



Riedl First Securities

COMPANY OF KANSAS

*Serving corporate and
personal investors since 1916*

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June 1, 2010

MSRB

Attn: Ernesto A. Lanza
General Counsel
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: Request For Comments – MSRB Notice 2010-10 (April 21, 2010)

Mr. Lanza:

My comments on Interpretive Guidance on the requirements of Rule G-30:

In your simplest case of a “riskless principal transaction”, Illustration 2, you suggest a client wants to buy securities of a particular type, quality and price. I submit I have never had a client like that and I have been in the business 45 years. A client might say “I want to buy 20,000 of a Kansas Presbyterian issue”.

As you have acknowledged, many issues are infrequently traded. It is not as simple as going to a bid wanted sheet. More than likely, there are no bonds of that security currently offered, so the dealer makes a note should that security become available. When it does, it is a request for bid for 200,000, not 20,000. If the dealer is successful in his bid, he now owns 200,000. When he goes back to that client, he may not be at home or he may have given the money to his children or purchased a CD. But one way or another, even if the client buys the 20,000 it is no longer a “riskless transaction”.

I submit the only riskless transaction on the buy side is a New Issue because the offering can always be cancelled up to the time of signing the bond purchase agreement.

I do agree with all your methodology of determining prevailing market price, but I question your definition of what determines a riskless transaction with regard to mark-up/mark-down.

I believe the following factors should be considered:



- 1) Our clearing firm, RBC Correspondent Services just hosted a seminar for Correspondents. At the seminar for fixed income, 2 experts said they have never seen such wide spreads between bid and ask prices as in today's market. I agree!
- 2) Our costs of doing business. Our clearing cost is \$21.75-\$39.25 per customer ticket and up to \$23.00 per dealer ticket.
- 3) The volatility of the market. I enclose 2 recent examples, but I can show many more.

Example #1 – Maryland State Roland Park. On March 8, 2010 the bonds traded at 87.50. The bonds never traded at less than 82.585 going back to November of 2009, yet on March 29, 2010 the bonds traded 74.25 – 76. If I have bonds in position (inventory), I must mark my bonds down to the new market price and show the mark down on my FOCUS Report. Because of this, we had many thousand of dollars in losses last year.

Example #2 – Neosho County, KS Hospital. On March 1, 2010 the bonds traded 76 – 80.50 which was in line with trades going back to January, 2010. Then on March 4, 2010 the bonds traded at 92.073. If I have bonds in position, I never raise my price. If my cost is 78, I continue to use that price for mark-up, mark-down to my clients. I never go over the self-imposed 4% mark up guideline as stated in Riedl First Securities Written Supervisory Procedures.

- 4) We buy in 100,000 to 1 million blocks and retail in 5,000 to 25,000 quantities. When I buy a bond, I have no idea when it will be sold. The percentage of risk is the same for \$15,000 as 1.5 million.

In your Illustration 5, it does not say if the dealer acquires the large position from clients or dealers before the advance refunding is announced. If from clients, I believe the most equitable solution would be to cancel the clients sell orders. If from dealers, I would consider them (SMMP) and would wait to sell until other MSRB trades take place to determine market value.

During November and December of 2007 and early 2008, the market was in a free-fall. I had inventory that I was required to mark-to-market based on current MSRB trades. I believe many of these year end transactions were contemporaneous or isolated. Non the less, these transactions resulted in large losses for my firm. I believe these transactions should be identified as contemporaneous or isolated on the MSRB print and not require a mark-to-market by other dealers.

Sincerely,



Gerald D. Riedl
President / CEO

Example # 1

<HELP> for explanation, <MENU> for similar functions.

dgp Muni TDHM

<MENU> to Return

1) Export

Trade Disclosure History (As Reported by MSRB)

Issuer MARYLAND ST HEALTH & HIGHER ED
 Issue REF & PROJ-ROLAND PK PLACE
 Coupon 5.62500 Maturity 07/01/24

Cusip 5742165J2

Issued 05/19/99

State MD

Range	10/13/09	-	04/01/10	View	Price	Trade Size	All Sizes		
Agg. Volume (M)	810	Agg. Trades	32	Trade Days	14	High	90.500	Low	74.250

Date	Volume (M)	Trades #	High	Low	Average
3) 03/29/10	20	2	76.000	74.250	75.125
4) 03/08/10	10	1	87.500	87.500	87.500
5) 03/05/10	10	1	84.500	84.500	84.500
6) 01/28/10	20	2	83.000	82.585	82.793
7) 01/15/10	30	2	90.000	87.000	88.500
8) 01/14/10	50	2	90.000	87.000	88.500
9) 12/10/09	20	1	86.750	86.750	86.750
10) 12/09/09	50	2	90.500	87.500	89.000
11) 12/08/09	380	6	86.750	83.555	85.223
12) 11/30/09	50	2	86.550	86.189	86.370
13) 11/24/09	30	3	90.000	89.000	89.667
14) 11/23/09	90	3	88.250	87.603	87.867

Average Price calculated by Bloomberg. Volume may not include trades over 1 million

Example # 2

<HELP> for explanation, <MENU> for similar functions.

dgp Muni TDHM

<MENU> to Return

1) Export

Trade Disclosure History (As Reported by MSRB)

Issuer NEOSHO CNTY KANS HOSP REV

Cusip 640547AC9

Issue REF-SER A

Coupon 5.15000 Maturity 09/01/31

Issued 09/28/06

State KS

Range 10/13/09 - 04/01/10 View Price Trade Size All Sizes

Agg. Volume (M)	Agg. Trades	Trade Days	High	Low
270	16	11	92.073	76.000

Date	Volume (M)	Trades #	High	Low	Average
3) 03/04/10	25	1	92.073	92.073	92.073
4) 03/01/10	40	2	80.500	76.000	78.250
5) 02/26/10	25	1	89.000	89.000	89.000
6) 02/25/10	10	2	80.500	76.000	78.250
7) 02/11/10	40	2	80.500	80.500	80.500
8) 02/10/10	50	3	80.500	76.000	77.500
9) 02/09/10	20	1	80.500	80.500	80.500
10) 02/08/10	20	1	76.000	76.000	76.000
11) 02/05/10	20	1	80.500	80.500	80.500
12) 02/01/10	5	1	76.000	76.000	76.000
13) 01/29/10	15	1	76.000	76.000	76.000

Average Price calculated by Bloomberg. Volume may not include trades over 1 million