

To whom it may concern:

I am writing with my concerns regarding the impact of Municipal Market Regulation on small firms. Herold & Lantern is a small broker dealer with a small imprint and impact on the multi trillion-dollar municipal bond market. For a firm like ours with very few bond traders and assistants, moving trade comparison time to one minute from the current 15 minutes allotted would be an undue burden, that would not only be detrimental to our business and our efficiency, but also to our health. I am Treasurer of the Municipal Bond Club of New York, and at our holiday function this was a major topic of discussion. After speaking with traders at both large and small firms, the consensus was that this rule is unnecessary, will be extremely detrimental (for the reasons above) and will do NOTHING to materially help the retail investor.

First of all, Municipal bonds are an over-the-counter market and many transactions are confirmed by voice, ATS, or over Bloomberg. There are several reasons that a trade may not be able to be reported in one minute: It is possible that one of the traders is backed up with transactions that they are already inputting, it is possible that one of the traders can't get off the phone, it is even possible that one of the traders needs to use the restroom. I am a third-generation municipal bond professional, and municipals always have been, and, I firmly believe always will be a much slower moving market. This is actually very helpful to the retail investor. If a registered rep is offering bonds and the client wants to think about it, there is a very good chance that the trade will get executed at the price discussed, primarily because of this slow-moving nature.

I would encourage someone to actually do a study on how prices generally don't significantly move in the municipal bond market on an intraday basis. If you run through the Bloomberg PICK offers, or comb the MUNICENTER or Tradeweb systems the price changes are generally insignificant intraday. The only exception to this are the algo firms who "may" move their bid or offer so nominally that the original price can usually be negotiated back through a phone call.

Though we have a trading account at Herold & Lantern, our bond trading desk is the backbone that supports the registered representatives that want to use municipal bonds as part or all of their client's portfolios. The bulk of our transactions are considered to be odd-lot amounts (less than 100m). Our trades have virtually no bearing on the market. There are 50,000 issuers, and as mentioned earlier, this is within a multi-trillion-dollar industry. There are hundreds of firms like ours, and probably tens of thousands that have an order taker to fill these bond inquiries.

At times, because of our smaller transaction size, and many registered reps, multiple orders come in to the trading desk. Every order is very time consuming for a municipal bond trade. Multiple systems as well as land line calls may be made to assure best execution. Every transaction is vetted to see if material events need to be disclosed to the client. Additionally, PMP must be reported on "in and out" transactions. Ultimately what takes the most time is the manual input into the clearing firm's trading system. Our order tickets are handwritten and our trade tickets are generated from the system after the completion of the input of the transaction. This process can take several minutes in and of itself, let alone if we have multiple transactions to input. One, and at most two people, input our tickets. The tickets are printed out, with all notes handwritten on the tickets, and then filed into a folder with all the days tickets, trade blotters, and any other relevant market information that might be included in that daily folder. The trader is responsible for executing the trades, double checking material events, best execution, and PMP. The assistant trader inputs the trades after the trader "walks" the trades over to the assistant's desk or office.

As we try to be mindful of everything that goes into a municipal bond trade, as well as cost controls, with a lot of growing pains, we ultimately perfected a system that has a very good track record for comparing trades within 15 minutes. Aside from the fact that there is NOTHING material that will be gained in the market by comparing our trades in one minute, this will put an undue and unnecessary burden and stress on our trader(s) and their assistant(s), that I feel would potentially imperil their effectiveness, their diligence, and unfortunately and ultimately their health! I assure you that there are thousands of position traders, order clerks, and operational employees that will feel this same unnecessary pressure.

The market moving trades (millions of bonds) are not handled by the majority of firms that may buy municipal bonds. There is transparency already. There are multiple ATS systems where sellers can battle it out if they want to be the best offer, but even with all of this, it is so insignificant in the realm of this market. Traders and reps have all sorts of transparency. For retail investors who want, they have transparency through EMMA. And now there is even more transparency with PMP.

What is beneficial to investors is that this is a slower moving market and that is why price outliers are easily identified. There may be a reason for a price outlier, but it is at least there to see and be questioned. It is incredible that the government market may rally one point and Municipals could be unchanged, or vice versa. This market moves slowly! The one-minute rule

will have no material benefit at all to the retail investor. I do not know who is looking to benefit from this rule, but if it is the institutions, or the mega dealers, I would strongly suggest that this rule is implemented ONLY to those who may benefit from this (maybe it is the million-dollar trades). Otherwise, you are creating an extremely unnecessary stressful situation for a lot of small firms that are already overburdened and just trying to fairly and properly run their business and take care of their reps and clients with the clients' best interests always in mind. PLEASE do not detract from that with a panic of having to compare a trade in one minute. There are so many more important things that you ask us to do that go into a transaction, and I question none of those.

Sincerely,

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