

# FINANCIAL INFORMATION FORUM

5 Hanover Square  
New York, New York 10004

---

212-422-8568

February 19, 2013

## **Electronic Delivery**

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

Re: Request for Comment on MSRB Rules and Interpretive Guidance – [Notice 2012-63]

Dear Mr. Smith,

The Financial Information Forum (FIF)<sup>1</sup> would like to take this opportunity to provide feedback on existing MSRB rules and interpretive guidance raised as part of the MSRB Request for Comment in Notice 2012-63<sup>2</sup> (the Notice). The FIF MSRB Working Group includes broker-dealers, service bureaus and vendors responsible for trading and reporting of municipal securities and other municipal products. We have prepared the following comment letter focusing specifically on questions asked in the Notice.

1. Are there any MSRB rules or related interpretive guidance, while continuing to be applicable or necessary, that should be revised due to changed market practices, introduction of new or different products or market participants, or otherwise, and if so, what revisions would be appropriate?
  - FIF members request the MSRB review Rule G-14 for inter-dealer trades and revise it to allow for cancel/corrections to be performed for trade reporting following the fifteen minute execution reporting requirement. The existing NSCC RTRS specifications allow the modification of inter-dealer trades prior to matching. At the time RTRS was released, the matching of inter-dealer trades often occurred later in trade date but recent advancements in technology and firm processes have shortened the window of matching which now occurs almost instantaneously and leaves the dealers with no time to make corrections. Any correction to a matched inter-dealer trade involves, by definition, a reversal (cancelation)

---

<sup>1</sup> FIF ([www.fif.com](http://www.fif.com)) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our [participants](#) include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

<sup>2</sup> See MSRB list of questions at <http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2012/2012-63.aspx?n=1>

and resubmission (coordinated by both sides). Unless this is done within fifteen minutes of execution (and potentially five minutes if the window is changed), the correction will be marked as late thus affecting the firm's report card.

- Rule G-12 pertains to uniform practice pertaining to items such as confirm requirements, syndicate settlement practice violations and information on callability of securities. FIF members request the MSRB to review the rule pertaining to trade confirms and utilize EMMA when referring to other trade details for calls.
  - FIF members suggest the revision of Rule G-34 to provide for mandatory reporting of all municipal variable rate demand obligations, including derivatives, via the MSRB's Short-term Obligation Rate Transparency ("SHORT") System. Currently, reporting of municipal variable rate demand obligations for derivatives is not published consistently via SHORT, and market participants who are unable to obtain such detail directly from dealers will be unable to make timely investment decisions.
  - Rule G-34 should also be revised (or interpretive guidance should be offered) to require updates to SHORT when the original letter of credit for a municipal variable rate demand obligation has expired and / or when a new letter of credit agreement occurs. Currently, there are gaps in such information when the original letter of credit expires, which can inhibit timely investment decisions.
2. Are there any MSRB rules or related interpretive guidance that should be consolidated with or codified in an existing rule or related interpretive guidance?
- Rule G-12 requires the addition of yield information, call information, additional information unique to issue, on trade confirm for disclosure; most of it available in EMMA today. FIF members understand MSRB's intent to provide extensive information via the trade confirm, however, over the years, receiving trade information electronically has become the standard for institutional investors who prefer embedding links to additional information instead of adding it on the paper confirm. There are solutions available to industry participants allowing them to embed a URL that institutional customers can click on and visit to review all disclosures. FIF requests guidance from MSRB and suggests modifying the rules for electronic confirms in Rule G-12 to facilitate institutional trades where paper confirms are seldom used.
3. Are there any MSRB rules or related interpretive guidance that are no longer applicable or necessary, and if so, why?
- FIF members request guidance from MSRB concerning Rule G-15 regarding recordkeeping of Syndicate members, and in particular, sending disclosures to clients. Syndicate members today are still sending paper disclosures while others are distributing disclosures electronically. FIF requests clarity from MSRB regarding the acceptance of distributing electronic disclosures.

4. Are there any MSRB rules or related interpretive guidance that impose an undue burden on brokers, dealers, municipal securities dealers, municipal advisors, or municipal entities? If so, please provide detail regarding such burden (quantify the burden, if data is available) and suggestions for mitigating such burden, including alternatives for the MSRB to consider.
- Rule G-32 for CUSIP application puts undue burden on underwriter to apply after sale if counsel or Financial Advisor (FA) does not apply which exists due to the existing NIIDS 2 hour compliance and also requires the underwriter to disclose timeframe for issuer annual financial reporting on EMMA. FIF members recommend the MSRB enforce the FA/counsel to properly make application for CUSIPs.
  - Rule G-15 arbitrage for sale of 10% of each maturity to be sold to the public by the underwriter in today's market is a burden for dealer trades in both sole underwriting and syndicates for competitive and negotiated deals. FIF members request MSRB review the rule and provide flexibility to ease the burden on dealers.
  - As mentioned above, firms are distributing information electronically and the use of EMMA has grown significantly. FIF members recommend the MSRB enforce the use of EMMA for all new issuance prospectuses and the removal in Rule G-8 and G-32 for mail outs of new issuance prospectus which is expensive due to postage and printing costs and discourages the use of EMMA as the single online source for municipal disclosures, market transparency data and educational materials about the municipal securities market.
5. Do any of the MSRB's rules or related interpretive guidance fail to accomplish their intended purpose, and if so, why?
- Rule G-32 has comprehensive components for diligence for financial advisor. These burdens fall on the underwriter due to MSRB not enforcing action on non-dealer financial advisors since they are not subject to MSRB oversight. FIF members recommend MSRB mandate the inclusion of non-dealer financial advisors to properly perform the diligence efforts.
6. Are there any MSRB rules or related interpretive guidance that could be modified to promote more efficient compliance by brokers, dealers, municipal securities dealers and municipal advisors? If so, please provide details regarding such modifications and the corresponding benefits.
- FIF members have reviewed MSRB NTM 2012-50<sup>3</sup> regarding Retail Order Periods. There are several proposed amendments to G-8, G-11 and G-32. The proposal to G-11(a), states:
    - *Under the Initial Draft Proposal, Rule G-11(a) would have been amended to define a "retail order period" as an order period during which orders are solicited solely from customers meeting the issuer's definition of "retail," making it clear that it is the prerogative of the issuer to establish the definition of "retail" for that purpose.*

---

<sup>3</sup> See <http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2012/2012-50.aspx>

FIF members believe leaving the definition of a "retail customer" up to each issuer - and on an issue by issue basis - will create a significant logistical problem for syndicate and selling group members in terms of being able to fluidly code and identify such customers. While some trading and trade processing systems are able to easily identify institutional customers, many do not identify a customer as being "retail". Customer and Non-Customer are clearly defined by 15c3-3, but a further delineation of customer as "retail" or "non-retail" is difficult to determine. To require that the definition be subject to interpretation and differentiation by each issuer, and further by each issue, will be extremely difficult to comply with. For example, if we suppose that the order period for two or more issues are occurring simultaneously with the same underwriters or syndicate members involved, the same customer may be a potential buyer in each issue, but be considered retail by one issuer and non-retail by the other issuer. Being able to code or identify the account both ways will be extremely challenging.

7. Are there any current market conditions or practices that warrant examination by the MSRB for potential new rules or interpretive guidance, including those that would protect municipal entities, obligated persons, investors, or the public interest?
  - FIF members recommend the addition of new rules in underwriting practices to apply to FA, dealers/non-dealer and bond counsels as to reporting to MSRB for disclosures on new issuances prior to bond sale.

FIF members appreciate MSRB's effort for initiating the review of municipal securities and other municipal products regulation and look forward to working with the MSRB in its review of existing rules and related interpretive guidance. Please don't hesitate to contact us at [fifinfo@fif.com](mailto:fifinfo@fif.com) or 212-422-8568 with any questions.

Regards,



Arsalan Shahid

Program Director, Financial Information Forum

On behalf of FIF MSRB Working Group