

September 28, 2022

Submitted electronically via msrb.org

RE: REQUEST FOR COMMENT ON TRANSACTION REPORTING OBLIGATIONS UNDER MSRB RULE G-14

To the Municipal Securities Rulemaking Board:

We appreciate the opportunity to comment on the proposed amendment to Rule G-14 because it is a very serious matter to us. As a correspondent bank, one of the services we provide to our community bank customers is access to the municipal bond market. This is a service not typically provided to community banks by large institutions that have fully automated reporting systems, and it is therefore a critical role in the community banking industry as municipal bonds are a staple of almost any community bank's liquid assets.

Reporting is not a simple process for us, or for many other small municipal dealers and correspondent banks like us. Anytime we execute a municipal securities trade, we have to report the details of the transaction manually. Furthermore, since we typically act as riskless principal, we have to go through this process *twice* whenever a customer bank buys or sells—once when we transact upstream with a larger dealer, and again for the customer side of the transaction.

For transactions with upstream dealers, the system we report the trade through requires us to log out of everything else—the bank network, email, and anything else that requires an internet connection. It takes at least a minute simply to log in to the initial access point to begin to report a trade.

After that, navigating DTCC's portal to report takes several minutes because the process is, unfortunately, quite slow. If the site is particularly busy, or if we have to change a password, it is challenging to even meet the 15-minute requirement. And, again, this is only one side of the transaction. After manually entering all of the required information and waiting for approval confirmation, we then disconnect from the dedicated line and log back in to the bank network and finally the MSRB website, where we navigate to the RTRS page and enter all the same information again for the customer side of the transaction.

If we make any errors entering the trade data, it is not possible to correct them within the 15 minute window.

The transactions not already reported within 1 minute via an automated system are not sizable enough for faster reporting of them to affect market transparency in any meaningful way. Furthermore, they are not particularly representative of market movement since smaller dealers often do not hedge their positions, but rather attempt to sell at a dollar price gain regardless of what the rest of the market is doing. For those transactions, time of reporting is effectively meaningless. This proposed rule does significant harm to a significant proportion of municipal market participants without contributing any real value to the industry; it is clearly a net negative and should not be implemented.

If the reporting window is reduced to a single minute, we will be forced to incur expenses that have heretofore been well outside our operating budget. We will likely be forced to increase fees and use larger markups in our dealings with community banks, and we believe it's safe to assume other small municipal dealers and correspondent banks will be forced to do the same.

Our fear is that this rule change will effectively be a tax on our customers, who often play a vital role in communities that lie outside the target markets of large broker dealers. Community banks are already shouldering costly regulatory burdens designed for much larger institutions. Ultimately, it will contribute to industry consolidation, less competition, fewer and lesser banking services in smaller communities, and therefore more headwind to economic growth in those areas.

Please do not reduce the 15-minute reporting requirement. Thank you for your consideration.

Sincerely,

Electronically Signed

David Long
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Electronically Signed

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