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January 20, 2015

VIA ELECTRONIC MAIL

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

**Re: MSRB Regulatory Notice 2014-20, Pricing Reference Information on Retail
Customer Confirmations**

Dear Mr. Smith:

Thank you for the opportunity to submit comments on the draft rule amendments requiring the disclosure of a “reference transaction” price on customer confirmations for retail-size principal transactions. Hutchinson, Shockey, Erley & Co. (HSE) is an investment bank and broker-dealer that specializes exclusively in municipal securities, and has done so since the firm’s establishment in 1957. As such, we believe we are well-positioned to provide comments on the draft rule amendments and we are pleased to do so.

As a general principal, HSE supports increased price transparency for retail investors in the municipal securities market. Our firm transacts municipal securities business only with Sophisticated Municipal Market Professionals, however, and therefore our comments will focus specifically upon the following question for which the MSRB has sought feedback:

Is it appropriate to provide that a dealer is only obligated to disclose pricing reference information when the customer trade is likely to be a retail trade? If so, should retail be defined by reference to the trade size, as in the proposal, or by some other standard?

HSE feels strongly that any obligation to provide pricing reference information should be limited to retail trades. It would be unnecessary for broker-dealers to disclose the pricing of “reference transactions” on trade confirmations for Sophisticated Municipal Market Professionals, as SMMPs have access to the same sources of pricing information as broker-dealers do. Moreover,

SMMPs have the knowledge of how to use these information sources, and the timeliness of the SMMP's access is on par with that of the broker-dealer. Indeed, in our experience, an SMMP's decision to execute a transaction is typically based upon his awareness and understanding of contemporaneous transactions in the same or similar municipal securities.

Because the SMMP has timely access to the same sources of pricing information as the broker-dealer, and because the SMMP has the specialized knowledge and experience to understand the meaning of that pricing information, it is unnecessary for the pricing of "reference transactions" to be disclosed on trade confirmations for SMMPs. Therefore, for purposes of the draft rule amendments, "retail" should not be defined by trade size, but rather on the basis of whether or not the customer meets the definition of SMMP. The somewhat arbitrary, though oft-cited, transaction size of 100 bonds as the defining line between retail and professional is inappropriate here. Using trade size as the standard for application of the draft rule will certainly result in less-than-complete coverage of retail market participants; it will also result in the capture of a significant number of transactions with SMMPs.

By way of example: in December 2014, HSE – which, again, conducts its business exclusively with SMMPs – wrote 1,999 trade tickets in transactions involving 728,565,000 bonds. The average trade size was 365 bonds. The smallest trade size was 5 bonds; the largest was 8,080,000 bonds. **Of the 1,999 trade tickets, 959 of them represented trades of 100 or fewer bonds.** Fully 48% of our transactions in the month – all of which were executed with SMMPs – would be subject to reference pricing disclosure under the retail standard proposed in the draft rule amendments. To conform to the stated purpose of providing increased transparency to retail investors, the standard by which retail is defined in the draft rule amendments must be changed; if it is not, the result will be considerable unnecessary reporting and additional unwarranted burdens on the broker-dealer community. The MSRB already employs a standard by which retail is separated from non-retail, and that standard is the SMMP.

On behalf of Hutchinson, Shockey, Erley & Co., I thank you for your consideration of these comments.

Sincerely,



Thomas E. Dannenberg
President & CEO

cc: Marcia Asquith, Office of the Corporate Secretary, Financial Industry Regulatory Authority