

BERNARDISECURITIES[®]

M U N I C I P A L B O N D S P E C I A L I S T S

Submitted Electronically

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

Re: Amendments to Confirm Disclosure—Regulatory Notice 2015-16

December 4, 2015

Dear Mr. Smith:

Founded in 1984, Bernardi Securities, Inc. (BSI) is a municipal securities dealer providing underwriting, secondary market trading, brokerage, and portfolio management services to our institutional and retail customer base. We appreciate the opportunity to provide the Municipal Securities Rulemaking Board (MSRB) with comments related to the above referenced proposed rule.

In comments previously submitted to the MSRB, BSI has stated that we strongly support appropriate transparency in our industry. We currently provide mark-up/mark-down information upon request to customers wishing information on trades executed in a principal capacity. We have also commented on the necessity of providing this information on a customer confirmation, as similar information is also made available to the public on the EMMA website.

We have reviewed MSRB Notice 2015-16 and FINRA Regulatory Notice 15-36. It is our opinion that if mark-up disclosure is ultimately required, the method of disclosure should be harmonized for all fixed income products. Different requirements would add extra levels of complexity for both the dealers and customers.

Below you will find our comments on the various aspects of the MSRB and FINRA proposals:

Applicability Timeframe

We support the MSRB proposal of a two hour window between a dealer's contemporaneous execution and the subsequent trade with the customer. A trade is only "riskless" if holding a customer order prior to executing a street side trade. The longer a dealer holds the position in inventory, the greater the risk to the dealer. While there is significant intraday risk, the first two hours represent a lower timeframe for the dealer's risk.

Markup Calculation

We support the calculation method proposed by FINRA. This method compares the customer's execution to the firm's contemporaneous price (i.e. the dealer's cost). This is a straightforward calculation that customers will understand. The MSRB's proposal for a comparison between the

customer's execution and "the prevailing market price at the time of the customer trade" will require the dealer to ascertain two prices at the time of a disclosable customer trade—first the fair market value for the customer's execution and second the dealer's prevailing market price. In cases of smaller and thinly traded issuances, the dealer's contemporaneous execution is prevailing market price—even within two hours. We believe the method proposed by FINRA will be more beneficial to the retail customer.

Disclosure Format

We believe the dealer should be allowed to develop its own format for disclosure. This format should include a basic calculation of the markup and shown as either a total dollar amount or per bond basis. Other elements, such as percent of par, should be up to the dealer with the format uniform for all disclosable trades.

Links to Repositories

We have no objection to the requirement that confirmations include links to the appropriate trade repository (TRACE and EMMA). However we request that both FINRA and the MSRB provide a URL structure that is standardized around the CUSIP number. Any non-standardized URL format will introduce the possibility of errors or "broken links."

BSI appreciates the opportunity to comment on this proposed rule and we look forward to providing additional feedback that will help the MSRB and the greater municipal bond marketplace.

Sincerely yours,



Eric Bederman
SVP, Chief Operating & Compliance Officer