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Justin R. Pica
Director Uniform Practice Policy
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

Re: Notice 2009-43: Request for Comment on Additional Increases in Transparency of Municipal Auction Rate Securities and Variable Rate Demand Obligations

Dear Mr. Pica:

First Southwest Company, notably the ARS/VRDO Trading Desk, wishes to comment on the proposed amendments to MSRB Rule G-34(c) regarding increases in transparency of municipal auction rate securities and variable rate demand obligations. First Southwest Company applauds the Municipal Securities Rulemaking Board ("MSRB" or "Board") in seeking transparency in the short-term market. As direct market participants, we would like the Board to consider our views on this matter.

Proposed Amendment: ARS and VRDO Documents

The MSRB is proposing to require broker-dealers to submit Auction Rate Securities ("ARS") current auction procedures documents, interest rate setting mechanisms documents, and Variable Rate Demand Obligations ("VRDO") credit facility documents. Typically, these are complex and lengthy legal documents and in some cases the broker-dealer is not a party. Because of the nature of these documents, we feel that a better mechanism to disclose the mechanics of either ARS or VRDO and the credit support facility related to VRDO is the Official Statement. The Official Statement brings together these documents in a comprehensive way in plain language that could be understood by a wide array of investors. Should an investor require the actual documents, typically the Official Statements provide a mechanism for investors to receive actual documents by contacting either the issuer or a representative of the issuer.



In addition, in its present language, FSC believes that unspecified documents listed in one part of the proposed amendment that would be required are vague and ambiguous and would therefore cause confusion on which documents should be provided (*G-34(c)(ii)(B)(c) "Any other documents detailing the provisions of a liquidity facility"*). In order to achieve the desired transparency, the required documents should be more clearly defined by the MSRB rather than merely "Any other documents...".

We would like to comment on time frames for delivery of documents. We believe that there should be two different delivery requirements, one for new transactions and one for existing transactions. Concerning new transactions, because of the awareness of the rule and the ability adopt procedures to comply with the rule, we believe that an adequate period of time in which to submit new documents to the MSRB would be within 30 days after the documents are made available to us by the issuer.

However, with respect to existing documents, a longer time frame is necessary, such as 180 days from the implementation of the rule, in the format that the broker-dealer has the documents. We request this time period due to the volume of existing transactions and that the ability to generate documents in a searchable format may be problematic due to when and how those documents were created, as well as what documents might be covered under the rule. Typically, dealers do not create those documents and would have to go back to the creators of those documents to comply with the rule and possibly incur legal expense.

While the MSRB's proposed request for existing ARS and VRDO documents needs further clarification, FSC believes, that in general, the requested documents are available. FSC wishes to remind the MSRB that even with such access, assembling the documents and formatting them into a standardized format could prove to be a formidable task requiring many man hours of work and expense.

Proposed Amendment: ARS Bidding Information

In regard to ARS bidding information, FSC fully supports transparency in the municipal marketplace. However, FSC anticipates difficulty in being able to collect and report the additional information proposed by the MSRB. The time and effort to extract this information and to format into the appropriate media would be a costly and time consuming burden.

In MSRB Notice 2009-43, in the Request for Comment section, you also ask if there are additional items of information that should be added to these lists of proposed required information. We believe the items you have proposed, though burdensome, are sufficient to achieve transparency and that any other items, while perhaps informative, would not add value and therefore should not be added.



Proposed Amendment: Additional VRDO Information

As with credit facility documents discussed above, the remarketing agent broker-dealer is not a party to contracts between issuers, credit facility banks and tender agents. FSC would find it difficult and burdensome to be required to be continually updating information, which can and does change frequently, between two parties where it has no legal standing and should be the responsibility of the bank or tender agent that is party to those transactions.

Conclusion

We thank the MSRB for its efforts and appreciate this opportunity to express our views on these proposed rule changes. Should you have any questions, please do not hesitate to contact us. I can be reached at 214-953-4191.

Sincerely,

Carl Giles
Managing Director
Capital Markets