



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

March 21, 2014

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

Re: Request for Comment on Draft Rule G-18 on Best Execution

Dear Mr. Smith:

I appreciate the opportunity to provide comments to the Municipal Securities Rulemaking Board (MSRB) on draft Rule G-18, Best Execution of Transactions in Municipal Securities. The Comptroller's Office has reviewed draft Rule G-18, and it is our belief that requiring brokers, dealers, and municipal securities dealers (collectively "dealers") to use reasonable diligence in seeking to obtain for their customer transactions in municipal securities the most favorable terms available under prevailing market conditions will foster a more open, transparent, even-handed market environment for investors – and individual investors in particular – and we support its adoption

As New York City Comptroller, I serve as the chief fiscal officer of the City of New York. The City's Mayor and Comptroller are jointly responsible for debt of the City and several related debt-issuing entities. Collectively, these issuers make New York City the second largest issuer of municipal debt in the nation, after the State of California. In calendar year 2013, the City and related debt-issuing entities sold over \$11.8 billion of bonds to finance or refinance capital projects, and across our related credits we have over \$100 billion of bonds outstanding. New York City thus needs a large and diverse base of bond purchasers and holders to finance its capital program at attractive interest rates.

Individual investors are particularly significant purchasers of City debt. Throughout the credit crisis of 2008, individual investors provided essential support for the City's bond sales and they have continued to be a key investor segment as institutional demand for municipal bonds has fluctuated. For example, in a \$695 million negotiated sale completed earlier this month, individuals purchased \$278 million or 40% of the total tax-exempt fixed rate offering. It is essential that individual investors have continued confidence in the municipal market.

We are aware that individuals have less access to pricing information than institutions and applaud the MSRB's initiatives to enhance access to municipal market information, especially through EMMA. The City has also taken steps within our powers to be supportive of individual investors:

- Our office created a landing page, buynycbonds.com, linked through our website to promote transparency and consolidate information that investors may find useful.
- In the primary market, we typically sell bonds through negotiation with a syndicate of approximately 25 underwriters and a large selling group, and incorporate a one- or two-day retail order period in each sale. These are days in which bonds are offered only to individual investors ensuring they have access to a good selection of bonds at the same prices as institutional investors.



- We conduct radio advertising campaigns prior to retail order periods to inform as many potential buyers as possible, and have also begun to use social media to further alert investors to bond sales.
- After the order period, we analyze market trade activity to evaluate pricing of new issues and try to monitor whether bonds that were purportedly sold to “going away” investors were instead re-priced and sold in smaller lots.
- We monitor FINRA actions against broker-dealers for mispricing or other municipal securities violations and have taken actions ranging from a follow-up discussions with dealers to ascertain what happened and what new controls they have put in place, to excluding dealers from participating in future sales.

Although the City has had some influence on pricing transparency and market access in the primary market, our ability to increase transparency in the secondary market for municipal securities is limited. Municipal securities are not traded on an exchange; therefore, firm bid and ask quotations are generally unavailable. Individual investors in particular have limited access to information regarding which market participants would be interested in buying or selling municipal securities, and at what prices. We commend the MSRB for introducing policy and procedure guidelines in draft Rule G-18 that will require dealers to address how best execution determinations will be made for securities with limited pricing information or quotations. We believe procedures must evolve that make information that is currently only available to dealers accessible to the broader market.

Notwithstanding our support for draft Rule G-18, we urge the MSRB to consider the potential burden additional compliance could place on small broker-dealers in particular. Regulations are often criticized for taking a costly one-size-fits-all approach. Draft Rule G-18 should maintain elements of flexibility in its policies and procedures in order to reduce compliance costs and allow continued diversity of dealer characteristics.

The City’s Comptroller’s Office sincerely appreciates this opportunity to comment on draft Rule G-18. Our office is an advocate of market transparency and we support the MSRB’s efforts to strengthen municipal market trade execution standards. My staff and I are available and welcome any questions that you may have for us.

Sincerely,



Scott M. Stringer
New York City Comptroller