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Mr. Ronald W. Smith
Corporate Secretary
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 and Associated Amendments

Dear Mr. Smith:

Please accept this letter as the response of Chapdelaine & Co to the Municipal Securities Rulemaking Board's Request for Comment on MSRB Guidance on Broker's Brokers, dated February 24, 2011. Chapdelaine & Co. had significant input in the letter submitted by the Securities Industry and Financial Markets Association (SIFMA) and strongly supports the points made in the SIFMA comment letter.

Chapdelaine & Co believes the municipal market would be negatively impacted by the unintended consequences of rule G-43 on Broker's Brokers and associated amendments. We feel strongly these new regulations would be disruptive to the secondary market and significantly limit liquidity specifically for the retail sector of the municipal bond market. References in the proposed rule requiring Broker's Brokers to opine on a fair and reasonable price in a bid wanted auction, prohibiting a Broker's Broker from contacting a high bidder in an obvious error bid situation without written permission of the seller and not being able to comment to a bidder after the bid wanted sharp time are particularly troublesome.

Historically, dealer firms make the decision to either sell or not sell a bid wanted item after a Broker's Broker has reported the high bid and cover bid. It is the dealer firm who has the resources to determine if the high bid is fair and reasonable. Putting this responsibility on a Broker's Broker is unprecedented and is an unrealistic burden and has never been an expectation of the broker dealer community. The purpose of a Broker's Broker is to solicit as many bids as possible on any given bid wanted item. The responsibility of knowing the peculiarities of the underlying credit including its' current financial strengths or weaknesses lies with the dealer firm. A Broker's Broker firm does not have credit research. This has always been the trading standard in the broker dealer and Broker's Broker relationship.

Timely and accurate trade reporting are essential elements of transparency in the municipal market. Forcing a Broker's Broker to execute an error trade with a resulting inflated trade price contradicts the entire transparency effort. Under the proposed rule G-43(c) (vi) the transparency process would be impeded and jeopardized with the requirement of written permission from the seller in an obvious error bid situation. Assuming the selling dealer does not grant permission to the Broker's

Broker to contact the high bidder in an obvious error bit scenario, the resulting off the market trade will lead to an improper trade report and likely an arbitration dispute involving all three parties. This could all be avoided if the Broker's Broker was given a certain degree of discretion to contact the dealer making the clearly erroneous bid without the prior written approval of the selling dealer.

It has been an industry practice that a bidding dealer is entitled to a comment if his bid is being used after the sharp bid wanted time. This has always been an essential component of position and cash management especially in fast moving and volatile markets. Under proposed rule G-43 (c) (iv) a Broker's Broker would be prohibited from informing a bidder if he is the high bid. It is our opinion that dealers would now be reluctant or would make fewer bids if they were not able to effectively manage their risk capital during the course of the trading day. This would also lead to fewer bidders and impact the already fragile liquidity in the market place. After a sharp bid wanted time, it is virtually impossible for a bid wanted to be manipulated and not allowing a Broker's Broker to comment to a bidder on where he stands will negatively affect the day-to-day trading activity in the municipal market. A bidding dealer should be entitled to know his potential obligations in order to properly manage his daily trading position.

We appreciate the opportunity to comment on Notice 2011-18 and would welcome further discussion on the issues addressed.

Respectfully,



August J. Hoerrner
President