



21 Dupont Circle, NW • Suite 750  
Washington, DC 20036  
202.204.7900  
www.bdamerica.org

September 26, 2014

VIA ELECTRONIC MAIL

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

RE: *MSRB Notice 2014-14: Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform (August 13, 2014)*

Dear Mr. Smith:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to Notice 2014-14: Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated Through a New Central Transparency Platform published on August 13, 2014 (the “Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) relating to specific enhancements to the post-trade municipal securities transaction data that would be disseminated from a new central transparency platform (the “CTP”) as contemplated under the MSRB’s Long-Range Plan for Market Transparency Products, (January 27, 2012) (the “Long-Range Plan”).

As described in our comment letter dated November 1, 2013 (the “2013 Comment Letter”) to the MSRB’s second concept release on the CTP (the “2013 Concept Release”), we continue to support the concept of transparency in the municipal securities markets and the MSRB’s initiatives that have increased the amount of information municipal securities brokers and dealers are required to report. BDA is the only DC based group representing the interests of middle-market securities dealers and banks focused on the U.S. fixed income markets and we welcome this opportunity to present our comments on the Notice.

### **Fifteen-Minute Reporting Requirement and End-of-Day Reporting Exceptions**

As we described in our 2013 Comment Letter to the MSRB in response to MSRB Notice 2013-14, we believe the general requirement that transactions effected with a time of trade be reported within fifteen minutes of the time of trade with limited exceptions under which dealers may report trades by the end-of-day rather than under the standard fifteen-minute reporting requirement remain in

effect. We would like to take this opportunity to thank the MSRB for proposing in the Notice to maintain the existing fifteen-minute reporting requirement and end-of-day reporting exceptions upon transitioning to the CTP.  
Conditional Trading Commitment Indicator

The BDA and its members continue to be concerned about the implications of the reporting of conditional trading commitments and the public dissemination of such information. While the municipal markets may benefit slightly from the public availability of such information, there is a risk that this information may be misleading and confuse investors because it is only an indication of an investor's interest at a specific moment and may bear no relation to the trade that is eventually executed and reported. Even if the MSRB were to limit CTC reporting to trade reports executed on the first day of trading in a new issue resulting from an order formed more than two or more hours in the past, the BDA does not see how the availability of such information on EMMA would help to establish compliance with the issue price rules or MSRB requirements.

### **Venue Type Indicators May Confuse the Investor**

The BDA does not see the benefit to the investor if the MSRB were to incorporate venue type indicators, such as broker's broker or alternative trading systems ("ATS"), into its information collection for post-trade enhancements. At the end of the day, the venue is just a one component of the dealer's educated, informed and professional decision, taking into account all relevant factors surrounding the best execution strategy for a particular transaction. The choice in venue may be a result of the unique knowledge a dealer has about where a specific security would trade best or it may be the result of many days of assessing many different sources in order to find the best price, but ultimately, a simple indicator cannot capture the totality of the execution factors and will simply lead to unnecessary confusion for the investor. Additionally, the production and maintenance of information identifying the venues of execution considered, documenting the dates, times and bids evaluated at each step (and potentially reporting them all to the MSRB) will be burdensome to the dealer for information. While the use of a venue indicator, and specifically an ATS indicator may provide for higher quality research and analysis of market structure by providing information about the extent to which ATSs are used and may complement the existing indicator disseminated for transactions involving a broker's broker as the MSRB suggests, this information is not likely to result in any significant or real transparency benefit to the investor and dealers should not be required to report such information. We would welcome additional information as to why the MSRB believes this information could benefit the investor when such information could potentially be used to undermine a competing dealer.

### **Transaction Yields**

The BDA supports the MSRB's proposal to eliminate the requirement for dealers to include yield on customer trade reports and for the MSRB to calculate and disseminate yield to worst for customer trades, much like it does currently for inter-dealer trades. The MSRB's calculation of yields would avoid differences in yield

calculations across dealers due to security master differences. Dealers would benefit from the reduction in compliance and operations efforts required to address error feedback from the MSRB if the requirement to include yield on customer trade reports was eliminated. Customers and dealers would also benefit from the improved consistency in the calculation of yield to worst – an important piece of data used to provide price transparency information to the municipal securities market.

### **Dealer Compensation Arrangements**

The BDA supports the MSRB's proposal to require dealers to include an indicator to make it clear when a transaction occurs with a non-transaction based compensation arrangement. This would provide the users of trade transparency products with information that could explain certain variations in trade prices and assist in best execution determinations. The BDA believes that the municipal market would benefit from greater clarity about the transaction prices charged under these circumstances. The BDA recognizes that there would be a cost to the industry to provide such information and would ask that the MSRB consider working with dealers to establish an implementation date that would allow sufficient time for firms to be able to provide such information.

### **Trading Strategies Could be Compromised by Misleading Information**

While the BDA believes increased transparency is ultimately better for the investor, we would caution that some of the new data elements being considered by the MSRB for post-trade reporting may undermine trading strategies resulting in the constriction of some market participants for fear that their trading strategies may be compromised. This could have the undesired result of reducing liquidity in the municipal securities markets. In addition, the very specific data elements the MSRB proposes to be collected and reported by the dealers and then disclosed on the CTP about a particular trade cannot reasonably be expected to capture all pertinent facts regarding such trade and there is a very significant risk of misleading information being disseminated which could potentially harm liquidity and drive up transaction costs for the industry. We continue to believe the best way for the MSRB to ensure they and investors are receiving the most accurate post-trade information without compromising trading strategies is for the MSRB to establish quality controls around each data element it currently collects before increasing the amount of information required to be reported. The information required to be reported to the MSRB on new issues and trades has changed significantly in the past few years and the MSRB should take the time to consider the impact of these recent changes and what information is actually helpful and used by the market before making further changes to the information required to be reported.

As the only national trade association focused on middle-market broker dealers, we believe that our input is uniquely valuable because we are able to provide the MSRB with insight regarding the practical costs and benefits in developing a new CTP and the costs of collecting and reporting the information to be disseminated thereon. Our members are the dealers who will be most affected by

any cost and compliance burdens associated with the creation of an entirely new platform and the requirement to collect and report detailed pricing information. We would be pleased to discuss any of our comments in greater detail or to provide any other assistance you may need. Thank you again for the opportunity to submit these comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Nicholas".

Michael Nicholas  
Chief Executive Officer