September 30, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Re: MSRB Notice 2022-07- Request for Comment

Dear Mr. Smith:

Thank you for the opportunity to comment on the proposed shortening of the 15 minute trade reporting timeline.

The MSRB is a leading force helping improve market transparency and efficiency. Both are much improved since January 2005 when the 15 minute reporting timeframe became operational. The MSRB's leadership in these areas is commendable.

I believe additional measures can be implemented to further improve market transparency and efficiency. Reducing time of trade reporting from the current 15 minute requirement is one such improvement.

But at a more incremental and sensible pace than what is proposed.

As cited in the Notice, the proposal would require dealers to report transactions effected during the business day to "….. an RTRS Portal as soon as practicable, but no later than within one minute of the Time of Trade."

The proposed 1 minute reporting requirement is far too short.

It is an impractical standard given the limitations of current technologies combined with the ever evolving processes buy and sell side market participants rely on to trade municipal bonds.

A 1 minute requirement will negatively impact the market place, specifically mid-size and smaller broker-dealers and the investor and the issuer clients they serve.

If adopted, it will negatively impact the ability of many broker-dealers and broker's-brokers to comply. And it will increase compliance costs substantially for a large segment of the broker-dealer community. A portion of these costs will ultimately be borne by investors.

Many firms use semi-automated system and many others use a manual system to execute trades with their clearing firm. Converting to a fully automated system is far too expensive and therefore an impractical solution for many firms.

If enacted, the proposed change will force a number of firms to cease trading municipal bonds. And others will simply reduce their respective footprints. The supply and quality levels of services to investors will decline.

These are bad outcomes for a market in need of additional liquidity providers.

Our firm executes anywhere from 1200 to 1500 municipal bond trades monthly. We use a semi-automated system and execute trades in a variety of ways using Bloomberg VCONS, ATS and the telephone.

Many of the trade details for all of our trades require manually entering information into various data fields: a never before traded CUSIP, a new trading counter party, dollar price, par value. Entering this data, double checking before hitting the "Enter" key….. it all takes time.

For trades that occur telephonically, the process requires even more time.

Additionally, once a trade has been approved and executed, the trade details are electronically transmitted to our clearing agent which then transmits the data to RTRS. This transmission of data also cuts into the trade time reporting window.

In instances where multiple transactions occur, for example, a bid list of 5-10-15 different cusips: items are approved for sale essentially simultaneously. A trader can only enter so many trades in a given time period. Even by using a "semi-automated" system, it is not possible to meet the one-minute requirement.

In instances of trades executed through an ATS or Bloomberg VCON alerts: a trader receives a pop-up window alert regarding the pending trade. What happens if there is a misfunction and pop-up does not appear? Or the trader has stepped away from the desk for a few minutes or is momentarily distracted by another issue? The one-minute window leaves insufficient margin in these frequently occurring situations.

We built out a semi- automated system to incorporate the human element. Our best practice trade process purposely relies on a person to check and verify several factors before trade execution. Our trade process protocol reduces trade error frequency. Our process helps ensure compliance with due diligence, best execution and other obligations.

Mandating a 1 minute reporting requirement will obliterate this very successful best practice.

Mandating a 1 minute trade requirement would severely test our ability to accurately submit trades given our trading volume.

It is my view the MSRB should not mandate a rule that would compel us to abandon time tested, successful best practice procedures that benefit all parties with which we interact.

If the proposal is enacted, our likely response: reduce our secondary market bid and trading activity with broker's-brokers and broker-dealers most noticeably in smaller size block sizes.

The data provided in the MSRB Notice and its September 12, 2022 Memorandum is insightful. Here are several comments:

a) 97.3% of all trades are reported within 5 minutes or less and 91% within 2 minutes.

   These are impressive reporting percentages given the rule allows for a 15 minute window. These numbers demonstrate the industry is a reliable force and will continue to drive reporting times lower absent the proposed 1 Minute mandate.

b) the reporting percentage falls to 77% for trades reported within 1 minute.

The disparity in reporting time between trades cited in a) versus b) leads me to conclude:

- parties are reporting trades in a timely manner, complying with the portion of the rule requiring trade reporting "….as soon as practical…".

- the data tells me the 5 minute post is the present day reasonable threshold, not 2 minutes and certainly not 1 minute.

c) 98.1% of trades $ 100,000.00 or less and 94.6% of trades greater than $100,000.00 but less than $ 1,000,000.00 are reported within 5 minutes.

   This is significant progress from a few short years ago.

   Contrast with: only 87.6% of trades greater than $1,000,000.00 to $5,000,000.00 reporting within 5 minutes and only 80.3% of trades in excess of $5,000,000.00 are reported within 5 minutes.

   These trades represent the largest trades occurring in the market. These data points indicate the market is bifurcated regarding reporting times. Since much of the rest of the market looks to these large trades for pricing direction it makes sense to improve time of trade reporting on these largest transactions. Doing so will likely have a positive impact on transparency and efficiency throughout the marketplace.

   In my view, MSRB efforts should focus on reducing time of trade reporting on these two largest trade buckets before moving ahead in any other respect.

   Is it possible to get the reporting time of these trades in line with (or closer to) the 5 minute reporting metric as cited in a) above?

   Is a maximum 5 minute timeline window reasonable for this bucket of trades or will trade execution be damaged if window is reduced from its current 15 minute requirement? Has the MSRB conducted robust discussions with active market participants on both the buy side and sell side of these large sized transactions seeking their input?

At this time MSRB efforts should focus solely on working to reduce time of trade reporting on these larger trades before moving ahead on any other issue.

First resolve how to improve reporting times on these buckets of trades and then re-assess a sensible next step.

The current proposal will result in faster report times, but at a significant cost to a wide swath of the marketplace, both buy side and sell side.

A thinner, more concentrated, less efficient market will ensue.

In my view, all of the above are bad outcomes.

I urge the MSRB to revise its proposal.

Sincerely,

Ronald P. Bernardi

President and CEO

Bernardi Securities, Inc.