

Comment on Notice 2012-36

from David Belton, Standish Mellon Asset Management

on Thursday, August 09, 2012

Comment:

Standish Mellon Asset Management, a subsidiary of Bank of New York Mellon, is investment advisor to clients who own approximately \$32 billion of municipal bonds.

On behalf of Standish, I am writing to express the firm's view of the proposed Amendment (k) to MSRB Rule G-11. This amendment would prohibit dealers from consenting to changes in bond documents as "bondholders" while acting as underwriters. We agree strongly with the aim of the Amendment; we believe bond dealers, who serve bond issuers as well as investors, do not necessarily share the latter's interests and concerns regarding the legal provisions of municipal bond issues.

We do not agree with 2 exceptions (ki and kii) listed in the proposed Amendment. These exceptions would allow a bond dealer to consent to changes in legal documents when acting in a capacity other than as underwriter – i.e. remarketing agent owning 100% of the bonds or a long term investor. The two exceptions would allow for self definition of the bond dealer's role in owning a municipal bond, and therefore too much discretion on the part of bond dealers in assessing their role as a bondholder. The third exception, which allows for dealers to provide consent when all other holders have given theirs, is acceptable.

Standish greatly appreciates the MSRB's efforts on behalf of municipal bond investors and the opportunity to participate in its efforts to improve the functioning of the municipal marketplace.