



January 21, 2025

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

Re: MSRB Notice 2024-14 - Request for Information on the MSRB's Rate Card Process

Dear Mr. Smith,

ICE Bonds Securities Corporation (CRD# 123635) (“**ICE Bonds**”) appreciates the opportunity to respond to MSRB Notice 2024-14¹ issued by the Municipal Securities Rulemaking Board (“**MSRB**”) soliciting input to the MSRB’s rate setting process for its member firms. ICE Bonds appreciates that the MSRB has reached out to stakeholders in the development of its rate setting process, as we agree with earlier commenters that the existing process results in too much fee volatility and less predictability.²

By way of background, ICE Bonds is a broker-dealer registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (“**Exchange Act**”), is a member of Financial Industry Regulatory Authority (“**FINRA**”) and the MSRB. ICE Bonds is the operator of two (2) alternative trading systems (ICE BondPoint and ICE TMC) for the trading of fixed income products, including corporate, municipal, and U.S. Treasury and agency securities. ICE Bonds offers market participants with electronic markets that support multiple fixed income trading protocols, including click-to-trade, request-for-quote, and auctions, including portfolio auctions.

From a broader industry perspective, we encourage the MSRB to adopt an approach similar to the manner by which the Financial Industry Regulatory Authority (“**FINRA**”) determines fees for transactions in fixed income securities reported to TRACE. In our experience the FINRA per trade flat fee and fee per million par provides transparency, consistency of fees, and results in a more predictable rate schedule from year to year.

We also propose that the MSRB consider an alternative fee structure applicable to municipal dealer operators of alternative trading systems (“**ATS**”), recognizing that ATS’ play a distinct role in the market. Below are considerations and a proposed framework for consideration.

A. Key Differences Between ATS and Traditional Dealers

For the following reasons, we believe the distinctions between a municipal dealer that only operates an ATS and does not take part in traditional municipal dealer activity (e.g. buying/selling bonds on behalf of investors, underwriting, etc.) warrants a different fee structure:

¹ See MSRB Regulatory Notice 2024-14 (Oct. 30, 2024) available at <https://www.msrb.org/sites/default/files/2024-10/MSRB-Notice-2024-14.pdf>.

² See Comment letters submitted related to the 2024 Rate Card Filing available at <https://www.sec.gov/comments/sr-msrb-202306/srmsrb202306.htm>.



1. **Role in the Market:** ATS' serve as electronic trading venues connecting buyers and sellers to facilitate trades between those investors, promote liquidity, and enhance transparency. Unlike traditional municipal dealers, ATS' do not engage in market-making, underwriting or principal risk-taking activity.
2. **Business Model:** Municipal dealer operators of ATS' generally derive their revenue by charging a transaction fee for transactions effected on their ATS. ATS operators are typically unable to offset costs through trading profits earned through underwriting, market making or principal trading, which leaves ATS' operators disproportionately affected by the MSRB's current fee structure.
3. **Data Availability:** Many ATS' are uniquely placed in the marketplace to assist the MSRB in identifying trends and changes in trading behavior. In many instances these ATS have been tapped to provide trade data outside of a regulatory based inquiry.

B. Challenges with the Current Fee Structure

Applying the same fee structure to municipal dealer operators of ATS' and for traditional municipal dealers disproportionately impacts the ATS operators. These impacts include:

1. **Increased Costs for End Users:** Higher fees for municipal dealer operators of ATS' are ultimately passed on to end users, discouraging participation in electronic trading, which has been instrumental in increasing market transparency and efficiency in the municipal markets.
2. **Impact on Smaller Trade Sizes:** Given the smaller trade sizes seen in municipal bond trading, current fee structures weigh heavily on ATS operators.³ This not only affects their ability to remain competitive but also discourages innovation.
3. **Reduced Adoption of Electronic Trading:** Higher costs may deter market participants from adopting electronic platforms, pushing them toward less transparent alternatives.

C. Proposed Alternative Fee Structures

To address these issues affecting ATS' operators and encourage broader adoption of electronic trading on ATS', ICE Bonds proposes the following:

1. **Flat Annual Fee** - Introduce a flat, predictable annual fee for municipal dealer operators of ATS'. A flat fee model would:
 - Simplify cost structures for this subset of municipal dealers, allowing them to focus on delivering value to the broader municipal market and its participants that trade municipal bonds electronically.
 - Encourage wider adoption of electronic trading by removing (or reducing) transaction-based cost barriers.
 - Reduce administrative complexity for this subset of municipal dealers and the MSRB.
2. **Volume Discount Fee**
 - For ATS' with higher transaction volumes, provide an option for a volume based sliding scale fee structure. This flexibility would ensure scalability for ATS' with a larger volume of municipal activity while preserving cost predictability for less active ATS'.

³ See MSRB *Characteristics of Municipal Securities Trading on Alternative Trading Systems and Broker's Broker Platforms* (August 2021) found at <https://www.msrb.org/sites/default/files/MSRB-Trading-on-Alternative-Trading-Systems.pdf> (accessed Dec. 17, 2024).



3. **Discounted Fee Structure**

- Apply a straight discount to fees applied to municipal dealer operators of ATS', as compared to traditional municipal dealers.
- This upfront reduction recognizes the unique intermediary role ATS' play, the absence of principal trading profits, and their positive impact on transparency.
- By lowering costs, this approach encourages broader adoption of electronic trading on ATS', facilitates greater participation in electronic trading, and ensures ATS' remain competitive in the evolving market landscape.

D. Benefits of a Tailored Fee Structure:

1. **Benefitting End Users:** Keeping ATS' costs manageable reduces the financial burden on end users, ensures electronic trading remains accessible and cost-effective.
2. **Supporting Market Transparency:** Encouraging electronic trading on ATS' strengthens transparency by bringing more trades onto regulated and transparent electronic platforms.
3. **Promoting Innovation:** A fair and sustainable fee model allows municipal dealer operators of ATS' to further invest in technologies that enhance market efficiency and competitiveness.

In closing, differentiating the fee structure for municipal dealer operators of ATS' will better align with their unique operational model and market contributions. ICE Bonds' urges the MSRB to consider implementing a flat fee or a hybrid fee structure to support the continued growth and adoption of electronic trading on ATS', ensuring they remain critical drivers of transparency and innovation in the financial markets.

ICE Bonds hopes these comments are constructive to the MSRB as it considers a new rate-setting process for brokers, dealers and municipal securities dealers and municipal advisors. To the extent the MSRB should have any questions relating to this letter please feel free to contact me at robert.laorno@ice.com, as we would appreciate the opportunity to speak with MSRB about this issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Laorno', with a stylized flourish at the end.

Robert Laorno
General Counsel, ICE Bonds Securities Corporation

cc: Peter Borstelmann, President, ICE Bonds Securities Corporation