

March 15, 2013

VIA ELECTRONIC MAIL

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1900 Duke Street, Suite 600  
Alexandria, VA 22314

*RE: MSRB Notice 2013-02 (January 17, 2013)*

Dear Mr. Smith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to MSRB Notice 2013-02, a concept proposal relating to the planned development of a new central transparency platform (“CTP”) as a successor to the MSRB’s Real-time Transaction Reporting System (“RTRS”), as contemplated under the MSRB’s Long-Range Plan for Market Transparency Products (the “Long-Range Plan”). BDA is the only DC based group representing the interests of middle-market securities dealers and banks focused on the U.S. fixed income markets. We welcome this opportunity to state our position.

As the only national trade association focused on middle-market broker dealers, we believe that our input is uniquely valuable because we can provide the MSRB with insight regarding the practical costs and benefits that implementing a new central transparency platform will implicate because our members are the dealers who will be most affected by any increased costs and burdens.

As we have expressed in the past, one of the BDA’s most important policy priorities is to improve transparency within the municipal markets and we provide these comments from a platform of tremendous support for any measures that will improve market transparency but, in particular, technological improvements that will provide better market transparency. As with anything, though, costs need to be weighed with benefits and we

provide the following comments to assist the MSRB in refining the new central transparency platform to achieve the full benefit of improved market transparency without imposing unnecessary or disproportionate burdens on dealers and other market participants.

### **1. Maintain 15 Minute Reporting Timeframe**

We believe it would be a mistake to shorten the 15-minute reporting time frame. When dealers report trades to the MSRB, there are several procedures they must follow that include: the trader taking an order from a sales person or counterparty trade, then entering the trade into the trading system, followed by middle or back office operations personnel processing the trade into the clearing/reporting system. Only after these steps are taken, can a trade be electronically reported to the MSRB. However, if a particular CUSIP has never been traded by a particular firm, the staff in the middle office must find the security setup data on a database and “set up” or “build” the bond information in the clearing system before they can run the trade through the clearing system, at which point, the trade will be reported to the MSRB. 15 minutes is usually enough time for this process to be completed for trades already built into the firms system, but for trades in newly traded CUSIPS, there is much more potential for such trades to be reported late. Therefore, in order for this process to happen while minimizing human error in entering the information into the system, we believe that the current 15-minute timeframe should be maintained.

We also do not understand the benefit of shortening the 15-minute timeframe. Our dealers do not believe that transparency or liquidity will be improved by shortening the timeframe and thus we believe that it will be a costly burden for little to no value.

### **2. Keep Certain End-of-Day Reporting Exceptions Intact**

End-of-Day reporting exceptions should remain intact for all List Offering Price Transactions and for RTRS Takedown Transactions. Currently, list offerings have until end of day on a new issue from orders sold at the list offering price. At times, you can have hundreds of tickets to write for new orders of list offerings, thereby making it

impossible for the procedural data entry to occur in a much shorter timeframe. In these instances for example, it would be technically impossible to report all list offering price and takedown transactions within 15 minutes. Furthermore, since list offering prices are already public, having the trade reported in 15 minutes time does not offer additional transparency to the market, but it does create an additional administrative burden of entry, naturally resulting in the potential for late trades to increase. The BDA would ask the MSRB to maintain the end of day reporting exceptions for list offering price transactions and RTRS takedown transactions.

### **3. Maintain Current Trade Reporting Process**

The BDA is concerned with MSRB's consideration of a new trade reporting process. Specifically, our member firms have spent significant time and money to meet the demands of using the customary methods of reporting - the Message Portal and RTTM Web Portal - as they were established as the primary methods of dealer reporting of trade data to RTRS to reduce the burdens to dealers by leveraging existing data-flows through the National Securities Clearing Corporation ("NSCC") for clearing and settlement purposes. It should be noted that although this process of organizing back-office systems was complicated and required added effort in the way of money and staff at our firms, the process was ultimately instituted successfully and has become the standard for reporting and clearing of trades. It is of great concern to us that the MSRB might now be considering an alternate system for direct reporting, especially since the MSRB has not identified the existing problems with the current system they purport to fix. In our view, the new CTP will only duplicate what currently exists in the market through RTRS and in conjunction with the various products offered by vendors, who already provide options and produce volumes of information for market participants to utilize for increased transparency. We do not see the added value to the customer in the creation of a wholly new system, one that will ultimately only duplicate what currently exists, and is already working well. Additionally, since firms have spent significant capital in getting to a place where NSCC reporting is successful, we wonder why the MSRB might now be considering asking market participants to discard their efforts in the creation, testing and implementation of the old system, only to spend even more time and money to install and

test a new reporting system. This will only result in the creation of the same types of complicated, back-office reorganizations, ultimately imposing additional costs to firms who are finally in a place where the current system is working well. The costs in moving forward with the development of a new CTP far outweigh the benefit to the customer – especially when the MSRB has yet to outline what is lacking with the current system. We therefore respectfully request that the MSRB fully contemplate the added burden that would disproportionately fall on middle-market broker dealer firms should a new system need to be implemented.

Thank you again for the opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink that reads "Michael Nicholas". The signature is fluid and cursive, with the first name "Michael" and last name "Nicholas" clearly distinguishable.

Michael Nicholas  
Chief Executive Officer