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September 16, 2022

Ronald W. Smith
Corporate Secretary
MSRB
1300 I Street NW
Washington, DC 20005

Dear Sir:

I have been a municipal bond professional for 37 years and have had my own firm for the past 27 years. My firm transacts with dealers, broker-brokers and institutional clients exclusively. I support more disclosure and transparency.

However, the requirement to shorten trade reporting to one minute would put an undue burden on smaller firms. Like many dealers, our firm clears trades through a clearing firm who then transmits the trade data to the MSRB. We trade only in the secondary market. Trades occur over the phone and through various platforms such as the Muni Center and Bloomberg and then have to be entered into the clearing firms' system which usually requires more than one minute especially when handling multiple trades occurring simultaneously.

The MSRB notes that the rule will cause a financial burden on small firms and probably cause consolidation within the industry, but this is dismissed as insignificant. However, MSRB data for 2021 show the number of firms that account for less than 1% of trades equals 555 or 96% of MSRB member firms. It is reasonable to assume that by reducing competition (i.e. consolidation) the rule change will create a less liquid and less efficient secondary market.

As for reducing spreads, it might be wrong to assume spreads will tighten in any significant way with a one minute rule. The studies cited by the MSRB analyze data from 2005, i.e. 17 years ago, when the market was much different and when the reporting time was reduced significantly: from all day to 15 minutes. Having discussed this matter with our institutional customers, we were told that reducing the reporting time to one minute will have no impact on how they trade bonds in the secondary market. Moreover, the MSRB RTRS data is rife with examples of sizable trades where the dealer buy and the sell to customer are reported and occur simultaneously (i.e. within the same minute) and where the spread is LARGE. Those trades will comply with the new rule.

Lastly, the MSRB notes that the industry is moving to quicker trade reporting without another burdensome regulatory mandate, so why the need for change now? Especially when the cost burden will fall primarily on smaller firms and create a large number of non-compliant trade reports. Forcing consolidation will engender less competition and less liquidity with very uncertain benefit in terms of spread tightening.

Respectfully,

Robert Blum
President