



Investment Corporation
FINRA / MSRB / SIPC

Ms. Peg Henry
Deputy General Counsel
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: MSRB Notice 2011-18: Request for comment on Draft Rule G-43 (On Broker's Brokers)

Dear Ms. Henry:

RH Investment Corporation (the "Firm") appreciates the opportunity to respond to Notice 2011-18 (the "Notice") issued by the Municipal Securities Rulemaking Board ("MSRB") in which the MSRB requests comments on draft interpretive guidance on municipal securities broker's brokers. ("MSBBs"). The Firm is strictly a municipal securities dealer; we deal only in municipal bonds and no other securities. The Firm also has no retail customers.

The Firm supports effective and efficient regulation of the municipal securities markets. However, the Firm's understanding of Draft Rule G-43 ("the Draft") is that the Draft is more an impediment to an efficient marketplace than it is a benefit. The Firm objects to the Draft's definition of the Duty of a Broker's Broker. An MSBB should not make the determination if a bid is fair and reasonable in relation to prevailing market conditions. That responsibility falls upon the seller and MSSBs should be neutral parties. Today, there is ample information available to all sellers to determine if a bid is fair and reasonable. If they should find such information lacking, they are under no obligation or pressure to accept any bid.

The Firm strongly objects to (c) (iv) ("a broker's broker may not give preferential information to bidders..."). If traders do not receive "color" or "posts" on their bids, the lack of information made available to them from the MSSBs will result in traders being more cautious in their bidding and thus sellers will receive fewer and lower bids, making the market less liquid and efficient. In the case of hard to value or thinly traded bonds, traders will be even more cautious in their bidding, resulting in fewer and much lower bids. This is surely not the intended consequence of any regulation. Also, if a bid is "sticking out," a bidder is held accountable for

an error in bidding (and the resulting financial loss) yet a seller is rewarded for such errors as they are “ensured” of receiving at least the market price. There is no protection for the bidder in such cases. This is not fair to the bidder.

With respect to the Conduct of Bid Wanted, the Firm objects to (c) (v) (“not accepting bids after an imposed deadline”), the Firm believes it is in the best interest of the seller if the MSSBs reflect bids after a deadline which are higher than the best pre-deadline bid. In today’s marketplace, it is frequently difficult for traders to meet all bid wanted deadlines because of the quantity of bid wanteds (many of which are given to multiple MSSBs, which makes the task that much more difficult for traders. Our traders bid 300-500 items per day). If a higher price is found for the seller, that is better for the seller and it is the seller’s discretion as to whether to accept a late bid or not. It should be the duty of the MSSBs to convey all bids, timely or late...not suppress them.

The Firm also objects to (c) (vii) (“a broker’s broker may not adjust a bid without the bidder’s written instruction”). This practice is usually performed over the telephone for its speed and precision. To effect the same degree and quality in a written statement would require too much time and effort, putting the bidder at a disadvantage.

The Firm also objects to (c) (ix) (“a broker’s broker must check the results of the bid-wanted process against other objective data”). The MSSBs should check the results of the bid-wanted only using the bids it has gathered for that particular item. This proposal puts an onerous responsibility on the MSSBs and takes away from their ability to perform their main task: acquiring bids for their clients. It is the seller who must check the results of the process against other objective data.

The Firm also objects to (d) (i) (H) (“prohibit the broker’s broker from providing any person other than a selling dealer client and the winning bidder with information about bid prices..”). As stated earlier, without this “color,” traders will bid more cautiously as they have less information to determine what the market price is for any municipal bond and the quality as well as the quantity of bids will deteriorate. “Color” and “posts” are not preferential treatment. They are necessary information that traders rely upon. The Draft seems to be an attempt to move the municipal secondary market in the direction of an open market like the equity market. However, as the Draft currently reads, it is not entirely open nor entirely fair to bidders.

In summary, the Firm has specific objections to the Draft. The Firm’s position with respect to MSSBs is that they provide an important and necessary function to the municipal marketplace. The Firm supports a fair bid-wanted process. However, regulation of such a process should not unfairly hurt either the seller nor the bidder and should encourage the best and fair price, not dissuade bidders from providing the best and fair price as the Draft most assuredly would do.

RH

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April 21, 2011
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The Firm thanks the MSRB for the opportunity to comment on this proposal. We would be pleased to discuss these comments in greater detail. If you have any question, please feel free to contact me at (818) 789-8781.

Respectfully,



Andrew L. "Bud" Byrnes III
Chief Executive Officer

RH