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

Re: **MSRB Regulatory Notice 2015-10, Request for Comment on Establishment of an Academic Historical Trade Data Product**

September 14, 2015

Dear Mr. Smith:

On July 16, 2015, the MSRB published a request for comment on the establishment of an academic historical trade data product. I am writing to offer a handful of comments in response to your request.

My name is Daniel Bergstresser, and I am an Associate Professor of Finance at Brandeis International Business School. I also serve as Area Head for the finance faculty at Brandeis. My research focuses on municipal finance and on the impact of taxation, regulation, and market structure on financial markets. This research has been published in the *Journal of Law and Economics*, the *Journal of Financial Economics*, the *Quarterly Journal of Economics*, the *Review of Financial Studies*, the *Municipal Finance Journal*, and the *Journal of Public Economics*.

To start with, I am strongly in favor of the proposed academic trade data product. Releasing data that would allow academic researchers to distinguish transactions made by particular dealers would enhance the quality of academic research on the municipal market. In the medium to longer run, releasing these data would also serve the public interest, by helping to make the municipal market function more efficiently for buyers and sellers of municipal bonds. A key principle that governs the progress of science is that scholars should have the opportunity to test and replicate each other's research. Making data widely available, and to a wide range of different teams of researchers, is an important part of how research on this market will move forward. In this and in other markets, academic research has served the public interest by helping markets connect buyers and sellers more efficiently.

I have a handful of specific comments that I would like to make in response to your request. First, your request for comment asks about potentially using groupings of dealers based on dealer characteristics as a way of reducing the possibility for the reverse engineering of dealer identities. In my opinion, aggregating information in this way, or otherwise reducing the information content of the data, would negate the entire purpose of having (anonymized) dealer identities, which is to be able to identify

round-trip transactions. For that reason, I would recommend that the academic data product include individual trades linked to specific (anonymized) dealer identities.

Your request for comment also asks about limiting the availability of the RTRS Academic Data product to academics currently associated with an institution of higher education. I would encourage the MSRB to broaden the set of scholars with access to the new product. Scholarly research on the municipal market may also be conducted by high-quality researchers who are associated with the Federal Reserve Board, individual Federal Reserve Banks, and by other institutions such as the Brookings Institution, the American Enterprise Institute, and the Urban Institute. Excluding these researchers from the community of scholars with access to the new data product would be inappropriate and would hamper the progress of research on the municipal bond market.

I am also very concerned about the unlimited damages provision in the proposed MSRB agreement. I believe that such an agreement will prevent many academic researchers from being able to access these data. I would propose placing a damages limit that would be sufficiently high to deter unauthorized use of the data, but not so high that it places the data out of reach for most scholars.

It is also obvious that any unauthorized reverse-engineering of dealer identities would be evident to the editors and referees of any serious academic journal into which a hypothetical rule-violating scholar might attempt to place their research. Given the good faith of the MSRB in making these data available to scholars, and the fact that unauthorized use of the data would threaten wide availability of these and other data vital for academic research, my forecast would be that any scholar who attempted to publish or distribute work based on unauthorized reverse-engineering of dealer identities would become something of a pariah in the research community. When it comes to reverse-engineering dealer identities, I don't believe that it is the community of scholars that should worry the MSRB.

But I do think that the MSRB, in its hope to deter the dissemination of dealer identities matched to trades, is probably swimming against the tide of history and technology. It's hard for me to imagine that these data will not eventually find its way into the light, one way or another. It would probably be productive for the MSRB to prepare for a world where data matching trades to dealers are widely available and the barriers to using these data are much lower than they are today.

With best regards

Daniel Bergstresser