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November 1, 2013

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

Re: MSRB Notice 2013-14

Dear Mr. Smith:

Interactive Data appreciates the opportunity to respond to the MSRB's request for comment on its Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a new Central Transparency Platform (CTP). We have been supportive of the initiatives that the MSRB has undertaken in recent years to bring new levels of transparency to the municipal securities marketplace, and we are optimistic that additional progress in this area will support a more robust, vibrant and efficient market for investors, state and local government issuers, other municipal entities and the public interest.

Background on Interactive Data Corporation:

Interactive Data Corporation is a leader in financial information. Thousands of financial institutions subscribe to our fixed income evaluated pricing, reference data, real-time market data, trading infrastructure services, fixed income analytics, desktop solutions and hosted, web-based solutions. Interactive Data's offerings are used to assist clients with mission-critical functions, including portfolio valuation, regulatory compliance and risk management.

For over 40 years, Interactive Data's Pricing and Reference Data business has been collecting, editing, maintaining, and delivering financial data, and has established itself as a leading provider of evaluated pricing for 2.8 million fixed income securities, international equities and other hard-to-value instruments including OTC derivatives. In recent years, we have invested considerable resources to expand our coverage and provide our clients with greater insight and transparency into the inputs used to derive our evaluated prices, as well as help automate and streamline key valuation processes. These offerings are complemented by a comprehensive range of reference data for more than 10 million securities encompassing listed markets pricing, identification information, corporate actions, and terms and conditions for current and historical fixed income securities.

We have long supported our clients' mission-critical activities in the municipal securities markets. In particular, Interactive Data currently delivers evaluated pricing on more than 1.1 million municipal securities and our descriptive reference data on this asset class covers over 4.6 million municipal securities.¹ These capabilities are complemented by best-in-class fixed income portfolio analytics. Interactive Data Pricing and Reference Data has built a strong presence within the U.S. mutual fund marketplace and currently counts 50 of the top 50 U.S. mutual fund companies as customers as well as

¹ Interactive Data's reference data coverage counts include instruments that are available in Interactive Data services, some of which may have matured or otherwise be inactive

49 of the world's 50 largest asset managers, 10 of the top 10 custodian banks, 48 of the 50 largest U.S. banks and 32 of the top 50 hedge funds.

Interactive Data's Views on Potential MSRB Enhancements to Pre-Trade and Post-Trade Transparency:

- **Pre-Trade Data:** In general, we support the MSRB's efforts to increase the level of pre-trade pricing information that is available in the municipal marketplace. In addition to helping investors with their trading activities, we believe that additional pre-trade information has potential to further inform the valuation models and underlying processes used by the investment community when market quotations are not readily available. Interactive Data's valuation techniques reflect market participants' assumptions and maximize the use of relevant observable inputs including quoted prices for similar assets, benchmark yield curves and market corroborated inputs. Further, by incorporating information from both the buy-side and the sell-side whenever possible, we strive to take a holistic, balanced view into the trading-related activity for a given security.

Given the overall lack of trading activity within the municipal securities market,² we believe that the MSRB's definition of pre-trade transparency within the Concept Release³ could be broadened to include additional sources of pricing information such as evaluated pricing. Our view is further supported by current MSRB rules such as G-18 and G-30, which establish requirements for dealers to trade with customers at fair and reasonable prices, and to exercise diligence in establishing the market value of municipal securities, including issues relating to the pricing of hard-to-value securities. In addition, MSRB rule G-43 outlines, among other things, how objective pricing criteria (which could include evaluated pricing services) is required to support the predetermined parameters of a broker's broker as part of its efforts to obtain a price for the dealer that is fair and reasonable in relation to prevailing market conditions.⁴ Considering these regulations in conjunction with overall trading trends in the municipal securities market, we believe that evaluated prices from independent third-party providers have potential to play an increasingly important role as a pre-trade data element.

- *Real-Time Evaluated Pricing:* We believe that evaluated pricing from independent third-party providers has potential for use that extends beyond traditional valuation applications to encompass a range of pre-trade activities, and we are evolving our development activities accordingly. For example, we are implementing continuous evaluated pricing processes and expanding our range of real-time fixed income pricing services to include real-time fixed income evaluations.⁵ We believe that real-time evaluated fixed income pricing will be a significant advancement for the industry by providing more timely insight into the valuation of complex securities (including municipal securities) that lack readily available market quotations. Given the costs involved in supporting the production and delivery of this information, we believe that it

² Based on the data from MSRB's 2012 fact book, there were 41,257 trades on just 15,217 unique securities in 2011. This implies that less than 2% of the potential universe traded that year (based on over one million different municipal bonds outstanding as of December 31, 2011), and that most of the bonds traded in the secondary market traded fewer than three times per year.

³ <http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-14.aspx?n=1>

⁴ <http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules-General/Rule-G-43.aspx?tab=2>.

⁵ <http://www.interactivedata.com/prdetail.php?pr=315>

would be best distributed via paid subscriptions (for example, either through the CTP in a venue on the EMMA website or via a data feed).

- **Developing Retail-Centric Pricing Information:** We believe that the evolution of public reporting of fixed income transactions can provide valuable information that can further inform both institutional and retail market participants. More specifically, Interactive Data worked with a prominent academic authority to jointly publish research in on trading costs for large and small trades in the corporate and municipal bond markets made possible by the addition of a direction of trade variable.⁶ We believe that this information can be used to develop additional valuation information designed specifically with retail investors in mind. Such data could potentially be provided either through the CTP in a venue on the EMMA website or via a data feed.
- **Benchmark Curves:** As highlighted in recent news stories⁷, the availability of benchmark curves on the CTP could help the MSRB further inform and educate investors about prevailing market trends. We are cognizant that not all benchmark curves are alike, and they can be constructed to support the needs of different constituents. Given the discrete investment and trading strategies used by investment managers and the investment objectives driving individual investors in this market, we believe that the MSRB should make a range of municipal benchmark curves available on the CTP. Further, we believe that such information should be accompanied by appropriate transparency into the methodologies used to generate such curves and the constituent bonds used to construct the curves. This would allow investors the opportunity to analyze the methodologies employed and then select the curve or curves that best meet their specific requirements.
- **Comparability Tools & Services:** In our view, the MSRB could further elevate the utility and value of the CTP with new tools and services that enable investors to analyze municipal securities of interest against other comparable securities that match pre-defined criteria and / or criteria that is customized by the investor. Interactive Data has extensive experience in this area.
 - Our VantageSM web application enables clients to visualize Interactive Data's evaluated prices within the context of a broad range of relevant market information, including public and proprietary market data inputs used in the evaluated pricing process. This functionality includes access to a range of comparable securities so that clients can view the market activity for those issues.⁸ To help assess comparability, Vantage also includes the ability to view the underlying reference data of those bonds.
 - Additionally, we currently use Vantage as the underlying platform to support FINRA with its Structured Trading Aggregate Reports, which are designed to provide transparency into market activity related to U.S. structured securities on a daily basis.⁹

⁶ <http://www.interactivedata.com/uploads/File/2010-Q4/prd/WhitePaper-201008.pdf>

⁷ <http://online.wsj.com/article/SB10000872396390444130304577559552349962744.html>

⁸ For more information about Vantage, please visit <http://www.interactivedata.com/VantageEvaluatedPricing/>

⁹ <http://www.interactivedata.com/prdetail.php?pr=14>

- **Post-Trade Data:** In terms of post-trade data, we believe that the MSRB itself should compute yield-to-worst for customer trades (as it already does for inter-dealer trades). Related to this, we believe that additional detail in terms of displaying the date by which this yield-to-worst calculation is determined (i.e. by call date, effective life or maturity date) would help provide greater consistency in how such data is used by the investment community.

Summary

Interactive Data appreciates the opportunity to comment on the MSRB's Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a new CTP. We believe that the CTP offers exciting potential to expand the breadth and depth of pre-trade and post-trade data that is currently available to market participants. In particular, we believe the following considerations will be important to the long-term development and utility of the CTP:

- Expanding the definition of pre-trade transparency to include a broader range of pricing information such as evaluated pricing;
- Enabling investors to benefit from industry innovations in the area of real-time evaluated pricing as well as other new retail-centric valuation information;
- Making benchmark curves available with appropriate transparency about curve construction methodology and constituent bonds;
- Providing new tools and services that allow investors the ability to compare and contrast municipal bonds that share certain characteristics; and
- Having the MSRB serve as the calculation agent for yield-to-worst for customer trades.

As a leading provider of evaluated pricing with a range of complementary content, services and capabilities, we believe that Interactive Data would not only benefit from pre- and post-trade transparency via the CTP but it also could contribute significantly to the CTP's adoption. We look forward to exploring the many different ways Interactive Data can support the MSRB on this important issue.

Sincerely,

A handwritten signature in black ink that reads "Mark Hepsworth". The signature is written in a cursive, flowing style.

Mark Hepsworth
President, Interactive Data Pricing and Reference Data
Interactive Data Corporation