July 17, 2015

Mr. Ronald W. Smith, Corporate Secretary

Municipal Securities Rulemaking Board

1900 Duke Street, Suite 600

Alexandria, VA 22314

Re: Request for Commentary on MSRB 2015-08 - Proposed Modifications to MSRB Rule A-3

Dear Mr. Smith:

Thank you for the opportunity to submits comments to this very important proposed rule change. You will note that I have copied Senator Elizabeth Warren on this letter. I have chosen to do so because I am concerned that by continuing to put forth proposals to undermine the voice of retail investors and taxpayers, the MSRB is, at best, confused about who it is supposed to be working for. I think a healthy dose of sunlight in the form of an investigation by Senator Warren might do well to "disinfect" the MSRB and expose the clubby arrangements between the Board and giant financial services companies that result in (1) endless delays to simple rules that would help retail investors understand how much they are paying for bonds, (2) million dollar salaries for MSRB employees that once advocated on behalf of the companies they are now supposed to regulate and (3) so-called public member appointments to the MSRB Board that make a mockery of even the paper thin independence standards currently in effect at the MSRB. Suffice to say that I do not support the MSRB's now repeated attempts to roll back the important protections provided to the municipal market in the Dodd-Frank Act. This particular proposal is not as bad on its face on prior proposals but I do find it disturbing that, after getting slapped down with their prior attempt to undermine the majority public composition of the Board, the MSRB is now back with what they undoubtedly believe is a clever first step to undo the Dodd-Frank Act on a brick-by-brick basis.

I apologize in advance for the strong tone of this letter but it is borne out of frustration. I am concerned that the MSRB can't pass a mark-up rule to save their lives yet they can spend precious time and resources tinkering with Board membership rules on an annual basis. And all of their tinkering has done nothing but expand the Board to its current bloated form and reduce protections (such as SEC approval of public Board members) designed to ensure the independence of the public majority of the Board.

Now the current members want to consolidate power even further by lengthening their terms and cutting out retail investor membership. The MSRB should abandon the proposed rule change because it will hurt the vast majority of municipal bond investors (retail investors) and also issuers by reducing their voice on the MSRB Board in favor of dealer-affiliated buy-side firms that have a vested interest in maintaining the current opaque municipal market structure. That structure works against the interest of issuers, retail investors and the average American taxpayer.

Just as in their prior attempts to undercut the clear Congressional intent of the Dodd-Frank Act to have a majority public MSRB Board, the MSRB tries to reassure us that they will have processes in place to ensure that public members do not have "material business relationships" with regulated entities. Unfortunately, this is of little comfort because the MSRB has continually shown that it apparently does not understand what constitutes a material business relationship even under existing standards. And even though the MSRB has alleged that they have policies and procedures in place to test the independence of public members, they have not disclosed those policies nor demonstrated their effectiveness.

If the MSRB feels otherwise then the entire municipal finance community needs an explanation as to how the MSRB could have seated Mr. Robert Cochran as a public member on the current board. Previously, the MSRB facetiously tried to claim that the objection to Mr. Cochran as a public member is that he is associated with an industry group or trade association, while purposely ignoring or glossing over important specific facts in the objection. It is not simply that Mr. Cochran was associated or affiliated with SIFMA and the BDA both of which lobby aggressively on behalf of dealers, it is also that essentially 100% of his business is derived from underwriters and financial advisors. Any minimally effective policy or procedure of the MSRB that truly investigated "material business relationships" would have turned up the fact that Mr. Cochran's company spends lavishly on marketing to underwriters and financial advisors because they rely on these firms to push bond insurance on municipal financings. All Congress and the SEC have to do is subpoena the invitation lists to Build America Mutual (BAM) marketing events and it would be even more clear where Mr. Cochran gets nearly all of his income (I am providing samples of those invitation lists to the SEC and Senator Warren under separate cover). Whether the MSRB is actually unaware or purposely unaware of the material business relationships between Mr. Cochran and the entities he is supposed to be regulating as a member of the general public gives this taxpayer little comfort. And Mr. Cochran is just one of the latest and most egregious examples of a public member where the MSRB has blatantly ignored "relationships compensatory or otherwise" that affect the independent judgment of the public member.

The point for purposes of my objection to this rule is that the first part of the rule A-3 is a key barrier in keeping out persons with ties to regulated entities and maintaining the independence and majority public membership mandated by Congress. This rule change would eliminate that for the investor

representative and therefore goes against Congressional intent and harms investors and issuers. Absent some actual showing that the MSRB that can screen out blatantly obviously conflicted public members like Mr. Cochran, I don't see how anyone can believe this proposed rule change is a good idea.

The alternative to the assumption that the MSRB does not understand their role and does not understand how business relationships (e.g. between bond insurers and regulated entities) work in the municipal market is that the Board is trying to actively undermine changes in market practices that would aid retail investors. The reality may be that with dealer trading profits now squarely within the targets of the SEC, the dealer-dominated MSRB has moved to shore up their alliances on the Board with their buy side trading buddies – both of which profit off the backs of retail investors and issuers. In comparison to their numbers and, even more importantly, their actual need for protection, institutional investors are already over-represented on the MSRB Board. And despite that we are to believe that in a scant four years of experience with the current standard and hundreds of applicants, somehow the MSRB has only noted a shortage of dealer-affiliated buy side reps despite having ZERO representation from the largest group of municipal bond investors (retail investors) in this same time period.

To that last point, the former head of the MSRB, a Mr. Kit Taylor, said in the months leading up the passage of the Dodd-Frank Act that there is an unhealthy relationship between the bond funds and the dealer community. However, the new leadership at the MSRB (straight from their job at SIFMA) seems to be unaware of some basic facts about the municipal market. Underwriters curry favor with buy side firms by giving them advantageous pricing so they can make quick and easy trading profits – activity which harms the downstream retail investors as well as issuers (and by extension) taxpayers. And we are to believe that these representatives of dealer-affiliated buy side firms aren't going to know which side their bread is buttered on when they sit as public members of the MSRB. Certainly the alleged policies and procedures of the MSRB that would ferret that out would not catch it if they could not identify the blatant conflicts of current public members like Mr. Cochran.

The MSRB continues to make the incredible claim that without more dealer-affiliated buy-side representatives the MSRB can't fulfill their mandate to have public members that are knowledgeable of matters related to the municipal securities market. First of all, none of these people are prohibited from being on the Board, they are all eligible for regulated entity slots so there is no barrier to their participation. Second of all, prior comment letters on this issue clearly highlight the many groups and the hundreds of individuals that the MSRB has somehow missed in their attempts to pack the MSRB Board with dealer-friendly public members. If all of these financial service companies are so complex that they can not satisfy the current independence tests then they an just simplify their corporate structures. But the MSRB is naïve in thinking that even far-flung affiliates can not have conflicts of interests.

Most shockingly but also most tellingly, the MSRB has attempted to claim that the focus of the types of issues the MSRB is likely to address has changed because of the SEC Report on the State of the Municipal Securities Market which includes many market structure initiatives. The reason those items were in the SEC report is because the MSRB has failed to do its job in the last 38 years! As even the SEC Report notes, the MSRB has dragged its feet and failed to deliver on basic investor protections like disclosure of markups. And the MSRB has failed to do its job because it has been dealer-dominated since its inception. Now the MSRB tries to claim that the very basic investor protections that the SEC, retail investors and issuers have spent decades clamoring for are suddenly a new thing for the MSRB to address. And the MSRBs reaction to this is to try to pack the MSRB Board with the very buy side firms that most profit from the existing opaque and unfair market structure.

This rule change supposedly gives the MSRB greater flexibility to elect knowledgeable candidates with an "investors perspective." First of all there is no election involved – it is an opaque appointment process by the MSRB that continually yields 1) public members like Mr. Cochran with significant ties to regulated entities, 2) issuer representatives that have spent the majority of their careers as broker-dealers and 3) ZERO retail investors. If this rule expanded possibilities for true RETAIL investor participation on the MSRB Board I would be in support of it – but due to the finite number of slots on the Board this rule actually reduces the possibility of retail investor participation – the group most in need of a voice on the MSRB.

I am also opposed to the attempt by current members of the Board to consolidate power and lengthen their terms. Hundreds of people apply to be on the MSRB board every year. Already the Board has taken disturbing steps in the last few years to consolidate power such as expanding membership so that no members would have to resign after the Dodd-Frank Act passed, removing the requirement that the SEC approve public members without any notice to the public and appointing members from the same locality as departing members. In addition, since the Dodd-Frank Act passed, the Chair of the Board has only been an investment banker or someone who changed jobs to be an investment banker. That is kind of surprising for what is supposed to be a Board made up of a public majority.

For all of the reasons above, in the name of retail investors, issuers and taxpayers, I urge Senator Warren and the SEC to reject this misguided rule change and to open an investigation into the inner workings of the MSRB that have resulted in proposals such as this one. The SEC should once again be tasked with approving the appointment of public members to the Board because the MSRB has demonstrated that they are not capable of evaluating conflicts of interest. Mostly, I am troubled that the Board does not understand that its job is to protect investors (especially retail investors) and issuers

and it is attempting to limit representation by those persons that most need the protection that Congress empowered them to provide.

Very truly yours,

Jerry Gold

cc: Senator Elizabeth A. Warren