

Comment on Notice 2013-16

from Allen Collins, Ambassador Financial Group

on Thursday, August 08, 2013

Comment:

In reviewing notice 2013-16 regarding a “best execution” standard, the question that addressed the idea of minimum number of quotations may bring unintended consequences. Depending on the security, the day, the time of day, market conditions, and the client’s wishes, a requirement to obtain multiple quotes in order to determine prevailing market price may impede a client’s ability to get the best price for a bond rather than enhance it. Prevailing market price can be determined within reason through other methods, such as comparable new issue scales and prevailing bid to offer spreads, or recent trades in bonds with similar characteristics. While it is our intent and practice to find as many bids as possible when selling a bond for a client, it has been our experience that a higher number of bids received does not always translate into a fair price for our client. Conversely there have been times when just one bid received was a fair and supportable price. It would be a disservice to an investor to limit access to markets because too few buyers are present to set a prevailing market price, particularly if a market is rapidly going against that investor.