

November 1, 2013

VIA ELECTRONIC MAIL

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: MSRB Notice 2013-14 (July 31, 2013)

Dear Mr. Smith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to MSRB Notice 2013-14, the second in a series of concept releases relating to the planned development of a new central transparency platform (the “CTP”) as contemplated under the MSRB’s Long-Range Plan for Market Transparency Products, (January 27, 2012) (the “Long-Range Plan”). BDA is the only DC based group representing the interests of middle-market securities dealers and banks focused on the U.S. fixed income markets. We welcome this opportunity to state our position and provide these comments from a platform of tremendous support for any measures that will improve market transparency and, in particular, any technological improvements that will provide better market transparency and efficiency for all market participants.

Keep Certain End-of-Day Reporting Exceptions Intact for List Offering Price Transactions and RTRS Takedown Transactions

As discussed in our comment letter dated March 15, 2013 in response to the MSRB’s January 2013 CTP Concept Release, we continue to believe end-of-day reporting exceptions should remain intact for all List Offering Price Transactions and for RTRS Takedown Transactions. Currently, list offerings have until end of day for reporting on a new issue from orders sold at the list offering price. We believe this exception should

remain for the following reasons:

- At times, a firm can have hundreds of tickets to write for new orders of list offerings.
- With the potential for writing hundreds of tickets, it is impossible for the procedural data entry to occur in a shorter timeframe than current end-of-day requirements.
- It would be technically impossible for firms to report all list offering price and takedown transactions within 15 minutes.

Additionally, the MSRB posed a question in the original concept proposal regarding whether the benefits of a shorter reporting cycle would outweigh any burdens to dealers and we would argue that there are no benefits to the investor to report earlier since list offering prices are already public and therefore, having the trade reported in 15 minutes time does not offer additional transparency to the market, but it does create added clerical burden of entry, naturally resulting in the potential for late trades to increase. For these reasons, the BDA would ask the MSRB to maintain the end of day reporting exceptions for List Offering Price and RTRS takedown transactions.

Dissemination of Too Many New Pre-Trade Data Elements May Confuse the Investor

The BDA believes some additional data elements might be helpful to dealers in the way of securing high quality and timely bids and offers. However, we would suggest that the MSRB consider the consequences of requiring dealers to produce this additional information and making this information available to investors without appropriate context and detailed educational materials for the investor to understand the value in the information. For example, dealers may receive different levels of participation depending on when they ask for bids, market events, and at any given time, one bid may not be representative of the best bid available. We believe that post-trade reporting is the more appropriate and most accurate pricing information to be made available to investors. Additionally, there will always be data quality issues relating to bids or offers that do not truly reflect an intent to effect a transaction and in cases like this, we believe the investor would not be served by having that information in front of them without the proper

context around how such bids are ultimately filtered out of the system by market professionals. We believe that post-trade reporting is the more appropriate pricing information to be made available to investors.

Trading Strategies Could be Compromised

While the BDA believes increased transparency is ultimately better for the investor, we would caution that some of the new data elements being considered by the MSRB for pre-trade reporting may undermine trading strategies resulting in the constriction of some market participants for fear that their trading strategies may be compromised. This could have the undesired result of reducing liquidity in the municipal securities markets leading to depletion in liquidity. Additionally, we believe the best way for the MSRB to ensure they are receiving the most accurate pre-trade and post-trade information without compromising trading strategies is if they could establish quality controls around each data element it collects.

Venue Type Indicator May Confuse the Investor

The BDA does not see the benefit to the investor if the MSRB were to incorporate venue type indicators into its information collection for post-trade enhancements. At the end of the day, the venue is just a one component of the dealer's educated, informed and professional decision, taking into account all relevant factors surrounding the best execution strategy for a particular transaction. The choice in venue may be a result of the unique knowledge a dealer has about where a specific security would trade best or it may be the result of many days of assessing many different sources in order to find the best price, but ultimately, a simple indicator cannot capture the totality of the execution factors and will simply lead to unnecessary confusion for the investor. Additionally, the production and maintenance of information identifying the venues of execution considered, documenting the dates, times and bids evaluated at each step (and potentially reporting them all to the MSRB) will be burdensome to the dealer for information which is not likely to be beneficial to the investor.

Additional Items of Concern

While the MSRB did not specifically request for further elaboration in this second CTP concept proposal on shortening the MSRB Rule G-14 requirement to generally report all executed transactions in the municipal securities markets to the MSRB's RTRS within 15 minutes of the time of trade, this issue is of great importance to our membership and needs to be considered in the context of collection and dissemination of additional post-trade pricing information through a CTP and we would like to again provide our position on this issue.

As we stated in our March 15, 2013 letter to the MSRB on the proposed CTP, we believe it would be a mistake to shorten the 15-minute reporting time frame under MSRB Rule G-14. In reporting trades to the MSRB under the current requirements, there are several steps firms must follow for each trade which include:

- A trader taking an order from a sales person or counterparty trade;
- Entering the trade into the trading system;
- Processing the trade into the clearing/reporting system; and
- Reporting of the trade to the MSRB.

However, if a particular CUSIP has never been traded by a certain firm, the staff in the middle or back office must take additional steps to find the security setup data on a database and "set up" or "build" the bond information in the clearing system before they can run the trade through the clearing system, at which point, the trade will be reported to the MSRB. In the latter scenario for a CUSIP to be built into a firm's system, this additional work can typically be managed within the 15 minute reporting timeframe, but the potential for late reporting is higher than for trades already built into the firms system. Therefore, in order for the building in of the CUSIP process to happen while minimizing human error in entering the information into the system, we believe that the current 15-minute timeframe should be maintained. If the MSRB were to include additional post-trade pricing information to be reported, including, for example, whether the trades involved conditional trading commitments or retail orders, this would add to the information that needs to be entered and transmitted and the 15 minute reporting timeframe becomes even more important. Additionally, after speaking with our dealers, we do not

believe that transparency or liquidity will be improved by shortening the timeframe and thus we believe that if the reporting timeframe were to be shorter than 15 minutes, it will be an undue burden providing little or no additional value to the investor.

As the only national trade association focused on middle-market broker dealers, we believe that our input is uniquely valuable because we are able to provide the MSRB with insight regarding the practical costs and benefits in developing a new central transparency platform. Our members are the dealers who will be most affected by any cost and compliance burdens associated with the creation of an entirely new platform and the requirement to collect and report detailed pricing information. Thank you again for the opportunity to submit these comments.

Sincerely,



Michael Nicholas
Chief Executive Officer