



September 30, 2022

SAMCO Capital Markets, Inc. (SAMCO”) is a broker dealer registered with FINRA, the MSRB, and the SEC. Our primary business is in the Municipal market: SAMCO acts in various capacities such as municipal bond sales, trading, Municipal Advisor, and Municipal Underwriter. **SAMCO believes the impact of moving to 1-minute reporting will have disastrous effects on institutional business – the underlying backbone of the municipal market – and the instance of error trades, with no appreciable benefit to transparency. It is a solution looking for a problem.** And further, that the negative impact of the proposal will ultimately hurt the retail investor through higher costs and fewer market participants.

SAMCO has five areas of concern: Institutional/large trades, verbal/manual trades, errors, security master/CUSIP, and benefit. Below are the main points for each of these concerns. We understand that in some cases we duplicate or reflect the opinions of other market participants.

- Institutional/Large trades
  - SAMCO's trades are reported electronically by its clearing firm. SAMCO does not normally report trades via the RTRS Web interface.
  - Dealers that report a larger quantity of trades are executing smaller volume trades and dealers that are reporting fewer trades are executing larger volume trades. It is not that dealers that execute larger trades are using inefficient processes. Rather, such trades are typically executed by institutions using voice brokers.
  - There is a difference between institutional voice brokered fixed income markets and retail fixed income markets, specifically, in how trades in these markets are negotiated, executed and processed.
  - There was no meaningful discussion of the fact that most large volume trades are voice trades.
  - There was no discussion of the verbal negotiation and manual processing of large volume (e.g., institutional) voice brokered trades compared with the comparatively simple pricing and execution of smaller volume trades that are more commonly executed on electronic trading platforms, much in the way equity transactions are executed.
  - There does not appear to be any consideration of the trading venue. Most trades in the Municipal Securities market are less than 100 bonds and these trades are executed electronically via ATS platforms. This clearly skews the data and ignores the high-volume trades that are executed in the institutional fixed income markets by voice brokers.

- If the MSRB does not believe that the institutional market's liquidity is important, then it needs to explain this position in its analysis and let the market participants provide their commentary on this position.
- The current time frame is not inferior--it reflects the reality of what most firms can do using best efforts. The MSRB dismisses this reality and proposes an arbitrary one-minute requirement and fails to demonstrate any actual benefit to the marketplace.
- Finally, the MSRB dismisses or ignores the economic hardship, market distortions and likely shuttering of smaller firms that will certainly be caused by this arbitrary reporting requirement.
- Verbal/manual
  - One-minute reporting will effectively eliminate ability to do "voice trades".
  - Larger trades are generally voice brokered and require more time to negotiate, execute and process. Smaller volume trades are executed electronically on ATS platforms: ATS platforms are more similar to equity trades in that the trades are executed and processed without the manual process prevalent in large institutional trades.
  - Institutional transactions often include multiple transactions simultaneously; this can happen verbally as well as electronically.
  - Some valid reasons for the time difference seen in the trades could involve necessary human intervention, multiple parties involved in the transaction, firm-mandated trader releases, counterparty data discrepancies in descriptive data, best execution verification across platforms, and more.
  - While 80.3% of trades with trade size of \$100,000 par value or less were reported within one minute, only 40.1% of trades with trade size between \$1,000,000 and \$5,000,000 par value and 25.3% of trades with trade size above \$5,000,000 par value were reported within one minute.
- Errors
  - Moving to a one-minute trade reporting requirement will result in an increase in trade reporting errors as firms executing non-ATS trades would be primarily focused on getting trades reported in less than a minute from execution. Many firms "release" batches of orders all at once. A trader can only manually enter so many trades in a given timeframe, and back-office verify. It can be difficult to enter these types of trades in a 15-minute period without errors occurring, let alone one-minute.
  - Trade errors are a fact of life and in general, the trades that take longer to report do reflect some issue with the trade; for example, an incorrect price or par amount. Reducing the trade reporting time to one minute will have a detrimental effect on trade reporting accuracy because market participants will be primarily focused on reporting within one minute.

- If municipal bonds were listed and traded across exchanges in a manner like equities, it might be possible. However, it is not a centralized exchange of market makers, or even a centralized exchange of dealers; it is not an exchange at all, it is a decentralized, dispersed, regionalized collection of market participants. If we make any errors entering the trade data, it is difficult to correct them within the 15-minute window. It will be impossible in a one-minute window.
- Security Master/CUSIP
  - There are some 70,000 different Issuers of bonds unlike the less than 5,000 equity Issuers. Most market participants, including large clearing firms, do not have the entire municipal market CUSIP's in their data base. And even if they did, new CUSIPs are created daily and old CUSIPs mature and fall off.
  - If a CUSIP is not set up in security master, it is because there has not been a past transaction at the broker dealer or clearing firm. There is a process to set up a CUSIP in the security master; the process to do so greatly exceeds one minute. This penalizes the institutional market.
  - One-minute reporting is not feasible in a manual order execution and reporting process.
- Benefit
  - There is no clear indication as to how such a shortened reporting time frame would benefit investors or increase market transparency. Due to the fact that most municipal securities are not traded on a daily basis, reducing the trade reporting period from 15 minutes to one minute would have limited impact on transparency.
  - Contributing factors to transactions being reported outside of one minute from time of trade could include manual orders, lack of straight through processing, security master CUSIP setups, and trade corrections which would not be considered a modification to the trade report. These reasons may not be easy or cost effective to fix, especially for smaller, introducing brokerage firms.
  - SAMCO believes that retail clients will not materially benefit by having trades posted within one minute as opposed to the current fifteen minutes.
  - There is a point of diminishing returns: there are limits to everything and suggesting that trade reporting can be reduced to one minute by decree fails to recognize this reality. The cost of one-minute reporting is negated by the higher costs and fewer market participants.
  - Neither FINRA nor the MSRB have demonstrated that improved transparency would result from reducing the trade reporting time to one minute. There is no evidence or data presented in the contemporaneous

trades of identical CUSIPs that show that they would have been closer in price as a direct result of a prior trade report for that CUSIP. In addition, trade size definitively impacts pricing and there is no data or evidence to the contrary.

- In the notice it is suggested that “more market-wide trades would benefit from more recent trades being reported, as contemporaneous trades would provide more relevant pricing information than distant trades.” This is an assumption without supporting evidence. Unrelated contemporaneous trades in TRACE eligible and Municipal Securities represent a tiny percentage of trading in general, and unrelated contemporaneous trades of identical CUSIP with materially similar par amounts reflects an even smaller set of transactions. Trades that are intermediated by voice brokers will always result in contemporaneous trades in securities with identical CUSIPs. This fact was not included in the analysis. These trades will not benefit from a reduced reporting time because these trades are the components of transactions that are intermediated by voice brokers (e.g., the voice broker buying from the selling counterparty, and then the voice broker selling to the buying counterparty). The difference in price for these intermediated trades is the commission/brokerage fee paid.

For the reasons SAMCO respectfully asks that this rule change not be implemented.

Sincerely,

Lee Maverick  
Chief Compliance Officer  
SAMCO Capital Markets, Inc.