



September 30, 2010

Attn: Ms. Leslie Carey
Associate General Counsel

Ronald W. Smith
Senior Legal Associate

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: MSRB Notice 2010-27
Request for Comment on Rule G-23 on the Underwriting Activities of Financial Advisors

Dear Ms. Carey and Mr. Smith:

Independent Bond & Investment Consultants LLC ("IBIC") is an independent public financial advisory firm based in Madison, Connecticut. As an independent financial advisor, we do not participate directly or indirectly in the purchase, sale or underwriting of municipal securities. Over the last twenty-two years, IBIC has served as financial advisor on over seven hundred municipal transactions with a volume exceeding \$7 billion. We serve over 35 units of government in the state of Connecticut, primarily municipalities and school districts. Connecticut is a small state, and as expected our clients are primarily smaller sized issuers. While we may not be as large as many of the firms who will respond to your request for comments, we work on a daily basis with the type of issuer the proposed rule changes seek to protect.

1. General Views on Proposed Changes to MSRB Rule G-23

As one of the founding members of the National Association of Independent Public Finance Advisors ("NAIPFA"), IBIC has long shared NAIPFA's belief that public finance advisors maintain a fiduciary relationship with their issuer clients. We feel that it is this fiduciary relationship that creates the inherent conflict of interest when a firm switches roles from advisor to underwriter. Common sense dictates that it is impossible for someone to represent both the buyer and seller in an arm's length transaction. We applaud Senator Dodd and Congressman Frank for recognizing the fiduciary nature of the type of service Municipal Advisors provide and the MSRB for the proposed changes to rule G-23.

2. Responses to MSRB Questions

- 1. Should a dealer be precluded for a specific timeframe from entering into a financial advisory relationship with an issuer after serving as an underwriter on one of the issuer's prior offerings of securities?*

We support NAIPFA's long stated call for a "cooling off" period. Such a prohibition would underscore the fundamental conflict of interest and create dialogue between underwriters and issuers regarding the reasons for the ban. It would send a clear message to infrequent issuers who may not have been following this important discussion.

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2. *If the MSRB were to amend Rule G-23 to prohibit dealers from serving as underwriter on transactions for which they have served as financial advisor to the issuer, should there be an exception for competitively bid transactions? Would it matter if the notice of sale was made available 5-7 business days before a competitively bid transaction to allow additional time for other competing firms to conduct due diligence? Should a financial advisor be allowed to bid in a competitively bid transaction in which a failed bid had occurred? How would the situation be handled in which there is a failed bid and the financial advisor cannot step in to buy the bonds because of the prohibition? Is this a common occurrence?*

We do not believe that an exception should be created for competitively bid transactions. To create exceptions would imply that one firm could serve both roles and would undermine the intent of the rule change. Regardless of the method of sale, the roles and interests of the two parties are distinct and adversarial. The FA represents the interest of the seller and the underwriter represents the interests of the buyer. Advance postings of notices of sale would not change the conflict of interest. In our experience, failed bids are not a common occurrence and therefore an exception is unnecessary. If a failed competitive bid were to occur it would be the responsibility of the FA as the issuer's advocate, to reach out to the market and find an appropriate firm who can place the bonds.

3. *Are there small and/or infrequent issuers that will be negatively affected by the proposed prohibition? What are the alternatives and costs for such issuers should the MSRB adopt the proposed draft rule amendment?*

Our entire client base are small and/or infrequent issuers. In our opinion, the prohibition would create a competitive environment for FA firms, both independent and broker-dealer alike, which would ultimately benefit issuers.

4. *Is it appropriate for a dealer to serve as financial advisor to an issuer at the same time that it serves as underwriter on a separate issue for the same issuer?*

No. To do so would seek to minimize the inherent conflict of interest and potentially confuse issuers. The roles should be separate and distinct. We do not believe that the lost opportunity to underwrite the contemporaneous transaction would create an undue hardship on broker-dealer firms. It would also prevent the appearance of any conflict of interest, which as we all know, is important in a public forum.

5. *As it relates to current practices, are there instances in competitively bid transactions in which a financial advisor should resign in order to "officially" bid on a competitive new issue transaction as an underwriter? Is there ever a time when the financial advisor does not conduct the bid process for the issuer, such as the use of electronic bidding platforms where the process of collecting bids is done by a third party on behalf of the issuer? Is it an uncommon practice for the bid process to be handled internally by the issuer?*

We are not aware of any reasonable circumstances under which the FA should resign to bid. We feel that the FA should serve the issuer from the inception to the close of the transaction. We are not aware of circumstances where the FA is not involved in the bidding process. The electronic bidding platforms are nothing more than vehicles to collect the bids. It is the interpretation of the results where the FA's role is important. In our experience, it is an uncommon practice for the bid process to be handled internally by the issuer.

6. *In the context of a primary offering, should the exception found in Rule G-23(d)(iii) be limited to situations in which a financial advisor purchases bonds from underwriters who won a competitive bid for the bonds in which multiple bids were received?*

We feel that the exception as stated is adequate.

7. *In competitively bid transactions, are there situations where the issuer may hire a financial advisor to serve on a specific issue and then, at some point, hire a second financial advisor to oversee the competitive bid process in order to allow the original financial advisor to bid on the issue?*

We are not aware of any circumstances under which an issuer would need to hire a second FA to oversee the competitive bid process. If the FA maintains its role throughout the transaction, there would be no need for a second FA.

We respectfully submit our comments for consideration. Thank you for the opportunity.

Regards,

/S/ William N. Lindsay

William N. Lindsay, C.I.P.F.A.
Director

/S/ Mark N. Chapman

Mark N. Chapman, C.I.P.F.A.
Director