

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

May 12, 2011

Dear Ms. Henry,

RBI would like to make the following observations now that the MSRB has received comments regarding its pending Rule G-43.

It would appear that there are two main issues that need to be ironed out- the responsibility for “fair and reasonable” pricing as regards to bonds that are put out for the bid with MSBBs, and the ability of an MSBB to contact a bidder regarding a potential error (non-bona fide bid) on an auction item.

RBI would comment as follows-

Regarding the “fair and reasonable” pricing issue, it seems clear that the Broker/Dealer community does not wish to share this responsibility with the MSBBs. It would appear to RBI that the community is saying:

The MSBB has brought us a bid, and we, as a Broker/Dealer, must take the responsibility for deciding if that bid is fair and reasonable. If it is, we can sell the bond. If it is not, we must inform our customer that we do not consider the bid to be fair and reasonable and that we would recommend not selling the bond at this time.

And, regarding the MSBB that brought us the bid, we must evaluate whether that MSBB has done a reasonable job in attempting to obtain a fair and reasonable bid. If we decide that the MSBB has made that attempt, but that a more reasonable bid is just not “out there” in the market at this particular time, we will continue to use that MSBB to run auctions for us. If, however, we determine that the MSBB has done a poor job in seeking the best bid available, and has shown a lack of effort in obtaining a fair and reasonable bid for us, then we will make the decision not to use that MSBB in the future, and that MSBB will eventually either improve its business model or it will go out of business.

This seems, to RBI, to be a reasonable way for the market to operate, and delegates the proper responsibilities of this issue to the proper parties.

Regarding the ability of an MSBB to contact a bidder regarding a possible mistake, it would appear that the Broker/Dealer community supports, overwhelmingly, the allowance of erroneous bids to be corrected, thus not allowing mistakes to be reported through the RTS. RBI would suggest that its current procedures for bid verification would be adequate to handle this issue- that any bid that appears to be erroneous is reported to the selling Broker/Dealer with a request to be able to verify the price that was

quoted by the bidder- that any bid that is changed in an MSBBs system is documented, reviewed by a Supervising Principal, and maintained in the files of that MSBB's CCO for a period of six years.

RBI would also suggest that this documentation be extended to the Broker/Dealer side of the transaction – that any Broker/Dealer that has been asked either for permission to verify a bid, or asked to verify a bid, should also maintain a file of those changes and be ready to provide that documentation to an examiner should there be any question as to why a bid was changed. This system would eliminate the burdensome written inter-communication between the Broker/Dealer and the MSBB, but at the same time would allow the SRO to have access to all justifications for changes made to the bids on an auction.

RBI seeks standardization in the industry- we have long believed that we have been following a stricter set of standards regarding bid verification than the rest of the industry, and we believe that our procedures, if adopted by the industry, would provide a more level playing field in the industry where each MSBB would provide the same information to the bidders, limiting the “help” that MSBBs have been accused of giving to “favored” Broker/Dealers in the past.

Thank you for your time and we look forward to helping the industry move forward with this, as well as an opportunity to improve our own procedures.

Sincerely,

Joseph A. Hemphill III

President and CEO

H. Deane Armstrong

CCO