

August 23, 2019

**Submitted Electronically ( [rsmith@msrb.org](mailto:rsmith@msrb.org) )**

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street  
Washington, DC 20005

**RE: Request for Comment on MSRB Rule G-23 on Activities of Dealers Acting as Financial Advisors.**

Dear Mr. Smith,

Crews & Associates, Inc. ("Crews") respectfully submits its comments in response to MSRB Notice 2019-13 "Request for Comment on MSRB Rule G-23 on Activities of Dealers Acting as Financial Advisors." We appreciate the MSRB's willingness to review Rule G-23 and the opportunity to share our observations regarding the Rule's impact and the effect of the restrictions set forth in G-23(d), specifically with respect to competitively bid public finance transactions.

We assert that the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking, which sets forth the process by which the MSRB reviews its rules retrospectively, supports the proposed Rule changes we suggest.

1. Identifying the need for a proposed rule change and explaining how the Rule change will meet that need.

Based on our observations over the last eight years, the restrictions set forth in Rule G-23(d) are unnecessary for competitively bid issues, and in today's market, do not promote efficiency, competition and capital formation, particularly for smaller issues. Rather, that provision's application to competitively bid transactions has unnecessarily burdened competition and resulted in higher financing costs for the issuers that Rule G-23 was created to protect. In Crews' experience, Rule G-23's restriction has at times entirely eliminated the best bid, thereby penalizing both the issuer and the taxpayer.

Crews &amp; Associates, Inc.

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2. Articulating a baseline against which to measure the likely economic impact of the proposed Rule change.

To demonstrate the economic effect of Rule G-23's restrictions, we have enclosed, as Exhibit A, a list of school district bonds that were issued from November 1, 2010 through November 1, 2011, which is the most recent time period from which factual data can be presented based on Rule G-23's effective date of November 28, 2011.<sup>1</sup> In each of the bond issues identified, Crews served as the Municipal Advisor and ultimately submitted the winning competitive bid with the lowest net interest cost to the issuer. As demonstrated by Exhibit A, Crews' bid saved issuers, on average, nine basis points, resulting in a total net interest savings of \$1,618,879.00 in just one year. In 2011, Crews issued less than 1% of all public finance transactions in the United States. If a small firm saved issuers and taxpayers \$1,618,879.00 in one year alone, it stands to reason that data from the other 99% of the market would demonstrate just how much the restrictions in Rule G-23 have cost issuers and taxpayers since November 28, 2011.

3. Identifying and evaluating alternative regulatory approaches.

The limitations and disclosure/consent requirements set forth above eliminate the potential for self-dealing and/or unmanageable conflicts of interest. Further, rules and regulations for Municipal Advisors and underwriters that have been amended and/or enacted since November 28, 2011 eliminate the need for the restriction for competitive bids. Those regulatory regimes prohibit the type of conduct Rule G-23(d) was intended to eliminate, without imposing an unnecessary burden on competition or restricting the ability of an issuer to transact business with the Municipal Advisor of its choosing.

4. Assessing the benefits and costs, both quantitative and qualitative, of the proposed Rule change and the main reasonable alternative regulatory approaches.

Although the restrictions set forth in Rule G-23 may appear to protect issuers in public finance transactions, the Rule's application to the market demonstrates that the restrictions have increased the issuance cost of borrowing without a quantitatively demonstrable offsetting benefit.

We believe the overall intent of Rule G-23 can still be achieved by limiting dealer bids to only those transactions that employ an electronic, anonymous bidding platform, and by

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<sup>1</sup> Although Crews could project potential savings to issuers and taxpayers based upon its five-year history of bond issues prior to the date Rule G-23's restrictions became effective, for purposes of this comment letter, Crews relies only upon actual data, rather than estimates or projections.

requiring specific disclosures and written consent from the issuer prior to the submission of any bids. These requirements would eliminate the potential for conflicts of interest and self-dealing while, at the same time, ensuring that an issuer receives the best bid.

Rule G-23, as written, forces issuers to choose between the best Municipal Advisor and the best bid, and we urge the MSRB to re-examine the Rule in keeping with our comments and supporting data.

Thank you for your willingness to consider information from a small firm on behalf of the industry and public finance issuers. We are willing to make ourselves available to answer any questions, provide further detail or discuss ways in which guardrails can be established to achieve the tenants of the Rule.

Respectfully submitted,



Don Winton

Chief Operating Officer

Enclosures

**Arkansas School Bond Issues - Broker/Dealer as MA and subsequently as Underwriter**

Year	# of FA Issues	# of Issues B/D Purchased	
2011*	59	17	28.8%
2010	52	10	19.2%
2009	38	13	34.2%
2008	36	12	33.3%
2007	17	5	29.4%
2006	42	14	33.3%
		Average	29.7%

\*Only includes issues B/D was eligible to bid on

**2011 Sales**

School District	Dated Date	Par Amount	Maturity	Winning Bid	Cover Bid	Spread to Cover	# of Bids
Conway	2/1/2011	\$ 31,410,000	2040	5.080830	5.193219	0.112389	4
Cave City	4/1/2011	\$ 970,000	2028	3.274700	3.486715	0.212015	6
Deer/Mt. Judea	7/1/2011	\$ 1,550,000	2041	4.484261	4.575845	0.091584	4
Dover	8/4/2011	\$ 670,000	2027	4.883547	4.911290	0.027743	3
McCrary	8/1/2011	\$ 630,000	2024	2.705954	2.795679	0.089725	3
Jasper	9/1/2011	\$ 925,000	2028	4.753329	4.811696	0.058367	4
Omaha	9/27/2011	\$ 185,456	2028	5.154317	N/A	N/A	1
Jessieville	10/1/2011	\$ 1,445,000	2030	2.874899	2.907899	0.033000	4
Booneville	10/1/2011	\$ 1,415,000	2033	3.087474	3.152839	0.065365	4
Pea Ridge	10/1/2011	\$ 1,475,000	2034	3.217424	3.248052	0.030628	3
Alpena	10/1/2011	\$ 935,000	2035	3.270184	3.565134	0.294950	2
Two Rivers	10/1/2011	\$ 2,765,000	2033	3.110074	3.136479	0.026405	4
Hot Springs	10/1/2011	\$ 21,665,000	2036	3.456588	3.514578	0.057990	2
Stephens	11/1/2011	\$ 925,000	2036	3.492430	3.674119	0.181689	3
Shirley	11/1/2011	\$ 2,995,000	2036	3.467984	3.564110	0.096126	4
Elkins	11/1/2011	\$ 8,155,000	2041	4.045074	4.142656	0.097582	3
Clinton	12/1/2011	\$ 10,515,000	2041	4.110202	4.128137	0.017935	2
						Average Spread	0.093343

**2010 Sales**

School District	Dated Date	Par Amount	Maturity	Winning Bid	Cover Bid	Spread to Cover	# of Bids
Lavaca	7/1/2010	\$ 2,980,000	2026	3.309367	3.328820	0.019453	5
Pea Ridge	9/1/2010	\$ 2,500,000	2037	3.653526	3.729084	0.075558	2
Charleston	10/1/2010	\$ 6,645,000	2033	3.329740	3.607226	0.277486	2
Hillcrest	10/1/2010	\$ 865,000	2027	2.958710	3.017670	0.058960	2
Prairie Grove	10/1/2010	\$ 2,025,000	2027	3.094903	3.137760	0.042857	3
Conway	11/1/2010	\$ 8,210,000	2040	3.944924	3.971485	0.026561	4
Harrisburg	11/1/2010	\$ 1,630,000	2028	3.473881	3.593885	0.120004	2
Harrisburg	11/1/2010	\$ 4,025,000	2034	3.886174	3.982971	0.096797	3
Palestine-Wheatley	11/1/2010	\$ 4,975,000	2040	4.128948	4.135488	0.006540	2
Cossatot River	12/1/2010	\$ 3,580,000	2029	5.378706	5.521279	0.142573	2
						Average Spread	0.086679

As of March 6, 2015

### Value of a Basis Point

**Objective:** An analysis of potential interest savings if the winning bid was one basis point (.01%) lower in yield. Below is the evaluation of a sample of competitively bid transactions for which Crews & Associates, Inc. observed the responsibility of Municipal Advisor.

**Issuer:** Pea Ridge School District  
**Dated Date:** May 1, 2014  
**Par Amount:** \$9,990,000

Total Debt Service	\$ 18,109,868.14
Total Debt Service (-1 BP)	<u>18,088,784.39</u>
Savings to Issuer (1 BP)	\$ 21,083.75
Savings to Issuer (9.3343 BP)	\$ 196,802.05



**Issuer:** Stuttgart School District  
**Dated Date:** November 1, 2014  
**Par Amount:** \$5,040,000

Total Debt Service	\$ 7,645,407.43
Total Debt Service (-1 BP)	<u>7,637,387.43</u>
Savings to Issuer (1 BP)	\$ 8,020.00
Savings to Issuer (9.3343 BP)	\$ 74,861.09



**Issuer:** Harrison School District  
**Dated Date:** December 1, 2014  
**Par Amount:** \$43,390,000

Total Debt Service	\$ 74,976,490.80
Total Debt Service (-1 BP)	<u>74,895,771.80</u>
Savings to Issuer (1 BP)	\$ 80,719.00
Savings to Issuer (9.3343 BP)	\$ 753,455.36



**Issuer:** North Little Rock School District  
**Dated Date:** February 1, 2015  
**Par Amount:** \$65,465,000

Total Debt Service	\$ 108,017,250.00
Total Debt Service (-1 BP)	<u>107,888,427.00</u>
Savings to Issuer (1 BP)	\$ 128,823.00
Savings to Issuer (9.3343 BP)	\$ 1,202,472.53



To provide the impact of improving the bid to the issuer from the cover bid (the second highest bid or lowest interest cost) multiply the number of basis points by the value of one basis point for total issuance savings. These are true values of 1 basis point (.01) on each of these representative issues.