portal (the "Message Portal") operated by NSCC, through which reports of inter-dealer trades and trades with customers may be submitted in an automated manner
- the RTRS Web-based trade input method (the "RTRS Web Portal") operated by the MSRB, through which reports of trades with customers may be submitted manually and all transactions, regardless of method of submission, may be reviewed for compliance purposes
- the RTTM Web-based trade input method (the "RTTM Web Portal") operated by NSCC, through which reports of inter-dealer trades may be reported manually

The Message Portal and RTTM Web Portal were established as the primary methods of dealer reporting of trade data to RTRS to reduce burdens to dealers by leveraging existing data-flows through NSCC for clearance and settlement purposes. A primary reason for pursuing this “straight-through process” was to improve dealer compliance and overall data quality by maximizing the extent to which data used to execute transactions was also used for reporting purposes without further re-keying of such data.

The MSRB seeks comment on whether its initial decision to adopt a straight-through processing approach with regard to trade reporting and marketplace clearance and settlement functions should continue to drive the trade reporting process for the CTP. To the extent that there continue to be outlier transactions that cannot be processed through the marketplace’s clearance and settlement infrastructure, should a web-based manual input process continue to be the primary alternate method of reporting, or are there existing or emerging dealer back-office systems designed to handle internal processing of these and other transactions that could be leveraged to automate trade reporting of these outlier transactions? More broadly, are there newly emerging technologies, processes or protocols that the MSRB should be considering for handling trade reporting processes for the CTP that can be scaled across all types of dealers in the marketplace to reduce dealer back-office burdens and to enhance consistency of data received from all

reporting dealers?

Timeliness of Trade Reporting. Over the past three years, the MSRB has observed that the vast majority of trades required to be reported by dealers to RTRS within the 15-minute threshold have in fact been reported in a timely manner.[9] For the MSRB fiscal year ended September 30, 2012, approximately 99.2% of all reported trades required to be reported to RTRS within 15 minutes of the time of trade (including both inter-dealer and customer trades) were in fact submitted in time, with approximately 98.7% reported within 10 minutes and 95.4% reported within 5 minutes. These figures have remained stable over the past three fiscal years, and reporting compliance rates do not differ substantially between inter-dealer and customer trades.

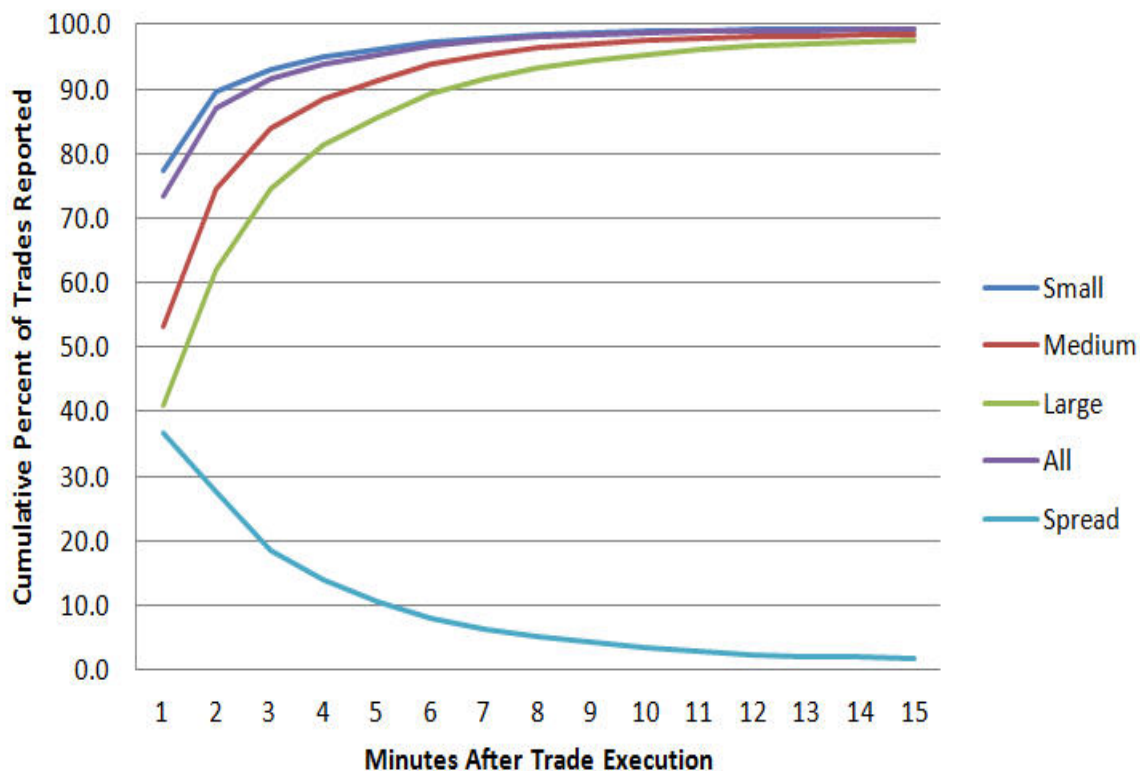
The MSRB has observed, however, that trades with smaller par values have tended to be reported more quickly than trades with larger par values. For purposes of this review, the MSRB divided reported trades into three categories: small (par value traded up to \$100,000), medium (par value traded greater than \$100,000 up to \$1 million) and large (par value greater than \$1 million). For the MSRB fiscal year ended September 30, 2012, 99.3% of small trades were reported within the 15-minute threshold, whereas 98.5% of medium trades and 97.6% of large trades were so reported, resulting in a “timeliness spread” of 1.7 points between small and large trades. This timeliness spread grew to 3.5 points for trades reported within 10 minutes of the time of trade (98.9% small, 97.5% medium, 95.4% large), and to 10.6 points for trades reported within 5 minutes of the time of trade (96.3% small, 91.3% medium, 85.6% large). Even within just one minute after the time of trade, 77.5% of small trades had already been reported to RTRS, but the timeliness spread had widened to 36.6 points, with only 40.9% of large trades reported within that first minute.

A minute-by-minute table of reporting of trades (showing the cumulative percentage of all trades reported by the end of the minute shown), and of the timeliness spread, for trades reported in the MSRB fiscal year ended September 30, 2012, is included below, together with a graphical chart of the data:

Timing of Trade Reporting for October 1, 2011 - September 30, 2012
(cumulative percent of all trades reported by the end of each minute, based on trade size)

| Trade Size | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | Late |
|------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Small | 77.5 | 89.7 | 93.1 | 95.1 | 96.3 | 97.2 | 97.9 | 98.4 | 98.7 | 98.9 | 99.1 | 99.2 | 99.3 | 99.3 | 99.3 | 0.7 |
| Medium | 53.2 | 74.6 | 83.9 | 88.5 | 91.3 | 93.9 | 95.4 | 96.4 | 97.0 | 97.5 | 97.8 | 98.1 | 98.2 | 98.4 | 98.5 | 1.5 |
| Large | 40.9 | 62.1 | 74.6 | 81.2 | 85.6 | 89.2 | 91.6 | 93.3 | 94.5 | 95.4 | 96.3 | 96.8 | 97.1 | 97.4 | 97.6 | 2.4 |
| All | 73.4 | 87.0 | 91.4 | 93.9 | 95.4 | 96.6 | 97.4 | 98.0 | 98.4 | 98.7 | 98.9 | 99.0 | 99.1 | 99.1 | 99.2 | 0.8 |
| Spread(large v small) | 36.6 | 27.5 | 18.5 | 13.9 | 10.6 | 8.0 | 6.3 | 5.1 | 4.2 | 3.5 | 2.8 | 2.4 | 2.1 | 1.9 | 1.7 | ---- |

Timeliness of Trade Reporting -- Oct. 1, 2011 - Sept. 30, 2012



As noted above, these same patterns emerged with little change over the past three fiscal years, and the timing of reporting does not differ substantially between inter-dealer and customer trades.

The MSRB seeks comment on the factors that may have resulted in the more rapid trade reporting of small trades as compared to large trades, focusing particularly on existing barriers to having large trade reporting statistics match those of small trades. In particular, are there characteristics unique to or more common with smaller trades that make them easier to report more quickly, and are there characteristics unique to or more common with larger trades that make them harder to report more quickly? To what extent might the differences in reporting patterns arise from technological, processing, business practice or other differences among the types of entities most typically reporting trades within the three size categories? What changes would dealers need to make in order to move from a 15 minute reporting timeframe to a shorter timeframe, such as 10 minutes or 5 minutes? What are the costs and burdens associated with a shorter timeframe and do such costs and burdens change in relation to the change in timeframe? If so, please specify, and where possible quantify, those costs and burdens and how they are impacted by the timeframe. If the timeframe for reporting were shortened, are there specific categories of transactions that would need to be excepted (i.e., retaining the current 15 minute timeframe or some other alternative reporting schedule) in order to avoid undue burden to market participants?

GAO Report. In January 2012, the Government Accountability Office (“GAO”) published a report on municipal securities market structure, pricing, and regulation, as required by Section 977 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.^[10] In this report the GAO concluded, among other things, that individual investors generally have less information about transaction prices than institutional investors. GAO staff, which had interviewed a broad range of market participants, observed that “some large institutional investors told us that broker-dealers typically let them know about large or otherwise meaningful trades that they believed might affect prices of similar securities before these trades appeared on RTRS (postings must occur within 15 minutes of the trade).”

A foundational principle of RTRS and the MSRB’s other market transparency products is that all market participants would have

equal access to transaction information, with trade data reported to the MSRB becoming immediately available to the public on the EMMA website and through the RTRS subscription services. The GAO observation that certain market participants are able to obtain, on a preferential basis, information regarding transactions that might affect prices before such information is reported by dealers to RTRS, if true, serves to undermine this foundational principle. If in fact such information may affect prices, this loss of equality of access to transaction information between such favored institutional customers and the rest of the marketplace that must await the dealer's RTRS reporting is highly concerning to the MSRB.

The Financial Industry Regulatory Authority ("FINRA") has previously addressed concerns regarding the withholding of market information for competitive purposes in over-the-counter trading in equities when it reduced the timeframe for such reporting from 90 seconds to 30 seconds in 2010.^[11] FINRA stated that "members must report trades as soon as practicable and cannot withhold trade reports, e.g., by programming their systems to delay reporting until the last permissible second." FINRA further noted that if trade information is not reported or disseminated until the end of the permitted reporting period, market prices may change between the time of execution and public dissemination of the pricing information, and stated that its rule change "will ensure that members do not withhold important market information from investors and other market participants for competitive or other improper reasons."^[12]

The MSRB seeks comment from market participants on the prevalence of the practices observed by the GAO. Are the longer timeframes for reporting of large trades observed in the trade data for the MSRB fiscal year ended September 30, 2012, and in prior years, in any way related to the GAO's finding or the concerns expressed by FINRA in its 2010 rulemaking? Would shortening the timeframe for reporting of municipal securities trades help to reduce the potential for improper selective disclosure of trade price information prior to its full dissemination through the upcoming CTP?

Long-Range Plan and Central Transparency Platform. As noted above, the MSRB's Long-Range Plan anticipates that enhanced information provided through the CTP could include, among other things, "more contemporaneous real-time trade price/yield information for all municipal securities trades." The Long-Range Plan envisions the CTP as the core of "an enhanced EMMA website platform – referred to as 'EMMA 2.0' – that would serve as the central public dissemination hub built upon an enhanced document and data collection process and an enhanced and diversified commercial dissemination and customized query functionality." Specifically, the Long-Range Plan describes the CTP as follows:

New real-time central transparency platform (CTP) – EMMA 2.0 would incorporate a re-engineered real-time trade price system, representing the next generation of the MSRB's existing Real-time Transaction Reporting System (RTRS), to become a central transparency platform (CTP) to provide a comprehensive, interactive and real-time display of a suite of pricing-related market data. While maintaining all execution activity in the hands of private-sector market participants through their own platforms (e.g., voice brokerage, on-line or other electronic platforms, or other processes developed by market participants in the future, collectively referred to as "market participant facilities"), the CTP would, over time, evolve to become a centralized venue providing universal public access to pre-, concurrent/real-time ("live") and post-trade pricing information across the municipal market accumulated from primary market pricing and secondary market trade submission information required to be submitted under MSRB rules as well as live and historical bid-offer and related pre-trade information provided voluntarily by private sector CTP participants. The CTP would integrate this pricing information with security-specific disclosure and other information drawn from the full library of EMMA disclosure documents and information. The CTP also would provide a central directory of links and other contact information to all registered dealers in municipal securities, allowing navigation directly to market participant facilities of CTP participants, where such CTP participants could provide additional executable or informational bid-offer and related pre-trade information and could choose to allow live execution against posted bids and offers or to otherwise engage in execution or other marketplace activities with the public.

Many of the elements described as potential features of the CTP, as well as other potential enhancements to the MSRB's market transparency products described in the Long-Range Plan, are represented in the SEC's July 2012 Report on the Municipal Securities Market (the "SEC Report").^[13] As described above and in the SEC Report, the CTP could include data elements and data types (e.g., bid/offer information, yield spreads, etc.) not currently included in data required to be reported to RTRS. The decision to proceed with any such expansion of data requirements under MSRB rules and market transparency systems would be subject to the MSRB's normal comment and rulemaking process at a later date.

For purposes of this concept release, the MSRB seeks input on certain baseline technology, processes and protocols relating to some of these potential new data elements or data types to assist the MSRB in pursuing a CTP architecture

that can support a broad array of data types in a manner that is most efficient for the MSRB as well as for market participants who may have a role in the submission or dissemination of such data. In particular, in connection with the potential collection of bid/offer information, what are the most effective methods currently used to disseminate such information among market participants, and would such methods be appropriate for the purposes of the CTP? Would it be appropriate to merge the infrastructure for reporting of transaction data with the infrastructure for submission of bid/offer information, or are there differences either in the nature of the data or the nature of the parties likely to be supplying such information that would suggest maintaining separate processes?

* * *

Questions about this notice may be directed to Ernesto A. Lanza, Deputy Executive Director, Justin R. Pica, Director, Product Management - Market Transparency, or Karen Du Brul, Associate General Counsel, at 703-797-6600.

January 17, 2013

[1] Municipal Securities Rulemaking Board, Long-Range Plan for Market Transparency Products, January 27, 2012, available at <http://www.msrb.org/msrb1/pdfs/Long-Range-Plan.pdf>.

[2] Comments are posted on the MSRB website without change. Personal identifying information such as name, address, telephone number, or email address will not be edited from submissions. Therefore, commenters should submit only information that they wish to make available publicly.

[3] EMMA is a registered trademark of the MSRB.

[4] The MSRB publishes a holiday schedule on the system status page of the MSRB website, at <http://www.msrb.org/MSRB-System-Status.aspx>, for purposes of determining non-business days in connection with submission requirements. See [MSRB Notice 2011-58 \(October 4, 2011\)](#).

[5] The published list offering price is defined as the publicly announced initial offering price at which a new issue of municipal securities is to be offered to the public. If the price is not publicly disseminated (e.g., if the security is a “not reoffered” maturity within a serial issue), the transaction is not considered a “List Offering Price Transaction.” See [MSRB Notice 2007-03 \(January 19, 2007\)](#). However, the MSRB recently provided that designations of “not reoffered” must be accompanied by price or yield information in most circumstances. See [MSRB Notice 2012-48 \(September 24, 2012\)](#).

[6] See [MSRB Notice 2012-52 \(October 23, 2012\)](#), describing certain amendments to the Rule G-14 RTRS Procedures, to become effective in May 2013, that modify the language, but not the scope, of this exception.

[7] See Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions.

[8] Such “away from market” trades are described in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions. Although reports of “away from market” trades are made available to the regulatory authorities charged with enforcing MSRB rules for oversight purposes, such trades are not included in the publicly-disseminated data on transaction prices because they may be misleading indicators of the market value of a security.

[9] All statistics included in this section exclude trades reported as qualifying for any of the end-of-day exceptions described above.

[10] U. S. Government Accountability Office, Municipal Securities: Overview of Market Structure, Pricing, and Regulation, GAO-12-265, January 17, 2012, available at <http://www.gao.gov/assets/590/587714.pdf>.

[11] Securities Exchange Act Release No. 60960 (November 6, 2009) (File No. SR-FINRA-2009-061).

[12] Further, in 1996, the SEC published an examination report highlighting intentional delayed reporting by Nasdaq market makers, noting:

The report of a trade, particularly a large trade, can affect market price. Thus, the delay of a trade report can provide an information advantage to a market maker. . . . The higher percentage of large trades reported late [by market makers] raises a concern that a portion of these late reports may be the result of intentional reporting delays rather

than negligence or computer errors. . . . Late and inaccurate trade reporting by Nasdaq broker-dealers undermines the integrity of the Nasdaq market.

Report Pursuant to Section 21(a) of the Securities Exchange Act of 1934 Regarding the NASD and the NASDAQ Market, Securities Exchange Act Release No. 37542 (August 8, 1996), available at <http://www.sec.gov/litigation/investreport/nd21a-report.txt>.

[13] U. S. Securities and Exchange Commission, Report on the Municipal Securities Market, July 31, 2012, available at <http://www.sec.gov/news/studies/2012/munireport073112.pdf>.

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Alphabetical List of Comment Letters on Notice 2013-02 (January 17, 2013)

1. Barclays Capital Inc.: Letter from Scott Coya, Director, Municipal Compliance, dated March 15, 2013
2. Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated March 15, 2013
3. Charles Schwab & Co. Inc.: Letter from Michael P. Moran, Vice President, Fixed Income Compliance, dated March 15, 2013
4. Eastern Bank: E-mail from James N. Fox, SVP and Managing Director, dated March 15, 2013
5. Financial Information Forum: Letter from Arsalan Shahid, Program Director, dated March 15, 2013
6. Financial Services Institute: Letter from David T. Bellaire, Executive Vice President and General Counsel, dated March 15, 2013
7. Frost Bank: Letter from Robert N. Jacobs, Assistant Vice President/Compliance Officer, dated March 11, 2013
8. Investment Company Institute: Letter from Dorothy Donohue, Deputy General Counsel-Securities Regulation, dated March 15, 2013
9. J.W. Korth & Company LP: E-mail from James Korth dated March 14, 2013
10. R.W. Smith & Associates, Inc.: E-mail from Paige Pierce dated March 20, 2013
11. Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated March 15, 2013
12. Seidel & Shaw, LLC: Letter from Thomas W. Shaw, President, dated March 15, 2013
13. Standish: E-mail from Daniel Rabasco dated March 15, 2013
14. TMC Bonds, L.L.C.: Letter from Thomas S. Vales, Chief Executive Officer, dated March 15, 2013
15. Tradition Asiel Securities, Inc.: Letter from Eric M. Earnhardt, Chief Compliance Officer, dated March 19, 2013



Corporate and
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March 15, 2013

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Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 6000
Alexandria, VA 22314

Dear Mr. Smith:

Barclays Capital Inc. ("Barclays" or "the Firm") is submitting this letter to the Municipal Securities Rulemaking Board (the "MSRB") in response to the request for comments on MSRB NOTICE 2013-02¹, regarding the planned development for more contemporaneous trade price information through a new central transparency platform as a successor to the MSRB's Real-time Transaction Reporting System ("RTRS"). Barclays would like to address specific concerns around selected parts of this proposal, which are set forth below.

End-of-Day Reporting Exceptions

The elimination of End-of-Day Reporting Exceptions would place a significant burden on Barclays. There are instances where the Firm may be able to report in a shorter timeframe; however, the Firm would need to devote significant resources in order to make modifications to its current systems and platforms. The Firm would require the use of a phased approach in order to ensure that trades can be properly reported.

Moreover, the Firm currently utilizes multiple third party platforms, which, with their current process, could result in trades being reported late. Specifically, we attempt to address our concerns with eliminating any of the End-of-Day Reporting Exceptions with detailed information from our Trading Desk, Middle Office/ Operations and Information Technology below:

List Offering Price Transactions (EOD – LOP): When the Firm is acting as a manager on a new deal, a large number of trade tickets are recorded in a third party vendor system, Dalcomp (an Ipreo system used for bookrunning), for "book-building" purposes. Once initiated, the deal is downloaded from Dalcomp to the Firm's trading platform. This process typically takes about 15 minutes, and in many instances, can exceed 15 minutes. Also, although the Firm is constantly making enhancements to this process, it sometimes coincides with other back-office processes, unrelated to the Municipal Desk, that the Firm's personnel can alleviate temporarily by providing a manual intervention. Additionally, the Firm oftentimes is manager for multiple deals scheduled to close on the same day. Much like the explanation provided above, the sheer volume of trade booking and processing can cause significant issues within the Firm's systems that are typically alleviated by scheduling back office processes around the Municipal Desk's requirements, which are made possible by this End of Day reporting exception.

Variable Rate and Short Term instruments (EOD – variable rate/auction/CP): As it pertains to Variable Rate Demand Obligations ("VRDO") and Commercial Paper ("CP"), the Firm relies on the End of Day exception reporting in a similar manner to the aforementioned reference of book-building. As an example, the Firm builds a book of purchasers for a VRDO that resets weekly and, in doing so, the Firm is able to accurately reconcile the amount of bonds that have been successfully remarketed and the amount that would need to be tendered. Without the ability to report by end of day, the Firm would incur many

¹ MSRB Notice 2013-02 (January 17, 2013)

cancel/amends as it relates to the remarketing process and ultimately need to revise its process in booking these trades. In addition, almost all VRDOs and CP are remarketed/sold to non-dealer counterparties; therefore, resulting in one side reporting the trade. Taking this into consideration, along with the fact that these securities are primarily traded at the same price (“par-in par-out”), there doesn’t appear to be an obvious benefit to removing the End of Day reporting exception.

Away From Market (Away from market price – (other reason)): The Firm primarily utilizes this end of day exception for trade reporting customer repurchase transactions. The nature of booking these types of transactions requires trading personnel to negotiate financing rates, (taking into account the quality of the security, the liquidity, and the market), calculate prices in a manner that takes into account the accrued interest and those without accrued interest, and calculate yield to worst. Since the trades are not priced at market levels and therefore, not disseminated to the public, there doesn’t appear to be an obvious benefit to removing the End of Day reporting exception.

Trade Reporting Process

Barclays is supportive of the MSRB streamlining and simplifying the trade reporting infrastructure. Namely, the Firm would like the ability to report Customer and Dealer trades via the same channel. At a minimum, we would like to see removal of the RTTM dependency for Dealer trades. The Firm has experienced: instances where RTTM has erroneously matched our trades with other dealers (with the same counterparty for the same security, quantity and price); system connectivity issues; and, dealer trades that were promptly cancelled with RTTM, but the original trade report flows to RTRS and is not cancelled. The current entanglement of RTTM and MSRB for Dealer trades adds unnecessary operational complexity, increasing the frequency of late reporting.

Also, given that existing reporting technology has been in place for a number of years, Barclays would suggest a review of said technology. Specifically, the Firm would ask the MSRB to explore new, more robust methods of trade processing based on an analysis of technical protocols used for communications spanning data transport, protocols, and message format standards.

Timeliness of Trade Reporting

In order to report trades in a shorter time period, Barclays would require both minor and major modifications to its current processes and technological platforms. The Firm would have to perform significant testing to meet these requests. Currently, the Firm does not have the applicable resources and time to immediately accommodate the decreased reporting time period.

In response to the MSRB’s statistical analysis of the timeliness spread between small and large trades and request for “comment on the factors that may have resulted in more rapid trade reporting of small trades compared to large trades” the Firm conducted a review of its trading differentials for the fourth quarter of 2012 (using the same definitions provided in MSRB Notice 2013-02). During the period, an approximate breakdown of the Firm’s trade reports show that 36% of the trades were considered large, 49% medium and 14% small. Of those trades, 43% of the small trades were executed through an ECN, and the remainder of the small trades were executed through the bid wanted process and/or utilizing a broker’s broker. When the Firm posts bonds on ECNs, the price is typically non-negotiable and therefore, if a counterparty wants to buy bonds, the purchase is almost immediate². Unlike the ECN trade process, the Firm requires all other trades to be approved by a trader, and in most cases, the trades are

² Once the trading desk determines the price for the bonds, it will submit the bonds for bid and will not need to approve the trade if a counterparty hits the bid. The ECNs send the Firm a confirmation, which will be reviewed by the Firm’s back office where the trade is verified against inventory, etc.

considered either medium or large. Although the Firm utilizes the bid wanted process for trades of all quantities, the medium and large-sized trades require negotiations with counterparties that involve the price, settlement and in some cases, a purchase and sale of multiple CUSIPs. The Firm would ask the MSRB to consider these reasons in a live trading environment, where sales and trading personnel are using email and Bloomberg to interact with other dealers, and client counterparties, while monitoring many news outlets, trading platforms, and analysis tools. It stands to reason that larger trades involve a significant amount of additional consideration for the Firm's personnel.

If the MSRB decides to move to a shorter time frame for reporting, Barclays requests that the MSRB create a system or enhancement to facilitate the transition to a shorter reporting period. Perhaps if a MSRB system was established in which the trade feeding channels could communicate with one another to reconcile trades, then trade reporting could be done in a smaller timeframe. In addition to the added benefit of improved data reconciliation fed directly to Firms, it would be extremely helpful if MSRB report cards were posted earlier than they currently are with additional information such as peer comparison.

Furthermore, without conducting a full blown cost analysis, there is insufficient data to accurately calculate the costs and burdens of adhering to a shorter "real-time" reporting period. Shortening the period may create a costly ripple effect. As previously mentioned, the firm utilizes third party vendors, and in order to meet the new reporting period, the third party platforms would require updates. In turn, Barclays would then require upgrades to its current systems in order to integrate the new platforms. Finally, the upgrade to the firm's systems may also require an upgrade to our current hardware. Due to the many uncertainties and the various moving parts, the MSRB should consider implementing a course of action similar to that employed by the MSRB during the rollout of RTRS and EMMA. The MSRB should conduct a series of outreach meetings with dealers to obtain a more candid response about resources, areas of enhancement, and technical concerns with the proposed changes that might not be effectively conveyed in a comment letter.

Barclays appreciates this opportunity to comment on MSRB NOTICE 2013-02.

* * *

If you have any questions or require additional information, please contact Scott Coya at 212-526-7000, or e-mail our mailbox at: MuniCompliance@barclays.com.

Sincerely,

Scott Coya
Director, Municipal Compliance



21 Dupont Circle, NW • Suite 750
Washington, DC 20036
202.204.7900
www.bdamerica.org

March 15, 2013

VIA ELECTRONIC MAIL

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: MSRB Notice 2013-02 (January 17, 2013)

Dear Mr. Smith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to MSRB Notice 2013-02, a concept proposal relating to the planned development of a new central transparency platform (“CTP”) as a successor to the MSRB’s Real-time Transaction Reporting System (“RTRS”), as contemplated under the MSRB’s Long-Range Plan for Market Transparency Products (the “Long-Range Plan”). BDA is the only DC based group representing the interests of middle-market securities dealers and banks focused on the U.S. fixed income markets. We welcome this opportunity to state our position.

As the only national trade association focused on middle-market broker dealers, we believe that our input is uniquely valuable because we can provide the MSRB with insight regarding the practical costs and benefits that implementing a new central transparency platform will implicate because our members are the dealers who will be most affected by any increased costs and burdens.

As we have expressed in the past, one of the BDA’s most important policy priorities is to improve transparency within the municipal markets and we provide these comments from a platform of tremendous support for any measures that will improve market transparency but, in particular, technological improvements that will provide better market transparency. As with anything, though, costs need to be weighed with benefits and we

provide the following comments to assist the MSRB in refining the new central transparency platform to achieve the full benefit of improved market transparency without imposing unnecessary or disproportionate burdens on dealers and other market participants.

1. Maintain 15 Minute Reporting Timeframe

We believe it would be a mistake to shorten the 15-minute reporting time frame. When dealers report trades to the MSRB, there are several procedures they must follow that include: the trader taking an order from a sales person or counterparty trade, then entering the trade into the trading system, followed by middle or back office operations personnel processing the trade into the clearing/reporting system. Only after these steps are taken, can a trade be electronically reported to the MSRB. However, if a particular CUSIP has never been traded by a particular firm, the staff in the middle office must find the security setup data on a database and “set up” or “build” the bond information in the clearing system before they can run the trade through the clearing system, at which point, the trade will be reported to the MSRB. 15 minutes is usually enough time for this process to be completed for trades already built into the firms system, but for trades in newly traded CUSIPS, there is much more potential for such trades to be reported late. Therefore, in order for this process to happen while minimizing human error in entering the information into the system, we believe that the current 15-minute timeframe should be maintained.

We also do not understand the benefit of shortening the 15-minute timeframe. Our dealers do not believe that transparency or liquidity will be improved by shortening the timeframe and thus we believe that it will be a costly burden for little to no value.

2. Keep Certain End-of-Day Reporting Exceptions Intact

End-of-Day reporting exceptions should remain intact for all List Offering Price Transactions and for RTRS Takedown Transactions. Currently, list offerings have until end of day on a new issue from orders sold at the list offering price. At times, you can have hundreds of tickets to write for new orders of list offerings, thereby making it

impossible for the procedural data entry to occur in a much shorter timeframe. In these instances for example, it would be technically impossible to report all list offering price and takedown transactions within 15 minutes. Furthermore, since list offering prices are already public, having the trade reported in 15 minutes time does not offer additional transparency to the market, but it does create an additional administrative burden of entry, naturally resulting in the potential for late trades to increase. The BDA would ask the MSRB to maintain the end of day reporting exceptions for list offering price transactions and RTRS takedown transactions.

3. Maintain Current Trade Reporting Process

The BDA is concerned with MSRB's consideration of a new trade reporting process. Specifically, our member firms have spent significant time and money to meet the demands of using the customary methods of reporting - the Message Portal and RTTM Web Portal - as they were established as the primary methods of dealer reporting of trade data to RTRS to reduce the burdens to dealers by leveraging existing data-flows through the National Securities Clearing Corporation ("NSCC") for clearing and settlement purposes. It should be noted that although this process of organizing back-office systems was complicated and required added effort in the way of money and staff at our firms, the process was ultimately instituted successfully and has become the standard for reporting and clearing of trades. It is of great concern to us that the MSRB might now be considering an alternate system for direct reporting, especially since the MSRB has not identified the existing problems with the current system they purport to fix. In our view, the new CTP will only duplicate what currently exists in the market through RTRS and in conjunction with the various products offered by vendors, who already provide options and produce volumes of information for market participants to utilize for increased transparency. We do not see the added value to the customer in the creation of a wholly new system, one that will ultimately only duplicate what currently exists, and is already working well. Additionally, since firms have spent significant capital in getting to a place where NSCC reporting is successful, we wonder why the MSRB might now be considering asking market participants to discard their efforts in the creation, testing and implementation of the old system, only to spend even more time and money to install and

test a new reporting system. This will only result in the creation of the same types of complicated, back-office reorganizations, ultimately imposing additional costs to firms who are finally in a place where the current system is working well. The costs in moving forward with the development of a new CTP far outweigh the benefit to the customer – especially when the MSRB has yet to outline what is lacking with the current system. We therefore respectfully request that the MSRB fully contemplate the added burden that would disproportionately fall on middle-market broker dealer firms should a new system need to be implemented.

Thank you again for the opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink that reads "Michael Nicholas". The signature is fluid and cursive, with the first name "Michael" being more prominent than the last name "Nicholas".

Michael Nicholas
Chief Executive Officer

Compliance

211 Main Street, San Francisco, CA 94105-1905
Tel (415) 667-7000

March 15, 2013

VIA EMAIL

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: Comment Letter Regarding Concept Proposal on More Contemporaneous Trade Price Information Through a New Central Transparency Platform ("CTP")

Dear Mr. Smith:

Charles Schwab & Co. Inc. ("Schwab") appreciates the opportunity to comment on the Municipal Securities Rule Making Board's (the "MSRB") Notice 2013-02, which seeks comment on the MSRB's concept proposal on More Contemporaneous Trade Price Information Through a New CTP (the "Proposal").

Schwab's Position

Schwab understands that the MSRB's Transaction Reporting Program has an objective to provide price transparency about the current market.¹ Schwab also understands that the ideas described in the Proposal are generally supportive of that objective.

Schwab supports certain key elements of the Proposal in that we believe they would further the MSRB's objective to provide price transparency about the current market. However, as explained below, we believe that other elements of the Proposal would result in significant operational challenges to dealers, while offering relatively little value to real-time transparency, and ultimately to investors.

Schwab does not support eliminating the end-of-day trade reporting exceptions or reducing the period of lag in reporting of certain trades currently subject to such exceptions.

¹ See MSRB Rule G-14 Interpretations, June 18, 2004, Reporting of Transactions Arising from Repurchase Agreements.

Ronald W. Smith
MSRB
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charles SCHWAB

Schwab understands that the MSRB's Transaction Reporting Program has an objective to provide price transparency about the current market. However, as the MSRB has stated in previous guidance, list offering price transactions with customers "...[a]re expected to consist of a large number of sales to investors at the published list price on the first day of trading of a new issue, and these transactions offer relatively little value to real-time transparency."² By extension, takedown transactions are expected to be executed at the list offering price minus dealer concessions, and subsequently distributed to a large number of investors at the published list price, and we believe also offer relatively little value to real-time transparency.

Additionally, lead underwriters set the time of trade for takedown transactions and subsequently communicate that information to other syndicate and selling group members. There may be times when the time of trade provided by the lead underwriter occurs more than 15 minutes before the purchasing dealer receives that information, precluding that dealer from complying with the proposed reporting requirement.

With respect to Auction Rate Securities ("ARS") and Variable Rate Demand Obligations ("VRDOs"), the trade execution process is manual for certain firms. Broker/dealers, auction providers (for ARS) and re-marketing agents (for VRDOs) may communicate details of customer orders (including time of trade) via telephone and email. There are often times when auction providers and re-marketing agents determine the time of trade, and that time of trade is more than 15 minutes before dealers receive the trade details. Eliminating the end-of-day trade reporting exceptions for these products would require that all dealers, providers and agents design, build and implement new technologies and processes to execute orders. Additionally, given that these products generally trade in the primary market at par, Schwab believes that reducing the time dealers have to report such trades would offer relatively little value to real-time transparency.

Schwab supports the MSRB's continued use of a straight-through processing approach with regard to trade reporting and marketplace clearance and settlement functions, as well as the continued use of the web-based trade input method, and suggests an additional way to enhance consistency and timeliness of data received from reporting dealers.

Schwab notes that separating trade report data from trade clearance and settlement data could lead to improvements in the timeliness of trade reporting data. Reporting dealers may be impacted by delays from contra dealers or the National Securities Clearing Corporation ("NSCC") when "comparing" the trade data, or by intra-dealer communications between those systems and organizations responsible for trade reporting and those responsible for clearance and settlement. However, Schwab agrees that the "straight-through" process supports overall data quality by maximizing the extent to which data used to execute transactions is also used for reporting purposes, and believes that de-coupling the trade reporting data from the trade clearance data could lead to increased trade data discrepancies.

With respect to the Real-Time Trade Matching ("RTTM") Web-based trade input method, Schwab is unaware of any existing or emerging systems that could be leveraged to

² See MSRB Rule G-14 Interpretations, January 19, 2007, Reminder Notice on Use of "List Offering Price/Takedown" Indicator.

Ronald W. Smith
MSRB
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charles SCHWAB

automate trade reporting of outlier transactions. However, to help ensure that dealers can comply and continue to provide price transparency about the current market, Schwab believes it's important to maintain a manual reporting system for outlier transactions and, in the absence of newer, more efficient systems, Schwab supports the continued use of the RTTM Web Portal.

More broadly, to help enhance the consistency and timeliness of trade reporting data, Schwab suggests that the MSRB consider certain processes and systems utilized by FINRA's Trade Reporting and Compliance Engine ("TRACE"). For example, rather than requiring that dealers report the yield-to-worst for transactions effected on a dollar price basis, TRACE performs the yield-to-worst calculation based on other details of the trade reported by dealers (i.e. dollar price, settlement date, CUSIP). Schwab believes that assumption of the yield-to-worst calculation by the MSRB for trade reporting purposes could serve to improve the consistency and timeliness of trade reporting information.

Schwab provides input on the baseline process for the collection of quotes for municipal securities and suggests that, while Schwab supports an ultimate goal of additional pre-trade transparency in the municipal markets, the current methods may not be appropriate for CTP.

Schwab understands and supports what it perceives to be the MSRB's goal to increase transparency in the pre-trade market for municipal securities. However, as the MSRB is aware, the municipal securities market is extremely diverse, with close to 44,000 state and local issuer and over one million different municipal bonds outstanding as of December 31, 2011. The market is characterized by relatively low liquidity and, following the initial distribution period, municipal securities trade only infrequently. For those bonds that do trade, the number of trades is very low. While almost all municipal bonds trade in the first month after issuance, that figure drops to roughly 15% in the second month and declines substantially thereafter. Additionally, in recent years, the necessity for market participants to undertake a more exacting analysis to value municipal securities has been made more apparent due to the declining use of bond insurance and other types of credit enhancement, as well as concerns about the reliability of credit ratings, both of which previously had been viewed as serving to "commoditize" assessments of the credit quality of disparate municipal securities and thereby often led market participants to make more simplified pricing judgments.³

As a result of all of these conditions, firm standing bid and offer quotations for municipal bonds are generally unavailable. Quotations (particularly bids) are generated via responses to a request-for-quote ("RFQ") process (known as a "bid wanted" auction for bids). Therefore, the MSRB may be unlikely to find high-quality standing quotes (i.e. those that are firm and represent a fair and reasonable price for the bonds) for many bonds. Even those quotes resulting from a RFQ process could be subject to restrictions (such as size or time) and may not be available to every dealer, so may not be likely to represent a price at or near one at which any given investor could trade the bonds. Conversely, RFQs may be unlikely to be sent to every potential dealer, and therefore may not be likely to represent the best quote that would be available had a RFQ been sent to every dealer in a given bond. Yet, the mere presence of any such quotes may lead investors accustomed to quote dissemination in the more centralized and liquid

³ See the Securities Exchange Commission "Report on the Municipal Securities Market," July 31, 2012

Ronald W. Smith
MSRB
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charles SCHWAB

equity markets to expect that they represent a form of "inside" market for municipal bonds.

In summary, while Schwab generally supports a goal of increased pre-trade transparency, it has doubts about the potential benefits of disseminating the relatively limited bid\offer information available under the current municipal market structure.

Additional Comments

In general, Schwab believes that evaluating the costs and burdens of any new reporting requirements and weighing those costs against any benefits derived from them, is critical to ensure efficiency. Before any new requirements are created, MSRB should conduct a thorough cost-benefit analysis of new requirements and other initiatives. Schwab supports additional transparency when it would be helpful to the market and investors after appropriately weighing the potential benefits against the costs and burdens to both the MSRB and all market participants.

Thank you for your consideration of the points we have raised in this letter and we hope that our comments are useful. Please feel free to contact me at (415) 667-0902 if you have any questions.

Sincerely,



Michael P. Moran
Vice President, Fixed Income Compliance
Charles Schwab & Co., Inc.

Comment on Notice 2013-02

from James Fox, Eastern Bank

on Friday, March 15, 2013

Comment:

Dear Sir/Madam

Eastern Bank strongly requests the MSRB retain the current reporting requirements and exemptions. We believe any new CTP must be cost effective for small dealerships that primarily service the financing needs of smaller municipalities.

The majority of Eastern Bank Capital Markets and other similar municipal dealerships, are trades in the small to medium size categories (<\$1,000,000) and not the problem of the MSRB G-14 rule debate.

If there are "timeliness issues" with large trades (>\$1,000,000), any changes should focus on those particular trades and not be a blanket ruling for all size MSRB trades.

Sincerely,

James N Fox
SVP & Managing Director
Eastern Bank Capital Markets
265 Franklin St
Boston, MA 02110

FINANCIAL INFORMATION FORUM

5 Hanover Square
New York, New York 10004

212-422-8568

March 15, 2013

Electronic Delivery

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: Request for Comment on More Contemporaneous Trade Price Information through a New Central Transparency Platform – [Notice 2013-02]

Dear Mr. Smith,

The Financial Information Forum (FIF)¹ would like to take this opportunity to provide feedback on Notice 2013-02 (the Notice) outlining MSRB's plans to develop a new central transparency platform (CTP) as a successor to MSRB's Real-time Transaction Reporting System (RTRS). The FIF MSRB Working Group (the group) includes broker-dealers, service bureaus and vendors responsible for trading and reporting of municipal securities and other municipal products. FIF is providing feedback based on analyzing the reporting processes and systems used by industry participants today and included questions for MSRB that should assist in designing of the CTP architecture to support the evolving municipal securities market.

Trade Reporting and Corrections

The Notice seeks comment on whether MSRB's initial decision to adopt a straight-through processing approach with regard to trade reporting and marketplace clearance and settlement functions should continue to drive the trade reporting process for the CTP. The group would like clarification on the following items:

- Does MSRB envision building a new interface for CTP and circumventing NSCC as the interface for reporting dealer trades to RTRS? What are the perceived advantages by moving away from NSCC?

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our [participants](#) include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

- Developing the CTP will require market participants to allocate extensive time and resources in order to review and modify existing processes and systems. Will the MSRB conduct a cost benefit analysis and work with the industry to determine the overall impact?
- In order to avoid duplicative reporting and additional costs, will the CTP provide trade data reported by firms to other regulatory trade reporting systems in the future such as the SEC Consolidated Audit Trail (CAT) system?
- Is MSRB planning on decoupling trade reporting from the clearance and settlement process? This approach could result in a lower trade matching percentage for smaller sized firms which will typically report from front end execution systems while matching will be performed in the back office and there will be less focus on matching once the reports are submitted. Separating the process will require the build out of new back office applications to report to CTP which will result in increased cost.
- Firms currently do not have the ability to make changes to mismatches in clearance-related fields that are not resolved by the end of the day without having to cancel the transaction in the clearing process. The group requests MSRB consider allowing firms to resolve mismatches by making changes to non-clearance related fields after trade date without impacting the clearing process similar to the trade reporting correction mechanism in FINRA TRACE today.

The Notice seeks comment on the factors that may have resulted in the more rapid trade reporting of small trades as compared to large trades, focusing particularly on existing barriers to having large trade reporting statistics match those of small trades. The Notice also talks about what changes that dealers would need to make in order to move from a 15 minute reporting timeframe to a shorter timeframe, such as 10 minutes or 5 minutes. Please note the following FIF comments:

- The greatest challenge for firms and data vendors today involves setting up securities under security masters to source all information in a timely manner. Broker dealers, service bureaus and data vendors have invested considerable resources to build interfaces for facilitating fifteen-minute reporting and reducing the timeframe involves a great deal of complexity and will require additional investment.
- In order to promote consistency and ease the operations burden, the group suggests MSRB consider calculating the yield, similar to FINRA TRACE. Since effective February 25, 2013, firms are required to report the contractual dollar price at which the transaction was executed for inter-dealer transactions², the group feels MSRB has all the information needed to calculate the yield.
- The group recommends MSRB reconsider shortening the existing 15 minute reporting timeframe to a shorter timeframe. While electronic platforms are becoming more prevalent, there still exists a significant presence of non-electronic platforms such as those utilizing voice trades which require a longer trade booking and trade reporting time. It is also important to realize the corporate and municipal bonds market is not centralized and highly automated as the equities market.

² See [MSRB Notice 2013-03](#)

The Notice seeks comment on outlier transactions that cannot be processed through the marketplace's clearance and settlement infrastructure. Should a web-based manual input process continue to be the primary alternate method of reporting, or are there existing or emerging dealer back-office systems designed to handle internal processing of these and other transactions that could be leveraged to automate trade reporting of these outlier transactions? More broadly, are there newly emerging technologies, processes or protocols that the MSRB should be considering for handling trade reporting processes for the CTP that can be scaled across all types of dealers in the marketplace to reduce dealer back-office burdens and to enhance consistency of data received from all reporting dealers. The group recommends maintaining the web-based manual input for processing outlier transactions and adding upload functionality.

Elimination and Time Reduction of End-Of-Day Reporting Exceptions

The Notice seeks comment on whether MSRB should eliminate any of end-of-day exceptions, or reduce the period of lag in reporting of trades currently subject to such exceptions, upon transitioning to the CTP. The group requests the continuation of existing end-of-day reporting exceptions for new issues and short-term instruments based on the following observations:

- If firms are not part of the syndicate group creating the new issue, more information is required for validation. If the required information is not available, firms have to obtain data from settlement and reporting systems which require additional time. Firms with access to intra-day feeds providing new issue information still require additional time to process updates and the corresponding records.
- The group has observed scenarios where the underwriter submits the time of the trade for a new issue more than fifteen minutes after the trade is reported.
- There is less benefit perceived in faster reporting of new issues since these transactions offer relatively little value for real-time transparency as observed by the MSRB in Notice 2007-03³. The group also seeks additional clarification from MSRB on why a dealer that is not part of the syndicate or selling group cannot utilize the "List Offering Price/Takedown" indicator if the dealer trade is being executed at the list offering price and allocated at the list offer price (i.e. Investment Advisor subsidiary). Since the trade is executed as an agent with no presumption of redistribution at a higher price, the guidance in Notice 2007-03 indicates the dealer to dealer trade and customer trade do not get relief from end of day reporting.
- Short-term instruments including auction rate securities and VRDOs are processed manually by auction providers and sponsors today using spreadsheets, emails and phone calls. The way the auction agents deliver results to firms today sometimes is not consistent and there can be delays in that process. Broker dealers have to report trades using the time of execution given by the auction agent and there could be delays in this process which could take more than 15

³ See [MSRB Notice 2007-03](#); "A large number of sales to investors at the published list price are expected on the first day of trading of a new issue, and these transactions offer relatively little value to real-time transparency."

minutes. Eliminating the exception would require the automation of this process by the providers and broker dealers. Guidance would also be required in the following scenario:

- In the case of Auction Rate Securities, what would be considered the time of when the auction results were sent to the dealers? A new trade could occur and report within 15 minutes, but how would a firm handle a rate reset, would they have to report the amendment within 15 minutes?

The group agrees on the elimination of the end-of-day reporting exception for “away from market” trades and recommends adding indicators for identification of “away from market” trades.

FIF members appreciate MSRB’s effort for seeking input on the planned development of a new Central Transparency Platform as a successor to the MSRB’s Real-time Transaction Reporting System and look forward to working with the MSRB in its review of existing rules and related interpretive guidance. Please don’t hesitate to contact us at fifinfo@fif.com or 212-422-8568 with any questions.

Regards,

A handwritten signature in black ink, appearing to read 'Arsalan', written in a cursive style.

Arsalan Shahid

Program Director, Financial Information Forum

On behalf of FIF MSRB Working Group



VOICE OF INDEPENDENT FINANCIAL SERVICES FIRMS
AND INDEPENDENT FINANCIAL ADVISORS

VIA ELECTRONIC MAIL

March 15, 2013

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: Request for Public Comment on More Contemporaneous Trade Price Information through a New Central Transparency Platform

Dear Mr. Smith:

On January 17, 2013, the Municipal Securities Rulemaking Board (MSRB) issued a request for public comment on the first in a series of concept proposals relating to the planned development of a new central transparency platform (CTP) as a successor to the MSRB's Real-time Transaction Reporting System (RTRS). In particular, the MSRB is seeking input on the appropriate standard for "real time" reporting and public dissemination of municipal securities transaction price and related information upon implementation of the CTP (Notice).¹ The Financial Services Institute² (FSI) welcomes the opportunity to provide comments in connection with the "real-time" reporting of municipal securities trades, as well as the public dissemination of municipal securities transaction price information.

Background on FSI Members

The independent broker-dealer ("IBD") community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased

¹ MSRB Notice 2013-02, Request for Comment On More Contemporaneous Trade Price Information Through a New Central Transparency Platform, available at <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-02.aspx>.

² The Financial Services Institute, Voice of Independent Broker-Dealers and Independent Financial Advisors, was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has over 100 Broker-Dealer member firms that have more than 138,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 35,000 Financial Advisor members.

investment advice. IBD firms also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; engage primarily in the sale of packaged products, such as mutual funds and variable insurance products; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisers are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives.

In the U.S., approximately 201,000 independent financial advisers, or approximately 64% percent of all practicing registered representatives, operate in the IBD channel.³ These financial advisers are self-employed independent contractors, rather than employees of the IBD firms. These financial advisers provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisers are typically "main street America" it is, essentially part of the "charter" of the independent channel. The core market of advisers affiliated with IBDs is comprised of clients who have tens and hundreds of thousands as opposed to millions of dollars to invest. Independent financial advisers are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Most of their new clients come through referrals from existing clients or other centers of influence.⁴ Independent financial advisers get to know their clients personally and provide them investment advice in face-to-face meetings. Due to their close ties to the communities in which they operate their small businesses, these financial advisers have a strong incentive to make the achievement of their clients' investment objectives their primary goal.

FSI is the advocacy organization for IBDs and independent financial advisers. Member firms formed FSI to improve their compliance efforts and promote the IBD business model. FSI is committed to preserving the valuable role that IBDs and independent advisers play in helping Americans plan for and achieve their financial goals. FSI's primary goal is to insure our members operate in a regulatory environment that is fair and balanced. FSI's advocacy efforts on behalf of our members include industry surveys, research, and outreach to legislators, regulators, and policymakers. FSI also provides our members with an appropriate forum to share best practices in an effort to improve their compliance, operations, and marketing efforts.

³ Cerulli Associates at <http://www.cerulli.com/>.

⁴ These "centers of influence" may include lawyers, accountants, human resources managers, or other trusted advisers.

FSI's members are primarily involved in the secondary market for municipal securities. A small number of FSI members underwrite municipal securities and/or are municipal advisors.

Comments

FSI offers the following comments on some of the issues presented in the Notice that would make the regulatory process more effective and provide greater clarity to market participants.

1. The MSRB Should Adopt A System Accepting Ticket Data from Trade Execution Systems in Lieu of Manual Input For "Outlier" Transactions

In the Notice, the MSRB sought comments on methods to handle "outlier" transactions in ways other than in the current manual reporting system. A focus on these "outlier" transactions is a key issue, as when the current systems are operating there are no challenges to reporting accurate data in a timely manner. However, when failures occur in the transaction reporting system the current system could be greatly improved. While the manual entry procedure offered by the MSRB provides some remedy to "outlier" transactions, it is often necessary to engage directly over the telephone and establish a dialogue with MSRB's RTRS resources to fully resolve failures.

FSI believes that the MSRB should look to the existing solutions in industry ticketing processes that could be an improvement to the current manual input system. Given that there are more systems at play in a municipal securities transaction than the reporting system, including systems in which trade information is exchanged prior to execution, as well as systems that actually execute the trade, trade data could be reliably sourced from these systems. The MSRB should take steps to create a process in which this "ticket data" from pre and post-execution could be utilized in lieu of the traditional RTRS report. A number of systems, including Knight BondPoint, BondDesk, and Bloomberg, already create this ticket data, which could provide all the pertinent and necessary information that is required. For example, trades agreed to and executed over the Bloomberg system generate a voice confirm ticket (VCON). This is a record generated inside of the Bloomberg messaging system and archived to each firm's trade blotter. The VCON ticket includes all the relevant trade data including CUSIP, description, price/yield of trade, size, and time of execution.

In the "straight-through" processing of trade data engaged in by clearing firms, these electronic tickets are taken and re-formatted to fit the RTRS submission protocols. It should therefore be relatively simple to create a process in which "outlier" and "failed" trades could be reported directly to the MSRB by means of forwarding this ticket data. This type of system would be more resilient and effective than the manual entry system used currently. It also may allow firms to submit "outliers" more expeditiously, without breaching the 15 minute trade reporting rule under Rule G-14(a)(ii).

2. The MSRB Should Maintain the 15 Minute Window While Providing A Remedy For Failed Report Resolution

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financialservices.org

While the MSRB has indicated that the “vast majority of trades required to be reported by dealers to RTRS within the 15-minute threshold have in fact been reported in a timely manner...”⁵, the real problem resides in those “outlier” trades in which reporting in the 15 minute window becomes extremely difficult. Unless the MSRB implements some sort of system to accept “ticket data,” as described above, implementing anything less than the 15-minute reporting window would not be feasible and would unfairly penalize firms that have reporting issues with RTRS.

According to MSRB’s guidance,⁶ “a trade report sent late is not ‘correctable.’” Late trades violate the 15 minute trade reporting rule under Rule G-14(a)(ii). In many cases, there may be an inadvertent error in an initial trade report to the MSRB, which results in a new trade report to RTRS to correct the error. Often, a firm’s trade review is processed at the end of the day, and a trade correction is made based on the review of the initial report to RTRS. However, this correction is booked by the RTRS system as a late report and therefore violates the 15 minute threshold. Essentially, the MSRB and the RTRS system punish the firm for making a change to an already reported trade due to inadvertent mistake in processing. This policy essentially penalizes firms for doing the appropriate thing – notifying the MSRB and the RTRS system of an inaccurately reported trade in municipal securities. In addition to accepting “ticket data”, the MSRB should provide, at the very least, greater clarity on what changes to trades require a new trade report (and subsequent penalty under Rule G-14) or, ideally a separate way to submit trade corrections without violating the 15 minute trade reporting rule. This approach would encourage the correction of inaccurately reported trades without penalizing firms that choose to do so.

In sum, FSI would oppose any reduction in the 15 minute threshold unless the MSRB implements a system to respond to the concerns expressed above.

3. Price and Transaction Reporting Will Do Little To Level the Playing Field For Individual Investors Due To the Illiquidity in the Marketplace

While individual investors are at an information deficit to institutional investors, in terms of pricing and other data, price and transaction reporting will do little to alleviate the deficit. As the municipal marketplace is illiquid in nature in comparison to the equity and corporate bond markets, pricing is difficult. Establishing a contemporaneous or prevailing market price for illiquid municipal bonds presents challenges to market professionals and is even more difficult for individual investors. Shortening the 15 minute reporting window will

⁵ See MSRB Notice 2013-02, Request for Comment On More Contemporaneous Trade Price Information Through a New Central Transparency Platform, *available at* <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-02.aspx>

⁶ MSRB Notice 2005-08, Questions and Answers Regarding the Real-Time Transaction Reporting System (RTRS): Trade Submission, Error Feedback, RTRS Web and Contacting the MSRB by Phone, Questions 15 & 16, January 26, 2005, *available at*: http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2005/2005-08.aspx#_Toc94505294

increase burdens on broker dealers but would do little to address this information gap due to illiquidity.

FSI supports efforts to level the playing field for individual investors but does not believe changes to reporting, particularly closing the 15 minute window, will be effective in doing so.

Conclusion

We remain committed to constructive engagement in the regulatory process and welcome the opportunity to work with the MSRB to achieve a sensible balance between investor protection and regulation in the municipal securities market.

Thank you for your consideration of our comments. Should you have any questions, please contact me directly at (202) 803-6061.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" followed by "Bellaire".

David T. Bellaire, Esq.
Executive Vice President & General Counsel



Post Office Box 1600
San Antonio, Texas 78296-1600

March 11, 2013

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

Dear Mr. Smith:

In response to MSRB Notice 2013-02, your request for comment on the development of a new Municipal Trade Reporting System to make more contemporaneous trade price information available, we respectfully submit the following comment.

It is our understanding that, as part of developing the new Municipal Trade Reporting System, the MSRB is considering reducing the fifteen (15) minute time-frame allowable for reporting the sale or purchase of municipal securities, as required by Rule G-14, as well as eliminating certain end-of-day exceptions and reducing the period of lag in reporting of trades currently subject to such exceptions.

Frost Bank appreciates the MSRB's attempt to increase market transparency through more contemporaneous trade price information by utilizing a new centralized transparency platform. However, we are concerned about the disproportionate impact of the new requirements on small and mid-sized banks and broker-dealers. The new reporting requirements will unfairly burden smaller organizations from both a cost and operational standpoint. The proposed reporting timeframes have the potential to place smaller dealers who do not have the trade volumes to support significant system and infrastructure upgrades at a distinct disadvantage to larger dealers with larger volumes who are in a better economic position to support an advanced platform that complies with the newly proposed requirements.

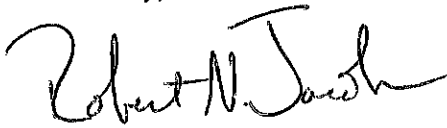
At the present time, Frost Bank utilizes the standalone dial-up system offered by the MSRB to report transactions. Our low monthly volume of municipal transactions would make it difficult from a cost perspective to upgrade to a more automated reporting option. This dial-up system allows us to comply with the existing requirements during normal trade volumes, however, if we are asked to process a large underwriting transaction or if we experience an unexpected spike in trade volumes, an accelerated reporting requirement would be difficult to meet given our current capabilities. We are aware the MSRB does currently offer other platforms for reporting transactions, however, these options are markedly more expensive and are more appropriate for organizations with much greater trade volumes than a smaller organization, such as Frost Bank.

Ronald W. Smith
March 11, 2013
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Frost Bank strongly requests the MSRB to leave the current reporting requirements and exemptions in place. Alternatively, when considering the new central transparency platform, strive to develop a platform that would increase the ease of reporting in a timely manner that is cost effective for all dealers regardless of size or trade volumes.

Your consideration in this matter is much appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert N. Jacobs". The signature is written in a cursive style with a large, prominent initial "R".

Robert N. Jacobs
Assistant Vice President / Compliance Officer



1401 H Street, NW, Washington, DC 20005-2148, USA
202/326-5800 www.ici.org

March 15, 2013

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: Request for Comment on More Contemporaneous Trade Price Information through a New Central Transparency Platform (MSRB Notice 2013-02)

Dear Mr. Smith:

The Investment Company Institute¹ supports the Municipal Securities Rulemaking Board's continuing efforts to increase transparency in the municipal securities markets. The MSRB's concept proposal, which seeks input on the development of a new municipal trade reporting system,² is another step towards ensuring the accessibility and dissemination of important information to investors.

As part of its information-gathering process, the MSRB is requesting market input on potential improvements to the timeliness, fairness and efficiency of price transparency in the municipal securities market, including shortening the current requirement for dealers to report trades within 15 minutes. Comprehensive trade price information reported through the MSRB's existing Real-time Transaction Reporting System ("RTRS") is made available today to the public on the MSRB's Electronic Municipal Market Access (EMMA[®]) website. The MSRB plans to replace RTRS with a new platform with capabilities to evolve over time to provide a comprehensive, interactive, and real-time display of a suite of pricing-related market data. Requesting comment on the manner in which brokers, dealers, and municipal securities dealers (collectively, "dealers") would report trades is a first step in informing the MSRB about the design requirements of the central transparency platform.

¹ The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$14.6 trillion and serve more than 90 million shareholders.

² See *Request for Comment on More Contemporaneous Trade Price Information through a New Central Transparency Platform*, MSRB Notice 2013-02 (January 17, 2013) ("Notice"), available at <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-02.aspx>.

Mr. Ronald W. Smith

March 15, 2013

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Currently, MSRB Rule G-14 requires dealers to report all transactions in municipal securities to RTRS within 15 minutes of the time of trade, with limited exceptions for certain transactions (as delineated in Rule G-14 and the Notice) in which dealers may instead report trades by the end of the day of trade execution. The MSRB seeks comment on, among other things, whether it should shorten the reporting timeframe generally and/or eliminate any of the end-of-day exceptions, or reduce the period of lag in reporting of trades currently subject to such exceptions, upon transitioning to a new reporting system.

We strongly support efforts by the MSRB to improve price transparency in the municipal securities market. To this end, we believe a review of the requirements under Rule G-14, including possibly shortening the current requirement for dealers to report trades within 15 minutes, as well as potentially eliminating the end-of-day reporting exceptions, is warranted as such lags and exceptions may no longer meet the evolving needs of today's municipal securities market. Meaningful steps to improve price transparency generally should improve the efficiency of the municipal market. Indeed, the availability of more timely and robust pricing information should facilitate the ability of investors to determine the best price and source for a security. This in turn should promote price competition among market participants, thereby reducing transaction costs and improving market efficiency.

* * * *

We look forward to working with the MSRB as it continues to examine these critical issues. In the meantime, if you have any questions, please feel free to contact me directly at (202) 218-3563 or Jane Heinrichs, Senior Associate Counsel, at (202) 371-5410.

Sincerely,

/s/ Dorothy Donohue

Dorothy Donohue
Deputy General Counsel—Securities Regulation

cc: Lynnette Kelly, Executive Director
Municipal Securities Rulemaking Board

Comment on Notice 2013-03

from James Korth, J W Korth & Company LP CRD 26455

on Thursday, March 14, 2013

Comment:

As a dealer who specializes in fixed income I have some basic observations.

1. The public dissemination of fixed income information has diminished spreads for many customers and pressured firms to replace the basic trading revenue with other products. In fact we have discussed it at the office many times that this seeking to replace revenue was a large thrust behind the whole mortgage securitization debacle that brought on the financial crisis.
2. The revenue lost by many small firms was so severe that many of them have ceased to exist or have become RIAs rather than broker dealers. Consequently the liquidity of the entire market may be diminished as a result of "transparency".
3. Now with Dodd Frank impinging the trading operations of the banks we can expect that capital available to hold bond inventory will be further diminished especially if markets become more transparent and therefore less rewarding to market makers. The result far less liquidity for the customer.
4. These same factors have been at play in the equity markets for many years and now those markets are now roiling electronic casinos when they once were lower volume sources of long term investment. Stock brokers can no longer afford to do the heavy research on equities for thier clients and are now basically relationship managers for mutual funds and other money managers whose fees are high and often unnecessary. Faith in the markets by retail customers is low as they believe its simply rigged to be the provence of big hedge funds and other "dark pools". Do we want this to happen to the bond markets?
5. Does the public who does not purchase the information systems or do the research it requires to really know the details of a given security really deserve to know the exact details of what it costs to own it? In the bond market the basic Bloomberg costs \$1850 a month to know the details of a given bond and then you can add perhaps \$500.00 more for specific groups of bonds. Add an office and phones and compliance and clearing and you have got at least \$5000 a month. He needs about \$10,000 a month to make it worthwhile. A diligent broker may do 30 -40 solid researched trades a month. We get customers questioning why it costs as little as \$100.00 to do a trade. Customers do not understand the cost structure. We need to average about \$500.00 a ticket to operate conscientiously and profitably and not take short cuts. How can we keep bridging that gap as transparency increases? Should we start looking at higher risk bundled products or more reverse convertibles? Maybe high risk private placements will replace the revenues. What is your vision of the industry as regulators? Where do you want it to be? Was Arthur Levitt right when he sent this whole ball rolling? Did he really understand the costs of doing business the right way?

Lets step back here and think about the long term health of the municipal market before getting overly focused on more transparency. Lets really consider what it takes to earn a reasonable return on capital and place quality products in customers hands and not incent the industry to be creative and risky with the savings of the nation.

The bottom line is do we want our industry to compete on a race to the bottom price driven by transparency with its unintended consequences or service driven by overall performance? I vote for the latter.

Comment on Notice 2013-02

from Paige Pierce, RW Smith & Associates, Inc.

on Wednesday, March 20, 2013

Comment:

RW Smith contributed to and supports the SIFMA comment letter and its positions in relation to more contemporaneous trade price information through a new central transparency platform.



March 15, 2013

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

Re: MSRB Notice 2013-02: Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform

Dear Mr. Smith:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates this opportunity to respond to Notice 2013-02² (the “Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) in which the MSRB is requesting comment on more contemporaneous trade price information through a new central transparency platform (“CTP”). SIFMA and its members support the concept of transparency and have been very supportive of some the MSRB’s past transparency initiatives, such as the MSRB’s Electronic Municipal Market Access (“EMMA”) website. We do, however, have some specific concerns about the benefits of these proposals relative to the costs and burdens they will impose upon the regulated entities. SIFMA’s concerns about certain aspects of the amendments are more fully described below.

I. End-of-Day Reporting Exceptions

The MSRB is seeking comment on whether it should eliminate any of the end-of-day trade reporting exceptions, or reduce the period of lag in reporting trades

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.

² MSRB Notice 2013-02 (January 17, 2013).

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
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currently subject to such exceptions, upon transitioning to the CTP. The end-of-day trade reporting exceptions all have something in common. These types of transactions, namely list offering price transactions, takedown transactions, trades in short-term instruments³, and “away from market” trades (including customer repurchase agreement transactions, unit investment trust related transactions, and tender option bond related transactions), do not add relevant price information to the transparency platform as the prices for these transactions is either known to the market or are off-market. These trades are required to be reported to ensure completeness for regulatory audit trail purposes, but the prices reported are of limited to no value to market participants. Additionally, SIFMA asserts that primary market marketing relationships and distribution agreements are the functional equivalent of selling group agreements and therefore list offering price and takedown transactions executed by syndicate members or sole underwriters with these partners should also be eligible for the end-of-day exemption. SIFMA believes that firms that have these marketing relationships and distribution agreements that function as primary market distribution vehicles, should get the benefit of the takedown transaction end-of-day exemption because the agreements obligate these firms to trade at list offering prices in the same fashion as the underwriters. Further, we request the MSRB clarify that a firm that has executed a primary market distribution agreement with an underwriter is a “selling group member” for purposes of G-14 Real-time Transaction Reporting System (“RTRS”) Procedures section (d)(ii).

SIFMA and its members are supportive of the efforts being made to harmonize the MSRB and FINRA rules, and we believe that the reporting rules should be made to be consistent. To that end, we believe special attention should be paid to the fact that the Financial Industry Regulatory Authority’s (“FINRA”) Trade Reporting and Compliance Engine (“TRACE”) system does not require the reporting of customer repurchase agreement transactions. As the price information for repo trades has little to no value to market participants, SIFMA questions why this information should have to be reported to the CTP at all. Also, pursuant to FINRA Rule 6730, list offering price transactions and takedown transactions only need to be reported on the next business day (T+1), instead of the end of day on trade day, as is required under the MSRB rules. We encourage the MSRB to adopt these same standards to promote consistency and harmonization with TRACE in trade reporting paradigms.

³ Short-term instruments by and large trade at a price of 100, thus the price reporting is of little value to the market. The relevant information is the reporting of the rate of these short-term instruments, which is only required to be sent to the MSRB by the end of the day by the remarketing agent.

Mr. Ronald W. Smith
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The MSRB is also seeking comment on any costs or burdens associated with eliminating any of these exceptions or reducing the period of lag in reporting such trades. Any reduction in time for trade reporting, up to and including the elimination of the end-of-day reporting exceptions will cost regulated entities significant amounts of money to change their systems, reprogram their internal mainframe, and account for increased bandwidth demands. If the end-of-day-reporting exceptions are eliminated, then large transactions with up to 100 syndicate members and thousands of trades will need to be pushed through a firm's systems much faster than in today's environment. Swing trades and accounting for sales credit can further complicate the process. It should also be noted that list offering price trades and takedown trades are specific to new issues, and these new issue trades may be making as many as 4 "hops" before the information can be sent to the MSRB. For instance, information may be created in an underwriter's "book running" system, then get sent to a clearing firm, then to the correspondent firm's middle office system, then to its back office system, and finally to the National Securities Clearing Corporation ("NSCC"). Speeding up the reporting deadline for these transactions might include redesigning systems to report from their "front end" (the earliest data location where all required trade data is present), which would be a very costly task for no perceived benefit.

II. Trade Reporting Process

The MSRB is seeking comment on whether its initial decision to adopt a straight-through processing approach with regard to trade reporting and marketplace clearance and settlement functions should continue to drive the trade reporting process for the CTP. SIFMA has long been a proponent of straight through processing and regulatory efficiency. Most SIFMA member firms use the NSCC Real-Time Trade Matching ("RTTM") web portal and the RTRS portal. These firms appreciate the single-stream process, and the fact that the trades get a regulatory time stamp when they hit RTTM.

SIFMA would like to note, however, that certain improvements to the RTTM to RTRS pipeline would be helpful. Most trade reporting fields are modifiable on customer trades but modifications are limited on interdealer trades. Some interdealer trades do not go to NSCC for settlement through its central netting system, but are still required to be reported with a special "comparison only" option. Short-term municipal securities are an example of this kind of trade report. SIFMA feels that the MSRB should allow dealers to modify these trades in the MSRB's RTRS or CTP directly. This will reduce the burden for the dealers that currently have to go back to NSCC's RTTM system for modification. This is an awkward process because the trades are not in RTTM for settlement. SIFMA suggests the MSRB enhance their systems to allow this type of dealer trade to be modifiable without cancelling and resubmitting through RTTM.

Mr. Ronald W. Smith
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As far as we are aware, there are no newly emerging technologies, processes or protocols that the MSRB should be considering for handling trade reporting processes for the CTP that can be scaled across all types of dealers in the marketplace to reduce dealer back-office burdens and to enhance consistency of data received from all reporting dealers. If such technologies do become available, we will certainly make the MSRB aware of them.

III. Timeliness of Trade Reporting

The MSRB is seeking comment on the factors that may have resulted in the more rapid trade reporting of small trades as compared to large trades, focusing particularly on existing barriers to having large trade reporting statistics match those of small trades. There are similar characteristics to many small trades. Many small trades are executed on electronic platforms, and require minimal, if any, manual intervention. This fact allows smaller trades to be executed quickly. Larger trades, by contrast, typically require traders to confirm with a client and put in a manual trade ticket. Also, large trades require more scrutiny at firms as they expose firms to more risk. Bottlenecks can happen, landing trades in error queues or other queues for such manual review as margin or credit issues.

Narrowing the window for trade reporting below 15 minutes would impose substantial costs and burdens on regulated entities. In order for dealers to move to a 10 minute-or-less reporting timeframe, dealers would need to examine their systems and consider reporting out of their front-end systems instead of back office systems. A common reason for delay in reporting is when the indicative data is not in the dealer's system as the security hasn't traded in the past year. Most firms report that it takes almost all of the allotted 15 minutes to query an information service provider to upload the missing CUSIP and indicative data, then submit the trade report.

IV. Allegations in GAO Report

The MSRB is seeking comment on the prevalence of the practices observed by the GAO as mentioned in the Notice. The longer timeframe for reporting of large trades observed in the trade data for the MSRB fiscal year ended September 30, 2012, and in prior years, is in no way related to any of the allegations in the GAO's report or the concerns expressed by FINRA in its 2010 rulemaking. MSRB Rule G-17 on fair dealing presumably prohibits trading ahead of customers. Any accusations of firms trading ahead of customers should be reported to and investigated by the appropriate regulators and all MSRB rules currently in place should be vigorously enforced. To date, no enforcement actions in this area are

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
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known, and the GAO Report on Municipal Securities itself states that regulators have not found any systemic rule violations relating to the pricing, trade reporting clearance or settlement responsibilities of broker dealers.⁴ SIFMA encourages any party with specific information and examples of this activity to report such activity to the appropriate regulators.

In sum, shortening the timeframe for reporting of municipal securities trades will not help to reduce the potential for improper selective disclosure of trade price information prior to its full dissemination through the upcoming CTP, but it will increase costs to the industry, as described in Section III of this letter.

V. Long-Range Plan and Central Transparency Platform

The MSRB is seeking input on certain baseline technology, processes and protocols relating to some of these potential new data elements or data types to assist the MSRB in pursuing a CTP architecture that can support a broad array of data types in a manner that is most efficient for the MSRB as well as for market participants who may have a role in the submission or dissemination of such data. At this time, SIFMA feels it is premature to endorse any particular system architecture. Centralizing disclosure of bids and offers may offer streamlined reporting of this information. However, it could also create a critical bottleneck or failure point in the industry. As the CTP will require significant development costs by both the MSRB and the industry, and the new system's architecture will impact the industry for years to come. SIFMA suggests that the MSRB create a working group to study and develop potential alternatives. In this process, SIFMA suggests that the benefits new transparency initiatives be weighed against the development and ongoing costs to the industry. SIFMA and its members would gladly participate in such an effort to improve trade reporting and disclosure in an efficient manner that follows the principles of straight through processing.

* * *

⁴ U. S. Government Accountability Office, Municipal Securities: Overview of Market Structure, Pricing, and Regulation, GAO-12-265, January 17, 2012, available at <http://www.gao.gov/assets/590/587714.pdf>, at p. 30.

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
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SIFMA and its members are supportive of additional transparency, but want to ensure that additional costs and burdens are not put upon the industry without commensurate benefits. We do have the specific concerns listed above regarding the draft amendments, and also believe additional study of these issues would be beneficial. We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned at (212) 313-1130.

Sincerely yours,

A handwritten signature in black ink, appearing to be 'L. Norwood', written in a cursive style.

Leslie M. Norwood
Managing Director and
Associate General Counsel

cc: ***Municipal Securities Rulemaking Board***
Lynnette Kelly, Executive Director
Ernesto A. Lanza, Deputy Executive Director
Gary L. Goldsholle, General Counsel
Justin R. Pica, Director, Product Management – Market Transparency
Karen Du Brul, Associate General Counsel



March 15, 2013

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

Dear Mr. Smith:

In response to MSRB Notice 2013-02 seeking comment on the development of a new transparency platform to make more contemporaneous trade price information available, we submit the following comments.

Under the paragraph titled GAO report it states that perhaps larger trades are being withheld from being reported when executed in order to gain some type of edge. Thought has to be given to the structure of the municipal market. Was consideration given to the fact that larger trades take longer because of the size of the trades so subsequently finding buyers and/or sellers to complete the trade should take longer?

Secondly, reporting multiple transactions to MSRB takes time for the majority of small to medium sized firms because not all can afford to automate the reporting requirements and must input the transactions manually. Not all municipal securities transactions are for larger municipalities and states. And regulatory hardships imposed on smaller broker dealers could impact smaller municipalities who do not garner the attention of larger brokers.

On both counts we think that continued pressure on time reporting could lead to a winnowing of the field in the municipal sector thus effecting liquidity in the same manner that the move in the direction of speed vs. price has negatively impacted the liquidity in the equity space. This led to dark pools, high frequency trading and other less respected practices that have grown from the insistence of the industry that if they are to participate in the space they will find a way to do so profitably. Indeed, there are times when municipal security issues will be worked on the street for days and even weeks before execution illustrating illiquidity currently which could potentially get worse.

Distinction must be made between the difference between an odd lot trade which is probably being sold from a customer to a dealer or from a dealer through an electronic medium to another dealer and a round lot trade which in all likelihood initiates from an end user via salesman to a dealer, to a broker's broker on the street, to another dealer, to another salesman who will finally reach out to another end user. Many hands will be involved in a round lot negotiation verses a small lot. Many hands involved spells slightly less speed but ultimately leads to more **equitable prices**.

Tinkering with the municipal securities market mechanics, which is the envy of the world, could ultimately have detrimental consequences and is another reason not to shorten the transaction

reporting time. Squeezing the reporting times will pressure the inter-dealer and small broker dealers both. In a potential example, shortening the reporting time could have a negative consequence to the broker and the customer. Should the broker stop trading and report the already executed trades and possibly jeopardize the obligation to the customer for best execution to meet the new time requirement.


It should be noted that Municipal Securities do not move as quickly as equities. Let us be reminded that there are thousands of municipal securities available and a couple of hundred municipal dealers. On the other hand, there are many more dealers and participants in the equity market with a limited number of issues. Squeezing the limited municipal securities dealers further with additional regulatory burdens can only have a negative effect to liquidity by eliminating participants at the margins and jeopardizing customers and issuers equally. The speed of price change in municipal securities is exponentially less than in the equities market. Therefore, there will be limited beneficial effect by reducing the time to report transactions. Conversely, the effects could potentially be very negative since current market participants will be squeezed out of the marketplace, thus negatively impacting liquidity and guaranteeing a lower quality of execution.

Another factor to consider is that utilizing a broker's broker adds accountability on both an economic and compliant basis. Broker's brokers have to justify prices to their clients and have to comply with FINRA and MSRB rules and regulations. Moving markets to an electronic platform removes accountability from the person posting the bid or offer because in theory, although not in practice, many eyes look at these electronic platforms. The proposed move to an all electronic market will cause wider spreads and less liquidity in an already strained environment thus not benefiting the members or the clients. The place where electronic execution in the municipal market is probably most effective is in the larger more liquid municipal issues. In reality, without regulatory impediments, the municipal securities market is already moving to a hybrid broker's broker/electronic execution model, (BondDesk, Tradeweb, MuniCenter, KnightBond, etc. versus ICAP, BGC, Seidel & Shaw, and others). The market is evolving to become more efficient and offer best executions for all participants without additional regulatory mandates currently.

This is occurring at a very delicate time in the municipal market with many municipalities in need of a well functioning marketplace. When considering upgrading the reporting requirements and applications to be used, please consider **ALL** market participants and not just those members who have big pockets and large in-house technical support staff. One size does not fit all in this industry. There is also potential for very real negative unintended consequences in the municipal sector should these changes be implemented.

Please mark Seidel & Shaw as against these proposals particularly at the current time.

Sincerely,



Thomas W. Shaw
President

Comment on Notice 2013-02

from Daniel Rabasco, Standish

on Friday, March 15, 2013

Comment:

-Regarding timeliness of trade reporting, we feel the 15 minute RTRS reporting requirement is acceptable (95% of trades are reported within 5 minutes, no need to narrow time frame further). Smaller trades may be reported in a more timely basis as those trades may be traded off platforms that are electronic in nature while reporting of larger trades may be more manual in nature.

-End of day exceptions; we do not agree with bonds moving from syndicate to secondary desks being treated as an exception. We want them flagged within the 15 minute RTRS requirement. Would help transparency and liquidity.

-End of day exceptions; trades in and out of TOB trusts should not be end of day exceptions. Again, this would help transparency and liquidity in our market on an intra-day basis.

-End of day exceptions; bonds moving from broker/dealer proprietary desks to their secondary desks should not be treated as exceptions even if they may be both part of the same legal entity

-In terms of Long-range Plan and Central Transparency platform that the MSRB is moving towards we would want rate lock trades reported. Related to rate locks we feel it would be beneficial to the market if MSRB constructed benchmark yield curves. The rate lock market would trade off of MSRB curves thereby improving liquidity and bringing more players into the rate lock market.



March 15, 2013

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform

Dear Mr. Smith:

TMC Bonds, L.L.C. ("TMC") welcomes the opportunity to respond to the Municipal Securities Rulemaking Board's ("MSRB") Request for Comment on the Central Transparent Disclosure Obligation. TMC is an electronic marketplace for trading fixed income securities and a registered Alternative Trading System ("ATS") with the Securities and Exchange Commission. TMC on a daily basis has over 45,000 live municipal offerings and executes trades with more than 400 firms monthly. Approximately 1 out of every 5 inter-dealer trades is executed on TMC's open platform.

Both the adoption of the Real Time Trade Reporting System and the expansion of EMMA have benefited the municipal marketplace, providing participants with much greater transparency than before. The movement towards real-time trade reporting changed the behavior of market professionals by promoting the posting of live prices as a trade quickly resulted with dissemination of the price to the market. Information that was once deemed private became public and changed the behavior of the market. Both the expansion of ATS's and the growth of online retail trading can be directly attributed to the MSRB's efforts for price transparency and evidenced by the volume of electronic trading that occurs daily in the market. The recent SEC study noted that electronic trading may account for up to 50% of all municipal trading. Furthermore, almost every major compliance vendor, online broker, or municipal ATS is using the information available through EMMA. Private enterprise has lead the market in creating a broad array of tools for analyzing and evaluating municipal credits.

As the MSRB has enhanced EMMA, TMC has become less dependent on other private vendors for data. While the MRSB's Long-Range Plan focuses on expansion of the "Investing in Bonds"



website, we would prefer to see the expansion of vendors that will continue to innovate and create new uses from the information available.

The MSRB seeks comments on the factors that may have resulted in more rapid trade reporting of small trades versus larger blocks. As stated earlier, the proliferation of municipal ATS's is greatly responsible for the efficiency of reporting, as most electronic trading platforms automatically ticket and route trades for clearing. Clients utilizing ATS's are taking advantage of these systems and have the full benefit of straight-through-processing ("STP"). STP results in reporting times measured in seconds, not minutes. In fact most trades are in-flight for reporting the instant the trade is executed, and any delays are a function of internet speeds and clearing processing. For the month of January TMC reported over 80,000 municipal trades with 99.9% reported on time. Historically for TMC, the small number of trades that do not report on time are usually the result of cancels and corrects, where the two parties have settlement differences such as accrued interest, settlement date, clearing account, etc. One issue for the industry is if a firm has never traded a particular CUSIP, it typically must build the terms and conditions prior to being able to process the trade. This can occasionally cause ticketing delays, if many new securities are traded within a short amount of time.

Block trades in municipals are a small component of the market, in terms of number of transactions. As there are no perfect benchmarks for municipal participants to price their securities, traders will offer bonds electronically at slightly higher prices to compensate for market volatility. This price premium results in many bonds being voice negotiated and requires a manual entry of a ticket, resulting in slower reporting times versus odd-lots, most of which trade electronically. Additionally, many blocks are traded as swaps with multiple legs involved. Multiple tickets take more time to post.

While the MSRB is examining delays in block trade reporting, the number of trades involved is very small. The MSRB cites a 10.6% difference in the timeliness of reporting block trades versus small trades within 5 minutes. Based on the MSRB's 30 day average of approximately 2,430 trades with par amounts greater than 1 million, only 260 additional trades would need to be reported within 5 minutes to have the equivalent reporting percentages of small trades. The numbers are most likely even smaller if one considers that a number of the block trades are new issues, which are reported end-of-day. The benefit to reducing reporting times for blocks achieves little additional informational value. Furthermore, the impact to retail is even less significant, as block trades are typically executed at different prices than retail size trades, and few blocks are broken into odd-lots. For example, polling a random trade day, 2/27/13, of the 2,227 block trades, approximately 30% of those Cusips traded as an odd-lot within 15 minutes of the initial trade. Thus, of the approximately 30,000 small trades daily, approximately 700 of those will have block transactions that occur within 15 minutes of the trade.



The expansion of the MSRB to a real-time central transparency platform would be an expensive endeavor for the little added value to the market and would compete against established industry sources. Considering TMC's marketplace alone, participants have access to approximately 45,000 offerings daily and approximately 85% of the Cusips that the MSRB reports as traded, are offered in our marketplace. Our competitors also have offerings, providing adequate options for market participants to compare and execute. Due to the peculiarities on the municipal market, the premise of providing retail with a CTP to check prices will provide little value for the effort and expense. First of all, only 19% of offerings in the market have more than one firm making a market. As a result, a retail user accessing aggregated offerings from ATS's and dealers will see the same offering, provided by multiple sources, and may mistakenly assume that there is depth of market. If the CTP is designed to show only the best market, then the client may mistakenly believe that the offering is a market offering when only one dealer is behind the price. Secondly, as the SEC noted, most trades on any given CUSIP occur within 3 months of issuance. Thus, the bonds with true depth are more actively traded, and the publically available trade price will be much more meaningful information than an offering price. Third, as the SEC noted, much of the municipal volume is concentrated in a relatively small number of firms. Almost all of these firms take feeds in from both multiple ATS's and dealers, and thus have already created a centralized platform for their clients with the added benefit of filtering out unwanted items. Fourth, the value of a live CTP is limited. With the exception of taxable municipals, the average municipal bond updates only 3 times per day. However, a live system must be designed to manage bursts of re-pricing activity. The cost to manage thousands of simultaneous updates, which usually occurs on market moving information, is high and of little value to a retail client. A cost benefit analysis of the expense of the CTP versus the number of affected retail trades would be helpful information for the industry to understand.

TMC spends time and resources insuring the integrity of our markets. This includes constantly monitoring counter-party performance to insure both timely execution and current market prices. Our markets have value and we, as well as our competitors, profit from selling the data gleaned from them. The MSRB's attempt to centralize markets will lack the monitoring built into the ATS'. The potential for stale offerings, transposed prices, and phantom positions can cause more confusion than clarity and threaten the firms who have helped bring transparency to the market. Furthermore, we offer tools to a sophisticated clientele. The MSRB's consideration for added features requires careful consideration. Additionally, bids wanted data is extremely variable and subjective. Does a bond with two bids versus a bond with 8 bids say anything about the quality of the bid? If approximately 30% of the items out for the bid result in trades, then what information is gained from the other 70%? Were the bids too low or was the seller too high? What about differing firm times, collection times, or the time of day it was placed for the bid? While one can argue more information is better than less, data for data's sake is not information to those who do not know how to use it.



As previously noted, the ATS community has already built what the MSRB is proposing. While each ATS has some unique content and much duplication, the only burden for participants is to check the different ATS's to insure best pricing as some firms are blocked from seeing other firms' inventory. Other firms take pricing feeds directly from the ATS's and model using their own systems. If the MSRB wished to have a central marketplace, it would be much more economical for dealers or ATS's to check each other's price levels as opposed to adding another venue to the mix. By way of comparison, this is exactly what Regulation NMS accomplished; it mandated that participants check other market sources. It is our view that this should be the goal of the Board, not to try to impose an exchange model on a market that does not have the market depth to warrant one.

Thank you for giving us the opportunity to respond.

Sincerely,

Thomas S. Vales
Chief Executive Officer



Tradition Asiel Securities Inc.

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March 19, 2013

Ronald W. Smith
 Corporate Secretary
 Municipal Securities Rulemaking Board
 1900 Duke Street
 Suite 600
 Alexandria, VA 22314

Re: MSRB Notice 2013-02: Request for Comment on More Contemporaneous Trade Price Information Through a New Central Transparency Platform

Dear Mr. Smith:

Tradition Asiel Securities, Inc. (“TASI”) appreciates this opportunity to respond to MSRB Notice 2013-02 (January 17, 2013) (the “Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) in which the MSRB is requesting comment on more contemporaneous trade price information through a new central transparency platform (“CTP”). TASI supports the concept of transparency and has been very supportive of some of the MSRB’s past transparency initiatives. We do, however, have some specific concerns about the benefits of these proposals relative to the costs and burdens they will impose upon the regulated entities. TASI’s concerns about certain aspects of the amendments are more fully described below.

Timeliness of Trade Reporting

The MSRB is seeking comment on the factors that may have resulted in the more rapid trade reporting of small trades as compared to large trades, focusing particularly on existing barriers to having large trade reporting statistics match those of small trades. There are similar characteristics to many small trades. Many small trades are executed on electronic platforms, and require minimal, if any, manual intervention. This fact allows smaller trades to be executed quickly. Larger trades, by contrast, typically require traders to confirm with a client and put in a manual trade ticket. Also, large trades require more scrutiny at firms as they expose firms to more risk. Bottlenecks can happen, landing trades in error queues or other queues for such manual review as margin or credit issues.

Narrowing the window for trade reporting below 15 minutes would impose substantial costs and burdens on regulated entities. In order for dealers to move to a 10 minute-or-less reporting timeframe, dealers would need to examine their systems and consider reporting out of their front-end systems instead of back office systems. A common reason for delay in reporting is when the indicative data is not in the dealer’s system as the security hasn’t traded in the past year. It can take almost all of the

Tradition Asiel Securities Inc.

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allotted 15 minutes to query an information service provider to upload the missing CUSIP and indicative data, then submit the trade report.

Even with the allotted 15 minute time period TASI faces constant issues with timely reporting due to the nature of our business, serving as a broker in the interdealer market. For each transaction we must minimally report both the purchase/sale and the subsequent sale/purchase. We also bid on lists which could contain ten to fifteen separate bonds requiring the submission of 20 to 30 reports within the 15 minute allotted time period.

TASI is supportive of additional transparency, but wants to ensure that additional costs and burdens are not put upon it without commensurate benefits. We do have the specific concerns listed above regarding the draft amendments, and also believe additional study of these issues would be beneficial. We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned at (212) 791-3497.

Sincerely yours,



Eric M. Earnhardt
Chief Compliance officer



MSRB NOTICE 2013-14 (JULY 31, 2013)

CONCEPT RELEASE ON PRE-TRADE AND POST-TRADE PRICING DATA DISSEMINATION THROUGH A NEW CENTRAL TRANSPARENCY PLATFORM

The Municipal Securities Rulemaking Board (the “MSRB”) is publishing this second in a series of concept releases relating to the planned development of a new central transparency platform (the “CTP”) as contemplated under the MSRB’s [Long-Range Plan for Market Transparency Products](#), (January 27, 2012) (the “Long-Range Plan”).^[1] The MSRB is seeking input from all interested parties on the specific data elements the MSRB should consider disseminating publicly through the CTP with respect to both pre-trade and post-trade pricing information. The MSRB also is seeking input on the appropriate methods, technologies and data protocols that could be used in collecting pre-trade information in a manner that is most efficient for market participants potentially submitting or using such data and for the MSRB as operator of the CTP. Furthermore, this concept release is intended to elicit input on the potential benefits and burdens of providing pre-trade pricing information to the public through the MSRB’s Electronic Municipal Market Access (EMMA®) website^[2] and related data feeds, as well as on potential alternatives to achieving the goals enunciated below.

Comments should be submitted no later than November 1, 2013 and may be submitted in electronic or paper form. Comments may be submitted electronically by clicking [here](#). Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. All comments will be available for public inspection on the MSRB’s website.^[3]

BACKGROUND

Transparency refers to the degree to which information regarding quotations for securities, the prices of transactions, and the volume of those transactions is made publicly available in a securities market.^[4] Pre-trade transparency typically refers to public dissemination of information indicating the size and price of prospective trading interest in specific securities. Generally, this means dissemination of firm quotations of a specified size – that is, a commitment to buy or sell a specific quantity of a particular municipal security at a stated price. Pre-trade transparency information may also include pending limit orders from customers or other indications of trading interest. The exact nature of pre-trade transparency information that is (or can be made) available will depend on the structure of the specific market in question. Post-trade transparency refers to public dissemination of information regarding the size and price of specific executed securities transactions.

With respect to post-trade price transparency, MSRB Rule G-14 currently requires brokers, dealers and municipal securities dealers (“dealers”) to report all executed transactions in municipal securities to the MSRB’s Real-Time Transaction Reporting System (“RTRS”) within fifteen minutes of the time of trade, with limited exceptions.^[5] RTRS serves the dual objectives of price transparency and market surveillance. Because a comprehensive database of transactions is needed for the surveillance function of RTRS, Rule G-14, with limited exceptions, requires dealers to report all of their purchase-sale transactions to RTRS, not just those that qualify for public dissemination to serve the transparency function.^[6] The MSRB makes transaction data available to the general public through the EMMA website at no cost simultaneously with the dissemination of such data through paid subscription services to market data vendors, institutional market participants and others that subscribe to the data feed.

With respect to pre-trade price transparency, there is currently no central location in the municipal market through which such pricing information is made broadly available to the public in a comprehensive manner. To the extent that pre-trade pricing information is available, it is typically provided by electronic networks operated by broker’s brokers, alternative trading systems (ATS) and other similar systems,^[7] although such information also has sometimes been provided through non-electronic venues as well. Typically, access to pre-trade pricing information is limited to market participants engaging directly with such

venues and may be further limited to information regarding only those potential transactions involving the particular market participant, with information consisting of some or all of the bids and offers entered for a potential transaction.

The MSRB's Long-Range Plan envisions that the CTP would serve as the next-generation of RTRS and would include, in addition to enhanced public access to real-time post-trade pricing information, new centralized public access to pre-trade pricing information, as well as related disclosure information, yield curves and other utilities for public users of the information. The Long-Range Plan anticipated that such information would be obtained both under regulatory requirements established under MSRB rules as well as through voluntary submissions by market participants. While the CTP could ultimately provide links to market participants where any execution activities could be undertaken away from the CTP, the Long-Range Plan contemplates that the CTP itself would serve solely as an information platform and would not act as an exchange, automated trading system, or other form of execution venue.

Thus, while RTRS has democratized access to post-trade pricing information, either directly through the EMMA website or through third-party vendors that receive the automated feed of RTRS data from the MSRB, access to pre-trade pricing information is piecemeal, incomplete and largely limited to institutional market participants. The Long-Range Plan's focus on improved public access to pre-trade pricing information as an expansion on the MSRB's existing post-trade pricing information dissemination is supported by recent reports by the Securities and Exchange Commission (the "SEC") and the Government Accountability Office (the "GAO"), which state that certain market participants, especially retail investors, do not have access to the same amount and type of information that is available to larger institutional investors, dealers and more sophisticated market participants. For example, in January 2012, the GAO published a report on the municipal securities market that found, among other things, that a key barrier to the ability of individual investors (as compared to institutional market participants) to independently assess offers and bids they received from their dealers for municipal securities they were interested in purchasing or selling is the lack of access to pre-trade pricing information in the form of offerings and bids.^[8]

In July 2012, the SEC published a report recommending enhancements to the flow of information to investors.^[9] In this report, the SEC noted that investors have very limited access to the level of interest in a particular municipal security and the specific price levels. Furthermore, the report suggests that bids and offers are generally not made publically available by ATSs, brokers' brokers or dealers that use their facilities, even though these electronic trading systems are primarily used for smaller, retail-size orders. In this regard, the SEC made two recommendations: (1) the SEC could consider amendments to Regulation ATS to require an ATS with material transaction or dollar volume in municipal securities to publicly disseminate its best bid and offer prices and, on a delayed and non-attributable basis, responses to "bids wanted" auctions, and (2) the MSRB could consider rules requiring a brokers' broker with material transaction or dollar volume in municipal securities to publicly disseminate the best bid and offer prices on any electronic network it operates and, on a delayed and non-attributable basis, responses to "bids wanted" auctions. Subsequently, participants in the SEC's April 2013 Fixed Income Roundtable discussed, among other things, potential improvements to municipal market transparency, liquidity and efficiency that could be furthered by the collection of bid and offer information, together with the public display of this information if accompanied with appropriate education and guidance to provide the public with the ability to interpret the information.^[10]

The MSRB is seeking comment on potential enhancements to the specific data elements collected and disseminated through RTRS in connection with post-trade pricing information that would be provided through the CTP, as well as on a number of key aspects relating to the potential collection and dissemination of pre-trade pricing information through the CTP, as discussed below.

POTENTIAL ENHANCEMENTS TO POST-TRADE PRICE TRANSPARENCY

Discussed below are several areas in which modifications to the current post-trade price transparency reporting and public dissemination process could potentially improve the quality and usefulness of the transaction information collected and disseminated. The MSRB is seeking input in these various areas, as well as on any other aspects of post-trade price transparency not otherwise addressed below. If the MSRB determines that any of the modifications identified below are appropriate, the MSRB would publish more specific proposals in a future request for comment prior to implementation.

Transaction Reporting of New Issues

Potential New Indicator for Conditional Trading Commitments . Although trade executions and trade confirmations for new issues are not permitted prior to the formal award of the bonds by the issuer to the underwriter,^[11] dealers often solicit orders, accept orders and conditionally allocate to orders prior to the formal award. The prices at which such orders are conditionally

allocated pending the formal award (referred to herein as “conditional trading commitments” or “CTCs”) generally are determined prior to the formal award and often will reflect market conditions at the time of such determination rather than at the time the trade is actually executed after the formal award.

The MSRB seeks comment on whether to require reporting of information regarding conditional trading commitments, with such information disseminated to the public.^[12] Specifically:

- **In the case of a transaction resulting from a CTC, would the marketplace benefit from reporting by dealers and public dissemination by the MSRB of an indicator denoting that post-trade pricing information for the transaction reflects pricing under a CTC? Are there any reasons why such a CTC indicator may not be beneficial to market participants or could be misleading?**
- **Should the CTC indicator be accompanied by the date and time at which such CTC was formed? Would providing such additional information assist issuers, as well as their teams of professionals working on bringing new issues to market, in meeting their obligations under the Internal Revenue Code with regard to issue price?**
- **Should CTC information be reported to the MSRB as part of the post-trade reporting process, or should they instead be reported at the time the commitment is made? What operational or other difficulties would dealers face in reporting CTC information to the MSRB in either scenario? Would the benefits of collecting and disseminating such information outweigh the burden on dealers to provide it?**

Potential New Indicator for Retail Order Period Trades . In some cases, a new issue may be offered with a retail order period in which the securities are to be marketed to investors that meet the definition of retail for purposes of the offering. The MSRB seeks comment on whether to require the use of a new indicator to denote retail orders placed during a retail order period, with such information disseminated to the public.^[13] Specifically:

- **If a retail order period is used in a new issue offering, would the marketplace benefit from having dealers that place retail orders during the order period report such trades to the MSRB with an indicator that the trade resulted from a retail order? Should the MSRB consider developing a series of indicators that dealers would use to differentiate among the types of investors that an issuer may have defined as qualifying as retail (individual investor, investment advisor on behalf of an individual investor, etc.)?**
- **Beyond identification of the nature of retail orders, should the MSRB more broadly consider developing a series of indicators that dealers would use to indicate the category of investor involved in customer trades reported to the MSRB? If so, how granular should those categories be? For example, would it be beneficial for dealers to distinguish between individual investors and institutional investors? Or should dealers distinguish among types of institutional investors and, if so, what should the categories be (sophisticated municipal market professional, investment advisor, insurance company, etc.)? What would be the burden to dealers of instituting such a requirement, and would there be other potential negative ramifications of doing so?**

Existing Indicator for List Offering Price and RTRS Takedown Transactions . Current transaction reporting procedures require dealers that are part of the underwriting group for a new issue to include an indicator on trade reports (which indicator is disseminated to the public) for transactions executed on the first day of trading in a new issue with prices set under an offering agreement for the new issue. These transactions include sales to customers by a sole underwriter, syndicate manager, syndicate member or selling group member at the published list offering price for the security (“List Offering Price Transaction”) or by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published list offering price for the security (“RTRS Takedown Transaction”). Such trade reports are provided an end-of-day exception from the fifteen-minute reporting requirement since they are executed at, or based on, published list offering prices and such prices may not reflect market conditions at the time that the transactions are actually effected.

Since the introduction of this List Offering Price/RTRS Takedown Transaction provision, certain market practices and the information publicly available through the EMMA website have evolved. Outside of traditional underwriting syndicates or selling groups, some dealers have entered into long-term marketing arrangements with other dealers that serve in the syndicate or selling group, under terms that are not generally disclosed publicly, relating to purchases and resales of new issue securities. The MSRB also now provides through the EMMA website public access to the initial offering price scale for most new issues, typically within two hours of the time of formal award and before the underwriter’s announced time of first execution of trades. However, the discount from the published list offering price for RTRS Takedown Transactions is not generally published to the public through any of the EMMA data products.

In the January 2013 Concept Release, the MSRB sought comment on whether the end-of-day exception from 15 minute reporting should be eliminated for List Offering Price/RTRS Takedown Transactions, or whether the period of lag in reporting of such trades should be reduced.^[14] The MSRB seeks further comment with respect to the following matters as they relate to this provision:

- **Is the current List Offering Price/RTRS Takedown Transaction indicator a useful indicator for users of disseminated pricing information?**
- **Although the price at which List Offering Price trades occur are now known to the public on a more timely basis through the initial offering scale published on EMMA, ^[15] does the delay in reporting the principal amount and number of trades sold at the List Offering Price until the end of the trading day adversely affect transparency or otherwise negatively impact some market participants during the first day of trading in a new issue?**
- **Consistent with the discussion above regarding conditional trading commitments, should underwriters reporting the initial offering scale for new issues be required to indicate the date and time when the scale was established? Should the List Offering Price indicator and related end-of-day reporting exception be subsumed within any new conditional trading commitment submission requirement as described above?**
- **Should the MSRB establish a requirement that the discount from the published list offering price for RTRS Takedown Transactions also be published to EMMA as a condition to providing dealers with an end-of-day reporting exception for such trades? Are takedown discounts for new issues structured in a manner conducive to uniform reporting through EMMA? Even if such takedown discounts are made publicly available, does the delay in reporting the principal amount and number of trades sold in RTRS Takedown Transactions until the end of the trading day adversely affect transparency or otherwise negatively impact some market participants during the first day of trading in a new issue?**
- **What would be the burden to dealers of reporting any such additional items of information regarding List Offering Price/RTRS Takedown Transactions, and would the benefits of such additional information outweigh such burden?**

Transaction Yields

Transaction reporting procedures require dealers to include on most reports of customer transactions to RTRS both a dollar price and yield.^[16] The yield required to be reported to RTRS for customer trades is consistent with the yield required to be displayed on a customer confirmation under Rule G-15(a), which requires yield to be computed to the lower of an “in whole” call or maturity, subject to certain requirements set forth in the rule for specific special situations (generally referred to as the “yield to worst”). Rule G-15(a) requires the confirmation to include the date to which yield is calculated if such date is other than the nominal maturity date, and also requires the confirmation for a transaction effected based on a yield other than yield to worst to include both yields. Since April 30, 2012, the MSRB has calculated and included in disseminated RTRS information yield on inter-dealer trades computed in the same manner as required for customer trades.

The MSRB seeks comment on whether to modify the yield reporting components of trade reporting. Specifically:

- **Should the MSRB itself compute yield to worst for customer trades, as it currently does for inter-dealer trades? If so, should the MSRB eliminate the requirement for reporting of yield to worst by dealers in customer transactions? Would such an approach create any unintended problems for price transparency? Would removing the requirement for dealers to include yield on reports of customer transactions reduce the compliance and operational burden on dealers?**
- **Should the MSRB require dealers to include in their trade reports, and should the MSRB disseminate publicly, the date and redemption price to which yield is calculated if other than the nominal maturity date and value? Would such a requirement create a burden on dealers that outweighs the benefits of such additional transparency?**
- **Should the MSRB require dealers to include in their trade reports for trades effected based on a yield other than yield to worst, and should the MSRB disseminate publicly, the yield at which such trade was effected and the date to which such yield is calculated? Would such a requirement create a burden on dealers that outweighs the benefits of such additional transparency?**
- **Are there additional yield calculations that the MSRB should consider requiring dealers to report or that the MSRB should consider itself calculating and disseminating?**
- **Would having multiple yields publicly disseminated for some or all trades be confusing or misleading to users of this information, or would it provide greater price transparency that would outweigh any potential confusion?**

Consistency of Transaction Price Reporting

Normally, in principal transactions, the trade price reported to and publicly disseminated by the MSRB includes all aspects of the price, including any mark-up or mark-down that compensates the dealer for executing the transaction. In agency transactions, dealers are required to report to the MSRB both the price of the security and the commission charged to the customer. RTRS currently calculates yield on agency trades using this reported information, then derives a transaction price based on this calculated yield, resulting in publicly disseminated prices for agency transaction also incorporating the compensation component in order to be comparable to principal trade prices. However, dealers effecting transactions as part of an arrangement that does not provide for dealer compensation to be paid on a transaction-based fee basis, such as in certain wrap fee arrangements, will report to the MSRB transaction prices that do not include a compensation component, and current yield calculation requirements would not capture any such non-transaction-based compensation component. The MSRB does not currently collect information regarding fees charged in non-transaction-based compensation arrangements, nor does it collect or disseminate an indicator of transactions that are effected in that manner.

The MSRB seeks comment on whether to modify reporting requirements or public dissemination of trade data relating to transactions where fees are charged on a non-transaction-based basis. Specifically:

- **What would be the best approach for handling trades with non-transaction-based compensation arrangements? Should the MSRB require dealers to report the nature of such compensation arrangements?**
- **Would it be sufficient to require dealers to report, and for the MSRB to disseminate, an indicator that a trade involved a non-transaction based compensation arrangement?**

Market of Execution

The MSRB understands that dealers may use a variety of means for transacting in municipal securities, including broker's brokers or alternative trading systems ("ATS") as well as traditional direct transactions with a known counterparty. The MSRB currently identifies all transactions executed by a broker's broker. This identifier is applied based on the broker's broker informing the MSRB that it acts in such capacity. The MSRB does not currently identify trades executed through an ATS.

The MSRB seeks comment on whether to modify reporting requirements or public dissemination of trade data relating to the use of such third-party venues. Specifically:

- **Should the MSRB require dealers effecting transactions through an ATS to include an indicator to that effect? Should such indicator be included in the information disseminated publicly? Are there other venues through which dealers effect transactions that should be reflected by an indicator? For any trades subject to a venue indicator, would it be sufficient to indicate the type of venue or should dealers be required to identify the specific venue? What would be the benefits and burdens of establishing such a requirement?**
- **Is the existing broker's broker indicator included on disseminated information useful? Would a greater level of precision in the application of the broker's broker identifier be appropriate such that the dealers transacting with the broker's broker and/or the broker's broker itself include an identifier on the trade report to signify that the transaction was executed by a broker's broker in its capacity as such?**

Away From Market Transactions

As noted above, dealers are required to report virtually all transactions in municipal securities to RTRS. This is necessary for a comprehensive database of transactions for the surveillance function of RTRS. The MSRB has recognized that some transactions are not useful in determining, and may in fact be a misleading indicator of, the current market value of a municipal security, either because the transaction price differs substantially from the market price or the trade is the result of a specific scenario where the trade executed is not a typical arms-length transaction negotiated in the secondary market.^[17] These transactions include customer repurchase agreement transactions, transactions from an accumulation account to a unit investment trust unit and trades into and out of derivative trusts for tender option bond programs. Accordingly, RTRS has included an away from market indicator that is required to be used by dealers reporting transactions arising from these types of trading situations that allows such transactions to be reported and entered into the RTRS database used for surveillance but not disseminated publicly.

The MSRB seeks comment on whether some or all information for such transactions should be included in publicly

disseminated information. Specifically:

- **Although the price at which these transactions are effected may not be reflective of current market value, does the failure to report the existence of such trades, including the principal amount and number of trades, adversely affect transparency or otherwise negatively impact some market participants?**
- **Would there be benefits to publicly disseminating the principal amount, without the price, of away from market trades with an indicator that the trade occurred at a price away from the market? Would there be any negative implications of disseminating such information? Would delayed reporting of away from market trades be appropriate and, if so, what would be the appropriate delay?**
- **Are there other categories of “away from market” trades, in addition to those noted above, that should be explicitly recognized by the MSRB as qualifying for the end-of-day reporting exception?**
- **Are there any categories of “away from market” trades that should be fully exempted from reporting, even for surveillance purposes? Would providing such a full exemption have any negative impact on the marketplace, directly or indirectly as a result of potentially impeding the ability of regulators to surveil the marketplace or to enforce applicable MSRB rules? Would any such full exemption be consistent with current processes within the broader securities market to develop a consolidated audit trail?**

Transactions with Affiliated Entities

In recent years, some dealers have informed the MSRB that new corporate structures have been formed whereby some dealers establish several distinct corporate entities to perform specific functions. For example, some corporate structures involve one corporate entity that holds inventory and another corporate entity that transacts with customers. In these cases, the corporate entity that transacts with customers will acquire bonds from or sell liquidated positions to the corporate entity that holds inventory on an exclusive basis. Given the mechanical nature of these intra-corporate entity transactions and the fact that the prices at which these transactions occur are based on set arrangements raises questions about whether such transactions reflect negotiated arms-length transactions priced based on current market conditions. The MSRB seeks comment on the following:

- **To what extent have dealers employed such corporate structures where transactions occur between two separate legal entities on an exclusive basis at prearranged pricing arrangements? Are there other arrangements among dealers that present similar transaction reporting issues?**
- **Should transactions arising from these corporate structures be identified as being “away from market” transactions or should a new indicator be used for identifying such transactions when they are reported? If a new indicator is used, should such transactions continue to be disseminated publicly and include this new indicator?**

POTENTIAL COLLECTION AND DISSEMINATION OF PRE-TRADE INFORMATION

To increase the level of pre-trade pricing information available in the municipal market place, the MSRB is considering whether to propose the collection and dissemination of certain pre-trade pricing information. The information proposed to be collected would provide investors and other market participants with access to pre-trade pricing information generally not available publicly. The MSRB seeks comment on all aspects of the potential collection and dissemination of pre-trade information, including any aspects of pre-trade price transparency not otherwise addressed below. Specifically:

- **Would collection and public dissemination of additional pre-trade transparency by the MSRB improve pricing efficiency, investor confidence and liquidity in the market place? Would providing such information publicly have any negative impacts on market participants or the marketplace in general?**
- **As an alternative to the MSRB collecting such information for public dissemination through the EMMA website, are there existing venues for public access to all or some of this information? Do daily bids and offers available through these existing venues provide a true and reliable indication of market levels? Would providing access to these existing venues through the EMMA website, rather than providing the pre-trade information itself through the EMMA website, meet the MSRB’s stated objectives for providing access to this information to the public? Would any of these venues provide access to issuers and investors, including retail investors, at no cost? Are there other alternatives to achieving the goals of broadly available pre-trade price transparency that would be more effective or less burdensome than those described in this concept release?**
- **What types of information or tools should be provided along with the pre-trade information itself to help the public understand the nature and potential uses of the information?**

Potential Data Elements

To the extent that these data elements are available, the core items of pre-trade pricing information proposed to be collected and disseminated could include:

- CUSIP number
- Date and time of bid submission
- Date and time of offer submission
- Bid quantity
- Bid yield
- Bid price
- Offer quantity
- Offer yield
- Offer price
- Offer minimum quantity
- Submitter ID
- Indicator of matched bid and offer, if applicable
- Venue type indicator [ATS, broker's broker, exchange, dealer]
- Entity placing bid/offer type [dealer/investor]

Depending on various issues raised in the remainder of the Concept Release, additional items of information ultimately may also be included among the data elements to be collected and disseminated to properly collect and identify such additional information that commenters believe the MSRB should include in the CTP. The MSRB seeks comment with regard to the appropriate data elements to collect with respect to pre-trade transparency, as follows:

- **Are the specific data items listed above the appropriate pre-trade pricing information for collection? Would any of these items present specific difficulties with regard to the ability to report such items? Are certain of these items valuable for purposes of regulatory surveillance but not for purposes of dissemination to the public?**
- **What additional data elements used by venues that currently handle bids for and offers of municipal securities would be necessary or useful for the MSRB to collect?**

Types of Offerings for Which Pre-Trade Information Should be Collected

Depending on the venue, municipal securities may be offered for sale through various mechanisms. For example, municipal securities can be offered for sale through a "bid wanted" process in which bids to purchase the securities are sought and potentially multiple priced bids are submitted.^[18] In some cases, the bid wanted process will result in a sale of the securities to a winning bidder, whereas in other cases a satisfactory bid will not be received and no transaction will result. In still other cases, the party offering the securities may enter into a negotiation with one of the bidders to sell the security at a negotiated price that may differ from the price of that bidder's bid. Municipal securities also can be offered outside of a bid wanted process, such as by posting the offer for sale at a stated price that a purchaser can execute against at such price or through a negotiation, among others.

The MSRB seeks comment on the types of offerings for which pre-trade information should be collected and publicly disseminated. Specifically:

- **Should pre-trade information be sought only in connection with bid wanted offerings? If so, should these be limited to bid wanteds conducted solely by or through ATs and broker's brokers, or should they also include bid wanteds conducted directly by dealers? Are there other venues through which bid wanteds are conducted for which pre-trade information should be included?**
- **Should all bids in an offering be collected and displayed, or only the best bid in an offering? If not all bids are to be collected and displayed, should the MSRB also include the cover bid and/or the total number of bids in the offering?**
- **Should the collection and public dissemination of pre-trade information be limited to information from bid wanteds that result in an executed transaction between the offeror and a winning bidder? Or should it also include information where bids are placed for an offering but does not result in an executed transaction? Or**

should it further include information about offerings where no bids are placed?

- Are there other types of offerings, other than through a bid wanted process, for which pre-trade information should be sought? How would the MSRB collect the relevant information for any such other types of offerings?
- The MSRB recognizes that the exchange of certain bid and offer information is not always done electronically via ATS, broker's brokers or other electronic trading networks but instead through traditional voice brokerage or other one-to-one communications. Should the MSRB seek to collect and publicly disseminate such other pre-trade information and, if so, is there an appropriate method that the MSRB could use to attempt to collect the information that is not disseminated electronically?
- What would be the burden of reporting any of pre-trade information through any of the types of offerings described above, and would the benefits of such pre-trade information outweigh such burden?

Data Quality Issues Relating to Pre-Trade Information

The MSRB understands that, in some cases, a bid or offer may not truly reflect an intent to effect a transaction in a posted security at a market price. For example, a single block of bonds may sometimes be posted in multiple venues simultaneously (such that there can be no expectation that a transaction will be executed in all such venues), or may be posted for price discovery purposes only with no real intent to execute a transaction. In addition, a bidder may in some cases enter a bid, as an accommodation to another party or for other reasons, that it does not intend to result in a sale and that likely does not reflect an accurate assessment of the bond's market value (e.g., a so-called "throw-away bid").^[19]

The MSRB seeks comment on the extent to which information about certain types of bids or offers may not be well suited to public dissemination. Specifically:

- If a single block of bonds is offered in multiple venues, would the marketplace be better served to have all such offerings included in the disseminated pre-trade information, or should such information be filtered in some way, such as to eliminate potentially overstating the volume of bonds offered? If filtering would be appropriate, how would the MSRB identify situations where such filtering should occur? For example, is it possible to distinguish, with a high degree of confidence, situations where a single block is being offered in multiple venues from situations where a market participant is offering same-sized but different blocks of the same securities in different venues?
- Should the MSRB seek to filter out offerings posted for price discovery purposes rather than with an intent to sell, or to filter out throw-away bids? In either case, is it possible to distinguish, with a high degree of confidence, those bids and offers that should be retained for dissemination purposes from those that should be suppressed?

Technology and Protocols for Collecting Pre-Trade Information

In the January 2013 Concept Release, the MSRB sought input on certain baseline technology, processes and protocols relating to some of the potential new data elements or data types that might be included in the CTP to assist the MSRB in pursuing a CTP architecture that can support a broad array of data types in a manner that is most efficient for the MSRB as well as for market participants who may have a role in the submission or dissemination of such data. In particular, in connection with the potential collection of pre-trade information, the MSRB sought input on the most effective methods currently used to disseminate such information among market participants, and whether such methods would be appropriate for the purposes of the CTP. The MSRB received only limited comments on these issues. The MSRB again seeks comment on these types of technology and protocol issues with respect to pre-trade information. Specifically:

- The MSRB understands that the FIX messaging protocol ^[20] is commonly used in the fixed income market for purposes of entering bids and offers. Is there any reason why the FIX messaging protocol would not be appropriate for purposes of submitting pre-trade information to the MSRB? Are there alternative messaging protocols, and what are the relative merits of available alternatives as compared to the FIX messaging protocol?
- If the FIX messaging protocol is the appropriate method of collecting pre-trade pricing information, are there certain data fields, in addition to the ones listed above, that should be required from participants?
- Are there any specific data transmission infrastructures currently in existence through which pre-trade information customarily is transmitted to trading venues that would be appropriate for the MSRB to consider utilizing if it were to collect pre-trade information? If there are no such specific infrastructures commonly used for this type of data, or if such infrastructures might not be ideal for use by the MSRB, are there other technological processes that might be well adapted to the purposes described herein?

Manner and Timing of Collecting Pre-Trade Information

In the case of bid wanteds, the process typically begins with the posting of an offer of municipal securities, a period of time during which bids can be posted, a point in time at which all bids must be entered, and a time at which the offeror accepts a bid, if at all. Depending on how and where the bid wanted is conducted, trade execution may occur in conjunction with the acceptance of the bid or shortly thereafter, or trade execution may occur away from the venue somewhat later. The MSRB seeks comment on which parties should submit pre-trade information to the MSRB and the manner and timing for providing such information. Specifically:

- **Should the MSRB seek to obtain pre-trade information directly from the venue through which the offerings are made, or should such information be submitted by the dealers placing the bids and offers? If not collected from the venue but instead from parties placing the bids and offers, would the MSRB risk obtaining incomplete information to the extent that a venue permits bids or offers to be placed by investors or other market participants over which the MSRB does not have regulatory jurisdiction? If such information is best collected directly from the venue, should the MSRB nevertheless collect the data from dealers in those cases where they use a venue that is not subject to the MSRB's jurisdiction (e.g., an exchange rather than a dealer ATS or broker's broker)?**
- **Should the MSRB seek to obtain bid and offer information as they are placed on a real-time basis (e.g., within 15 minutes of the bid or offer being placed), or should the information be provided at a later time, such as within a specified period after the end of the offering or by the end of the trading day?**
- **If pre-trade information is to be provided to the MSRB after the end of the offering or by the end of the trading day, should the MSRB seek to have all bids and offers for an offering submitted as a single bundle of data, or should each bid and offer be submitted individually?**
- **If pre-trade information is to be provided to the MSRB on a real-time basis, should the MSRB seek to obtain such information after the bid or offer has been placed at the offering venue or simultaneously with the placing of the bid or offer? If simultaneously, would existing infrastructures support a straight-through process by which the same message transmitted to the offering venue could be routed to the MSRB?**
- **Should the MSRB attempt to associate bids and offers placed in the same offering with the specific offering, or should they simply be associated with a particular security without identifying to which offering of that security such bid or offer applies? If bids and offers related to a particular offering are to be associated, what would be the best way of doing so?**
- **Should the MSRB attempt to associate a matched bid and offer with the actual final executed transaction as reported to the MSRB? Given that certain entities providing access to pre-trade bids and offers do not take a position or participate in the exchange of security and money and therefore may not have final confirmation that a deal was conducted, who is the entity best positioned to provide information to the MSRB regarding whether specific bids and offers have resulted in executed trades? How would the MSRB match bids and offers to a particular executed transaction?**

Public Dissemination of Pre-Trade Information

The MSRB would display pre-trade information it collects through the CTP in a venue on the EMMA website designed to integrate pre-trade, post-trade and other related information for a particular security. In addition, the MSRB anticipates that such pre-trade information would be made available through paid subscription services through a data feed. The MSRB seeks comment on how such information should be displayed. Specifically:

- **For pre-trade price transparency information to be beneficial to investors and market participants if available on EMMA, would such information have to be disseminated real-time, or near real-time, or would dissemination on a delayed basis be appropriate? If delaying the dissemination of the information is appropriate, how long could such information be delayed and still be beneficial to investors and market participants without becoming stale?**
- **What type of educational material would be appropriate and necessary to accompany the pre-trade pricing information in order to provide a comprehensive guide of the data and its use that would permit non-professionals to make effective use of the information?**

* * * * *

Vieira, Director of Research, or Ernesto Lanza, Deputy Executive Director, at 703-797-6600.

July 31, 2013

[1] The initial concept release on the CTP, [MSRB Notice 2013-02 \(January 17, 2013\)](#) (the "January 2013 Concept Release"), provides background information on the MSRB's initiative under the Long-Range Plan to develop the CTP. The MSRB sought input on the appropriate standard for "real-time" reporting and dissemination of transaction price and related information through the CTP, as well as on baseline technology, processing and data protocols for post-trade pricing information. Comments received in response to that concept release may be [viewed on the MSRB website](#) and will be considered in conjunction with comments received on this and future concept releases related to implementation of the CTP.

[2] EMMA is a registered trademark of the MSRB.

[3] Comments are posted on the MSRB website without change. Personal identifying information such as name, address, telephone number, or email address will not be edited from submissions. Therefore, commenters should submit only information that they wish to make available publicly.

[4] Principles of Transaction Transparency, Securities Regulators of the Americas ("COSRA") (1993). Transaction transparency is distinct from concepts relating to dissemination of official statements, periodic financial information and other disclosure information about an issuer and its securities. Of course, transparency and disclosure are both important principles for a securities market, each serving to reduce information asymmetries, to promote efficient pricing and to foster investor confidence and liquidity.

[5] Transactions in securities without CUSIP numbers, in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are the only transactions exempt from the reporting requirements of Rule G-14(b)(vi).

[6] In this respect, RTRS serves as an audit trail for municipal securities trading, with the exception of certain internalized movements of securities within dealers that currently are not required to be reported and the lack of reporting of customer identifications and other related specific items of information. *Compare Consolidated Audit Trail*, Exchange Act Release No. 34-67457 (July 18, 2012), 77 FR 45722 (August 1, 2012).

[7] For example, NYSE Bonds, the New York Stock Exchange's bond trading system, offers a centralized trading platform, which currently lists a limited number of municipal securities qualified to trade through such system. See <http://www.nyse.com/bonds/nysebonds/GeneralObligationBonds.html> and <http://www.nyse.com/bonds/nysebonds/RevenueBonds.html>.

[8] Government Accountability Office, [Municipal Securities: Overview of Market Structure, Pricing, and Regulation](#), GAO-12-265, January 17, 2012.

[9] Securities and Exchange Commission, [Report on the Municipal Securities Market](#), July 31, 2012.

[10] Some roundtable participants noted that education and guidance should accompany any public dissemination of pre-trade information to ensure that non-professionals are able to properly understand its meaning and how it might be used in assessing pricing. See <http://www.sec.gov/spotlight/fixed-income-markets.shtml>.

[11] See [MSRB Rule G-12 Interpretive Letter](#), "Confirmation: Mailing of WAI confirmation," dated April 30, 1982.

[12] The MSRB previously proposed requiring dealers to indicate transactions that are based upon a conditional trading commitment to alert users of disseminated information that the trade date and time reflective of when the trade was executed may not be reflective of market conditions as of the date and time that the order was priced. See [MSRB Notice 2006-10 \(April 21, 2006\)](#); [MSRB Notice 2007-10 \(March 5, 2007\)](#). However, there was general agreement at the time that there would be several operational concerns with complying with such a requirement, most notably the lack of availability of the time of formal award, and such proposal was not adopted. Since then, underwriters have become obligated under Rule G-34 to announce the time of formal award and time of first execution for new issues. In addition, the EMMA website now makes such information publicly available.

[13] The MSRB has filed with the SEC to require, among other things, that underwriters report to the MSRB through EMMA whether a retail order period was conducted for a new issue offering. See [SR-MSRB-2013-05](#), Exchange Act Release No. 34-69834 (June 24, 2013), 78 FR 39038 (June 28, 2013).

[14] As noted above, comments on this topic received in response to the January 2013 Concept Release may be [viewed on the MSRB website](#) and will be considered in conjunction with comments received on this and future concept releases related to implementation of the CTP.

[15] In most cases, such initial offering scale is derived from data that underwriters are required to submit under Rule G-34 to the Depository Trust and Clearing Corporation's New Issue Information Dissemination Service ("NIIDS").

[16] For inter-dealer transactions, dealers report the dollar price at which the transaction was effected and the MSRB calculates and includes in disseminated information the corresponding yield.

[17] Such "away from market" trades are described in Section 4.3.2 of the [Specifications for Real-Time Reporting of Municipal Securities Transactions](#).

[18] While MSRB Rule G-43(b) sets out certain provisions for bid wanteds that broker's brokers may elect to follow, these provisions are not obligatory for broker's brokers and do not apply to other market participants conducting bid wanteds.

[19] Depending on the specific facts and circumstances, any such throw-away bid likely would constitute a violation of MSRB rules. See, e.g., Rule G-13(b); [MSRB Rule G-43 Interpretive Notice](#), "Notice to Dealers that Use the Services of Broker's Brokers," dated December 22, 2012.

[20] For more information on the FIX messaging protocol, see <http://www.fixprotocol.org>.

Alphabetical List of Comment Letters on Notice 2013-14 (July 31, 2013)

1. Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated November 1, 2013
2. Corporate Treasury Investment Consulting LLC: Letter from Mark O. Conner, Principal, dated August 16, 2013
3. Financial Information Forum: Letter from Manisha Kimmel, Executive Director, dated November 1, 2013
4. Interactive Data Corporation: Letter from Mark Hepsworth, President, Interactive Data Pricing and Reference Data, dated November 1, 2013
5. Leonard, Jack: Letter dated August 1, 2013
6. Long, Cate: E-mail dated November 1, 2013
7. Sayer, Steven: E-mail dated November 3, 2013
8. Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated November 1, 2013
9. Wells Fargo Advisors, LLC: Letter from Robert J. McCarthy, Director of Regulatory Policy, dated November 1, 2013



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November 1, 2013

VIA ELECTRONIC MAIL

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: MSRB Notice 2013-14 (July 31, 2013)

Dear Mr. Smith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to MSRB Notice 2013-14, the second in a series of concept releases relating to the planned development of a new central transparency platform (the “CTP”) as contemplated under the MSRB’s Long-Range Plan for Market Transparency Products, (January 27, 2012) (the “Long-Range Plan”). BDA is the only DC based group representing the interests of middle-market securities dealers and banks focused on the U.S. fixed income markets. We welcome this opportunity to state our position and provide these comments from a platform of tremendous support for any measures that will improve market transparency and, in particular, any technological improvements that will provide better market transparency and efficiency for all market participants.

Keep Certain End-of-Day Reporting Exceptions Intact for List Offering Price Transactions and RTRS Takedown Transactions

As discussed in our comment letter dated March 15, 2013 in response to the MSRB’s January 2013 CTP Concept Release, we continue to believe end-of-day reporting exceptions should remain intact for all List Offering Price Transactions and for RTRS Takedown Transactions. Currently, list offerings have until end of day for reporting on a new issue from orders sold at the list offering price. We believe this exception should

remain for the following reasons:

- At times, a firm can have hundreds of tickets to write for new orders of list offerings.
- With the potential for writing hundreds of tickets, it is impossible for the procedural data entry to occur in a shorter timeframe than current end-of-day requirements.
- It would be technically impossible for firms to report all list offering price and takedown transactions within 15 minutes.

Additionally, the MSRB posed a question in the original concept proposal regarding whether the benefits of a shorter reporting cycle would outweigh any burdens to dealers and we would argue that there are no benefits to the investor to report earlier since list offering prices are already public and therefore, having the trade reported in 15 minutes time does not offer additional transparency to the market, but it does create added clerical burden of entry, naturally resulting in the potential for late trades to increase. For these reasons, the BDA would ask the MSRB to maintain the end of day reporting exceptions for List Offering Price and RTRS takedown transactions.

Dissemination of Too Many New Pre-Trade Data Elements May Confuse the Investor

The BDA believes some additional data elements might be helpful to dealers in the way of securing high quality and timely bids and offers. However, we would suggest that the MSRB consider the consequences of requiring dealers to produce this additional information and making this information available to investors without appropriate context and detailed educational materials for the investor to understand the value in the information. For example, dealers may receive different levels of participation depending on when they ask for bids, market events, and at any given time, one bid may not be representative of the best bid available. We believe that post-trade reporting is the more appropriate and most accurate pricing information to be made available to investors. Additionally, there will always be data quality issues relating to bids or offers that do not truly reflect an intent to effect a transaction and in cases like this, we believe the investor would not be served by having that information in front of them without the proper

context around how such bids are ultimately filtered out of the system by market professionals. We believe that post-trade reporting is the more appropriate pricing information to be made available to investors.

Trading Strategies Could be Compromised

While the BDA believes increased transparency is ultimately better for the investor, we would caution that some of the new data elements being considered by the MSRB for pre-trade reporting may undermine trading strategies resulting in the constriction of some market participants for fear that their trading strategies may be compromised. This could have the undesired result of reducing liquidity in the municipal securities markets leading to depletion in liquidity. Additionally, we believe the best way for the MSRB to ensure they are receiving the most accurate pre-trade and post-trade information without compromising trading strategies is if they could establish quality controls around each data element it collects.

Venue Type Indicator May Confuse the Investor

The BDA does not see the benefit to the investor if the MSRB were to incorporate venue type indicators into its information collection for post-trade enhancements. At the end of the day, the venue is just a one component of the dealer's educated, informed and professional decision, taking into account all relevant factors surrounding the best execution strategy for a particular transaction. The choice in venue may be a result of the unique knowledge a dealer has about where a specific security would trade best or it may be the result of many days of assessing many different sources in order to find the best price, but ultimately, a simple indicator cannot capture the totality of the execution factors and will simply lead to unnecessary confusion for the investor. Additionally, the production and maintenance of information identifying the venues of execution considered, documenting the dates, times and bids evaluated at each step (and potentially reporting them all to the MSRB) will be burdensome to the dealer for information which is not likely to be beneficial to the investor.

Additional Items of Concern

While the MSRB did not specifically request for further elaboration in this second CTP concept proposal on shortening the MSRB Rule G-14 requirement to generally report all executed transactions in the municipal securities markets to the MSRB's RTRS within 15 minutes of the time of trade, this issue is of great importance to our membership and needs to be considered in the context of collection and dissemination of additional post-trade pricing information through a CTP and we would like to again provide our position on this issue.

As we stated in our March 15, 2013 letter to the MSRB on the proposed CTP, we believe it would be a mistake to shorten the 15-minute reporting time frame under MSRB Rule G-14. In reporting trades to the MSRB under the current requirements, there are several steps firms must follow for each trade which include:

- A trader taking an order from a sales person or counterparty trade;
- Entering the trade into the trading system;
- Processing the trade into the clearing/reporting system; and
- Reporting of the trade to the MSRB.

However, if a particular CUSIP has never been traded by a certain firm, the staff in the middle or back office must take additional steps to find the security setup data on a database and "set up" or "build" the bond information in the clearing system before they can run the trade through the clearing system, at which point, the trade will be reported to the MSRB. In the latter scenario for a CUSIP to be built into a firm's system, this additional work can typically be managed within the 15 minute reporting timeframe, but the potential for late reporting is higher than for trades already built into the firms system. Therefore, in order for the building in of the CUSIP process to happen while minimizing human error in entering the information into the system, we believe that the current 15-minute timeframe should be maintained. If the MSRB were to include additional post-trade pricing information to be reported, including, for example, whether the trades involved conditional trading commitments or retail orders, this would add to the information that needs to be entered and transmitted and the 15 minute reporting timeframe becomes even more important. Additionally, after speaking with our dealers, we do not

believe that transparency or liquidity will be improved by shortening the timeframe and thus we believe that if the reporting timeframe were to be shorter than 15 minutes, it will be an undue burden providing little or no additional value to the investor.

As the only national trade association focused on middle-market broker dealers, we believe that our input is uniquely valuable because we are able to provide the MSRB with insight regarding the practical costs and benefits in developing a new central transparency platform. Our members are the dealers who will be most affected by any cost and compliance burdens associated with the creation of an entirely new platform and the requirement to collect and report detailed pricing information. Thank you again for the opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink that reads "Michael Nicholas". The signature is written in a cursive, flowing style.

Michael Nicholas
Chief Executive Officer



RECOMMENDATIONS TO MSRB as sought by MSRB Notice 2013-14 (July 31, 2103)

Submitted by Mark O. Conner, Principal, Corporate Treasury Investment Consulting LLC

mark.conner@ctic-consulting.com

August 16, 2013

The following suggestions pertain largely to EMMA enhancements and, to a lesser extent, to MSRB sales practice requirements. Additionally, each suggestion describes whether it is intended to result in new or enhanced detail for EMMA or if it is intended to produce more or greater disclosures to customers by brokers and member firms.

“Mark-up/Mark-down” and “Sales credit” are not used interchangeably here. For the purposes of this submission, “Mark-up” is the difference between a dealer’s purchase price and the dealer’s initial offering price, while “Mark-down” is the difference between a customer’s sale price and the dealer’s simultaneous sale price or initial reoffering price to another party (different customer or outside dealer.) As used here, neither definition relies on “prevailing market price.”

“Sales credit” is that amount paid in the form of gross commission to a broker of record for a buy or a sell for any customer account and can at times be lesser or greater than a “Mark-up” or “Mark-down.” I believe that this is an important distinction because client-facing brokers can regulate sales credits somewhat independently of mark-up or mark-down.

In looking to achieve optimal execution, a municipal bond investor is really seeking two things: A fair market return for any specific bond in the case of a purchase (yield to maturity or yield to worst) or the highest available price in the case of a bond sale. Compensation to the broker in both transaction cases should be fair, i.e., sufficient to create an operational profit¹ for the brokerage firm without reducing the purchase yield to a below-market level or without diminishing sale proceeds below a fair-market expectation. If these goals are attained, an investor can be indifferent to the dealer’s cost basis for any bond that that investor may buy from or sell to that dealer.

Continued

¹ Operational profit here means the dollar value of the gross commission minus the dealer’s estimated “ticket cost” and minus the broker’s net commission. Operational profit does not take into account any trading profit or loss sustained in the dealer’s trading account.

While it is my belief that due diligence and best execution practice goals are laudable for the municipal securities market, these are very difficult to implement, defend, and enforce. Here are some reasons:

1. Municipal debt securities are heterogeneous, highly nuanced as to features, and resist a high degree of correlation within their own market universe.
2. Munis trade relatively infrequently and because they trade in a negotiated market, are often subject to pricing inputs that have little to do with their intrinsic worth, e.g., deal size, dealer access, limited price data sets, regional taxation disparities, widely varying indentures and structures, varying associated dealer overhead costs, etc.
3. Asymmetric information sets, i.e., municipal bond dealers often have a great deal more information available to them regarding trading reconnaissance, credit research, pending new issues that could directly impact outstanding issues, order flow, etc., than do investors. This is acutely different than other markets like those for common stocks, high-grade corporate bonds, and treasury and federal agency securities.
4. Drawing fair securities comparisons among municipal bonds is very labor-intensive and time-consuming for broker-dealers and the time that's required often exceeds reasonable segments of market time intervals. While a broker may need one hour or more to gather meaningful comparison offerings or data, the market can easily change and render the starting price proposition moot. As in most industries, time is money, and burdensome due diligence and price comparison requirements will almost necessarily result in increased sales credits and diminished returns for investors.

Additionally, greater education of investors and a fair expectation of due diligence on their part also contribute to an improved investment outcome for investors. Because there is broader availability of municipal bond offering information through a greater number of dealers today, the task of price shopping has become vastly more simplified for investors than in the past. At the same time, dealers should have no more reservation about price competition than suppliers in any other industry because, in the final analysis, they determine the beginning point for price negotiation in the market, much as wholesalers and original assemblers do in other industries. That said, members have (and always have had) the obligation to deal fairly with their customers and it's my opinion that "fair dealing" is very closely linked to "material information."

It is known and accepted that material information is that information that the investor deems important to their decision-making, likewise fair dealing should be viewed as dealings that the investor can be made to see is not unfair. In my view, making available to investors greater information detail about transactions, sales credits and commissions, and other related price aspects can impel greater pricing efficiency and fairer trading activity for both investors and dealers, without imposing difficult, cumbersome, and often unachievable best execution requirements on dealers. In varying transaction scenarios, potential disclosure of certain transaction components can be very informative for customers seeking best execution without relying on the broker to supply price discovery information or to perform due diligence as to market prices for comparable or identical securities. Enhanced price transparency and expanded disclosure requirements will make investors not only better informed but

Continued

also put them in an improved position for price bargaining. Thus situated, customers will have a lesser need to rely on a broker's assertion of best execution as they will have greater information that may reveal deficiencies in price fairness. This is because as the body of information about specific broker compensation for certain transaction types increases, competition among dealers will necessarily increase and thus wholesale pricing for all trade types will become more homogeneous.

Here are my suggestions for expanding and enhancing certain disclosures:

1. Expand trade party identification on EMMA
 - a. Identify trades by broker's brokers (sells and buys) to EMMA
 - i. Lack of definition in current EMMA data can give appearance of interpositioning between dealer parties or mark-ups between subsidiaries
 - ii. Disclosure improves cost transparency for customers
 - iii. Requires trade ticket field
 1. Broker's broker
 - b. Identify to EMMA trades and related prices between or among subsidiaries, i.e., sale from bank to brokerage subsidiary of bank
 - i. Disclosure improves cost transparency for customers
 - ii. Requires trade ticket field
 1. Related party
2. Identify separate dealer buys and sells to EMMA
 - a. Reinforces timely order entry, supporting 3. (below)
 - i. Requires separate trade reports from each party, rather than a single inter-dealer trade report
3. Identify riskless vs. at-risk dealer buys to EMMA
 - a. Reinforces timely order entry as riskless dealer buy time-stamps must closely match counterparty dealer sell and customer buy
 - b. Supports greater compensation for dealers in at-risk trades
 - c. Disclosure improves cost transparency for customers
 - d. Supports MSRB regulation
 - e. Requires trade ticket field
 - i. Riskless/At-risk
4. Require all riskless dealer trades (order-in-hand) be treated as agency trades with mark-ups and mark-downs disclosed to customer.
 - a. Reflects true agency nature of trade
 - b. Improves customer understanding of acquisition/disposition costs
 - c. Promotes dealer competition
 - d. Supports MSRB regulation
 - e. Requires trade ticket fields
 - i. Riskless
 - ii. Markup/mark-down amount (nominal dollar and/or percent of gross price)
 - iii. Agency status

Continued

5. Disclose sales credit to customer on all customer sells to dealer inventory account
 - a. Customer selling does not give rise to dealer costs associated with customer buys, e.g., research, custody, reporting, etc., therefore sales credits for customer sells should be minimal and disclosed.
 - b. Disclosure improves cost transparency for customers
 - c. Disclosure promotes dealer competition
 - d. Requires trade ticket field
 - i. Sales credit amount (nominal dollar and/or percent of gross price)
6. Require disclosure to selling customers whether bid is for inventory or from outside party
 - a. Supports dealer's defense of suitable bid in view of at-risk status of buy
 - b. Discloses to selling customer potential riskless status of trade
 - c. Requires trade ticket field
 - i. Bought for inventory/Sold away
7. Report institutional vs. retail customer status to EMMA
 - a. Allows dealers to defend greater mark-ups required to cover retail customer street-name holdings costs. Unidentified, thin mark-up trades with institutional accounts can wrongly suggest unfair treatment among retail customers.
 - b. Requires trade ticket field
 - i. Institutional account/Full service account
8. Report DVP vs. Street-name (Held) customer buys to EMMA
 - a. While DVP trades have higher instantaneous costs, they involve no continuing costs.
 - b. Requires trade ticket field
 - i. DVP/Held
9. Require disclosure to customer of sales credit for all retail DVP trades
 - a. DVP retail customer buy trades involve reduced total dealer costs, i.e., no more than cost of trade execution. Disclosure of sales credit allows customer to judge fairness of trade cost.
 - b. Trade ticket field required
 - i. Sales credit
10. Require disclosure to customer of inventory status of all recommended buys prior to trade execution
 - a. Improves customer's ability to bargain for recommended securities held in inventory
11. Require disclosure to EMMA of all sales to customers from inventory
 - a. Supports dealer defense of greater mark-up/sales credit
 - b. Affords customer a better bargaining stance
 - c. Trade ticket field required
 1. From inventory

Respectfully submitted,

Mark O. Conner

Principal

Corporate Treasury Investment Consulting LLC

FINANCIAL INFORMATION FORUM

5 Hanover Square
New York, New York 10004

212-422-8568

Via Electronic Delivery

November 1, 2013

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: MSRB Notice 2013-14 - Concept Release On Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform

Dear Mr. Smith,

The Financial Information Forum (FIF)¹ would like to take this opportunity to comment on MSRB Notice 2013-14 - Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform ("Concept Release"). We appreciate the MSRB's willingness to receive feedback on these important issues, many of which will have significant operational impact if adopted. We would also like to thank Justin Pica of the MSRB for discussing the Concept Release with the FIF Back Office Committee. Achieving a better understanding of the intent behind the various proposals was a helpful and informative exercise.

With respect to the Concept Release, FIF respectfully makes the following recommendations:

1. Increase transparency by implementing achievable post-trade proposals
 - a. Transaction yield curves consistently calculated and displayed by MSRB
 - b. Improve consistency of transaction reporting with indicators to identify trades where there is no trade-based compensation
 - c. Consider role of indicators to identify trades with affiliated entities
 - d. Repurpose Existing Indicator for List Offering Price and RTRS Takedown Transactions
2. Assess the benefits of post-trade proposals that will require considerable implementation effort
3. Consider the fundamental behavioral and operational challenges associated with pre-trade reporting before addressing specific implementation details

FIF's perspective on each of the proposals of the Concept Release is discussed in more detail below.

Increase Transparency by Implementing Achievable Post-Trade Proposals

FIF supports MSRB's efforts to continually improve transparency within the municipal marketplace and believes that the following post-trade reporting proposals should be considered for future rule-making and ultimate adoption.

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

Transaction Yields Consistently Calculated and Displayed by MSRB

The Concept Release seeks comments as to whether MSRB should modify the yield reporting components of trade reporting. FIF recommends that MSRB itself should compute yield to worst for customer trades, as it currently does for inter-dealer trades and remove the requirement for dealers to include yield on reports of customer transactions. FIF recommends that MSRB make the determination as to whether to offer additional yields beyond yield to worst. MSRB calculating yields would avoid differences in yield calculations across dealers due to security master differences. Additionally, harmonization with TRACE to the greatest extent possible is also recommended. With MSRB calculating yields, errors relating to yields would be eliminated as would the corresponding effort to resolving errors with yield calculations which takes time and resources. In addition to reducing the compliance and operations burden on dealers, this approach would also improve consistency for customers. To put this metric into context for investors, FIF recommends displaying the date used to calculate yield to worst (i.e. by call date, effective life or maturity date).

Improve Consistency of Transaction Reporting with Indicator for Trades with No Trade-Based Compensation

FIF understands that MSRB is interested in identifying those trades that were made under wrap or managed accounts where there is no trade-based compensation in order to determine why a price is lower and to assist in best execution determinations. We believe that an indicator for accounts where there is no trade-based compensation would achieve this goal. Firms could establish whether to apply this indicator by querying the account classification associated with the investor. It is our understanding that subsequent rule-making would be required to enact this proposal. As part of that process, FIF would look to work with the MSRB to establish an implementation date that would provide sufficient time for firms to establish this functionality.

Indicators to Identify Trades with Affiliated Entities

FIF understands that the Concept Release is proposing to identify trades with affiliated entities in situations where there is a unique corporate structure involving a bank and broker dealer entity. However, FIF members believe there is an opportunity to also address situations involving a corporate structure with two broker dealers (institutional and retail) where executions with the street are handled by the institutional broker dealer and the retail broker dealer handles customer-facing transactions. These transactions, while inter-company movements, are currently reported to the tape. FIF would welcome further discussions with the MSRB to determine if an indicator to identify trades between affiliated broker dealer entities might be used to exclude such transactions from tape reporting.

Repurpose Existing Indicator for List Offering Price and RTRS Takedown Transactions

It is our understanding that MSRB is trying to determine if these indicators still have value. FIF believes that the only value of these indicators is their role in identifying trades that are subject to the end of day exception. Since the list price, not the take down price, is what is relevant to the market, FIF recommends repurposing this indicator to solely identify those trades subject to the end of day exception. FIF also recommends considering extending the end of day exception to dealers that are not part of the syndicate or selling group if the dealer trade is being executed at the list offering price and allocated at the list offer price (i.e. Investment Advisor subsidiary).

Assess the Benefits of Post-Trade Proposals That Will Require Considerable Implementation Effort

The remaining post-trade proposals will entail considerable implementation effort that may not be justified by the benefits associated with these proposals. Each proposal is discussed in more detail below.

Potential New Indicator for Conditional Trading Commitments (CTCs)

It is our understanding that MSRB is considering an indicator for CTCs as well as a separate date and time field to indicate when the CTC was agreement was made. This new date and time would not supersede the trade date

and time but would be an additional field of information. We also understand that no change to trade reporting obligations is contemplated. FIF members are concerned about the impact of another date and time field included in the trade reporting record. Adding a new field may have system consequences for existing rules engine and other logic surrounding booking the trade. Additionally, the information required to populate the CTC fields may not be stored in the same system as the trade reporting data. While just adding an indicator would reduce the implementation effort, there would still be a need to link systems not currently connected.

Potential Indicator for Retail Order Periods/Retail Customers

FIF understands that the MSRB is looking to provide more information regarding identifying customers as institutional, retail, etc. FIF members question the value of making these distinctions and believe it is important to recognize that the definition of retail customer varies from issue to issue which may lead to investor confusion. If MSRB were to adopt a universal definition of retail customer, that definition would have to be integrated into front and back end systems. In general, order systems are not linked to trade systems which would make this a difficult request to implement.

Market of Execution

FIF understands that MSRB is considering going beyond the existing broker's broker indicator to include an ATS/ECN indicator. FIF believes this would require significant implementation work and questions the value of including this information given that time and price are the main elements of transparency and are already provided. The fact that some ATs/ECNs are not a part to the trade further complicates implementation.

Away From Market Transactions

FIF does not believe away from the market transactions should be disseminated publicly and questions whether they should even be reported for surveillance purposes. It is worth noting that TRACE does not require reporting of such transactions. Especially given the minimal number of repos on municipal securities, FIF recommends revisiting the value of reporting these transactions.

Consider the Fundamental Behavioral And Operational Challenges Associated With Pre-Trade Reporting

There are several operational and behavioral challenges that would need to be addressed in order to have accurate pre-trade data. It is important to recognize that the municipal security market does not have the velocity or volume of trading that the equity markets do and that the market structure for municipals is not conducive to a consolidated, pre-trade view of the marketplace. For pre-trade transparency to be accurate a number of factors must be addressed including:

- Integrating voice trading into a pre-trade reporting regime. Outside of ATs that act as a party to the trade, manual order entry processes would need to either be automated or accommodated into pre-trade reporting processes. FIF believes this will be a costly and cumbersome process.
- Addressing duplicate or stale bids. Today, customers place bids on multiple venues. If dealers were to enter bids there would be an exaggeration of actual interest. There is not enough information available today in trade reports to accurately filter out duplicative bids. Rigorous quality control will be required.
- Lack of supporting infrastructure and accompanying processes. Implementing a pre-trade regime would require new infrastructure and processes for the collection, storage and dissemination of pre-trade data. Managing this process and establishing the infrastructure will be a costly process that may be hampered by accuracy issues discussed above.

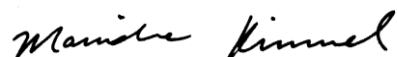
FIF believes that providing pre-trade data that is comprehensive and current is a significant challenge for the industry. FIF questions the benefit of knowing information about bids when there are no actual trades. The benefits of providing pre-trade reporting need to be weighed against the significant implementation and on-

going cost. Additionally, it is premature to determine data elements and protocols for submission until the fundamental questions surrounding the value of the data are addressed.

Rather than focusing on pre-trade data, FIF recommends implementing the achievable proposals which would increase transparency as described above.

In conclusion, FIF would like to thank the MSRB for providing the opportunity to comment on the proposed changes. We look forward to commenting on future rule filings that result from the concept release process in order to achieve efficient, cost-effective and beneficial regulation.

Regards,

A handwritten signature in black ink that reads "Manisha Kimmel". The signature is written in a cursive, flowing style.

Manisha Kimmel
Executive Director
Financial Information Forum



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Bedford
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USA

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www.interactivedata.com

November 1, 2013

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: MSRB Notice 2013-14

Dear Mr. Smith:

Interactive Data appreciates the opportunity to respond to the MSRB's request for comment on its Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a new Central Transparency Platform (CTP). We have been supportive of the initiatives that the MSRB has undertaken in recent years to bring new levels of transparency to the municipal securities marketplace, and we are optimistic that additional progress in this area will support a more robust, vibrant and efficient market for investors, state and local government issuers, other municipal entities and the public interest.

Background on Interactive Data Corporation:

Interactive Data Corporation is a leader in financial information. Thousands of financial institutions subscribe to our fixed income evaluated pricing, reference data, real-time market data, trading infrastructure services, fixed income analytics, desktop solutions and hosted, web-based solutions. Interactive Data's offerings are used to assist clients with mission-critical functions, including portfolio valuation, regulatory compliance and risk management.

For over 40 years, Interactive Data's Pricing and Reference Data business has been collecting, editing, maintaining, and delivering financial data, and has established itself as a leading provider of evaluated pricing for 2.8 million fixed income securities, international equities and other hard-to-value instruments including OTC derivatives. In recent years, we have invested considerable resources to expand our coverage and provide our clients with greater insight and transparency into the inputs used to derive our evaluated prices, as well as help automate and streamline key valuation processes. These offerings are complemented by a comprehensive range of reference data for more than 10 million securities encompassing listed markets pricing, identification information, corporate actions, and terms and conditions for current and historical fixed income securities.

We have long supported our clients' mission-critical activities in the municipal securities markets. In particular, Interactive Data currently delivers evaluated pricing on more than 1.1 million municipal securities and our descriptive reference data on this asset class covers over 4.6 million municipal securities.¹ These capabilities are complemented by best-in-class fixed income portfolio analytics. Interactive Data Pricing and Reference Data has built a strong presence within the U.S. mutual fund marketplace and currently counts 50 of the top 50 U.S. mutual fund companies as customers as well as

¹ Interactive Data's reference data coverage counts include instruments that are available in Interactive Data services, some of which may have matured or otherwise be inactive



49 of the world's 50 largest asset managers, 10 of the top 10 custodian banks, 48 of the 50 largest U.S. banks and 32 of the top 50 hedge funds.

Interactive Data's Views on Potential MSRB Enhancements to Pre-Trade and Post-Trade Transparency:

- **Pre-Trade Data:** In general, we support the MSRB's efforts to increase the level of pre-trade pricing information that is available in the municipal marketplace. In addition to helping investors with their trading activities, we believe that additional pre-trade information has potential to further inform the valuation models and underlying processes used by the investment community when market quotations are not readily available. Interactive Data's valuation techniques reflect market participants' assumptions and maximize the use of relevant observable inputs including quoted prices for similar assets, benchmark yield curves and market corroborated inputs. Further, by incorporating information from both the buy-side and the sell-side whenever possible, we strive to take a holistic, balanced view into the trading-related activity for a given security.

Given the overall lack of trading activity within the municipal securities market,² we believe that the MSRB's definition of pre-trade transparency within the Concept Release³ could be broadened to include additional sources of pricing information such as evaluated pricing. Our view is further supported by current MSRB rules such as G-18 and G-30, which establish requirements for dealers to trade with customers at fair and reasonable prices, and to exercise diligence in establishing the market value of municipal securities, including issues relating to the pricing of hard-to-value securities. In addition, MSRB rule G-43 outlines, among other things, how objective pricing criteria (which could include evaluated pricing services) is required to support the predetermined parameters of a broker's broker as part of its efforts to obtain a price for the dealer that is fair and reasonable in relation to prevailing market conditions.⁴ Considering these regulations in conjunction with overall trading trends in the municipal securities market, we believe that evaluated prices from independent third-party providers have potential to play an increasingly important role as a pre-trade data element.

- *Real-Time Evaluated Pricing:* We believe that evaluated pricing from independent third-party providers has potential for use that extends beyond traditional valuation applications to encompass a range of pre-trade activities, and we are evolving our development activities accordingly. For example, we are implementing continuous evaluated pricing processes and expanding our range of real-time fixed income pricing services to include real-time fixed income evaluations.⁵ We believe that real-time evaluated fixed income pricing will be a significant advancement for the industry by providing more timely insight into the valuation of complex securities (including municipal securities) that lack readily available market quotations. Given the costs involved in supporting the production and delivery of this information, we believe that it

² Based on the data from MSRB's 2012 fact book, there were 41,257 trades on just 15,217 unique securities in 2011. This implies that less than 2% of the potential universe traded that year (based on over one million different municipal bonds outstanding as of December 31, 2011), and that most of the bonds traded in the secondary market traded fewer than three times per year.

³ <http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-14.aspx?n=1>

⁴ <http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules-General/Rule-G-43.aspx?tab=2>.

⁵ <http://www.interactivedata.com/prdetail.php?pr=315>



would be best distributed via paid subscriptions (for example, either through the CTP in a venue on the EMMA website or via a data feed).

- **Developing Retail-Centric Pricing Information:** We believe that the evolution of public reporting of fixed income transactions can provide valuable information that can further inform both institutional and retail market participants. More specifically, Interactive Data worked with a prominent academic authority to jointly publish research in on trading costs for large and small trades in the corporate and municipal bond markets made possible by the addition of a direction of trade variable.⁶ We believe that this information can be used to develop additional valuation information designed specifically with retail investors in mind. Such data could potentially be provided either through the CTP in a venue on the EMMA website or via a data feed.
- **Benchmark Curves:** As highlighted in recent news stories⁷, the availability of benchmark curves on the CTP could help the MSRB further inform and educate investors about prevailing market trends. We are cognizant that not all benchmark curves are alike, and they can be constructed to support the needs of different constituents. Given the discrete investment and trading strategies used by investment managers and the investment objectives driving individual investors in this market, we believe that the MSRB should make a range of municipal benchmark curves available on the CTP. Further, we believe that such information should be accompanied by appropriate transparency into the methodologies used to generate such curves and the constituent bonds used to construct the curves. This would allow investors the opportunity to analyze the methodologies employed and then select the curve or curves that best meet their specific requirements.
- **Comparability Tools & Services:** In our view, the MSRB could further elevate the utility and value of the CTP with new tools and services that enable investors to analyze municipal securities of interest against other comparable securities that match pre-defined criteria and / or criteria that is customized by the investor. Interactive Data has extensive experience in this area.
 - Our VantageSM web application enables clients to visualize Interactive Data's evaluated prices within the context of a broad range of relevant market information, including public and proprietary market data inputs used in the evaluated pricing process. This functionality includes access to a range of comparable securities so that clients can view the market activity for those issues.⁸ To help assess comparability, Vantage also includes the ability to view the underlying reference data of those bonds.
 - Additionally, we currently use Vantage as the underlying platform to support FINRA with its Structured Trading Aggregate Reports, which are designed to provide transparency into market activity related to U.S. structured securities on a daily basis.⁹

⁶ <http://www.interactivedata.com/uploads/File/2010-Q4/prd/WhitePaper-201008.pdf>

⁷ <http://online.wsj.com/article/SB10000872396390444130304577559552349962744.html>

⁸ For more information about Vantage, please visit <http://www.interactivedata.com/VantageEvaluatedPricing/>

⁹ <http://www.interactivedata.com/prdetail.php?pr=14>



- **Post-Trade Data:** In terms of post-trade data, we believe that the MSRB itself should compute yield-to-worst for customer trades (as it already does for inter-dealer trades). Related to this, we believe that additional detail in terms of displaying the date by which this yield-to-worst calculation is determined (i.e. by call date, effective life or maturity date) would help provide greater consistency in how such data is used by the investment community.

Summary

Interactive Data appreciates the opportunity to comment on the MSRB's Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a new CTP. We believe that the CTP offers exciting potential to expand the breadth and depth of pre-trade and post-trade data that is currently available to market participants. In particular, we believe the following considerations will be important to the long-term development and utility of the CTP:

- Expanding the definition of pre-trade transparency to include a broader range of pricing information such as evaluated pricing;
- Enabling investors to benefit from industry innovations in the area of real-time evaluated pricing as well as other new retail-centric valuation information;
- Making benchmark curves available with appropriate transparency about curve construction methodology and constituent bonds;
- Providing new tools and services that allow investors the ability to compare and contrast municipal bonds that share certain characteristics; and
- Having the MSRB serve as the calculation agent for yield-to-worst for customer trades.

As a leading provider of evaluated pricing with a range of complementary content, services and capabilities, we believe that Interactive Data would not only benefit from pre- and post-trade transparency via the CTP but it also could contribute significantly to the CTP's adoption. We look forward to exploring the many different ways Interactive Data can support the MSRB on this important issue.

Sincerely,

A handwritten signature in black ink that reads "Mark Hepsworth".

Mark Hepsworth
President, Interactive Data Pricing and Reference Data
Interactive Data Corporation

Public Comment File

August 1, 2013

I have written a petition addressed to the congressional committee with oversight jurisdiction of your agency to review certain data regarding the municipal bond market as it presently operates.

Your agency is responsible to administer and regulate municipal bond market trading and the evidence clearly shows that dealers have a variety of unfair and unreasonable advantages over the retail investors. These advantages which are punishing the retail investor are tolerated and provided by your agency's failure to properly regulate the industry.

The evidence is very clear to any observer that the municipal bond dealers are making profits that are unreasonable because the MSRB has failed in its mission to regulate the municipal bond market.

I have researched and presented a data compilation which clearly shows the current operation of the municipal bond market.

I have combined data from my personal account with data reported to EMMA.

The lack of a public display of bids and offers in municipal bond market has:

a. consistently favored the DEALERS with unreasonable markups, gauging the retail customer. As an example the current markup in Cusip 57582pfx3 is 15-40 dollars per bond as displayed on EMMA over the last 30 days .

b. the current rules allow the dealers to ignore the best execution rules formulated and enforced by Finra and the SEC on all other security products and markets, except for derivatives which are currently unregulated . These same derivatives were purposely excluded from regulation by SEC and Finra and were the cause of the credit freeze and market collapse in 2008-2009.

The dealers are allowed to "hide" their best offers and best bids, {the very situation intended to be prohibited by the "best execution rules" in order to make the markets "fair" }and why the MSRB agency allows this practice to continue has not been explained , nor can it be explained other than to say the MSRB has failed miserably in its mission.

c. **the MSRB policies have restricted Liquidity** rather than provide liquidity.

A retail customer can not complete a trade on their own (without a dealer being in the middle) without a public display of bids and offers , because they cannot communicate with another retail customer who may have an interest, in buying or selling the same issue the same issue. The dealers do not display the retail customer offer and bids , so there is no market other than an opaque market which allows the dealers to gauge the retail investor. The argument for this advantage as put forward by the MSRB is that dealers bring liquidity to the market and this is an advantage for the retail customer. This argument would have merit if it were true , but it is not true.

I have been told by brokers that in a rising interest rate market (such as the current one) the dealers do not hold inventories and so **they are not providing ANY liquidity** .They are predators operating between retail clients and providing no capital as they only buy when they have a bid in their pocket which has to be higher than what they are paying to buy the issue. The seller of that issue can not see the higher bid and does not know that the bid exists.

Your agency could require the dealers display all bids and offers on a public platform and end this abuse immediately.

Comment on Notice 2013-14

from Cate Long,

on Friday, November 01, 2013

Comment:

I posted my comments on my Reuters blog:

<http://blogs.reuters.com/muniland/2013/11/01/munilands-central-transparency-platform-my-survey/>

This is so exciting!

all best, Cate

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Muniland's Central Transparency Platform: My survey

November 1, 2013 @ 2:37 pm

By Cate Long

MARKET COMPARISON

| | EQUITIES MARKET | CORPORATE DEBT SECURITIES MARKET | MUNICIPAL SECURITIES MARKET |
|---|--|----------------------------------|-----------------------------|
| # CUSIPS | N/A | 55,000 ¹ | 1,100,000 ¹ |
| # Issuers | 6,775 ² | 5,500 ³ | 55,000 ¹ |
| \$\$ Outstanding (\$ bln) | \$22,211 ² | \$8,325 ⁵ | \$3,719 ⁴ |
| Trading volume (unique) CUSIP (Average daily) | 5,766 ² | 28,097 ⁵ | 15,217 ⁶ |
| Par Amount (\$ mln, average daily) | \$110,560.00 ² | \$13,011.00 ⁵ | \$13,038.80 ⁵ |
| Number of Trades | 17,926,919 ² (Average daily - NYSE Only) | 41,307 ⁵ | 41,257 ⁶ |
| # of CUSIPS that don't trade on a given day | | -26,903 | -1,084,783 |
| Retail customers (Direct holdings, \$ bln) | 8,140.2 ⁴ | N/A | 1,657.7 ⁴ |
| Institutional customers (Direct holdings, \$ bln) | 14,071.2 ⁴ | N/A | 2,061.7 ⁴ |

[1]

The MSRB has published a [concept release](#) ^[2] about how it should design the new Central Transparency Platform (CTP). For the first time ever in muniland it will also gather and collect information on bids and offers before bond transactions occur (pre-trade). This information will be made available to the public. Here is how the MSRB describes the project:

With respect to pre-trade price transparency, there is currently no central location in the municipal market through which such pricing information is made broadly available to the public in a comprehensive manner. To the extent that pre-trade pricing information is available, it is typically provided by electronic networks operated by broker's brokers, alternative trading systems (ATS) and other similar systems, [\[7\]](#) ^[3] although such information also has sometimes been provided through non-electronic venues as well.

Typically, access to pre-trade pricing information is limited to market participants engaging directly with such venues and may be further limited to information regarding only those potential transactions involving the particular market participant, with information consisting of some or all of the bids and offers entered for a potential transaction.

The MSRB's Long-Range Plan envisions that the CTP would serve as the next-generation of RTRS and would include, in addition to enhanced public access to

real-time post-trade pricing information, new centralized public access to pre-trade pricing information, as well as related disclosure information, yield curves and other utilities for public users of the information.

This development is revolutionary for the municipal bond market. It will help non-dealer investors assess the fairness of prices they are being offered on a security. This will be the most significant step for municipal bond trading since the [MSRB RTRS trade reporting system](#) ^[4] was established.

Here are my responses to some of the questions in the Concept Release (in bold):

Consistency of Transaction Price Reporting

Currently principal trades (with the dealer markup included) are reported to the MSRB at the price they are done. Agency trades are reported as the trade price plus the dealer commission. The MSRB then calculates the yield for these trades.

Should the MSRB require trades done in wrap accounts (annual maintenance fee accounts, often investment advisor accounts) to be reported with a special indicator? **Yes.**

Should MRSB require disclosure of wrap fees? **Yes, but it would not be possible to extrapolate the fee to individual bond trades.**

Market of Execution

The MSRB currently identifies all transactions executed by a broker's broker [aka interdealer brokers]. This identifier is applied based on the broker's broker informing the MSRB that it acts in such capacity. The MSRB does not currently identify trades executed through an ATS [alternative trading system like Bonddesk or The MuniCenter].

- Should the MSRB require dealers effecting transactions through an ATS to include an indicator to that effect? **Yes.**
- Should such indicator be included in the information disseminated publicly? **Yes. If trades done on an ATS gave investors better prices they could request their order be routed there.**
- Are there other venues through which dealers effect transactions that should be reflected by an indicator? **OTC trades (dealer to dealer) should be identified.**
- For any trades subject to a venue indicator, would it be sufficient to indicate the type of venue or should dealers be required to identify the specific venue? **The specific ATS or venue should be identified. The information should be collected for compliance (best execution) and eventually for transparency purposes.**
- What would be the benefits and burdens of establishing such a requirement? **It is always done on equity trades and would be easily possible to collect and disseminate for bond trades.**
- Is the existing broker's broker indicator included on disseminated information useful? **Yes, some market participants use it to gauge dealer trading book changes.**
- Would a greater level of precision in the application of the broker's broker identifier be appropriate such that the dealers transacting with the broker's broker and/or the broker's broker itself include an identifier on the trade report to signify that the transaction was executed by a broker's broker in its capacity as such? **Yes.**

Transactions with Affiliated Entities

In recent years, some dealers have informed the MSRB that new corporate structures have been formed whereby some dealers establish several distinct corporate entities to perform specific functions.

For example, some corporate structures involve one corporate entity that holds inventory and another corporate entity that transacts with customers [see Fidelity]. In these cases, the corporate entity that transacts with customers will acquire bonds from or sell liquidated positions to the corporate entity that holds inventory

on an exclusive basis. Given the mechanical nature of these intra-corporate entity transactions and the fact that the prices at which these transactions occur are based on set arrangements raises questions about whether such transactions reflect negotiated arms-length transactions priced based on current market conditions. The MSRB seeks comment on the following:

- To what extent have dealers employed such corporate structures where transactions occur between two separate legal entities on an exclusive basis at prearranged pricing arrangements? **Unknown.**
- Are there other arrangements among dealers that present similar transaction reporting issues? **Any dealer internalization of order flow.**
- Should transactions arising from these corporate structures be identified as being "away from market" transactions or should a new indicator be used for identifying such transactions when they are reported? **A new indicator should be used so the MSRB can track the frequency and fairness of these transactions.**
- If a new indicator is used, should such transactions continue to be disseminated publicly and include this new indicator? **Yes, investors should be able to locate a trade they made on the trade tape even if done between two entities of the same corporate structure.**

Potential collection and dissemination of pre-trade information

- Would collection and public dissemination of additional pre-trade transparency by the MSRB improve pricing efficiency, investor confidence and liquidity in the market place? **Hallelujah. Angels will be singing.**
- Would providing such information publicly have any negative impacts on market participants or the marketplace in general? **Yes, over time dealer mark-ups will be reduced.**
- As an alternative to the MSRB collecting such information for public dissemination through the EMMA website, are there existing venues for public access to all or some of this information? **Not really for retail investors.**
- Do daily bids and offers available through these existing venues provide a true and reliable indication of market levels? **Some bids and offers are indicative and not executable.**
- Would providing access to these existing venues through the EMMA website, rather than providing the pre-trade information itself through the EMMA website, meet the MSRB's stated objectives for providing access to this information to the public? **No, the MSRB has the capacity to determine yields and scrub data. Vital for investors.**
- Would any of these venues provide access to issuers and investors, including retail investors, at no cost? **Not if the dealers have their way.**
- Are there other alternatives to achieving the goals of broadly available pre-trade price transparency that would be more effective or less burdensome than those described in this concept release? **No.**
- What types of information or tools should be provided along with the pre-trade information itself to help the public understand the nature and potential uses of the information? **Yield curves are useful.**

Technology and Protocols for Collecting Pre-Trade Information

In the January 2013 Concept Release, the MSRB sought input on certain baseline technology, processes and protocols relating to some of the potential new data elements or data types that might be included in the CTP to assist the MSRB in pursuing a CTP architecture that can support a broad array of data types in a manner that is most efficient for the MSRB as well as for market participants who may have a role in the submission or dissemination of such data.

In particular, in connection with the potential collection of pre-trade information, the MSRB sought input on the most effective methods currently used to disseminate such information among market participants, and whether such methods would be appropriate for the purposes of the CTP. The MSRB received only limited comments on these issues. The MSRB again seeks comment on these types of technology and protocol issues with respect to pre-trade information. Specifically:

- The MSRB understands that the FIX messaging protocol [20] [5] is commonly used in the fixed income market for purposes of entering bids and offers. Is there any reason why the FIX messaging protocol would not be appropriate for purposes of submitting pre-trade information to the MSRB? **There is no reason not to use this well established electronic trading protocol.** [6] **FIX is perfect for transmitting bids, offers, executions, confirmations and all stages of the trade cycle.**
- Are there alternative messaging protocols, and what are the relative merits of available alternatives as compared to the FIX messaging protocol? **No.**
- If the FIX messaging protocol is the appropriate method of collecting pre-trade pricing information, are there certain data fields, in addition to the ones listed above, that should be required from participants? **You need a working group from Bonddesk, The MuniCenter and anyone else currently using FIX to trade bonds to study this.**
- Are there any specific data transmission infrastructures currently in existence through which pre-trade information customarily is transmitted to trading venues that would be appropriate for the MSRB to consider utilizing if it were to collect pre-trade information? **No, not really. FIX messages can be transmitted in many types of packages or infrastructures. It is technology neutral.**
- If there are no such specific infrastructures commonly used for this type of data, or if such infrastructures might not be ideal for use by the MSRB, are there other technological processes that might be well adapted to the purposes described herein? **Just use FIX. It is battle tested and ready to take muniland to the next level.**
- If pre-trade information is to be provided to the MSRB on a real-time basis, should the MSRB seek to obtain such information after the bid or offer has been placed at the offering venue or simultaneously with the placing of the bid or offer? **Collect simultaneously but initially disseminate with a time lag.**
- If simultaneously, would existing infrastructures support a straight-through process by which the same message transmitted to the offering venue could be routed to the MSRB? **Absolutely. Again refer to how it is done in equity markets.**

Public Dissemination of Pre-Trade Information

The MSRB would display pre-trade information it collects through the CTP in a venue on the EMMA website designed to integrate pre-trade, post-trade and other related information for a particular security. In addition, the MSRB anticipates that such pre-trade information would be made available through paid subscription services through a data feed. The MSRB seeks comment on how such information should be displayed. Specifically:

- For pre-trade price transparency information to be beneficial to investors and market participants if available on EMMA, would such information have to be disseminated real-time, or near real-time, or would dissemination on a delayed basis be appropriate? **Do a phased, multi year roll out. Begin with 5 to 10 minute delay and then progressively shorten the time to dissemination.**
- If delaying the dissemination of the information is appropriate, how long could such information be delayed and still be beneficial to investors and market participants without becoming stale? **An investor could wait 5-10 minutes to see data before completing their transaction. The municipal market does not move that fast.**
- What type of educational material would be appropriate and necessary to accompany the pre-trade pricing information in order to provide a comprehensive guide of the data and its use that would permit non-professionals to make effective use of the information? **A description of the process of pre-trade data collection and dissemination would be most helpful to investors.**

Any interested market participants should forward their responses to this [Concept Release here](#). [7]

Table: [Sifma](#) [8]

[1] Image: http://blogs.reuters.com/muniland/files/2013/11/Long_11-1-13.jpg

[2] concept release: <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-14.aspx>

[3] [7]: http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-14.aspx#_ftn7

[4] MSRB RTRS trade reporting system: <http://www.msrb.org/Rules-and-Interpretations/Information-Facilities/RTRS-Facility.aspx>

[5] [20]: http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-14.aspx#_ftn20

[6] well established electronic trading protocol.:

http://www.fixtradingcommunity.org/mod/file/view.php?file_guid=42631

[7] Concept Release here.: <http://www.msrb.org/Comment.aspx?notice=2013-14>

[8] Sifma: <http://www.sifma.org/comment-letters/2013/sifma-submits-comments-to-the-msrb-on-requiring-dealers-to-adopt-a-best-execution-standard/>

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Comment on Notice 2013-14

from Steven Sayer,

on Sunday, November 03, 2013

Comment:

It's absurd to think that individual bond investors will "overload" on too much information. Really?



November 1, 2013

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

Re: MSRB Notice 2013-14: Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination Through a New Central Transparency Platform

Dear Mr. Smith:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates this opportunity to respond to Notice 2013-14² (the “Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) in which the MSRB is requesting comment on the specific data elements the MSRB is considering disseminating publicly through a new central transparency platform (the “CTP”) with respect to both pre-trade and post-trade pricing information.

As described in our comment letter³ on the MSRB’s first concept release on the CTP,⁴ SIFMA and its members support the concept of transparency, and have been very supportive of some of the MSRB’s past transparency initiatives, such as

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.

² MSRB Notice 2013-14 (July 31, 2013).

³ Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, SIFMA, to Ronald W. Smith, Corporate Secretary, MSRB, dated March 15, 2013.

⁴ MSRB Notice 2013-02 (January 17, 2013).

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the MSRB's Electronic Municipal Market Access ("EMMA") website, which launched March 31, 2008. There have been a series of initiatives that have brought a significant increase in the amount of information municipal securities brokers, dealers and municipal securities dealers ("broker dealers") are required by the MSRB to report over the past five years, including reset information on variable rate demand obligations and auction rate securities, variable rate securities documents, and new issue security information. These changes each represented monumental increases in transparency in the municipal securities market, particularly when combined with the move to real-time trade reporting on January 31, 2005.⁵ SIFMA feels it would be important to document that investors are actually using this vast amount of new information and that it is helpful to their investment decisions. More information for the mere sake of it can actually be harmful by causing investor confusion and obscuring material information.⁶

SIFMA continues to have some specific concerns about these proposals. We believe that some of these proposals will be misleading to investors, potentially harm liquidity and the health of the secondary market for municipal securities, and drive up transaction costs in the industry. We feel the benefits of these proposals do not measure up to the astronomical costs and burdens they will impose upon the broker dealers who will be required to send this information to the MSRB. Each significant change in transparency is driven by a change in reporting which not only costs the reporting dealer time and money to change their systems but also to add personnel to undertake the new reporting, surveillance, and supervision. One set of changes may take years to completely implement and reduce any error or late rates to a minimal number. Over the past few years, however, changes to the information required to be reported to the MSRB on new issues and trades has been continually changing. We suggest that the MSRB allow time for the full impact of the recent changes to be made on the market before making further significant changes to the amount of information required to be reported to the MSRB by broker dealers.

Additionally, there are significant information technology systems changes that are on the horizon, such as the Securities and Exchange Commission's ("SEC's") consolidated audit trail ("CAT") mandate, DTCC's shortened settlement cycle ("T+1") project and the implementation of the SEC's and MSRB's municipal advisor rules. There are too many significant changes going on in the industry at

⁵ The Bond Market Association's website investinginbonds.com was the first website to offer the MSRB's real-time trade reports. For almost a year it was also the only website that investors could get municipal securities trade information for free.

⁶ See, e.g., SEC Chair Mary Jo White discussing investor information overload here: <http://www.sec.gov/News/Speech/Detail/Speech/1370539878806#.UnM-Xr7D-1t>.

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this time and in the near-term to undertake further changes of this magnitude. We don't think it is prudent to implement these changes at this time. Any changes to broker dealer information reporting in the municipal market should be timed to coincide with other large systems changes in the industry for efficiency purposes in programming mainframes, testing data flow and bandwidth, developing new policies and procedures, and retraining staff. We also don't know the full downstream ramifications of these proposals. SIFMA's concerns about certain aspects of this concept release are more fully described below.

It is also important to note that changes to the trade reporting and dissemination systems are not simple and isolated tasks. Any change to one system at one firm many times has consequences that ripple throughout that firm's other systems and out-bound and in-bound processes. Also, the costs for any systems changes do not include other significant costs associated with additional surveillance, personnel, and system-fixes from the unintended consequences of these changes. These changes collectively would cost each member of the broker dealer community at least hundreds of thousands of dollars to make the systems changes proposed, and many millions of dollars industry-wide, not taking into account recurring surveillance, supervision and maintenance. While we cannot precisely report what these changes would cost to implement, we do have some collective experience with other similar changes⁷ and this is our best estimate. An effort of this magnitude would also take years to implement after the rule is final. Indeed, some of these changes would require a wholesale change in the way that the municipal securities secondary market functions and therefore its costs to investors and industry are difficult to quantify.

I. Post-Trade Price Transparency

A. Transaction Reporting of New Issues

i. Potential New Indicator for Conditional Trading Commitments

SIFMA and its members recognize that the marketplace may benefit from an MSRB indicator denoting that the post-trade pricing information for a transaction reflects pricing under a conditional trading commitment (a "CTC"). The indicator, however, would be operationally very difficult to implement and may be misleading because it's an indication only of the client's interest at that specific point in time. The date and time of the CTC would only be marginally additive, however, as many

⁷ A recent similar change includes adding the reporting of asset-backed securities to Financial Industry Regulatory Authority's ("FINRA") Trade Reporting and Compliance Engine ("TRACE") system.

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of these CTCs are also list offering trades made at a price already known to the market and disseminated.

After much discussion, SIFMA and its members have come to the conclusion that, taking into account the current Internal Revenue Code (“IRC”) rules with regard to issue price, and the proposed rules, that there is no practicable way to change the trade reporting system to assist with compliance with the issue price rules. Issue price is a term of art in tax law parlance. The current and proposed IRC rules rely on the lead or managing underwriter knowing who the end customer is of a bond in a supply chain. However, many times the lead or managing underwriter does not sell bond directly to the end customer, for a variety of valid reasons, including the inventory being held in one broker dealer and the customer accounts another, distribution agreements, etc. It is common for bonds to make two or more “hops” or trades before they land with the ultimate investor. The lead or managing underwriter does not have control over the bonds once they have traded away from their book, and they cannot “look through” the trades without a significant amount of diligence, research, and potentially certificates from every downstream trading partner. Unless and until the IRC determines issue price to be the prices at which the underwriter actually sold a certain percentage of the bonds, we fail to see how EMMA may help in this regard other than the List Offering Price indicators showing sales from the underwriter to the public at list price during the underwriting period⁸.

CTCs should definitely not be reported at the time the commitment is made. The CTC may not turn into an executable trade. Reporting the CTC at the time the investor indicated an interest in the security may lead to an overestimation in the amount of activity in that security. There are also specific operational concerns with respect to trade reporting CTCs. First, the required reporting of a flag on CTCs would require an entire rewrite of back office systems, which are not currently connected to the order entry and front office systems in a way that would easily be modified for this effort. For example, orders may be taken in an order entry system, prior to any CUSIP application for the issuance, but not reported as reporting is currently CUSIP-driven. Requiring reporting of CTCs prior to the Depository Trust and Clearing Corporation (“DTCC”) receiving new issue information into its U/W Source⁹ file from broker dealers would involve a rebuild of DTCC’s Real-Time Trade Matching (“RTTM”) system. Second, many firms are not necessarily able to automate the CTC process, thus creating a substantial burden

⁸ The IRS uses the term “offering period”, which is not defined, and is different than “underwriting period” as used in the MSRB Rules.

⁹ U/W Source was formerly called the New Issue Information Dissemination System (“NIIDS”).

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to manually process these CTCs. These systems changes would be very difficult to implement operationally.

ii. Potential New Indicator for Retail Order Period Trades

An indicator that a trade resulted from a retail order during the retail order period would not provide enhanced transparency benefits to the marketplace. The MSRB has not defined “retail”, or the components of a retail order period, if there is one. As “retail” can be defined in many different ways from issuer to issuer, or even issue by issue, the value of collecting and disseminating this information is of no value. Also, a single party can be acting in different capacities, which would further complicate the reporting. It would be impracticable to collect and disseminate this information. It would take an enormous amount of time to collect all this information as it would be a manual process due to the variances in the definition of “retail” from transaction to transaction. Current front office systems also don’t capture this information currently, so it would be a significant change to current systems for every broker dealer across the industry. Also, retail order period rule changes are already scheduled to take effect in March 2014.¹⁰ Those rules will likely require information technology systems changes. If the MSRB is already contemplating additional reporting requirements for retail order periods, SIFMA feels that it would be more efficient to defer implementation of the new rules until all the information technology systems work can be done at once.

If enforcement regulators are looking for this information, then this information is already in the internal books and records of each broker, dealer or municipal securities dealer (“broker dealer”) for the purposes of compliance with Rules G-11 and G-8. The regulatory audit trail already exists for enforcement authorities to examine during their routine examinations of broker dealers.

iii. Existing Indicator for List Offering Price and RTRS
Takedown Transactions

SIFMA and its members feel the current List Offering Price/RTRS Takedown Transaction indicator a useful indicator for users of disseminated pricing information. The price at which List Offering Price trades occur are now known to the public on a timely basis through the basic security information reported by broker dealers to the DTCC’s U/W Source system, and the initial offering scale is published on EMMA after the formal award of the bonds. SIFMA does not feel that any delay in reporting the principal amount and number of trades sold at the

¹⁰ 78 Fed. Reg. 60,956 (2013).

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List Offering Price until the end of the trading day adversely affects transparency or otherwise negatively impacts some market participants during the first day of trading in a new issue. Any negative impact on market transparency is negligible. Changing this rule to shorten the end-of-day exception on List Offering Price trades would greatly increase the technology needs and electronic throughput of broker dealers, as the new issue process requires the processing of a large amount of trades on the first day of trading. As described in our prior letter, if this end-of-day-reporting exception is eliminated, then large transactions with up to 100 syndicate members and thousands of trades will need to be pushed through a firm's systems much faster than in today's environment. Swing trades and accounting for sales credit can further complicate the process. New issue trades may be making as many as 4 "hops" before the information can be sent to the MSRB. For instance, information may be created in an underwriter's "book running" system, then get sent to a clearing firm, then to the correspondent firm's middle office system, then to its back office system, and finally to the National Securities Clearing Corporation ("NSCC"). It can take hours for orders to process out of a book running system alone and make it to a broker dealer's middle and back office systems for reporting to the MSRB's Real-time Transaction Reporting System ("RTRS"). Speeding up the reporting deadline for these transactions might include redesigning systems to report from their "front end" (the earliest data location where all required trade data is present), which would be a very costly task¹¹ for no perceived benefit.

Broker dealers are already required to report to DTCC's U/W Source¹² system the initial offering scale for new issues. U/W Source was built for the purpose of collecting new issue information including rates. Broker dealers should not be required to indicate the date and time when the scale was established, as this information does not increase transparency in any material way. We also have operational concerns about reporting this information to MSRB or DTCC. For example, it should be noted that there is some ambiguity as to when a scale has been established (e.g. is it the time of the verbal award), or reset.

The List Offering Price indicator and related end-of-day reporting exception should not be subsumed within any new conditional trading commitment

¹¹ The costs include not only more bandwidth for information, but also would require sending more information in each trade report message. As each of these message packets gets larger, bandwidth requirements increase exponentially.

¹² The development of the U/W Source system took over 3 years, a significant spend not only by DTCC but also of the broker dealer community, and was a monumental effort to move data inputting of new issue information from DTCC to the broker dealers.

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submission requirement. This information is currently known to market participants.

The MSRB should not establish a requirement that the discount from the published list offering price for RTRS Takedown Transactions also be published to EMMA as a condition to providing dealers with an end-of-day reporting exception for such trades. Takedown discounts for new issues are not structured in a manner conducive to uniform reporting through EMMA. Other market participants are not typically interested in how underwriters are splitting the takedown. SIFMA would like to point out that the MSRB already collects this data, so it may decide to publish this data without additional direct burden on the broker dealers.

If dealers were required to report any such additional items of information regarding List Offering Price/RTRS Takedown Transactions, we feel the costs and burdens would outweigh any benefits of such additional information. This change to the systems would require resources and investment in infrastructure that may marginally benefit market participants, if at all, and may potentially have a negative impact on market liquidity.

Also, distribution arrangements or marketing agreements in the primary space are being used with increasing frequency. Broker dealers do not get an end-of-day reporting exception for primary offering trades to distribution partners if the distribution partner is not technically a primary offering participant in the syndicate. Therefore, broker dealers need to report certain trades with distribution partners within 15 minutes while all other primary allocations get the end-of-day exception. SIFMA and its members feel these trades should get the same end-of-day exception as other List Offering Price trades. As described in our prior letter, SIFMA believes that firms that have these marketing relationships and distribution agreements that function as primary market distribution vehicles should get the benefit of the takedown transaction end-of-day exemption because the agreements obligate these firms to trade at list offering prices in the same fashion as the underwriters. Further, we request the MSRB clarify that a firm that has executed a primary market distribution agreement with an underwriter is a "selling group member" for purposes of G-14 RTRS Procedures section (d)(ii).

B. Transaction Yields

In the Notice, the MSRB seeks comment on whether to modify the yield reporting components of trade reporting. SIFMA feels that although in theory it would be helpful to eliminate dealer yield to worst reporting for customer trades in an effort to harmonize the reporting paradigm with FINRA's TRACE system, in practice this is not practicable. The broker dealer is that party that has calculated the yield upon which the security has traded with the customer, communicated that information to their customer, and put that yield on the customer's G-15 confirm.

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There are many reasons and scenarios why the dealer calculated yield and the MSRB's calculations of yield do not match. These situations include trading based on yield to average life, continuously callable securities, and questionable holidays and market closes, all which cause a significant amount of questionable trades. To calculate yield to worst, the MSRB would need to maintain a security master database, and permit dealers to do additional calculations on the trade reporting screens to determine yield to worst. As yield to worst is required to be on a customer confirm, we question how that yield would get back through the systems onto a customer confirm if the dealer itself didn't calculate that yield. This programming effort would be a significant rebuild from the current system on both the MSRB and dealer sides, and we question the value. Yield to worst is an important data point that customers and other dealers use to calculate various yields they need that provide important price transparency in the market. Broker dealers have a responsibility to report an accurate yield to worst calculation to their clients, so the MSRB should not eliminate this requirement. Also, eliminating the requirement to provide yield to worst would not reduce the burden on the broker dealers, as their systems are currently programmed to provide this information. If the MSRB does decide to compute yield to worst, then it should eliminate the requirement for reporting of yield to worst by the broker dealers in these customer transactions to avoid redundancy.

The MSRB queried whether it should require dealers to include in their trade reports, and should the MSRB disseminate publicly, the date and redemption price to which yield is calculated if other than the nominal maturity date and value. SIFMA and its members feel that call date and redemption price might be interesting data point for additional transparency. However, broker dealers currently report yield to worst, which is sufficient information for market participants to calculate other information that is it needed. Any change to this requirement would create unnecessary burdens and costs on dealers and outweigh any potential benefits.

The MSRB also asked if the MSRB should require dealers to include in their trade reports for trades effected based on a yield other than yield to worst, and should the MSRB disseminate publicly, the yield at which such trade was effected and the date to which such yield is calculated. There are scenarios when a broker dealer is trading on yields other than yield to worst, such as yield to average life. However, yield to worst information should be the only yield calculation required to be reported as it can be used to calculate the yield to maturity and yield to call. Any change to this requirement would create an unnecessary burden on dealers in terms of the resources, infrastructure and data sources needed to build out new systems when such information can be easily calculated or known by market participants. There are no additional yield calculations that the MSRB should be considering or should be calculating itself.

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Finally, the MSRB asks whether having multiple yields publicly disseminated for some or all trades would be confusing or misleading to users of this information, or would it provide greater price transparency that would outweigh any potential confusion. SIFMA and its members feel that having multiple yields publicly disseminated for some or all trades could potentially cause more confusion as market participants currently have the information they need to calculate all the yields they need. Any such additional information should be on a “drill down” screen that is not on the face of the transparency system.

C. Consistency of Transaction Price Reporting

With regard to the consistency of transaction price reporting, the MSRB asks what would be the best approach for handling trades with non-transaction-based compensation arrangements, and should the MSRB require dealers to report the nature of such compensation arrangements? SIFMA and its members feel that in order to provide the users of trade transparency products information about valid reasons for variations in trade prices, there should be an indicator to indicate trades with non-transaction-based compensation arrangements. We feel that it would be sufficient to require dealers to report this indicator and for the MSRB to disseminate this indicator. It should be noted, however, that there will be a cost associated to the entire industry to build out this field.

SIFMA and its members feel that disclosing the exact nature of such non-transaction-based compensation arrangements is extremely burdensome, as they can be variable, individually tailored, and the terms not readily input into the trade reporting system. These non-transaction-based compensation arrangements are private agreements between the investment manager and their client. The terms of these arrangements have little transparency value to other market participants. The infrastructure cost to provide such information would vastly outweigh any potential benefits, and thus we recommend only the inclusion of an indicator denoting that a trade was subject to a non-transaction-based compensation arrangement, without requiring the reporting of the exact nature of such arrangement.

D. Market of Execution

In examining transparency of information relating to market of execution, the Notice asks if the MSRB should require dealers effecting transactions through an ATS to include an indicator to that effect and if such indicator should be included in the information disseminated publicly.¹³ Are there other venues through

¹³ It is interesting to note that not all ATSs are the same. At least one ATS acts as a principal. Other municipal ATSs act as agents, and once a contract to purchase a security has been formed, they step aside and the

(Continued)

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which broker dealers effect transactions that should be reflected by an indicator? For any trades subject to a venue indicator, would it be sufficient to indicate the type of venue or should dealers be required to identify the specific venue? What would be the benefits and burdens of establishing such a requirement? SIFMA and its members fail to see the tangible transparency benefits to the market of such an indicator, and thus dealers should not be required to identify the specific venue.

The MSRB asks in the Notice if the existing broker's broker indicator included on disseminated information is useful. They also query whether a greater level of precision in the application of the broker's broker identifier is appropriate, in that the dealers transacting with the broker's broker and/or the broker's broker could be required to include an identifier on the trade report to signify that the transaction was executed by a broker's broker in its capacity as such. SIFMA and its members feel that the way the broker's broker identifier is currently applied and displayed is sufficient¹⁴. We feel that requiring a broker's broker identifier to be used on each such trade adds additional costs for systems programming, and potentially manual processing for those transacting with broker's brokers, but this information would not add significant additional value. If this indicator is added at all, it should only be required to be input by broker's brokers to signify transactions that were executed by them in that capacity. This would be the only possible implementation of such a change that would not require widespread manual processing of trades.

E. Away from Market Transactions

The MSRB queried in its concept release that although the price at which "away from market" transactions are effected may not be reflective of current market value, does the failure to report the existence of such trades, including the principal amount and number of trades, adversely affect transparency or otherwise negatively impact some market participants? SIFMA and its members feel that "away from market trades" occur only in exceptional cases. It may negatively impact some market participants if such information is disseminated, as it is not a correct representation or indication of the current market price. The current

(Continued)

two counterparties trade directly with each other. SIFMA would like the MSRB to acknowledge these differences between ATSS.

¹⁴ Municipal securities broker's brokers typically facilitate interdealer trades. If a broker's broker is not acting as an interdealer broker and makes a customer trade, that trade would already be marked as a customer trade in EMMA. A broker's broker trade made with a customer would clearly indicate that the broker's broker was not acting as an interdealer broker on that trade.

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requirement to report, and the subsequent dissemination of, all executed market trades, is sufficient.

The MSRB also asks if there would be benefits to publicly disseminating the principal amount, without the price, of away from market trades with an indicator that the trade occurred at a price “away from the market”? Would there be any negative implications of disseminating such information? Would delayed reporting of “away from market” trades be appropriate and, if so, what would be the appropriate delay? These trades are required to be reported to ensure completeness for regulatory audit trail purposes, but the prices reported are of no value to market participants. SIFMA and its members are concerned that disseminating such information would be burdensome, not provide additional information of value for transparency purposes, and may provide a false understanding of market levels, even if only released on a delayed basis.

Further, the Notice requests a description of other possible categories of “away from market” trades, in addition to those noted, that should be explicitly recognized by the MSRB as qualifying for the end-of-day reporting exception. SIFMA and its members feel that there are no additional categories of “away from market” trades that should be recognized by the MSRB.

The Notice requests information about any categories of “away from market” trades that should be fully exempted from reporting, even for surveillance purposes. The MSRB questions whether providing such a full exemption has any negative impact on the marketplace, directly or indirectly as a result of potentially impeding the ability of regulators to surveil the marketplace or to enforce applicable MSRB rules and would any such full exemption be consistent with current processes within the broader securities market to develop a consolidated audit trail. It is the understanding of SIFMA and its members that the municipal securities market is the only market that requires the trade reporting of customer repurchase agreement trades, unit investment trust (“UIT”) –related trades, and certain tender option bond (“TOB”) program-related trades. We feel the reporting of these “away from market” trades should be fully exempted from reporting as it would harmonize the reporting rule to those in other markets creating a uniform consolidated audit trail. Similarly, the MSRB should clarify that creations and redemptions of exchange traded funds are not required to be trade reported,¹⁵ which is the position taken by the SEC regarding TRACE reporting. As noted in our prior letter, as efforts are being made to harmonize the MSRB and FINRA rules, we believe

¹⁵ See, letter from David L. Cohen, Managing Director and Associate General Counsel, SIFMA, to Ronald W. Smith, Corporate Secretary, MSRB, dated February 19, 2013 on MSRB Notice 2012-63 (December 18, 2012) relating to G-14.

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special attention should be paid to the fact that the TRACE system does not require the reporting of customer repurchase agreement transactions. Also, pursuant to FINRA Rule 6730, list offering price transactions or takedown transactions only need to be reported on the next business day (T+1), instead of the end of day on trade day, as is required under the MSRB rules. Consistency with TRACE in trade reporting paradigms would be preferable. The reporting of this information is burdensome upon broker dealers, it has no transparency value and there is no negative impact created by discontinuing the reporting requirement. Regulators needing to surveil the marketplace are able to do so through the audit process as these trades are still captured by MSRB Rule G-8 and a firm's books and records.

F. Transactions with Affiliated Entities

In the Notice, the MSRB asks to what extent have dealers employed such corporate structures where transactions occur between two separate legal entities on an exclusive basis at prearranged pricing arrangements, and if there other arrangements among dealers that present similar transaction reporting issues. In all cases, the movement of securities between affiliated entities is currently captured for regulatory audit trail and transparency purposes, and disseminated.

Some SIFMA members have affiliates that engage in arms-length principal trading with each other, as they would any other counterparty. These trades would not be subject to prearranged pricing arrangements and would be at market rates.

SIFMA and its members also recognize that in some firms, the inventory of securities is held in one corporate affiliate and needs to be transferred to a different corporate affiliate in order to effect a transaction with a customer. These structures exist for valid business reasons including centralization of inventory and risk analysis. We believe that the movements of inventory between these affiliated entities are typically done on an agency or riskless principal basis without a markup or markdown. The reporting and dissemination of these interdealer trades may appear, however, to artificially inflate market volume. Another issue is that for mere movements of municipal securities between related affiliates, broker dealers get charged regulatory reporting fees for these trades, including the MSRB's \$1.00 per trade technology fee, the MSRB's .001% of par value transaction assessment, the GASB fee collected by FINRA and the FINRA trading activity fee.

The MSRB next asks if transactions arising from these corporate structures should be identified as being "away from market" transactions or should a new indicator be used for identifying such transactions when they are reported, and if a new indicator is used, should such transactions continue to be disseminated publicly and include this new indicator. SIFMA believes systems changes to include such an indicator would be costly and not be useful for industry members unless it is accompanied by a related waiver of regulatory fees for such trades.

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II. Pre-Trade Price Transparency

The MSRB is seeking comment on the potential collection and dissemination of pre-trade price information. SIFMA does not support the collection and dissemination of pre-trade price information at this time. We feel that not all transparency is created equal. The collection and dissemination of pre-trade price information would likely cause a monumental shift in the market, potentially causing wholesale changes to behavior and unintended consequences. We have serious concerns about the potential negative impact on investors and liquidity in the secondary market. Traders invest time and capital in researching, committing capital and putting bids on bid wanted items. Bidding firms feel that bid information is proprietary and should not be publicly disseminated. SIFMA and its members have concerns that the collection and public dissemination of pre-trade transparency by the MSRB would potentially encourage other market participants to use this information to penny up and take advantage of firms who have invested intellectual capital and infrastructure to provide liquidity in the municipal bond market. It may benefit some market participants in the short term but may eventually destroy the whole fabric of the municipal market in the longer term as broker dealers would refuse or limit bidding unless there is a firm order. Broker dealer firms would be disincentivized to put in the time and investment to continue providing liquidity in the municipal securities secondary market. SIFMA members believe that only a small percentage of the bid wanteds offered for sale every day actually trades. Many dealers feel that this proposal will create a significant impact on liquidity and investor's willingness to commit capital to this comparatively illiquid market.

SIFMA and its members feel that requiring dealers to individually report pre-trade information would be creating a completely new process and set of systems that will be almost impossible to implement with astronomical costs. We have concerns that such reporting would necessarily be a highly manual and thus expensive process. It is unclear as to who is the appropriate party to supply this information and report it to the MSRB. Based on price valuations and price changes, it would put an enormous burden on a broker dealer's infrastructure, vis a vis increased traffic flow, to route all offerings to the MSRB every time a trader clicks on the offerings. Managing the reporting of this much data daily in a practicable way is an almost insurmountable implementation issue for a market that has over 1.1 million outstanding securities of which it is estimated that 20,000 different items commonly go out to bid daily. Traders would spend time doing data entry instead of the core function of trading and providing liquidity to clients. Firms would need to build out systems to record such one-to-one communications for dissemination. A lot of the systems that support bids and offers are supported and run by outside vendors. The fact that the information is not in-house adds to the complexity of implementing this proposal. Requiring that bids be matched with

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executed trades would essentially require a rebuild of RTTM. All firms would need to technologically house thousands more items in their security master databases than they currently do, as they would need to have the information on hand for any securities that were the subject of a bid wanted, and not just securities that traded. Firms periodically cleanse their security master databases to eliminate items that have not traded recently to ensure reasonable search cycles and processing times. As databases grow increasingly large, search and retrieve cycles slow and the incidence of problems with database integrity increase. It may cause stability and performance issues on a broker dealer's technology infrastructure if they are required to transmit hundreds of thousands of records containing pre-trade price information, in addition to storing that information for books and records purposes. Any systems build of this nature will be extremely expensive, which we feel vastly outweighs the perceived benefits.

It would be impossible for the MSRB or other market participants to distinguish and filter out throw-away bids. This is a reason why only executed trades are truly indicative of market levels. Executed trades are already reported within 15 minutes, and these trades give investors to best indication and color of the market. Any information on executed inter-dealer transactions is already being matched at DTTC's RTTM for price confirmation. It would be a duplicate effort for MSRB to match bids and offers to a particular executed transaction as this information is currently available in the market.

There is currently no central repository that contains pre-trade information. There are no alternatives that would achieve the goals of making broadly available pre-trade price transparency that would not hurt the municipal market in the long term. SIFMA believes partial pre-trade price information may be available on a consolidated basis through current and future information service providers. SIFMA believes information from these sources would meet the MSRB's stated objectives for providing access to this information to the public. Utilizing these sources for information may serve the needs of the MSRB without unnecessarily burdening the entire market.

However, there are also issues with the MSRB providing this information directly to the public, regardless of its source. Members of the public will be under the false impression that they can click through to execute a trade on this system. Assuming the MSRB is not planning on starting an exchange, investors would need to set up accounts with each dealer they wanted to trade with that had an offering shown on the system, a process that takes days to weeks to complete. Client onboarding is not a fast and simple task as there are many regulatory steps a dealer must complete, including "know your customer" rules, anti-money laundering rules, and investment suitability determinations. Educating the public about how over the

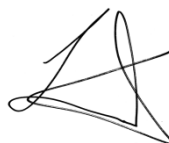
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counter markets like the municipal bond market work would be helpful to increase the general public's level of understanding about trading municipal securities.

* * *

SIFMA and its members are supportive of additional transparency insofar as additional costs and burdens are not put upon the industry without commensurate benefits. As discussed above, we do have that the costs for implementing these proposals vastly outweighs any perceived benefits. We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned at (212) 313-1130.

Sincerely yours,

A handwritten signature in black ink, appearing to be 'L. Norwood', written over a faint, large, stylized letter 'A' that serves as a watermark or background for the signature.

Leslie M. Norwood
Managing Director and
Associate General Counsel

cc: ***Municipal Securities Rulemaking Board***
Lynnette Kelly, Executive Director
Ernesto A. Lanza, Deputy Executive Director
Gary L. Goldsholle, General Counsel
Justin R. Pica, Director, Product Management – Market Transparency
Marcelo Vieira, Director of Research



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Member FINRA/SIPC

November 1, 2013

Via E-mail to <http://www.msrb.org/CommentForm.aspx>

Ronald W. Smith, Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, Virginia 22314

**RE: MSRB Notice 2013-14 Concept Release on Pre-Trade and Post-Trade Pricing
Data Dissemination Through a New Central Transparency Platform**

Dear Mr. Smith:

Wells Fargo Advisors, LLC (“WFA”) appreciates the opportunity to comment on the Municipal Securities Rulemaking Board’s (“MSRB” or “the Board”) concept release regarding implementation of a central transparency platform for dissemination of pre- and post-trade pricing data. WFA commends the Board’s consideration of both “potential benefits and burdens” associated with its long-term plan for municipal market transparency.¹

WFA consists of brokerage operations that administer almost \$1.4 trillion in client assets. It employs approximately 15,268 full-service financial advisors in branch offices in all 50 states and 3,340 licensed financial specialists in 6,610 retail bank branches in 39 states.² WFA offers

¹ MSRB Notice 2013-14 Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination Through a Central Transparency Platform, (July 31, 2013), <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-14.aspx?n=1>.

² WFA is a non-bank affiliate of Wells Fargo & Company (“Wells Fargo”), a diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance across the United States of America and internationally. Wells Fargo has 275,000 team members across more than 80 businesses. Wells Fargo’s brokerage affiliates also include Wells Fargo Advisors Financial Network, LLC (“WFAFN”) and First Clearing, LLC, which provides clearing services to 88 correspondent clients, WFA and WFAFN. For the ease of discussion, this letter will use WFA to refer to all of those brokerage operations.

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a range of fixed income solutions to its clients, many of whom regularly transact municipal securities in the secondary markets.

WFA supports the MSRB's objective of improving price transparency in the municipal bond market and applauds efforts to enhance access to meaningful pricing data for retail investors. Although WFA is not addressing each of the inquiries in the MSRB's concept release, the comments herein highlight certain burdens and benefits that WFA believes merit additional consideration as the MSRB evaluates potential price transparency initiatives. In particular, WFA is concerned that the collection of pre-trade pricing data would prove burdensome for market participants and runs the risk of confusing retail investors if disseminated. On the other hand, WFA supports the objective of delineating transactions for which fees are charged on a non-transactional basis when reporting transaction pricing data.

I. The MSRB Should Focus on Enhancing Investor Understanding and Use of Existing Transactional Data Rather than Disseminating Potentially Misleading Pre-Transaction Data.

WFA supports the MSRB's objective of improving market transparency for municipal bonds by providing meaningful information to retail investors and improving the functionality of the Electronic Municipal Market Access system ("EMMA"). However, WFA is concerned that a requirement to report pre-trade data will not yield more clarity as to the nature of pricing in the thinly traded municipal securities market, and, in fact, will prove burdensome for market participants. Moreover, in light of structural limitations in the municipal market, the dissemination of pre-trade information risks distorting, rather than clarifying, investor understanding of municipal activity levels and pricing.

There are critical distinctions between the market for municipal securities and that for equities which would not be addressed by the collection and dissemination of pre-trade data. Only about one percent of the more than 1 million municipal securities outstanding trade on any given day.³ Likewise, as the Securities and Exchange Commission ("SEC" or "the Commission") acknowledged in its report on the Municipal Securities Market, "firm bid and ask quotations are generally not available for all municipal securities."⁴ The MSRB has not established that the potential collection and dissemination of bid or offer data will translate to an increase in the number of municipal securities for which a firm bid and ask quotation will be available.

In contrast to the municipal market, equities trade in linked markets from which market participants can generally identify the national best bid or offer ("NBBO") for a given stock. Although there are certain electronic trading platforms that reflect indicative bids or offers for a small number of the municipal bonds outstanding, the extent to which these bids represent the

³ Securities and Exchange Commission Report on the Municipal Securities Market, (July 31, 2012,) 113, <http://www.sec.gov/news/studies/2012/munireport073112.pdf>

⁴ *Id.* at 118.

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actual depth of market for any given municipal security is limited because “the same trading interest” may be reflected on multiple such platforms.⁵

Furthermore, the concept release suggests the MSRB may consider a requirement that bid and offer activity pursuant to traditional voice brokerage activity be subject to a specific reporting requirement. Under this scenario, dealers would need to develop new systems and supervisory processes to comply with the reporting requirement regardless of whether the reported activity results in a transaction. To the extent this activity results in a trade, such reporting would be duplicative since dealers must already report transactions to the MSRB. Moreover, burdensome and duplicative reporting requirements could further discourage participation in the municipal markets by some dealers, leading to higher levels of trading volume concentration among a smaller number of dealers.⁶

In view of the aforementioned structural and competitive implications, the dissemination of potentially misleading or duplicative pre-trade data risks exacerbating the information gap between retail investors and more sophisticated market participants. The SEC has acknowledged that retail investors “may not have the expertise” to effectively use existing sources of municipal pricing information, including comparable trade information currently available for free through EMMA.⁷ Indeed, WFA notes the mere dissemination of pricing data does not translate to the effective use of such data. Even sophisticated institutional investors often rely upon a host of resources to interpret informational tools, including publicly available transactional data, when deriving the proper price of a municipal bond.⁸

WFA applauds the MSRB’s ongoing efforts to educate retail investors about the municipal market and to improve the accessibility of pricing data currently available through EMMA.⁹ WFA urges the MSRB to evaluate the success of these initiatives in improving retail investor awareness prior to undertaking measures to expand the dissemination of more complex and nuanced municipal market data.

II. WFA Supports the Use of a Trade Type Indicator Denoting Transactions for Which Compensation is not Trade Based.

Among the potential post-transaction pricing data enhancements that the MSRB is considering are improvements to make it clear when a transaction does not involve a transactional fee, such as transactions undertaken for a wrap fee account.¹⁰ WFA agrees the market would benefit from greater clarity about transaction prices reported under these circumstances. As the MSRB considers how to achieve its objective of delivering meaningful

⁵ *Id.* at fn 713.

⁶ *Id.* at 113.

⁷ *Id.* at 122-23.

⁸ *Id.* at 121-22.

⁹ *See, for example*, the MSRB video “Discover the EMMA Website,” part of the MSRB Municipal Investor Toolkit, <http://www.msrb.org/Municipal-Bond-Market/Investor-Resources/Investor-Toolkit.aspx>.

¹⁰ MSRB Notice 2013-14.

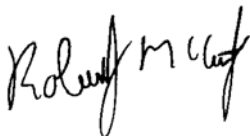
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pricing data, WFA believes the Board should focus on facilitating efficient compliance with dealer reporting requirements and simplicity of interpretation of disseminated pricing data. Accordingly, WFA supports the use of a trade indicator, which dealers would report and the MSRB could disseminate to denote a transaction is subject to non-transaction based compensation.

Conclusion

WFA appreciates the opportunity to share its views about dissemination of pre- and post-trade pricing data via a new central transparency platform and commends the MSRB for its continued efforts to improve pricing transparency. WFA believes the comments above will facilitate the MSRB's objective of improving transparency without unnecessarily burdening dealers or confusing retail investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. McCarthy". The signature is written in a cursive, slightly slanted style.

Robert J. McCarthy
Director of Regulatory Policy



Regulatory Notice

2014-14

Publication Date

August 13, 2014

Stakeholders

Municipal Securities
Dealers, Investors,
General Public

Notice Type

Request for
Comment

Comment Deadline

September 26, 2014

Category

Uniform Practice;
Market
Transparency

Affected Rules

[Rule G-14](#)

Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform

The Municipal Securities Rulemaking Board (the MSRB) is requesting comment on enhancements to the post-trade municipal securities transaction data that would be disseminated from a new central transparency platform (the “CTP”) as contemplated under the MSRB’s [Long-Range Plan for Market Transparency Products](#), (January 27, 2012) (the “Long-Range Plan”). The MSRB is seeking input from all interested parties on specific enhancements to the post-trade transaction information currently collected and disseminated publicly by the MSRB. Furthermore, this notice is intended to elicit input on the potential benefits and burdens associated with the proposed enhancements to post-trade transaction information, which would be made available to the public through the MSRB’s Electronic Municipal Market Access (EMMA[®]) website¹ and related data feeds, as well as input on potential alternatives to achieving the goals enunciated below.

Comments should be submitted no later than September 26, 2014 and may be submitted in electronic or paper form. Comments may be submitted electronically by clicking [here](#). Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. All comments will be available for public inspection on the MSRB’s website.²

¹ EMMA is a registered trademark of the MSRB.

² Comments are posted on the MSRB website without change. Personal identifying information such as name, address, telephone number, or email address will not be edited from submissions. Therefore, commenters should submit only information that they wish to make available publicly.

Questions about this notice may be directed to Justin R. Pica, Director, Product Management - Market Transparency, at 703-797-6716.

Background

MSRB Rule G-14 currently requires brokers, dealers and municipal securities dealers (collectively “dealers”) to report all executed transactions in municipal securities to the MSRB’s Real-time Transaction Reporting System (RTRS) within 15 minutes of the time of trade, with limited exceptions.³ RTRS serves the dual objectives of price transparency and market surveillance. Because a comprehensive database of transactions is needed for the surveillance function of RTRS, Rule G-14, with limited exceptions, requires dealers to report all of their purchase-sale transactions to RTRS, not just those that qualify for public dissemination to serve the transparency function.⁴ The MSRB makes transaction data available to the general public through the EMMA website at no cost simultaneously with the dissemination of such data through paid subscription services to market data vendors, institutional market participants and others that subscribe to the data feed.

The MSRB’s Long-Range Plan envisions that the next-generation of RTRS will be an integral part of the CTP, which also will include, in addition to enhanced public access to real-time post-trade transaction information, new centralized public access to pre-trade pricing information, as well as related disclosure information, yield curves and other utilities. Two concept releases on the CTP have been published for comment by the MSRB that sought input on enhancements to post-trade transaction information. The initial concept release on the CTP, [MSRB Notice 2013-02 \(January 17, 2013\)](#) (the “January 2013 Concept Release”), provided background information on the MSRB’s initiative under the Long-Range Plan to develop the CTP and sought input on the appropriate standard for “real-time” reporting and dissemination of transaction price and related information through the CTP, as well as on baseline technology, processing and data protocols for post-trade transaction information. The second concept release on the CTP, [MSRB Notice 2013-14 \(July 31, 2013\)](#) (the “July 2013 Concept Release”), sought

³ Transactions in securities without CUSIP numbers, in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are the only transactions exempt from the reporting requirements of Rule G-14.

⁴ In this respect, RTRS serves as an audit trail for municipal securities trading, with the exception of certain internalized movements of securities within dealers that currently are not required to be reported and the lack of reporting of customer identifications and other related specific items of information. Compare [Consolidated Audit Trail](#), Exchange Act Release No. 34-67457 (July 18, 2012), 77 FR 45722 (August 1, 2012).

comment on specific data elements the MSRB should consider disseminating publicly through the CTP with respect to post-trade transaction information.⁵

Post-Trade Transaction Transparency Plan

Based upon the comments received in response to the two concept releases and through dialogue with industry members, the MSRB is proposing to proceed with the following components for a post-trade reporting and public dissemination process through the CTP. The MSRB is seeking input in these specific areas, as well as on any other aspects of post-trade transaction transparency not otherwise addressed below.

Trade Reporting Process

Maintain Existing RTRS Portals. Currently, dealers report trade information through one of three RTRS Portals: (i) the message-based trade input RTRS Portal (the "Message Portal") operated by Depository Trust and Clearing Corporation (DTCC), through which reports of inter-dealer trades and trades with customers may be submitted in an automated manner; (ii) the RTRS Web-based trade input method (the "RTRS Web Portal") operated by the MSRB, through which reports of trades with customers may be submitted manually and all transactions, regardless of method of submission, may be reviewed for compliance purposes; and (iii) the RTTM Web-based trade input method (the "RTTM Web Portal") operated by DTCC, through which reports of inter-dealer trades may be reported manually.

The Message Portal and RTTM Web Portal were established as the primary methods of dealer reporting of trade data to RTRS to reduce burdens to dealers by leveraging existing data-flows through DTCC for clearance and settlement purposes. A primary reason for pursuing this "straight-through process" was to improve dealer compliance and overall data quality by maximizing the extent to which data used to execute transactions was also used for reporting purposes without further re-keying of such data.

The January 2013 Concept Release sought input on whether MSRB's decision to adopt a straight-through processing approach with regard to trade reporting and marketplace clearance and settlement functions should continue to drive the trade reporting process for the CTP. While commentators noted some concerns with the existing process, primarily related to limitations on the ability to make certain corrections to inter-dealer trade reports, the MSRB proposes to maintain the connection with

⁵ Comments received in response to these concept releases may be [viewed on the MSRB website](#).

DTCC as well as continue to utilize the three portals for reporting transaction information. In the CTP, the MSRB will undertake to make improvements to the ability for dealers to make corrections to inter-dealer trade reports, most notably to allow for corrections to “step out delivery” mismatches⁶ and to improve the processing of changes to settlement dates or issue cancellations that occur for new issues in the “when, as and if issued” period.

Fifteen-Minute Reporting Requirement and End-of-Day Reporting Exceptions

Maintain Existing Trade Reporting Deadlines. Rule G-14(b)(i) currently requires each dealer to report to RTRS information about each purchase and sale transaction effected in municipal securities in the manner prescribed by the Rule G-14 RTRS Procedures and the RTRS Users Manual. Subsection (a)(ii) of the Rule G-14 RTRS Procedures establishes the general requirement that transactions effected with a Time of Trade (that is, the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price) during the hours of the RTRS Business Day (being 7:30 a.m. to 6:30 p.m., Eastern Time, Monday through Friday) must be reported within 15 minutes of Time of Trade. Rule G-14 RTRS Procedures provide limited circumstances in which dealers may report trades by the end of the day of trade execution rather than under the standard 15-minute reporting requirement.

The January 2013 Concept Release sought input on whether a shorter timeframe than 15 minutes would be appropriate upon transitioning to the CTP as well as whether to eliminate, or shorten, any of the end-of-day exceptions, upon transitioning to the CTP. The MSRB proposes to maintain the existing general requirement that transactions be reported within 15 minutes of the time of trade and also proposes to maintain the existing end-of-day exceptions to the 15 minute deadline upon transitioning to the CTP.

Transaction Reporting of New Issues

Establish New Conditional Trading Commitment Indicator. Although trade executions and trade confirmations for new issues are not permitted prior to the time of formal award of the bonds by the issuer to the underwriter,⁷ dealers often solicit orders, accept orders and make conditional allocations

⁶ See [MSRB Notice 2005-22 \(April 1, 2005\)](#).

⁷ See [MSRB Rule G-12 Interpretive Letter, “Confirmation: Mailing of WALL confirmation,” dated April 30, 1982](#).

prior to the formal award. The prices at which such orders are conditionally allocated pending the formal award (referred to herein as “conditional trading commitments” or “CTCs”) generally are determined prior to the formal award and often will reflect market conditions at the time of such determination rather than at the time the trade is actually executed after the formal award. Accordingly, CTC transaction prices may not be indicative of current market conditions when they are executed and reported.

To address this issue, the July 2013 Concept Release proposed enhancements that would provide for distinguishing of trade reports resulting from CTCs and current secondary market transactions reported with similar times of trades.⁸ To achieve this benefit, the MSRB proposes to require dealers to identify trade reports resulting from CTCs with a new indicator⁹ and report the date and time the CTC was formed in a new field on trade reports that would be disseminated publicly.¹⁰ All dealers, including dealers outside the underwriting group, would include the new CTC indicator as well as the date and time that the CTC was formed on trade reports. This information would supplement information currently reported by dealers and would not advance the timing by which the trades must be reported.

The CTC indicator, together with the date and time at which the pricing of the commitment was made, would provide important transparency as to whether such price is indicative of current market conditions. Further, capturing the date and time that the commitment was formed would enable market participants to discern the sequence of new issue trading as well as

⁸ The MSRB previously proposed requiring dealers to indicate transactions that are based upon a conditional trading commitment to alert users of disseminated information that the trade date and time reflective of when the trade was executed may not be reflective of market conditions as of the date and time that the order was priced. See [MSRB Notice 2006-10 \(April 21, 2006\)](#); [MSRB Notice 2007-10 \(March 5, 2007\)](#). However, there was general agreement at the time that there would be several operational concerns with complying with such a requirement, most notably the lack of availability of the time of formal award, and such proposal was not adopted. Since then, underwriters have become obligated under Rule G-34 to announce the time of formal award and time of first execution for new issues. In addition, the EMMA website now makes such information publicly available.

⁹ All references to new indicators in this notice would be implemented using the existing special condition indicator field in RTRS Specifications currently used to identify trade reports subject to special conditions.

¹⁰ The date and time the CTC was formed would be reported in addition to the date and time of trade execution currently reported and disseminated publicly.

to link specific transactions to market conditions as of the time an order was formed.¹¹

The MSRB seeks further comment with respect to this provision:

- As an alternative to dealers having to compare the date and time a CTC was formed to the date and time of formal award to determine which trade reports would be required to include the CTC indicator and date and time that the CTC was formed, would it be appropriate to define a CTC as any trade report executed on the first day of trading in a new issue that is a result of an order formed more than a specified number of hours in the past? This definition would allow dealers to identify trade reports subject to a new CTC indicator requirement without having to process the date and time of formal award into systems used for trade reporting.
- Using the alternative approach described above, would it be appropriate to define a CTC as a trade execution on the first day of trading in a new issue that results from an order formed two or more hours in the past? A two hour period would be consistent with MSRB rules that require underwriters to provide a minimum of two hours advance notification of the time of first execution in a new issue.

Expand Application of Existing List Offering Price and RTRS Takedown Indicator. Transaction reporting procedures require dealers that are part of the underwriting group for a new issue to include an indicator on trade reports, which indicator is disseminated to the public, for transactions executed on the first day of trading in a new issue with prices set under an offering agreement for the new issue. These transactions include sales to customers by a sole underwriter, syndicate manager, syndicate member or selling group member at the published list offering price for the security (“List Offering Price Transaction”) or by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published list offering price for the security (“RTRS Takedown Transaction”). Such trade reports are provided an end-of-day exception from the 15 minute reporting requirement.

As discussed in the July 2013 Concept Release, since the introduction of this List Offering Price/RTRS Takedown Transaction provision, certain market

¹¹ Being able to discern the sequence of new issue trading could also help with identifying the Internal Revenue Service “issue price” for new issues.

practices and the information publicly available through the EMMA website have evolved. Outside of traditional underwriting syndicates or selling groups, some dealers have entered into long-term marketing arrangements with other dealers that serve in the syndicate or selling group relating to purchases and re-sales of new issue securities (“distribution agreement dealers”). The MSRB understands that these distribution agreement dealers agree to execute transactions with customers at the published list offering prices. Accordingly, the MSRB proposes to expand the definition of List Offering Price/RTRS Takedown Transactions to include sale transactions by distribution agreement dealers to customers at the list offering price as well as to inter-dealer sale transactions by syndicate or selling group members to distribution agreement dealers at a discount from the list offering price.¹²

The MSRB seeks further comment with respect to this provision:

- The List Offering Price/RTRS Takedown Transaction provision currently is only applicable for transactions executed on the first day of trading of a new issue. Some recent offerings have occurred over a number of days with different list offering prices set each day. Should the List Offering Price/RTRS Takedown Transaction provision apply to sale transactions on each day that such new issues are offered? While the trade date and time would indicate that the trades were executed on different days, would having a variety of prices all indicated as List Offering Price/RTRS Takedown Transactions be confusing to users of the price transparency information disseminated publicly?
- An RTRS Takedown Transaction currently is defined as an inter-dealer sale transaction by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published list offering price for the security. To what extent are securities distributed to syndicate or selling group members at prices that do not represent a discount from the published list offering price? If the definition of an RTRS Takedown Transaction was revised to include all sale transactions irrespective of price by a sole underwriter or syndicate manager to a syndicate or selling group member on the first day of trading in connection with the distribution of a new issue, would this reduce the usefulness of the RTRS Takedown Transaction indicator disseminated publicly?

¹² As a further enhancement, MSRB plans to establish two distinct indicators that would be disseminated publicly to clearly distinguish List Offering Price and RTRS Takedown Transactions.

Transaction Yields

Eliminate Requirement to Report Yield on Customer Trade Reports.

Transaction reporting procedures require dealers to include on most reports of customer transactions to RTRS both a dollar price and yield.¹³ The yield required to be reported to RTRS for customer trades is consistent with the yield required to be displayed on a customer confirmation under Rule G-15(a), which requires yield to be computed to the lower of an “in whole” call or maturity, subject to certain requirements set forth in the rule for specific special situations (generally referred to as the “yield to worst”). Rule G-15(a) requires the confirmation to include the date to which yield is calculated if such date is other than the nominal maturity date, and also requires the confirmation for a transaction effected based on a yield other than yield to worst to include both yields. Since April 30, 2012, the MSRB has calculated and included in disseminated RTRS information yield on inter-dealer trades computed in the same manner as required for customer trades.

The MSRB proposes to eliminate the requirement for dealers to include yield on customer trade reports.¹⁴ Consistent with the manner in which the MSRB calculates and includes in disseminated RTRS information yield on inter-dealer trades, the MSRB proposes to calculate and disseminate yield on customer trade reports in the CTP.

The MSRB seeks further comment with respect to this provision:

- To what extent, if any, would the elimination of the requirement to report yield on customer transactions alleviate operational concerns raised in connection with reporting certain “away from market” trade reports,¹⁵ such as transactions arising from customer repurchase agreements?

¹³ For inter-dealer transactions, dealers report the dollar price at which the transaction was effected and the MSRB calculates and includes in disseminated information the corresponding yield.

¹⁴ Note that dealers would continue to be able to report that a when, as and if issued transaction was executed on the basis of yield in the event that the settlement date is not known at the time the trade is executed, thus preventing an accurate calculation of the corresponding dollar price to be performed.

¹⁵ Such “away from market” trades are described in Section 4.3.2 of the [Specifications for Real-Time Reporting of Municipal Securities Transactions](#).

Dealer Compensation Arrangements

Establish New Indicator for Customer Trades Involving Non-Transaction-Based Compensation Arrangements. Normally, in principal transactions, the trade price reported to and publicly disseminated by the MSRB includes all aspects of the price, including any mark-up or mark-down that compensates the dealer for executing the transaction. In agency transactions, dealers are required to report to the MSRB both the price of the security and the commission charged to the customer. RTRS publicly disseminates prices for agency transactions that incorporate the commission reported to provide for comparability with principal trade prices. However, dealers effecting transactions with customers as part of an arrangement that does not provide for dealer compensation to be paid on a transaction-based basis, such as in certain wrap fee arrangements, will report to the MSRB transaction prices that do not include a compensation component. The MSRB does not currently collect information regarding fees charged in non-transaction-based compensation arrangements, and it does not collect or disseminate an indicator of transactions that are effected in that manner.

The July 2013 Concept Release proposed distinguishing in the transaction information disseminated publicly customer transactions that do not include a dealer compensation component from those that include a mark-up or mark-down or a commission. The MSRB proposes to require dealers to include an indicator on such trade reports that would be disseminated publicly and anticipates that being able to distinguish that certain customer transactions do not include a dealer compensation component would improve the usefulness of the disseminated transaction information.

Establish New Field for Reporting Miscellaneous Transaction Fees. Some dealers charge miscellaneous fees on transactions which may be in addition to or in place of any mark-up or mark-down assessed or commission charged. For example, some dealers who offer automated execution of transactions charge a small, flat "transaction fee" per transaction. While such charges are required to be displayed on customer confirmations, they may not be required to be included in the calculation of yield.¹⁶ The MSRB proposes to require dealers to report such fees in a separate field on trade reports to support the audit trail function of transaction data and not to publicly disseminate any such fees reported.

¹⁶ See [Notice Concerning Confirmation Disclosure of Miscellaneous Transaction Charges, dated May 14, 1990](#) and [Notice Concerning Flat Transaction Fees, dated June 13, 2001](#).

Market of Execution

Establish New Indicator for ATS Transactions. Dealers may use a variety of means for transacting in municipal securities, including broker's brokers or alternative trading systems ("ATS") as well as traditional direct transactions with a known counterparty. The MSRB currently identifies all transactions executed by a broker's broker. This identifier is applied based on the broker's broker informing the MSRB that it acts in such capacity. The MSRB does not currently identify trades executed through an ATS.

To better ascertain the extent to which ATSs are used in the municipal market and to indicate to market participants on disseminated transaction information that an ATS was employed, the July 2013 Concept Release proposed adding an indicator similar to the existing broker's broker indicator to identify transactions executed using the services of an ATS and the MSRB proposes to establish such an indicator. For those ATSs that take a principal position between a buyer and seller, the ATS and the dealers that transact with the ATS would be required to include the ATS indicator on trade reports. In instances where an ATS connects a buyer and seller but does not take a principal or agency position between those parties and does not have a transaction reporting requirement, the dealers that transact with each other as a result of using the services of the ATS would be required to include the ATS indicator on trade reports and also report information that identifies the ATS used. In all cases, the ATS indicator would be included on transaction information disseminated publicly. Identifying in disseminated transaction information that an ATS was employed should provide for higher quality research and analysis of market structure by providing information about the extent to which ATSs are used and should complement the existing indicator disseminated for transactions involving a broker's broker.

Economic Analysis

While the MSRB has evaluated comments received in response to the prior concept releases and has considered the benefits and burdens, it seeks further input on the likely benefits and burdens associated with the potential enhancements to post-trade transaction transparency that would be disseminated from the CTP. The prior concept releases sought input on a fairly wide range of general changes and this notice requests comment on a plan to proceed with specific changes for a post-trade reporting and public dissemination process through the CTP. In accordance with the MSRB's policy on the use of economic analysis in rulemaking, the MSRB seeks input on the following factors with respect to these potential enhancements: 1) whether there is a need for the enhancements; 2) the relevant baselines against

which the likely economic impact of the enhancements can be considered; 3) reasonable alternative regulatory approaches; and 4) the potential benefits and costs of the enhancements and the main alternative regulatory approaches.

1. The need for the enhancements to post-trade transaction information.

Transparency refers to the degree to which information regarding quotations for securities, the prices of transactions, and the volume of those transactions is made publicly available in a securities market.¹⁷ With respect to post-trade transaction transparency, RTRS serves the dual objectives of price transparency and market surveillance. The MSRB makes transaction data available to the general public through the EMMA website at no cost simultaneously with the dissemination of such data through paid subscription services to market data vendors, institutional market participants and others that subscribe to the data feed. Through this approach, RTRS has democratized access to post-trade transaction information, either directly through the EMMA website or through third-party vendors that receive the automated feed of RTRS data from the MSRB.

The MSRB's Long-Range Plan envisions that the next-generation of RTRS would be an integral part of the CTP. Certain market practices have evolved since the establishment of RTRS, such as increased usage of ATs and expanded usage of distribution agreement dealers in connection with sales of new issues, suggesting the need for new data elements that would enhance the post-trade transaction information disseminated publicly by the MSRB. MSRB believes that the potential enhancements to post-trade transaction information would improve the quality and usefulness of the information.

2. The relevant baselines against which the likely economic impact of the enhancements can be considered.

To evaluate the potential impact of the enhancements, a baseline, or baselines, must be established as a point of reference. The analysis proceeds

¹⁷ Principles of Transaction Transparency, Securities Regulators of the Americas ("COSRA") (1993). Transaction transparency is distinct from concepts relating to dissemination of official statements, periodic financial information and other disclosure information about an issuer and its securities. Of course, transparency and disclosure are both important principles for a securities market, each serving to reduce information asymmetries, to promote efficient pricing and to foster investor confidence and liquidity.

by comparing the expected state with the enhancements in place to the baseline state prior to the enhancements being in place. The economic impact of the enhancements is measured as the difference between these two states. The MSRB regards the relevant baseline for all potential enhancements discussed in the release to be the requirements of current MSRB Rule G-14 and the transaction information currently collected and disseminated publicly by the MSRB.

3. Identifying and evaluating reasonable alternative regulatory approaches.

With respect to reasonable regulatory alternatives, the MSRB has considered a number of potential enhancements to post-trade transaction information in the two prior concept releases. For example, in prior concept releases the MSRB outlined several alternatives for establishment of the CTC indicator and the timing by which such transactions would need to be reported as well as alternatives for enhancing the information disseminated related to List Offering Price/RTRS Takedown Transactions. Based upon comments received regarding these enhancements and through dialog with industry members, the MSRB is proposing to proceed with the components for a post-trade reporting and public dissemination process through the CTP identified in this notice. This notice also includes additional alternative approaches to the implementation of some of the potential enhancements, such as the CTC indicator and the application of List Offering Price/RTRS Takedown Transaction indicator. The MSRB welcomes comments regarding additional reasonable regulatory alternatives that the MSRB should consider.

4. Assessing the benefits and costs, both quantitative and qualitative, of the draft rule and the main alternative regulatory approaches.

With respect to the likely benefits and costs associated with each enhancement, the MSRB acknowledges that comments received in response to the two concept releases addressed some of the likely benefits and costs for many of the potential enhancements. In this release, the MSRB seeks additional input on the likely benefits and burdens of each of the potential enhancements. Specifically, the MSRB seeks input on the following questions:

1. The CTC indicator, together with the date and time at which the pricing of the commitment was made, would provide important transparency as to whether such price is indicative of current market conditions. Further, capturing the date and time that the commitment was formed would enable market participants to discern

the sequence of new issue trading as well as to link specific transactions to market conditions as of the time an order was formed. To what extent will the proposed information achieve these benefits? What will be the operational cost to dealers resulting from the establishment of a new CTC indicator as well as requiring dealers to report the date and time the CTC was formed in a new field on trade reports?

2. The MSRB proposes to expand the definition of List Offering Price Transactions to include sale transactions by distribution agreement dealers to customers at the list offering price since such trade reports are executed at published list offering prices which may not reflect market conditions at the time that the transactions are actually executed. What will the operational burden be for distribution agreement dealers to meet this expanded definition? To what extent are distribution agreements with dealers employed and will having trades identified as resulting from agreements to trade at published list offering prices improve the usefulness of the transaction data?
3. The MSRB proposes to eliminate the requirement to report yield on customer trade reports. Will dealers realize a cost savings benefit through reduction in error feedback from MSRB resulting from price/yield calculation errors due to the elimination of the requirement for dealers to include yield on customer trade reports? Will there be a benefit to investors from having MSRB calculate and disseminate yield on customer trade reports in a way that is consistent with the manner in which MSRB calculates and includes yield on inter-dealer trades?
4. To distinguish customer transactions involving non-transaction-based compensation arrangements, the MSRB proposes requiring dealers to include an indicator on such trade reports that would be disseminated publicly. What will be the operational cost to dealers from requiring an indicator to be included for transactions with customers that do not provide for dealer compensation to be paid on a transaction-based basis? Are there benefits to users of disseminated transaction information in being able to distinguish customer transactions involving non-transaction-based compensation arrangements?
5. What will be the operational cost to dealers from a requirement that they report miscellaneous transaction fees in a separate field that is not publicly disseminated?

6. The MSRB proposes to require dealers to include an indicator on trade reports that indicate that an ATS was employed and disseminate such information to market participants. What will be the operational cost to dealers and to ATSs from requiring an ATS indicator on trade reports? In instances where dealers transact with each other as a result of using the services on an ATS and where the ATS does not take a position between the transacting parties, what will be the operational cost to dealers from reporting the identification of the ATS in these instances? To what extent will the ATS indicator allow for higher quality research and analysis of market structure by providing information about the extent to which ATSs are used?

August 13, 2014

Alphabetical List of Comment Letters on Notice 2014-14 (August 13, 2014)

1. Bond Dealers of America: Letter from Michael Nicholas, Chief Executive Officer, dated September 26, 2014
2. Financial Information Forum: Letter from Darren Wasney, Program Manager, dated September 19, 2014
3. Income Securities Advisor Inc.: E-mail from Richard Lehmann dated August 26, 2014
4. Murez, Herbert: E-mail dated August 13, 2014
5. RW Smith & Associates, LLC: E-mail from Paige W. Pierce, President and Chief Executive Officer, dated September 26, 2014
6. Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, dated September 25, 2014
7. Trigo, Loren: E-mail dated August 13, 2014



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September 26, 2014

VIA ELECTRONIC MAIL

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board 1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: *MSRB Notice 2014-14: Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform (August 13, 2014)*

Dear Mr. Smith:

On behalf of the Bond Dealers of America ("BDA"), I am pleased to submit this letter in response to Notice 2014-14: Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform published on August 13, 2014 (the "Notice") issued by the Municipal Securities Rulemaking Board (the "MSRB") relating to specific enhancements to the post-trade municipal securities transaction data that would be disseminated from a new central transparency platform (the "CTP") as contemplated under the MSRB's Long-Range Plan for Market Transparency Products, (January 27, 2012) (the "Long-Range Plan").

As described in our comment letter dated November 1, 2013 (the "2013 Comment Letter") to the MSRB's second concept release on the CTP (the "2013 Concept Release"), we continue to support the concept of transparency in the municipal securities markets and the MSRB's initiatives that have increased the amount of information municipal securities brokers and dealers are required to report. BDA is the only DC based group representing the interests of middle-market securities dealers and banks focused on the U.S. fixed income markets and we welcome this opportunity to present our comments on the Notice.

Fifteen-Minute Reporting Requirement and End-of-Day Reporting Exceptions

As we described in our 2013 Comment Letter to the MSRB in response to MSRB Notice 2013-14, we believe the general requirement that transactions effected with a time of trade be reported within fifteen minutes of the time of trade with limited exceptions under which dealers may report trades by the end-of-day rather than under the standard fifteen-minute reporting requirement remain in

effect. We would like to take this opportunity to thank the MSRB for proposing in the Notice to maintain the existing fifteen-minute reporting requirement and end-of-day reporting exceptions upon transitioning to the CTP.
Conditional Trading Commitment Indicator

The BDA and its members continue to be concerned about the implications of the reporting of conditional trading commitments and the public dissemination of such information. While the municipal markets may benefit slightly from the public availability of such information, there is a risk that this information may be misleading and confuse investors because it is only an indication of an investor's interest at a specific moment and may bear no relation to the trade that is eventually executed and reported. Even if the MSRB were to limit CTC reporting to trade reports executed on the first day of trading in a new issue resulting from an order formed more than two or more hours in the past, the BDA does not see how the availability of such information on EMMA would help to establish compliance with the issue price rules or MSRB requirements.

Venue Type Indicators May Confuse the Investor

The BDA does not see the benefit to the investor if the MSRB were to incorporate venue type indicators, such as broker's broker or alternative trading systems ("ATS"), into its information collection for post-trade enhancements. At the end of the day, the venue is just a one component of the dealer's educated, informed and professional decision, taking into account all relevant factors surrounding the best execution strategy for a particular transaction. The choice in venue may be a result of the unique knowledge a dealer has about where a specific security would trade best or it may be the result of many days of assessing many different sources in order to find the best price, but ultimately, a simple indicator cannot capture the totality of the execution factors and will simply lead to unnecessary confusion for the investor. Additionally, the production and maintenance of information identifying the venues of execution considered, documenting the dates, times and bids evaluated at each step (and potentially reporting them all to the MSRB) will be burdensome to the dealer for information. While the use of a venue indicator, and specifically an ATS indicator may provide for higher quality research and analysis of market structure by providing information about the extent to which ATSs are used and may complement the existing indicator disseminated for transactions involving a broker's broker as the MSRB suggests, this information is not likely to result in any significant or real transparency benefit to the investor and dealers should not be required to report such information. We would welcome additional information as to why the MSRB believes this information could benefit the investor when such information could potentially be used to undermine a competing dealer.

Transaction Yields

The BDA supports the MSRB's proposal to eliminate the requirement for dealers to include yield on customer trade reports and for the MSRB to calculate and disseminate yield to worst for customer trades, much like it does currently for inter-dealer trades. The MSRB's calculation of yields would avoid differences in yield

calculations across dealers due to security master differences. Dealers would benefit from the reduction in compliance and operations efforts required to address error feedback from the MSRB if the requirement to include yield on customer trade reports was eliminated. Customers and dealers would also benefit from the improved consistency in the calculation of yield to worst – an important piece of data used to provide price transparency information to the municipal securities market.

Dealer Compensation Arrangements

The BDA supports the MSRB's proposal to require dealers to include an indicator to make it clear when a transaction occurs with a non-transaction based compensation arrangement. This would provide the users of trade transparency products with information that could explain certain variations in trade prices and assist in best execution determinations. The BDA believes that the municipal market would benefit from greater clarity about the transaction prices charged under these circumstances. The BDA recognizes that there would be a cost to the industry to provide such information and would ask that the MSRB consider working with dealers to establish an implementation date that would allow sufficient time for firms to be able to provide such information.

Trading Strategies Could be Compromised by Misleading Information

While the BDA believes increased transparency is ultimately better for the investor, we would caution that some of the new data elements being considered by the MSRB for post-trade reporting may undermine trading strategies resulting in the constriction of some market participants for fear that their trading strategies may be compromised. This could have the undesired result of reducing liquidity in the municipal securities markets. In addition, the very specific data elements the MSRB proposes to be collected and reported by the dealers and then disclosed on the CTP about a particular trade cannot reasonably be expected to capture all pertinent facts regarding such trade and there is a very significant risk of misleading information being disseminated which could potentially harm liquidity and drive up transaction costs for the industry. We continue to believe the best way for the MSRB to ensure they and investors are receiving the most accurate post-trade information without compromising trading strategies is for the MSRB to establish quality controls around each data element it currently collects before increasing the amount of information required to be reported. The information required to be reported to the MSRB on new issues and trades has changed significantly in the past few years and the MSRB should take the time to consider the impact of these recent changes and what information is actually helpful and used by the market before making further changes to the information required to be reported.

As the only national trade association focused on middle-market broker dealers, we believe that our input is uniquely valuable because we are able to provide the MSRB with insight regarding the practical costs and benefits in developing a new CTP and the costs of collecting and reporting the information to be disseminated thereon. Our members are the dealers who will be most affected by

any cost and compliance burdens associated with the creation of an entirely new platform and the requirement to collect and report detailed pricing information. We would be pleased to discuss any of our comments in greater detail or to provide any other assistance you may need. Thank you again for the opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Nicholas". The signature is fluid and cursive, with a prominent initial "M".

Michael Nicholas
Chief Executive Officer

FINANCIAL INFORMATION FORUM

5 Hanover Square
New York, New York 10004

212-422-8568

Via Electronic Delivery

September 19, 2014

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: MSRB Notice 2014-14 - Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform

Dear Mr. Smith,

The Financial Information Forum (FIF)¹ would like to take this opportunity to comment on MSRB Notice 2014-14 - Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform (“Request for Comment”). We appreciate the MSRB’s willingness to receive feedback on these important issues, many of which will have significant operational impact if adopted². We would also like to thank Justin Pica of the MSRB for discussing these trade reporting initiatives with the FIF Back Office Committee. Achieving a better understanding of the intent behind the various proposals was a helpful and informative exercise.

With respect to the Request for Comment, FIF respectfully makes the following recommendations:

1. Follow the alternative approach identified for conditional trading commitments such that the requirement for additional time and date fields is eliminated
2. Expand the List Offering Price Transaction Indicator to include distributions occurring on days beyond the first day of trading of a new issue
3. Proceed with the elimination of the requirement to report yield on customer trade reports
4. Allow sufficient implementation time for Non-Transaction-Based Compensation Arrangement Indicator
5. Provide more information on the requirement to report miscellaneous transaction fees as discussed below.
6. Align ATS indicator efforts with the ATS transparency efforts of FINRA

FIF’s perspective on each of the proposals of the Request for Comment is discussed in more detail below.

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

² FIF has previously submitted a Comment Letter on November 1, 2013 regarding MSRB Notice 2013-14 – Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform.

Conditional Trading Commitment (CTC) Indicator

The MSRB is proposing to require dealers to identify trade reports resulting from CTCs with a new indicator and report the date and time the CTC was formed in a new field on trade reports that would be disseminated publicly. MSRB also identifies an alternative approach by defining a CTC as any trade report executed on the first day of trading in a new issue that is a result of an order formed more than a specified number of hours in the past. This definition would allow dealers to identify trade reports subject to a new CTC indicator requirement without having to process the date and time of formal award into systems used for trade reporting.

By adopting the alternative approach, FIF members believe CTCs can be identified through the creation of a new M code without a new time and date field. This would be the least burdensome method of applying a CTC indicator.

List Offering Price/RTRS Takedown Transactions

FIF members agree with the MSRB's statement that the List Offering Price/RTRS Takedown Transaction provision should apply to sale transactions on each day that such new issues are offered. We agree that if the distribution occurs on days that are not the first day of trading of a new issue, the distribution should still be reported as the list price.

The MSRB has asked to what extent are securities distributed to syndicate or selling group members at prices that do not represent a discount from the published list offering price. FIF members see this happening frequently in the corporate bond market but infrequently in the municipal bond market.

The MSRB would also like to know if the definition of an RTRS Takedown Transaction was revised to include all sale transactions irrespective of price by a sole underwriter or syndicate manager to a syndicate or selling group member on the first day of trading in connection with the distribution of a new issue, would this reduce the usefulness of the RTRS Takedown Transaction indicator disseminated publicly. FIF members do not see this as an action that would reduce the usefulness of the RTRS Takedown Transaction indicator.

Eliminating the Requirement to Report Yield on Customer Trade Reports

The MSRB proposes to eliminate the requirement to report yield on customer trade reports. As discussed in our November 1 Comment Letter, FIF supports this proposal. As MSRB moves forward with eliminating the yield requirement, they should consider the impact of discrepancies between the MSRB's calculations and dealer-calculated yield to worst which will appear on a customer's confirm. As it stands today, the yield is consistent on both the customer confirmation and the MSRB trade report as both yields are generated by the dealer. FIF recommends that the MSRB provides guidance for cases where there are discrepancies between the MSRB's calculations and dealer-calculated yield to worst on a customer's confirm.

Non-Transaction-Based Compensation Arrangement Indicator

The MSRB proposes to require dealers to include an indicator to distinguish customer transactions involving non-transaction-based compensation arrangements on such trade reports that would be disseminated publicly. FIF members ultimately support this proposal but see some potential implementation issues. If this indicator is a new M code, potential problems may arise in getting the right codes sent from trading platforms to back office systems. While most indicators are transaction-based, this new indicator would be account-based. FIF members will need to perform analysis and

development work to harmonize data across multiple systems in order to support the new indicator. FIF would look to work with the MSRB to establish an implementation date that would provide sufficient time for firms to establish this functionality.

Requirement to Report Miscellaneous Transaction Fees

The MSRB would like to know what the operational cost to dealers will be from a requirement to report miscellaneous transaction fees in a separate field that would not be publicly disseminated. Some FIF members have this field in back office systems. It may be difficult to get this information moved up to the trading system where the report is generated.

We have some additional questions for the MSRB before providing comment. We would need guidance on the following issues:

- Will the June 13, 2001 MSRB Notice Concerning Flat Transaction Fees³ still apply or will new guidance be issued?
- In the scenario where transaction fees are applied and then waived at a later date, will firms need to correct this field if the fee is waived in the future?

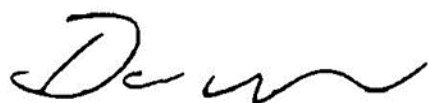
Establish New Indicator for ATS Transactions

The MSRB proposes to require dealers to utilize an indicator to identify transactions executed using the services of an ATS. For those ATSs that take a principal position between a buyer and seller, the ATS and the dealers that transact with the ATS would be required to include the ATS indicator on trade reports. In instances where an ATS connects a buyer and seller but does not take a principal or agency position between those parties and does not have a transaction reporting requirement, the dealers that transact with each other as a result of using the services of the ATS would be required to include the ATS indicator on trade reports and also report information that identifies the ATS used.

In the instances where dealers would have to identify the identity of the ATS used in a transaction, FIF members believe this would be challenging to implement depending on the complexity of the final regulations. FIF members recommend that the MSRB works in sync with the efforts of FINRA around ATS transparency⁴. With new FINRA regulations being implemented, programming systems to comply with regulations from both FINRA and the MSRB would be challenging if MSRB's requirements vary widely from FINRA's.

In conclusion, FIF would like to thank the MSRB for providing the opportunity to comment on the proposed changes. We look forward to commenting on future rule filings that result from the Request for Comment process in order to achieve efficient and beneficial regulation.

Regards,



Darren Wasney
Program Manager
Financial Information Forum

³ The notice defines a flat transaction fee of \$15.00 as a miscellaneous transaction fee.

⁴ [SR-FINRA-2014-017](#) - Notice of filing and immediate effectiveness of a proposed rule change relating to reporting and Market Participant Identifier Requirements for ATS.

Comment on Notice 2014-14

from Richrd Lehmann, Income Securities Advisor Inc

on Tuesday, August 26, 2014

Comment:

My company has tracked municipal bond defaults since 1983, maintains a database on over 3800 defaults since then and publishes a monthly newsletter titled "The Distressed Municipal Debt Newsletter. Over this period of time we have learned a number of abuses which I believe this new regulation may help disclose.

1. The secondary municipal market as it pertains to issues under \$100 million is very much a market of adverse selection. Much of what is offered there represent bonds which are in trouble in that they are making their debt payments out of reserve funds because current payments are not being made. A broker wishing to protect his good clients will sell these issues for that client. This broker may have been the original underwriter of the issue and bought it for this client. He will buy it at a favorable price since the client has been advised of the trouble ahead and is glad to get out at par or near par. The dealer on the other hand, sells the bond based on its yield to an unsuspecting individual who does not know the problem he is buying. The price difference here can be huge so the dealer will generally put himself in the middle of the transaction.

2. The bank trustee often will not advise bondholders that the current payments are not being made unless they call him. They will not talk at all to non-bondholders. These trustees will often wait until the debt reserve has been depleted and the next interest payment will be missed before making their first disclosure. When it was pointed out to a trustee that they are creating insider information they will only share with a bondholder seller, their response has been that it is the responsibility of the selling bondholder to advise the buyer of any adverse situation!

While the proposed rule will not cure the above abuse, it can at least leave a trail which regulators and buyers can follow.

Comment on Notice 2014-14

from herbert murez,

on Wednesday, August 13, 2014

Comment:

I am an individual investor, recently widowed. For many years, my wife and I have invested in muni bonds. OLn the wsholed, rthey have provided us with a reliable retirement income. I have found the EMMA website extremely useful both to access olfficial statements and to get data on recent sales prices. Further information on who is offering what and when would make the website still more useful to investors. It would also benefit issuers, who are public entities borrowing money for public purposes, as well as underwriters, in reaching a maximum audience at minimum cost. I regard an open, public market with relevant hype-free information to be in the highest public interest.

Comment on Notice 2014-14

from Paige Pierce, RW Smith & Associates LLC

on Friday, September 26, 2014

Comment:

RW Smith & Associates, LLC would like the MSRB to know that we participated in the drafting of the comment letter submitted by SIFMA on this rule proposal and, as such, fully support and reiterate all of the points contained within that submission.

Paige W. Pierce
President & CEO
RW Smith



September 25, 2014

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

Re: MSRB Notice 2014-14: Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform

Dear Mr. Smith:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates this opportunity to respond to Notice 2013-14² (the “Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) in which the MSRB is requesting comment on enhancements to the post-trade municipal securities transaction data that would be disseminated from a new central transparency platform (the “CTP”).

I. Executive Summary

SIFMA is pleased with the methodical manner in which the MSRB has proceeded with obtaining input regarding the development of the CTP. SIFMA and its members continue to have concerns about the costs of certain proposed changes, relative to their assumed benefits, particularly related to the proposed addition of a conditional trading commitment indicator and the changes related to dealer compensation arrangements. Additionally, SIFMA feels strongly that the MSRB

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.

² MSRB Notice 2014-14 (August 13, 2014).

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should clarify its guidance regarding the use of the List Offering Price/Takedown Transaction indicator.

II. Background

As described in our prior comment letters³ on the MSRB's two concept releases on the CTP, SIFMA and its members support the concept of transparency, and have been very supportive of some of the MSRB's past transparency initiatives, such as the MSRB's Electronic Municipal Market Access ("EMMA") website, which launched March 31, 2008. There have been a series of initiatives over the past six years that have brought significant changes in the amount of information municipal securities brokers, dealers and municipal securities dealers ("broker-dealers") are required by the MSRB to report, including reset information on variable rate demand obligations and auction rate securities, variable rate securities documents, and new issue security information. Each of these changes were monumental increases in transparency in the municipal securities market, particularly when combined with the move to real-time trade reporting on January 31, 2005.⁴ SIFMA feels that the MSRB should provide statistics to show that investors are actually using this vast amount of new information and that investors feel this new information is helpful to their investment decisions. More information just because "more information is better" can actually be harmful by causing investor confusion and obscuring material information.⁵

We continue to have some specific concerns about these proposals. We believe that some of these proposals will be misleading to investors, potentially harm liquidity and the health of the secondary market for municipal securities, and drive up transaction costs in the industry. We feel the benefits of some of these proposals do not measure up to the astronomical costs and burdens they will impose upon the broker-dealers who will be required to send this information to the MSRB. Each significant change in transparency is driven by a change in reporting

³ See letter from Leslie M. Norwood, Managing Director and Associate General Counsel, SIFMA, to Ronald W. Smith, Corporate Secretary, MSRB, dated March 15, 2013 (regarding MSRB Notice 2013-02 (January 17, 2013)), and letter from Leslie M. Norwood, Managing Director and Associate General Counsel, SIFMA, to Ronald W. Smith, Corporate Secretary, MSRB, dated November 1, 2013 (regarding MSRB Notice 2013-14 (July 31, 2013)).

⁴ The Bond Market Association's website investinginbonds.com was the first website to offer the MSRB's real-time trade reports. For almost a year it was also the only website on which investors could get municipal securities trade information for free.

⁵ See, e.g., SEC Chair Mary Jo White discussing investor information overload here: <http://www.sec.gov/News/Speech/Detail/Speech/1370539878806#.UnM-Xr7D-1t>.

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requirements, which not only costs the reporting broker-dealers time and money to change their systems, but also adds costs related to additional personnel to undertake the new reporting, surveillance, and supervision. One set of changes may take years to completely implement and to reduce any error or late rates to a minimal number. Over the past few years, however, the information required to be reported to the MSRB on new issues and trades has been continually changing. We suggest that the MSRB allow time for the full impact of the recent changes to be absorbed by the market before making further significant changes to the amount of information required to be reported to the MSRB by dealers. Additionally, there are significant changes that are on the horizon, such as the Securities and Exchange Commission's ("SEC's") consolidated audit trail ("CAT") mandate, DTCC's shortened settlement cycle ("T+1") project and the implementation of the MSRB's new municipal advisor rules. There are too many significant changes going on in the industry at this time and in the near-term to undertake further changes of this magnitude. We don't think it is prudent to implement these changes at this time. Any changes to dealer information reporting in the municipal market should be timed to coincide with other large systems changes in the industry. The industry deserves a fighting chance to achieve reasonable efficiency in programming mainframes, testing data flow and bandwidth, developing new policies and procedures, and retraining staff.

We also don't know the downstream effects of these proposals. For example, changes to the trade reporting and dissemination systems are not simple and isolated tasks. Many times in the past, a change to one system at one firm has had consequences that ripple throughout that firm's other systems and its out-bound and in-bound processes. Also, the initial costs for any systems changes do not include other significant costs associated with additional surveillance, personnel, and system-fixes from the unintended consequences of these changes. These proposed changes collectively would cost each member of the broker-dealer community at least hundreds of thousands of dollars to make, and many millions of dollars industry-wide. And this does not take into account recurring surveillance, supervision and maintenance. While we cannot precisely report what these changes would cost to implement, our members do have some collective experience with other similar changes⁶ and this is our best estimate. An effort of this magnitude would also take at least years to implement after the rule is final. Indeed, some of these changes will require a wholesale change in the way that the municipal securities secondary market functions and therefore, the costs to investors and industry are difficult to quantify.

⁶ Similar recent changes include adding the reporting of asset-backed securities to Financial Industry Regulatory Authority's ("FINRA") Trade Reporting and Compliance Engine ("TRACE") system.

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III. Maintain Existing RTRS Portals

SIFMA is pleased the MSRB has decided to maintain all three Real-time Transaction Reporting Service (“RTRS”) portals. SIFMA has long been a proponent of straight-through processing and regulatory efficiency; SIFMA supports the decision to continue to support a straight-through processing approach with regard to trade reporting and marketplace clearance and settlement functions. Most SIFMA member firms use the NSCC Real-Time Trade Matching (“RTTM”) web portal and the RTRS portal. These firms appreciate the single-stream process, and the fact that the trades get a regulatory time stamp when they hit RTTM.

SIFMA appreciates the MSRB’s acknowledgement that there are certain improvements to the RTTM to RTRS pipeline that would be helpful. SIFMA welcomes the MSRB’s efforts to make improvements to the ability for dealers to make corrections to inter-dealer trade reports, and would like to work with the MSRB to resolve these outstanding issues.

IV. Maintain Existing Trade Reporting Deadlines

SIFMA is pleased that the MSRB is maintaining existing trade reporting deadlines. Narrowing the window for trade reporting below 15 minutes would impose substantial costs and burdens on regulated entities. In order for dealers to move to a 10 minute-or-less reporting timeframe, dealers would need to examine their systems and consider reporting out of their front-end systems instead of back office systems. A common reason for delay in reporting is when the indicative data is not in the dealer’s system as the security hasn’t traded in the past year. Most firms report that it takes almost all of the allotted 15 minutes to query an information service provider to upload the missing CUSIP and indicative data, then submit the trade report. Any reduction in the trade reporting deadline would have placed a significant burden on the broker-dealer community.

V. Transaction Reporting of New Issues

a. Establish New Indicator for Conditional Trading Commitments

SIFMA and its members recognize that the marketplace may benefit from an MSRB indicator denoting that the post-trade pricing information for a transaction reflects pricing under a conditional trading commitment (a “CTC”). The indicator, however, would be operationally very difficult to implement and may be misleading because it’s an indication only of the client’s interest at that specific point in time. The date and time of CTC would only be marginally additive, however, as many of these CTC trades are also list offering trades made at a price already known to the market and disseminated.

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The potential requirement for including the date and time a CTC was formed is the most significant operational change for firms in this Notice. SIFMA supports the MSRB's suggestion for an alternative approach that defines a CTC as a trade execution on the first day of trading in a new issue that results from an order formed two or more hours in the past. We feel CTC trades also should be defined as trades that are not at list price or takedown trades, as those prices are known to the market and are not necessary for transparency purposes.

The CTC indicator change will create a significant cost burden to regulated entities. SIFMA and its members estimate that this limited change alone will likely cost firms several hundred thousand dollars each to implement.

b. Expand Application of Existing List Offering Price and RTRS Takedown Indicator

SIFMA and its members feel the current List Offering Price/RTRS Takedown Transaction indicator is a useful indicator for users of disseminated pricing information for transactions on the first day of trading in a new issue. The List Offering Price/RTRS Takedown indicator should not be broadened to apply to transactions that have different list offering prices set each day for a number of days. SIFMA feels that this potential change has no upside. This potential change would be confusing for investors and would be a very costly change for broker-dealers, who would need to repeatedly update their security master databases.

Distribution agreements in the primary space are being used by underwriters with increasing frequency. In these agreements, a distribution participant agrees to assist an underwriter in selling the primary offering to the public at the list offering price, without assuming syndicate liability. Since the distribution participant is not a syndicate or selling group member, the current RTRS Procedures require the underwriter's first day sales to the distribution participant and the distribution participant's first day sales to be reported within 15 minutes, even though the distribution participant is performing a similar function to a selling group member and the executions do not provide meaningful information about the price to the market for the securities. For these reasons, SIFMA and its members feel these trades should get the same end-of-day exception as other List Offering Price/Takedown trades.

The absence of meaningful information also arises when sales are recorded between syndicate members at the list offering price (e.g., group net or net designated orders), since the price to the public will still be the list offering price (unlike sales to a broker dealer who is not involved in the syndicate, selling group, or a distribution agreement). In addressing the aforementioned circumstances and

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incorporating the substance of MSRB Notice 2007-03, we request that the MSRB consider modifying Rule G-14 RTRS Procedures (d)(vii) as follows:

"List Offering Price/Takedown Transaction" means a primary market sale transaction executed on the first day of trading of a new issue:

(A) by a sole underwriter, syndicate manager, syndicate member, ~~or~~ selling group member, ***or distribution participant to a customer*** at the published list offering price for the security ("List Offering Price Transaction"); or

(B) by a sole underwriter or syndicate manager to a syndicate ~~member, or~~ selling group member, ***or distribution participant*** at a discount from the published list offering price for the security ("RTRS Takedown Transaction"); ***or***

(C) by a sole underwriter or syndicate manager to a syndicate member, selling group member, or distribution participant at the published list offering price for the security (also a "List Offering Price Transaction"); or

(D) by a syndicate member or distribution participant to a distribution participant at a discount from the published list offering price for the security (also a "RTRS Takedown Transaction").

Note that the discount from the published list offering price may differ between the RTRS Takedown Transactions for the security.

This clarification should be made, as it will conform the rule to widespread industry practice. If this clarification is not made, we believe that it will take 18 to 24 months of development to fully change syndicate programs. There will be substantial costs to the syndicate system provider, and each broker dealer that will need to make a change, if this rule is not clarified in the aforementioned manner.

VI. Transaction Yields

In the Notice, the MSRB proposed to eliminate the requirement for dealers to include yield on customer trade reports. The MSRB has proposed that it will calculate and disseminate yield on customer trade reports in the CTP. SIFMA supports these proposed changes, as it would harmonize the reporting paradigm with the FINRA's TRACE system and be helpful to the broker-dealer community

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due to the reduction in mismatch reports between the broker-dealer calculated yield and the MSRB's calculated yield.

However, SIFMA has concerns that these proposed changes may lead to investor confusion, as not all transactions are consummated based on yield to worst⁷. The broker-dealer is that party that has calculated the yield upon which the security has traded, communicated that information to their customer, and put that yield on the customer's G-15 confirm. There are many reasons and scenarios why the dealer calculated yield and the MSRB's calculations of yield might not match. These situations include trading based on yield-to-average life for continuously callable securities, and questionable holidays or market closes, all which cause a significant amount of questionable trades. To calculate yield-to-worst, the MSRB would need to maintain a security master database, and permit dealers to do additional calculations on the trade reporting screens to determine yield-to-worst. As yield-to-worst is required to be on a customer confirm, we question how that yield would get back through the dealer's systems onto a customer confirm, if the dealer itself didn't calculate that yield. This programming effort would be a significant rebuild from the current system on both the MSRB and dealer sides, and we question the value. Yield-to-worst is an important data point that customers and other dealers use to calculate various yields, which provide important price transparency in the market. Broker-dealers have a responsibility to report an accurate yield-to-worst calculation to their clients, so the MSRB should not eliminate this requirement. Also, eliminating the requirement to provide yield-to-worst would not greatly reduce the burden on the broker-dealers, as their systems are currently programmed to provide this information. If the MSRB does decide to compute yield-to-worst, then it should eliminate the requirement for reporting of yield-to-worst by the dealers in these customer transactions to avoid redundancy.

To accurately show the investor the relevant yield, the MSRB may need to calculate and display multiple yields. SIFMA and its members feel, however, that having multiple yields publicly disseminated for some or all trades could potentially add to confusion in the marketplace. The market participants currently have the information they need to calculate all the yields they need. Any such additional information should be on a "drop- down" menu that is not on the face of the transparency system.

The elimination of the broker-dealer requirement to report yield on customer trade reports does also alleviate some operational concerns in connection with

⁷ MSRB Rule G-15 and its Interpretation Letters conflict regarding the issue of continuously callable securities.

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reporting certain “away from market” trade reports, such as transactions arising from customer repurchase agreements.

VII. Dealer Compensation Arrangements

a. New Indicator of Customer Trades Involving Non-Transaction-Based Compensation Arrangements

SIFMA and its members feel that in order to provide the users of trade transparency products information about valid reasons for variations in trade prices, there should be an indicator to indicate trades with non-transaction-based compensation arrangements. SIFMA and its members acknowledge that this information would be helpful for transparency purposes, and feel that the most efficient way of implementing a change to achieve this goal would be for the MSRB to disseminate information it already collects: whether a trade is done as agent or as principal. Principal trades typically involve transaction-based compensation. Trades that have non-transaction-based compensation are typically agency trades. It is important to point out that some fee arrangements are hybrid in nature, and incorporate a small transaction-based component as well as a non-transaction-based component. Alternatively, we feel that it would be sufficient to require dealers to report this indicator as an “M code” and for the MSRB to disseminate this indicator. SIFMA and its members feel that disclosing the exact nature of such non-transaction-based compensation arrangements is extremely burdensome, as they can be variable, individually tailored, and the terms not readily input into the trade reporting system. These non-transaction-based compensation arrangements are private agreements between the investment manager and its clients. The terms of these arrangements have no transparency value to other market participants. The infrastructure cost to provide such information would vastly outweigh any potential benefits, and thus we recommend, if a dealer reporting change is required, only the inclusion of an indicator denoting that a trade was subject to a non-transaction-based compensation arrangement, without requiring the reporting of the exact nature of such arrangement.

b. Establish New Field for Reporting Miscellaneous Transaction Fees

The MSRB has proposed, in the Notice, to require dealers to report any miscellaneous transaction fees in a separate field on trade reports to support the audit trail function of transaction data, but not to publicly disseminate any such fees reported. SIFMA vigorously opposes this proposal. If this change is merely for audit trail purposes, then a significantly cheaper and more narrowly tailored solution is to have examination staff ask for the information from each regulated broker-dealer. Any policies or procedures regarding miscellaneous transaction fees, such as ticket recapture fees, paper surcharge, flat trade fees, etc., would typically

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be uniform across an entire firm. It would be an unnecessary and unfair burden to make broker-dealers report the same information repetitively on all of their trades. As many firms trade report from their front end trading systems using a vendor for customer reporting, it would be extraordinarily difficult to capture this kind of data that is only available in back office systems that handle customer confirmations. This proposed change presents the industry with a high cost of compliance with no increased transparency to investors and a flow of information to regulators that they could receive in a cheaper fashion merely by asking for it during a firm's periodic examination.

VIII. Market of Execution

With respect to market of execution, the MSRB proposes that for those ATSS that take a principal position between a buyer and seller, the ATS and the dealers that transact with the ATS would be required to include the ATS indicator on trade reports. SIFMA feels that this is unnecessary and unduly burdensome, as the MSRB already knows what ATS firms take a principal position between a buyer and a seller, and can flag trades with those entities as ATS trades, just like it flags trades currently between dealers and municipal securities broker's brokers.

The MSRB also proposed that in instances where an ATS connects a buyer and seller but does not take a principal or agency position between those parties and does not have a transaction reporting requirement, the dealers that transact with each other as a result of using the services of the ATS would be required to include the ATS indicator on trade reports and also report information that identifies the ATS used. SIFMA recognizes that the MSRB has a legitimate interest in determining ATS participation in the market, and likely has no other way to get this information on a real-time basis. Although flagging these trades would be a significant operational and administrative burden, the burden would be minimized for the broker-dealer community if the result was a mere change in an "M code".

It should be recognized that some broker-dealers use these electronic platforms to display and track all trades or movements of securities, even offerings from their own inventory to internal sales personnel. When a broker-dealer's sales person unknowingly buys something from the broker-dealer's own inventory, that "internal cross" would not currently trigger a trade report to the MSRB. We do not expect that such "internal crosses" would trigger a trade report in the future; however, a subsequent dealer to customer trade would be reported, without an ATS flag.

If this rule change is approved, SIFMA believes that it will take approximately four months to implement after the rule is finalized, and between \$100,000 and \$200,000 in development costs, per firm, to implement, depending on the approach taken by the MSRB.

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IX. Economic Analysis

As described in prior comment letters, SIFMA and its members believe that evaluating the costs and burdens of new regulation, and weighing those costs against any benefits derived from such new regulation, is critical to ensure efficient regulation. An essential component of this principle is conducting a true, reality-based, (and if possible dollar-specific) cost-benefit analysis of new rule proposals and other initiatives. Fully consider the costs and burdens to both the MSRB and its funders weighed against potential benefits, which we understand are much more difficult to value, as well as reasonable alternatives. SIFMA is pleased that the MSRB has adopted a formal framework for its approach to integrate economic analysis into its proposed rulemaking.⁸

SIFMA agrees with the MSRB's goal to improve the transparency in the municipal securities market. However, it is critical that the MSRB strike the appropriate balance between investor protection interests and the efficient operation of the municipal markets. SIFMA would be pleased to work with the MSRB to obtain additional reliable empirical data to assist it in quantifying such costs and benefits. As SIFMA has said in prior comment letters, such data cannot be obtained in the tight time frame of a Request for Comments deadline. A data request could include: the costs components for developing, preparing, and maintaining such systems, including the following: (i) outside developer costs, (ii) information technology vendor costs, (iii) other out-of-pocket costs, and (iv) employee- and staff related costs. Expense categories should include: hardware and software, support and testing/audit; business review, risk review and surveillance.

⁸ Policy on the Use of Economic Analysis in MSRB Rulemaking (September 26, 2013) available at <http://msrb.org/About-MSRB/Financial-and-Other-Information/Financial-Policies/Economic-Analysis-Policy.aspx>

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X. Conclusion

SIFMA and its members are supportive of additional transparency insofar as additional costs and burdens are not put upon the industry without commensurate benefits. As discussed above, we have serious concerns that the cost of implementing some of these proposals vastly outweighs any perceived benefits. We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned at (212) 313-1130.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Leslie M. Norwood', with a stylized, overlapping loop structure.

Leslie M. Norwood
Managing Director and
Associate General Counsel

cc: ***Municipal Securities Rulemaking Board***
Lynnette Kelly, Executive Director
Gary L. Goldsholle, General Counsel
Justin R. Pica, Director, Product Management – Market Transparency

Comment on Notice 2014-14

from loren Trigo,

on Wednesday, August 13, 2014

Comment:

I support all efforts undertaken by EMMA to publish as much bid ask and price information on municipal bonds as possible and in as timely manner as possible.

Not enough bid ask price information is available to be able to trade bonds at times when it is necessary to sell quickly to avoid losses. This dearth of information makes banks the only possible executor of distressed debt, leading to hefty transaction costs.

For instance on July 2, 3:39 of this year a client I know personally sold through a bank \$3,670,000 FV of cusip 745190MF2 (=66,727 units) @ \$55 /unit. At 5:03 another client bought those same bonds in two sets 2,670,000 and 1,000,000 @ \$56/unit. The intermediary, that is, the bank, got \$66,727 = \$1 spread x 66,727 units in transaction costs.

Why do these particular customers allow banks to skin them alive in this fashion? Because they have no option: Cusips like 745190MF2 are distressed debt sold under pressure. EMMA does not have enough bid ask info to be able to sell quickly under pressure to avoid losses so customers wind up being at the mercy of banks who can afford Bloomberg while their customers cannot.

Rule G-14: Reports of Sales or Purchases

(a) – (b) No change.

Rule G-14 RTRS Procedures

(a) No change.

(b) *Reporting Requirements for Specific Types of Transactions.*

(i) – (iii) No change.

(iv) *Transactions with Special Conditions.* Reports of transactions affected by the special conditions described in the RTRS Users Manual in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions shall be reported with the "special condition indicators" shown and in the manner specified. Special condition indicators designated as "optional" in these Specifications are required for the Submitter to obtain an extended reporting deadline under paragraphs (a)(ii)(B)-(C) of Rule G-14 RTRS Procedures, but may be omitted if a deadline extension is not claimed. All other special condition indicators are mandatory, including the List Offering Price/Takedown Transaction indicator for transactions identified in paragraph (a)(ii)(A) of Rule G-14 RTRS Procedures, alternative trading system transaction indicator for transactions defined in paragraph (d)(ix) of Rule G-14 RTRS Procedures, and non-transaction-based compensation arrangement indicator for transactions defined in paragraph (d)(x) of Rule G-14 RTRS Procedures.

(c) No change.

(d) *Definitions.*

(i) – (vi) No change.

(vii) "List Offering Price/Takedown Transaction" means a primary market sale transaction executed on the first day of trading of a new issue:

(A) by a sole underwriter, syndicate manager, syndicate member, [or] selling group member, or distribution participant to a customer at the published list offering price for the security ("List Offering Price Transaction"); or

(B) by a sole underwriter or syndicate manager to a syndicate member, [or]selling group member, or distribution participant [at a discount from the published list offering price for the security] ("RTRS Takedown Transaction").

(viii) "Distribution participant" means for the purposes of this rule a dealer that has agreed to assist an underwriter in selling a new issue at the list offering price.

(ix) “Alternative trading system transaction” means for the purposes of this rule an inter-dealer transaction with or executed using the services of an alternative trading system with Form ATS on file with the Securities and Exchange Commission.

(x) “Non-transaction-based compensation arrangement transaction” means for the purposes of this rule a transaction with a customer that does not include a mark-up, mark-down or commission.

* * *

RTRS Facility

No change.

Price Dissemination by RTRS

Description of Service. Real-time price data is available by subscription, after subscribers sign an agreement regarding re-dissemination. During the RTRS Business Day, price data is disseminated in real time, immediately after receipt. Modifications and cancellations submitted by dealers that apply to earlier trade submissions are also disseminated in real time.

In addition to real-time reports, the MSRB provides reports each morning covering the previous day’s trades (T+1 reports), as well as daily reports covering all trades done on the trading day one week earlier (T+5 reports), and monthly reports covering all trades done during the previous month.

Trades to be Disseminated. During the RTRS Business Day, the MSRB disseminates data on all transactions as soon as it is received, except for two types of dealer submissions. The exceptions, which are stored in the surveillance database but not disseminated in real-time, are trades marked by the dealer as having prices other than market prices, using a Special Condition Code,¹⁵ and reports of “inter-dealer regulatory-only” transactions. These have already been described.

List of Information Items to be Disseminated. The specific items disseminated by RTRS for price transparency purposes are:

- CUSIP number and description of the issue traded;
- Par value of the transaction if five million dollars or under; otherwise reported as “MM+”;
- Dollar price;
- Yield (for inter-dealer and customer new issue transactions done on a yield basis, and for all inter-dealer and customer transactions in non-defaulted securities when the yield can be computed from dollar price);
- Date and time of trade;
- Whether the transaction was a (i) purchase from a customer; (ii) sale to a customer; or (iii) inter-dealer transaction;
- Indicator that an inter-dealer transaction was done by a broker’s broker, and if so, the broker’s broker role as buyer or seller;
- When-issued indicator, if any;

- [Syndicate]List price indicator, if any;
- Takedown transaction indicator, if any;
- Assumed settlement date, if initial settlement date is not known at time of trade;
- Indicator that dollar price was computed by MSRB using an estimated settlement date for an issue on which the initial settlement date has not been set;
- Indicator that a trade was done at the weighted average price of trades done earlier in the day;
- Alternative trading system transaction indicator, if any;
- Non-transaction-based compensation arrangement transaction indicator, if any;
- Modification/Cancellation indicator, if any;
- RTRS broadcast time, date and sequential trade message number; and
- RTRS Control Number.

Transactions Done During RTRS Business Day. As noted, dealers are required, with limited exceptions, to report within 15 minutes of the time of trade all transactions done during the RTRS Business Day. Trade submissions made during the RTRS Business Day are disseminated within a few minutes of receipt.

Dissemination of Compared or Uncompared Inter-Dealer Trades. Unless the trade report contains errors or is subject to an exception, transactions reported by dealers during the RTRS Business Day are disseminated within a few minutes after receipt at the designated RTRS Portal. Dissemination of inter-dealer price information occurs only after comparison is achieved on the trade, as done in the former system. Comparison of the inter-dealer trade ensures the reliability of the data that was submitted, since the buyer's and the seller's details are matched. However, RTRS was designed with the flexibility to disseminate uncompared inter-dealer transaction data if it is found that a substantial proportion of trades take longer than 15 minutes to be compared.¹⁶

Transactions Done Outside the RTRS Business Day. Dealers are required to report transactions done outside of the RTRS Business Day, but are not required to do so on a real-time basis. Instead, trades are required to be reported within the first 15 minutes of the next RTRS Business Day, at which time they would be disseminated.

Late Trade Reports and Trade Data Modifications. Trades that are not reported within the timeframe set by Rule G-14 would be considered late. Late trade reports and trade modifications are disseminated by RTRS as soon as received if they are submitted during the RTRS Business Day and at the start of the next Business Day otherwise.

Broker's Broker Indicator. Trades by broker's brokers are marked as such on disseminated trade reports and the buy/sell indicator shows whether the broker's broker was buying or selling. Because broker's broker trades occur in matched pairs that, in market terms, many observers view as representing one movement of securities between two dealers, the Board believes it is helpful to RTRS data users if broker's broker trades are identified as such in trade reports.

¹⁵ In an inter-dealer trade, if either dealer indicates the trade was done at a special price, RTRS considers the entire trade to be a special price trade.

¹⁶ Unlike inter-dealer transactions, which have two submissions (both a buy side and a sell side) that must be compared, customer trades, which comprise approximately 80% of all reported trades, do not require comparison and are disseminated as soon as automated error checks are completed.

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MSRB Real-Time Transaction Data Subscription Service

The MSRB disseminates municipal securities transaction prices in real-time through its Real-Time Transaction Data Subscription Service ("Service"). The Service is available by subscription for an annual fee of \$11,000 and is a part of the MSRB's Real-Time Transaction Reporting System ("RTRS").

Description

The Service is available by subscription and provides a real-time stream of data representing municipal securities transaction reports made by brokers, dealers and municipal securities dealers ("dealers") to RTRS.¹ After receipt of a trade report from a dealer, RTRS will automatically check the report for errors, ensure that it is a valid trade report for dissemination, appropriately format the report, and make it available for immediate electronic transmittal to each subscriber.²

The real-time data stream is in the form of messages and will be available either over the Internet or by leased line, at the subscriber's option.³ The subscriber must use either the MQ Series⁴ or a TCP Socket connection for messaging with RTRS. Messages representing trade reports are sent out by the Service based on the order that they are received at RTRS, *i.e.*, on a "first in-first out" basis.⁵ The Service also offers a "Day Replay" file containing all messages sent during the day, in case a subscriber needs to check its records for completeness of recovery from communication breaks.⁶

Hours of Operation. The "RTRS Business Day," during which time dealers are required by Rule G-14 to submit trade reports within 15 minutes of execution, begins at 7:30 a.m. and ends at 6:30 p.m.⁷ However, RTRS will actually accept, and the Service will disseminate, any trade reports received between 6:00 a.m. and 9:00 p.m. ("RTRS 'Window' Hours").⁸ Transaction reports submitted to RTRS after 9:00 p.m. will not be processed by RTRS but will be pended for processing and dissemination at 6:00 a.m. the next business day.⁹

Transaction Data Disseminated. The data contained in each transaction price report sent to subscribers is discussed in detail in the RTRS filing.¹⁰ It includes the same transaction information previously disseminated in the MSRB's existing overnight batch system of transaction reporting, with additional data elements that were added for real-time transaction reporting. The specific items of information that are disseminated are:

Message Type

Type of message sent in the real-time broadcast (*i.e.*, a trade message, a “heartbeat” message or a system message). Heartbeat messages are sent once every 60 seconds in the absence of real-time transaction messages to indicate that the connection is working properly but that there are no messages to send. System messages are sent to indicate the daily open and close of the RTRS real-time subscriber service and to notify subscribers if publishing will be intentionally interrupted during system hours (*e.g.*, the markets have been closed because of extraordinary circumstances).

Sequential Number

Unique sequential number of the trade message. If more than one message has been published for a trade due to modification or cancellation, the trade is uniquely identified by the RTRS ID described below.

RTRS Control Number

The RTRS ID for the transaction. This may be used to apply subsequent modifications and cancellations to an initial transaction.

Trade Type Indicator

Type of trade: an inter-dealer trade, a purchase from a customer by a dealer, or a sale to a customer by a dealer.

Transaction Type Indicator

An indicator showing whether the message is a new transaction, or modifies or cancels a previously disseminated transaction.

CUSIP

The CUSIP number of the issue traded.

Security Description

Text description of the security obtained from the CUSIP Service Bureau.

Dated Date

Dated date of the issue traded obtained from the CUSIP Service Bureau.

Coupon (if available)

Interest rate of the issue traded (blank for zero-coupon bonds) obtained from the CUSIP Service Bureau.

Maturity Date

Maturity date of the issue traded obtained from the CUSIP Service Bureau.

When-Issued Indicator (if applicable)

Indicates whether the issue traded on or before the issue's initial settlement date obtained from Standard and Poor's.

Assumed Settlement Date (if applicable)

For new issues where the initial settlement date is not known at the time of execution, this field is a date 15 business days after trade date. If this field is populated there will be no data in the settlement date field.

Trade Date

The date the trade was executed as reported by the dealer.

Time of Trade

The time of trade execution as reported by the dealer.

Settlement Date (if known)

The settlement date of the trade if reported by the dealer will be shown. If this field is populated there will be no data in assumed settlement date field.

Par Traded

The par value of the trade as reported by the dealer will be shown. Trades with a par amount over \$5 million will show par value as "MM+" until five days after the stated trade date.

Dollar Price

For customer trades, the dollar price of the trade will be shown, as reported by the dealer. [RTRS calculates a dollar price from yield for customer trades to verify the accuracy of the reported information and indicates those trades for which RTRS is not able to verify this information. For inter-dealer trades, the dollar price shown will be as reported by the dealer; however, if the dollar prices reported by both dealers that are party to the trade differs, the dollar price shown will be calculated by the MSRB from the final monies, par value and accrued interest reported for the trade.]

Yield (if applicable)

[For customer trades, this field shows the yield of the trade as reported by the dealer. This normally is the same yield that would appear on a confirmation of the trade. For some customer trades (e.g., trades of defaulted securities, certain securities with variable interest rates) a yield cannot be reported by the dealer. On] For customer and inter-dealer trades, yield is [not generally reported by the dealer and is] calculated by RTRS [for inter-dealer transactions in non-defaulted securities] when yield can be computed from dollar price.

Broker's Broker Indicator (if applicable)

An indicator used in inter-dealer transactions that were executed by a broker's broker, including whether it was a purchase or sale by the broker's broker.

Weighted Price Indicator (if applicable)

An indicator that the transaction price was a "weighted average price" based on multiple transactions done at different prices earlier in the day to accumulate the par amount needed to execute an order for a customer.

[Syndicate] List Price Indicator (if applicable)

An indicator showing that the transaction price was reported as a trade in a new issue by a sole underwriter, syndicate manager, [or] syndicate member, selling group member or distribution participant to a customer at the list offering price on the first day of trading.

Takedown Transaction Indicator (if applicable)

An indicator showing that the transaction was by a sole underwriter or syndicate manager to a syndicate member, selling group member, or distribution participant on the first day of trading.

Alternative Trading System Transaction Indicator (if applicable)

An indicator showing that the transaction was executed with or using the services of an alternative trading system.

Non-Transaction-Based Compensation Arrangement Transaction indicator (if applicable)

An indicator showing that a customer transaction did not include a mark-up, mark-down or commission.

RTRS Broadcast Date

The date the message was published to subscribers.

RTRS Broadcast Time

The time the message was first disseminated to subscribers.

Version Number

Version number of the message or file format used in the message or file.

Subscription Fee.

No change.

MSRB Comprehensive Transaction Data Subscription Service

No change.

¹ Modifications and cancellation messages submitted by dealers will also be disseminated in realtime.

² The MSRB anticipates that, during peak traffic periods, these automated functions will be accomplished within two minutes, and during lighter periods will be accomplished within a few seconds.

Certain trade reports made by dealers, which are coded by the dealers to indicate that the trade is for a specific reason not done at a market price, will not be disseminated but will be available to regulators as part of the surveillance function offered by RTRS. Certain other types of “transactions” that are required to be reported exclusively for audit trail purposes (relating to clearing brokers and their correspondents in certain fully-disclosed clearing arrangements where the correspondent does not take a principal position) also will not be disseminated but will be available to regulators.

³ Subscribers will be responsible for all telecommunications charges for leased lines.

⁴ To receive real-time trade messages via MQ Series, subscribers must license and configure their own MQ software.

⁵ If a subscriber detects that a message or a series of messages was missed during the day, the subscriber can request a trade message replay or “snapshot.”

⁶ The MSRB also maintains a hot-site from which it will provide real-time feed subscribers with a second source for the feed in the event that it can no longer be broadcast from the RTRS primary site.

⁷ All times given are in Eastern Time.

⁸ The RTRS “window” hours provide extra time before the Business Day and after the Business Day for dealers that may need to report late trades or correct mistakes that are discovered after the close of the Business Day. The 9:00 p.m. closing time for the window is intended to allow time for certain kinds of trades that, pursuant to Rule G-14, are permitted to be reported at the “end of day” for operational reasons (*e.g.*, syndicate trades executed at list price). These can be reported up until 9:00 p.m. when the RTRS “window” closes.

⁹ In addition, at 6:00 a.m. RTRS will send modifications showing exact par values for transactions that were initially broadcast with a par value of “MM+.” As described in the RTRS filing, because of concerns regarding liquidity, transactions with a par value exceeding \$5 million will initially be disseminated with a par value of “MM+.” Five business days after trade date, the actual par value will be shown.

¹⁰ File No. SR-MSRB-2004-02 (June 1, 2004); *see also* “Real-Time Transaction Reporting: Notice of Filing of Proposed Rule Change to Rules G-14 and G-12(f),” MSRB Notice 2004-13 (June 1, 2004) at www.msrb.org. The SEC approved this filing on August 31, 2004, in Securities

Exchange Act Release No. 50294; *see also* “Approval by the SEC of Real-Time Transaction Reporting and Price Dissemination,” MSRB Notice 2004-29 (Sept. 2, 2004), at www.msrb.org.