

May 22, 2014

VIA ELECTRONIC MAIL: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Secretary  
Securities and Exchange Commission  
100 F Street NE.  
Washington, DC 20549

*RE: File Number SR-MSRB-2014-03*

Dear Secretary:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter to the SEC in response to Federal Register Release No. 34-72019, Notice of Filing and immediate effectiveness of a proposed rule change consisting of new rule A-11, on assessments for municipal advisor professionals (the “new rule”). The BDA is asking the Securities and Exchange Commission (the “SEC”) to summarily suspend this rule.

**The Fee is Unduly Burdensome for Broker-Dealers**

The BDA believes the application of this fee is unduly burdensome to broker-dealer firms since the fee will be imposed not only on the newly-regulated municipal advisor firms, but will also apply to broker-dealers that employ municipal advisors and who are already funding over ninety percent of cost of supporting the MSRB. The MSRB states in its Regulatory Notice 2014-09 that the “annual professional fee [will] help defray the costs and expenses of operating and administering the MSRB, particularly the increased costs associated with the regulation of municipal advisors.”<sup>1</sup> The advisory activities of broker-dealers have been regulated by the MSRB for years and the costs have been borne by those broker-dealers. Additionally, dealer firms already pay multiple fees based on volume and transactions.

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<sup>1</sup> MSRB Regulatory Notice 2014-09, pg. 1.

We would ask that the MSRB perform a calculation as to how much money they anticipate collecting from the \$300 assessment for municipal advisor professionals. We believe this calculation is important so that the MSRB can make a direct correlation between the money it collects and the money it spends on the costs and expenses of operating this wholly new municipal advisor regime. If the monies raised do not cover the costs borne by operating this new regime, will the MSRB then have to use the underwriter assessment fees it already collects from broker-dealer firms in order to make up the cost? This would clearly not be fair since it should not fall on the dealer firms to finance the costs associated with the new municipal advisor regime. We believe that since MSRB will be using the additional monies from these assessments to create the municipal advisor regulatory regime, it should outline just how expensive this regulatory activity will be so that it correlates with the monies it collects from municipal advisors specifically. We believe it is those formerly unregulated entities that should bear a greater part of the cost. Therefore, since the new costs to be borne by the MSRB under this regulatory regime are due to newly regulated municipal advisors, the MSRB should take greater action to fairly distribute the burden among the newly regulated entities.

### **Middle-Market Dealers Will be Disproportionately Affected**

The BDA is also concerned about the effect of these burdens on middle-market broker-dealers. Nearly all of the regulatory actions that have flowed from the Dodd-Frank legislation, and some other recent regulatory initiatives, have run contrary to the idea of providing more liquidity and competition in the marketplace, particularly as it relates to focus on the end retail customer. We believe that the additional burden of this fee will disproportionately fall on middle market broker-dealers, where advisory activities are more likely to represent a larger proportion of the firm and whose clients often are not the big issuers, but rather smaller, less frequent issuers, who will need the additional time and attention paid to them.

Therefore, the BDA urges the SEC to summarily suspend this rule and ask that the MSRB instead wait to impose the collection of any such fee until they develop justifications for the collection of the fee from broker-dealers and non-brokers alike. The BDA also urges the SEC to require the MSRB to estimate the portion of its budget for the coming year that

will be attributable to the supervisory and regulatory activities related to the newly regulated municipal advisors and adjust the assessment to cover those expenses.

Thank you for the opportunity to present our views on the notice of filing and immediate effectiveness of a proposed rule change consisting of new rule A-11.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Nicholas". The signature is fluid and cursive, with the first name "Michael" being more prominent than the last name "Nicholas".

Michael Nicholas

Chief Executive Officer