



January 8, 2024

BY ELECTRONIC SUBMISSION

Ronald W. Smith  
Corporate Secretary  
MSRB  
1300 I Street NW, Suite 1000  
Washington, DC 20005

Re: MSRB Notice 2023-11, Request for Information on Impacts of MSRB Rules on Small Firms

Dear Mr. Smith,

The following comments are submitted in response to 2023-11. Founded in 1980, Amuni Financial, Inc. (AMUNI) is a full-service broker-dealer specializing in the sale of individual fixed income securities. AMUNI is very active in fixed income, particularly in the secondary municipal bond market.

Although I believe that the MSRB has good intentions, I strongly feel that the current regulatory environment disproportionately penalizes small broker-dealers who most likely don't have large compliance teams and the seemingly unlimited resources of larger firms. The amount of time and the cost of replying to numerous inquiries severely impacts our firm. Since our small firm lacks a large, dedicated compliance department, we spend precious time responding to regulatory inquiries and complying with new regulations; time that could otherwise be spent serving our clients. Often, we face unrealistic turnaround times, only to wait months for the next round of questions after our responses.

My latest and primary area of concern involves the recently approved regulation mandating a one-minute trade reporting window. At the time of this writing, most comments on Regulatory Notice 2022-07 argue against this change, yet the MSRB recently approved the most stringent version proposed. It makes me wonder if any of the MSRB Board Members have experience on a small firm municipal bond trading desk. The municipal market differs significantly from the taxable and equity markets, and I believe this rule was approved without considering how a large part of the municipal marketplace functions. Our firm has already invested substantial sums attempting to comply with this regulation. The MSRB has approved a rule that will penalize firms making markets in municipals and will most likely consolidate the marketplace further. Only firms willing to spend a fortune on technology will "try" to comply with this regulation. It is my belief that many firms will opt out of the business and will move their business to other investment alternatives.

Another area of concern involves bonds trading below their minimum denominations. This rule is antiquated, and I would argue that it harms more than it helps. Regulators have created a market, or lack thereof, penalizing retail investors for circumstances beyond their control. Almost every time our firm sells a bond below the minimum denomination to a retail customer, the MSRB initiates an inquiry. Our firm provides liquidity to this market as a matter of principle, but as a small firm, bidding on these bonds, knowing we will face an inquiry, is hard to stomach. It would be beneficial for the MSRB to review the current state of the



market and adjust these rules, especially given the reorganization of much of the Puerto Rican debt that is trading in micro-bond increments. I feel, and I may be wrong, that many of these inquiries could be resolved by regulators investigating the issue at hand before launching a formal inquiry. This could be done by examining previous interactions with firms and the resolutions that came from prior investigations or even by a phone call.

The last area I'd like to highlight involves PMP (prevailing market price) and markup disclosures. We have faced multiple exams and inquiries into our procedures, and it seems regulators consistently ask us to repeatedly "tweak" our procedures. We appear to be held to a zero-tolerance standard, which I find at odds with other MSRB reporting standards. I strongly encourage the MSRB to consider that calculating the PMP for many transactions still involves human intervention, which inherently leads to an occasional error.

Personally, I do not believe the municipal market is as complex as perceived. The industry should take a step back and refine existing regulations to better encourage new entrants to join the space. I would also like to request that any regulatory inquiry initiated by the MSRB or FINRA should have basic contact information attached to the initial inquiry. As the work from home model has persisted, in my experience, it has been more difficult to get analysts on the phone.

In conclusion, I urge the MSRB to carefully consider the impact of all new regulations and their impact on all broker-dealers and to engage in a dialogue with industry participants to understand the regulatory impact, particularly on small firms. Small firms play a vital role in providing liquidity to the marketplace while fostering more competition with the large firms that dominate the space. By refining existing regulations and considering the unique challenges faced by smaller players, the MSRB can promote a more vibrant and resilient municipal market. I appreciate the opportunity to comment on this topic and trust that the MSRB will consider the impact of their new, and existing, regulations on the few small firms that are still left in the market. Thank you for your time.

Sincerely yours,

Mike Petagna  
President  
Amuni Financial, Inc.