

October 21, 2011

Municipal Securities Rulemaking Board

Re: MSRB Notice 2011-50  
Request for Comment on Revised Draft Rule G-43

Gentlemen:

I'm writing this in response to the Request for Comment on the above referenced revised draft rule which outlines rules for both broker's brokers and broker dealers in the transaction of municipal bonds. My inquiry concerns "screening" specified broker dealers wherein, "MSRB notes that such screening may reduce the likelihood that the high bid represent (sic) a fair and reasonable price. Selling dealers should, therefore, be able to demonstrate a reason other than competition ... for directing broker's brokers to screen certain bidders from the receipt of bid-wanted or offerings."

My question is this: Are there similar rules in place which are designed to protect the public during the lion's share of our activity, i.e., *buying* bonds? During the process wherein a salesperson searches for the most attractive bonds to offer the retail client for purchase, does the MSRB have regulations which afford the client the same sort of protection as G-43 seeks during a sale via the bid-wanted mechanism?

My understanding is that broker dealers frequently inventory municipal bonds, and generally employ an electronic platform through which their bonds are displayed to their internal sales force. Further, these platforms enable a broker dealer to display, on their in-house system, bonds which competing broker dealers advertise on the same platform. Consequently, all bonds advertised on a given platform can be advertised on the systems of all broker dealers which utilize said platform. All things being equal, if these platforms are used properly, the client has access to a substantial universe of bond offerings.

My further understanding is that these platforms enable each broker dealer to screen from their sales force whichever competitor's offerings it chooses. Hence, if broker dealer A and broker dealer B each use the same platform, clients of both A and B have access to both A's and B's offerings, unless either A or B specifically screens the other's bonds from appearing on its internal system. If I'm a client of A and A does not screen B's bonds...and all other available broker dealers' offerings... from its sales force, except in unusual circumstances, I'm being treated fairly. However, if I'm a client of B and B routinely screens competitors' offerings absent "valid business reasons other than competition", the MSRB standard for screening in the bid-wanted process, I'm being shortchanged whenever B happens to screen from my salesperson's view either cheaper identical bonds to B's, or bonds otherwise available which may be generally more attractive or suitable than B's selection. In its capacity working for a

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broker dealer, a broker's broker "could not take any action that would work against that dealer's interest to receive advantageous pricing". Shouldn't the broker dealer be held to the same standard in dealing with its client?

Since a broker dealer may not instruct a broker's broker in all but unusual circumstances to "screen" bid wanteds and offerings, shouldn't there be specific rules prohibiting the broker dealer itself from "screening" from its clients competing bonds available on the platform the broker dealer uses, excepting unusual circumstances? Would not such "screening" make the process less transparent and reduce the likelihood that the bonds being shown the buyer reflect the most attractive in the market? Would this not constitute manipulating the market? Is this sort of thing permitted in other markets?

If there are specific regulations in place prohibiting broker dealers from routine, unjustifiable "screening", fine; if not, why not?

Bottom line: Does the MSRB have specific regulations which assure maximum transparency and best execution for the *buyer* similar to those protecting the seller?

Sincerely,

Tom Dolan