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February 26, 2024

Ronald W. Smith
Corporate Secretary, MSRB
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: Regulatory oversight of small firms.

Dear Mr. Smith,

We are writing in response to the MSRB Request for Information (RFI) on the effect of MSRB Rules on small broker/dealer firms. In our firm's opinion, there is some over-regulation by all regulators today that in general is not really written to protect the customers but is simply written for regulation's sake. A first-time violation of these "no harm rules" should not merit a monetary fine by any SRO. In fairness, because FINRA oversees each firm for both FINRA and MSRB rules, it is sometimes hard to know whether this over-regulation is caused by FINRA, MSRB, or both.

Small firms, such as ours (with 18 employees), can't always afford the staff to keep up with the current micro-management of the MSRB and FINRA plus the SEC. When responding to any SRO or the SEC It frequently becomes necessary for us to impose on our commission-only professionals to respond to the multiple questions that are thrown at us.

You asked us to reply as a small firm on the impact of MSRB rules specifically. But first the view from 30,000 feet we note that there are less than 3,400 broker dealers remaining in the U.S. today while we had over 5,800 in 1990. This is a decline of 41% in 30 years. From our perspective it is over-regulation that kills small broker/dealers. We thank you for asking for our input and we recognize that you are attempting to address these matters.

Once again from the 30,000 foot perspective we believe that small infractions that cause no harm to the customer should simply be <u>pointed out</u> by the SRO and corrected by the broker dealer. As it is now, these small no-harm issues are considered BIG ISSUES, called infractions and may cause financial fines.

We also feel that today's regulators tend to bring an attitude of superiority when visiting small broker/dealers and this may not always be justified. In our opinion, the regulators visiting a broker/dealer should begin more like a partner, unless fraud or abuse is known. Today, representatives of the SRO's (and the SEC) frequently act like they are working on commission and will get a bonus if they find something that the B/D has done wrong. What is the point of being a Self Regulating Organization and acting in a confrontational manner? Again, there should be less regulator's focus on non-fraud and no-harm issues.

For specifics on MSRB Rules please see the attached pages where we have listed the eleven points in your RFI and inserted our replies below each of your questions.

Sincerely,

Fred R Cornwall
President
Municipal Capital Markets Group, Inc.

1. What factors make a regulated entity a small, mid-sized or large regulated entity: revenue; level of business activity; number of associated persons; type of regulated entity; or other factors?

Reply: Certainly, the number of regulated persons should be the primary factor. The number of retail customers should be the second factor to consider.

2. What, if any, MSRB rules or other MSRB activity, and what market practices impacted by MSRB rules or activities, have an unintended negative impact on or unfairly burden smaller regulated entities?

Reply: Rule G-17 requires that all firms seeking to underwrite municipal bonds for a qualified entity cannot give information (such as advice), to a potential client without getting a signed document from the entity disclosing every possible conflict of interest. From the standpoint of a small firm, this prevents us from sharing our expertise in the specialty area that we excel in. Large firms typically have nationally recognized names in the field, but small firms may have more specific skills in one or more specialty sectors of the market that a potential client while shipping for a broker/dealer would benefit from learning about.

3. What, if any, MSRB rules impede or limit small, regulated entities' participation in the municipal securities market?

Reply: Currently Rule G-17. See above.

4. Are there circumstances where the application of an MSRB rule has led to an unintended disproportionate impact on the growth of smaller regulated entities?

Reply: The MSRB staff must recognize that the primary way a small firm can survive in an industry competing with multi-billion firms is to develop specialties within this huge marketplace in which the small firm can bring value to the client. This is as compared to the larger firms that are basically generalists. Hence, the need to give advice to a potential client without having to ask them to sign an agreement.

5. Are there circumstances where the application of an MSRB rule has led to an unintended disproportionate impact on the ability of smaller regulated entities to obtain or retain talent?

Reply: Not that we know of.

6. Are there circumstances where the application of an MSRB rule has required smaller regulated entities to spend resources or retain the services of third-party vendors at costs that have a disproportionate impact on smaller regulated entities?

Reply: G-41 Yes. Such basic rules as G-41 which require every firm to review the list of individuals and companies on the "watch list" of the Feds for money laundering, when our firm neither holds customer accounts nor receives customer money in the name of our firm. The limited amount of customer checks that come into our firm are on an Agency basis for a mutual fund and made out to the mutual fund. Can there be a carve-out for a firm holding NO accounts?

G-14 Recent changes to Rule G-14 relating to the window for trades to match in one minute instead of 15 minutes has become an illustration of how a simple rule can have many unintended consequences and the solutions added make the rule very difficult to understand. Each Rule should be written simply so that they do not require an attorney to understand. The term "transparency" is used quite frequently by regulators, but frankly we do not understand why the 15-minute rule was not simply left in place.

7. What, if any, MSRB rules would benefit from a different or tiered approach to regulation or interpretations, according to size, that would support greater efficiency without the loss of investor, municipal entity or obligated person protection?

8. Are there changes that could be made to MSRB rules to provide meaningful and appropriate exceptions based on regulated entities' sizes?

9. Are there changes the MSRB can make to any of its own processes that could address specific challenges faced by smaller regulated entities?

10. Are there compliance resources or guidance the MSRB could produce that would be useful if tailored for different-sized regulated entities?
11. Are there any MSRB rules that have an unintended negative impact on or unfairly burden mid-sized and/or large firms, or do any of the questions posed above with respect to smaller regulated entities give rise to concerns about unintended negative impact or unfair burdens on mid-sized and/or large firms?

Reply: It appears to our firm that with the MSRB Rules, once the basic rules are accepted (G-1 through G16) virtually every newer MSRB rule should have flexibility built in that acknowledges that small firms to not have committees to review each and every matter, but senior management in generally involved in anything that is out of the ordinary. As long as there is no harm to the client, this business model should meet the MSRB requirements.