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November 1, 2013

Via E-mail to <http://www.msrb.org/CommentForm.aspx>

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

**RE: MSRB Notice 2013-14 Concept Release on Pre-Trade and Post-Trade Pricing
Data Dissemination Through a New Central Transparency Platform**

Dear Mr. Smith:

Wells Fargo Advisors, LLC (“WFA”) appreciates the opportunity to comment on the Municipal Securities Rulemaking Board’s (“MSRB” or “the Board”) concept release regarding implementation of a central transparency platform for dissemination of pre- and post-trade pricing data. WFA commends the Board’s consideration of both “potential benefits and burdens” associated with its long-term plan for municipal market transparency.¹

WFA consists of brokerage operations that administer almost \$1.4 trillion in client assets. It employs approximately 15,268 full-service financial advisors in branch offices in all 50 states and 3,340 licensed financial specialists in 6,610 retail bank branches in 39 states.² WFA offers

¹ MSRB Notice 2013-14 Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination Through a Central Transparency Platform, (July 31, 2013), <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-14.aspx?n=1>.

² WFA is a non-bank affiliate of Wells Fargo & Company (“Wells Fargo”), a diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance across the United States of America and internationally. Wells Fargo has 275,000 team members across more than 80 businesses. Wells Fargo’s brokerage affiliates also include Wells Fargo Advisors Financial Network, LLC (“WFAFN”) and First Clearing, LLC, which provides clearing services to 88 correspondent clients, WFA and WFAFN. For the ease of discussion, this letter will use WFA to refer to all of those brokerage operations.

a range of fixed income solutions to its clients, many of whom regularly transact municipal securities in the secondary markets.

WFA supports the MSRB's objective of improving price transparency in the municipal bond market and applauds efforts to enhance access to meaningful pricing data for retail investors. Although WFA is not addressing each of the inquiries in the MSRB's concept release, the comments herein highlight certain burdens and benefits that WFA believes merit additional consideration as the MSRB evaluates potential price transparency initiatives. In particular, WFA is concerned that the collection of pre-trade pricing data would prove burdensome for market participants and runs the risk of confusing retail investors if disseminated. On the other hand, WFA supports the objective of delineating transactions for which fees are charged on a non-transactional basis when reporting transaction pricing data.

I. The MSRB Should Focus on Enhancing Investor Understanding and Use of Existing Transactional Data Rather than Disseminating Potentially Misleading Pre-Transaction Data.

WFA supports the MSRB's objective of improving market transparency for municipal bonds by providing meaningful information to retail investors and improving the functionality of the Electronic Municipal Market Access system ("EMMA"). However, WFA is concerned that a requirement to report pre-trade data will not yield more clarity as to the nature of pricing in the thinly traded municipal securities market, and, in fact, will prove burdensome for market participants. Moreover, in light of structural limitations in the municipal market, the dissemination of pre-trade information risks distorting, rather than clarifying, investor understanding of municipal activity levels and pricing.

There are critical distinctions between the market for municipal securities and that for equities which would not be addressed by the collection and dissemination of pre-trade data. Only about one percent of the more than 1 million municipal securities outstanding trade on any given day.³ Likewise, as the Securities and Exchange Commission ("SEC" or "the Commission") acknowledged in its report on the Municipal Securities Market, "firm bid and ask quotations are generally not available for all municipal securities."⁴ The MSRB has not established that the potential collection and dissemination of bid or offer data will translate to an increase in the number of municipal securities for which a firm bid and ask quotation will be available.

In contrast to the municipal market, equities trade in linked markets from which market participants can generally identify the national best bid or offer ("NBBO") for a given stock. Although there are certain electronic trading platforms that reflect indicative bids or offers for a small number of the municipal bonds outstanding, the extent to which these bids represent the

³ Securities and Exchange Commission Report on the Municipal Securities Market, (July 31, 2012,) 113, <http://www.sec.gov/news/studies/2012/munireport073112.pdf>

⁴ *Id.* at 118.

actual depth of market for any given municipal security is limited because “the same trading interest” may be reflected on multiple such platforms.⁵

Furthermore, the concept release suggests the MSRB may consider a requirement that bid and offer activity pursuant to traditional voice brokerage activity be subject to a specific reporting requirement. Under this scenario, dealers would need to develop new systems and supervisory processes to comply with the reporting requirement regardless of whether the reported activity results in a transaction. To the extent this activity results in a trade, such reporting would be duplicative since dealers must already report transactions to the MSRB. Moreover, burdensome and duplicative reporting requirements could further discourage participation in the municipal markets by some dealers, leading to higher levels of trading volume concentration among a smaller number of dealers.⁶

In view of the aforementioned structural and competitive implications, the dissemination of potentially misleading or duplicative pre-trade data risks exacerbating the information gap between retail investors and more sophisticated market participants. The SEC has acknowledged that retail investors “may not have the expertise” to effectively use existing sources of municipal pricing information, including comparable trade information currently available for free through EMMA.⁷ Indeed, WFA notes the mere dissemination of pricing data does not translate to the effective use of such data. Even sophisticated institutional investors often rely upon a host of resources to interpret informational tools, including publicly available transactional data, when deriving the proper price of a municipal bond.⁸

WFA applauds the MSRB’s ongoing efforts to educate retail investors about the municipal market and to improve the accessibility of pricing data currently available through EMMA.⁹ WFA urges the MSRB to evaluate the success of these initiatives in improving retail investor awareness prior to undertaking measures to expand the dissemination of more complex and nuanced municipal market data.

II. WFA Supports the Use of a Trade Type Indicator Denoting Transactions for Which Compensation is not Trade Based.

Among the potential post-transaction pricing data enhancements that the MSRB is considering are improvements to make it clear when a transaction does not involve a transactional fee, such as transactions undertaken for a wrap fee account.¹⁰ WFA agrees the market would benefit from greater clarity about transaction prices reported under these circumstances. As the MSRB considers how to achieve its objective of delivering meaningful

⁵ *Id.* at fn 713.

⁶ *Id.* at 113.

⁷ *Id.* at 122-23.

⁸ *Id.* at 121-22.

⁹ *See, for example*, the MSRB video “Discover the EMMA Website,” part of the MSRB Municipal Investor Toolkit, <http://www.msrb.org/Municipal-Bond-Market/Investor-Resources/Investor-Toolkit.aspx>.

¹⁰ MSRB Notice 2013-14.

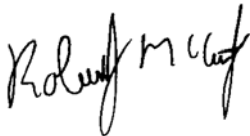
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pricing data, WFA believes the Board should focus on facilitating efficient compliance with dealer reporting requirements and simplicity of interpretation of disseminated pricing data. Accordingly, WFA supports the use of a trade indicator, which dealers would report and the MSRB could disseminate to denote a transaction is subject to non-transaction based compensation.

Conclusion

WFA appreciates the opportunity to share its views about dissemination of pre- and post-trade pricing data via a new central transparency platform and commends the MSRB for its continued efforts to improve pricing transparency. WFA believes the comments above will facilitate the MSRB's objective of improving transparency without unnecessarily burdening dealers or confusing retail investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. McCarthy". The signature is fluid and cursive, with the first name "Robert" being the most prominent.

Robert J. McCarthy
Director of Regulatory Policy