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Regional Brokers, Inc. is pleased to have the opportunity to comment on Revised Draft Rule G-43.

RBI appreciates the work of the MSRB in developing rules that bring standardization to the municipal bond industry and a level playing field to the marketplace. RBI also appreciates the willingness that the MSRB has shown in modifying certain provisions of the original draft in response to the suggestions of various members of the industry during the first comment period.

RBI has in place policies and procedures that fulfill most if not all of the proposed new Rule G-43, and we look forward to working with the MSRB to finalize this new rule and implement it in our business model.

In this response, RBI will comment on Rule G-43 Section (b)(v) which mandates the imposition of a bid "deadline" on all bids wanteds, regarding when bids may be accepted. RBI will also comment on Section (b)(iv), which, if (b)(v) is modified from its current wording, will also need to be modified. RBI will also comment on Section (a)(iii), regarding whether a broker's broker should be presumed to act for or on behalf of "the seller in a bid wanted or offering...", and the corresponding section of G-8 pertaining to certain "Books and Records" requirements regarding offerings.

Our comments regarding bid wanted auctions will refer only to "around time" auctions, and not to auctions that are run with "sharp time" deadlines.

REGARDING (b)(v)

The Rule states:

(b)(v) Notwithstanding subsection (a)(ii) of this rule, each bid wanted or offering must have a deadline for the acceptance of bids, after which the broker's broker must not accept bids or changes to bids. That deadline may either be a precise (of "sharp") deadline or an "around time" deadline that ends when the high bid has been provided (or "put up") to the seller.

RBI COMMENT:

As background to our comments, RBI wishes to point out that a major focus in the bond market today is the treatment received by the retail customer when it comes to selling their bonds. RBI believes that we, as broker's brokers, should therefore do nothing that would keep the retail customer from being able to

receive the highest bid available in the market place at that time. RBI believes that the imposition of a deadline could drastically deny the retail customer from achieving this.

The MSRB has pointed out, in its own comments, that it is perhaps more important to take more time to get the right bid than to rush; it has stated in its MSRB Notice 2011-18 (February 24, 2011) that “the MSRB believes that most retail customers would prefer a better price to a speedy trade”. RBI agrees with this completely- and believes that the imposition of an arbitrary “deadline” does the opposite. While RBI understands that the MSRB is attempting to deter non-compliant behavior, it seems to us that the penalty to the retail customer may be greater than it need be, especially if there are other ways to ensure that such non-compliant behavior can be curtailed.

Currently, under the industry-accepted operation of “around time” bid wanteds, there is not a time when a “deadline” for accepting bids has expired. RBI is aware that the MSRB would, under (b)(v) of the Revised Rule G-43, impose a deadline for the acceptance of bids for all bid-wanted. (b)(v), as written, would mandate that no bids could be accepted after a bid has been “put up” to the seller. RBI believes that any deadline that is imposed upon its ability to accept bids, especially on odd-lot bid wanted items that are being advertised as an “around time”, will be vastly detrimental to the ability of broker’s brokers to provide the best price, and therefore the best execution, for the retail seller who is trying to get the best price for their municipal bonds.

The broker’s broker is at the mercy of the bidder when it comes to the time that a bidder chooses to respond with a bid. Traders at the bidding shops are extremely busy; odd lots are not always their first priority. Also, these traders are often under pressure to bid on the items shown to them by their own financial advisors, and so response to requests from “the street”, that is, the bids requested by the broker’s broker, is often delayed. The broker’s broker can call, again and again, to request a bid, but the trader will call back only when ready. Often, this bid comes back long after other, not as competitive, bids have been reported to the seller.

One of the most important duties of a broker’s broker is to know which traders are the best potential bidders on certain bond issues. If the broker’s broker is forbidden, by this new rule, to reach these potential best bidders (because the seller has requested an indication of what bids have already been returned on the item, in order to gauge whether the bonds even have a chance to trade, and has therefore, in response to that request, been given a bid, and in doing so, created the “deadline”), then this very important function of the broker’s broker will have been eliminated.

RBI would also comment, regarding this new rule, that the MSRB also has not provided guidelines regarding the procedures that should be taken when late, high bids are returned to the broker’s broker that cannot be reported to the seller because of this “deadline”. If a broker’s broker contacts a potential bidder, and then receives a high “late” bid from that bidder before the bonds are marked for sale, what is the broker’s broker to do with the bid? Does the MSRB recommend that the bid be reported, even though it can not be used? And, knowing that there is a better bid, should the broker’s broker end the auction and begin a new auction on the item, so that the high bid can be used? It would appear to be fraudulent on the part of the broker’s broker if they were not to alert the seller that there is a better bid

in the marketplace than the one at which they have been asked to execute a trade. Also, since the broker's broker is now aware of a better price for the bonds in the market, can the broker's broker then immediately re-trade the bonds from the new owner of the bonds (after the first trade) at a price that should have been awarded to the original seller? Finally, will broker's brokers be accused of accepting a quick bid from a "favored" bidder, and putting up that bid, thereby locking out the competition?

It should be pointed out that the practice of "rounding up" bids, or of posting that "bonds are going to trade", is an accepted practice in the industry, and one which all traders are aware of. There have been no complaints that we are aware of regarding RBI's current business model of rounding up bids, and in fact, RBI has on record many requests from traders requesting that they be rounded up if the bonds are marked for sale. Since this is an industry practice, condoned (and encouraged) by the people that the MSRB is trying to protect, it would appear that there is no need for this imposition of a rule. Clearly, no one is currently being hurt, but the retail customer could be.

Overall, RBI understands that the MSRB is attempting to prevent non-compliant behavior in the marketplace by keeping broker's broker from helping out certain counterparties by coaching them or backing them off or giving them "last looks". The use of the term "last look", with its inference that one bidder is being given advantageous information, is not appropriate in regard to RBI's current practice of rounding up on items that are going to trade, or of contacting potential bidders that have been historically strong bidders for certain bond issues.

If the MSRB determines that it will impose a deadline on "around time" bid wanted items, RBI would propose that instead of the bid deadline ending at the time that a bid is "put up" to the seller, that the bid deadline should end when the bonds are marked "for sale". This will allow all bidders more time to respond with their bids. It will also enable the broker's broker to end the auction at the time that the bonds actually trade, (meaning that the broker's broker has, at least, found a bid for the bonds that is high enough to cause a sale).

If the MSRB imposes this deadline, RBI would like to know the methods by which the MSRB will ensure that broker's brokers fulfill the obligation of this rule, making certain that no firm attempts to circumvent the rule by "sitting on" the notification of the seller that the bonds are "for sale". RBI believes that it will be extremely important that the Broker/Dealer community understands that once they mark an item for sale, that they may not accept any additional bids on their item, and that doing so will be in violation of this rule.

REGARDING SECTION (b) (iv)

The Rule states:

A broker's broker may not give preferential information to bidders in bid-wanted or offerings, including where they currently stand in the bidding process (including "last looks", directions to a

specific bidder that it should “review” its bid or that its bid is “sticking out”) provided, however, that after the deadline for bids has passed, bidders may be informed whether their bids are the high bids (“being used”) in the bid-wanted or offerings.

RBI COMMENT:

This comment would be appropriate only if the MSRB provides relief from Section (b)(v), in that, if the MSRB agrees that there should not be a “deadline” imposed, that comments to bidders could be given as follows:

Until the end of the auction (which RBI has defined in its own Written Supervisory Procedures, and which other MSBBs could define in their own WSPs), the only comment that can be given to a bidder is that the bidder is either “currently being used” on an item (that is, currently the high bid at the time the comment is given) or “not used”.

After the auction ends, bidders may be given all information regarding the item, including bid levels and the number of bids.

REGARDING SECTION (a)(iii)

The Rule states:

A broker’s broker will be presumed to act for or on behalf of the seller in a bid-wanted or offering, unless both the seller and bidders agree otherwise in writing in advance of the bid-wanted or offering.

RBI COMMENT

While RBI agrees that the broker’s broker represents the seller in the operation of a bid-wanted auction, it does not agree that the broker’s broker will always work for the seller in an “offering”. During the course of RBI’s business day, when dealing with “offerings”, we represent the bidder and seller equally. Getting permission in writing for each and every offering situation is un-necessary and could negatively affect liquidity. Therefore, RBI believes that the rule should be revised to indicate the difference between “bid wanted” and “offering”

REGARDING RULE G-8

The Rule States:

(a)(i)(xxv) A broker’s broker shall maintain the following records:

(A) all bids to purchase municipal securities, and offers to sell municipal securities, that it receives, together with the time of receipt

(F) for all changed offers, the full name of the person at the seller firm that authorized the change; the reason given for the change in the offer price; and the full name of the person at the broker’s broker at whose direction the change was made:

RBI COMMENT

Subparagraph (xxv)(A) requires that all bids to purchase and offers to sell municipal securities, and their time of receipt, be recorded and maintained. RBI agrees that these requirements are reasonable for bid-wanted, but we do not believe that they are workable or necessary for offerings. Negotiated offerings involve many back and forth communications between a potential buyer and seller, not always resulting in a trade. Applying this requirement would impose a significant recordkeeping burden on broker's brokers while adding no significant compliance benefits.

Subparagraph (xxv)(F) requires that, for all changed offers in an offering, MSBBs make a record of "the full name of the person at the seller firm that authorized the change; the reason given for the change in offering price; and the full name of the person at the [MSBB] at those direction the change was made[.]" As we have stated in the previous paragraph, the attempt to document in writing the back and forth process of an offering, with potential changes to the offering price in each offering, is unworkable. In addition, many offerings may be made with the price tied to an index, which can result in constantly changing prices.

In conclusion, RBI again would like to express its thanks to the MSRB for allowing us to offer our opinions regarding this important new rule. We look forward to working with the MSRB and others in the municipal bond industry to help with its successful implementation.

Sincerely,

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