



May 8, 2012

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

**Re: MSRB Notice 2012-19: Request for Comment on Proposal to Streamline New Issue Information Submission Requirements Under MSRB Rules G-32 and G-34**

Dear Mr. Smith:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> appreciates this opportunity to respond to Notice 2012-19<sup>2</sup> (the “Notice”) issued by the Municipal Securities Rulemaking Board (the “MSRB”) in which the MSRB is requesting comment on draft amendments to MSRB Rules G-32 and G-34. This change will streamline the submission of data by allowing underwriters to satisfy certain of their submission requirements under Rule G-32 in connection with new issues of municipal securities by their submission of data to the New Issue Information Dissemination Service (“NIIDS”) operated by the Depository Trust and Clearing Corporation (“DTCC”) pursuant to Rule G-34. SIFMA would like to applaud the MSRB for its efforts as we believe this move towards straight-through processing will be beneficial for market participants by reducing transactions costs and increasing data integrity. SIFMA, however, does have some comments and concerns on selected parts of this proposal which are detailed below.

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<sup>1</sup> The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit [www.sifma.org](http://www.sifma.org).

<sup>2</sup> MSRB Notice 2012-19 (April 10, 2012).

## **I. Challenges for Short-Term Instruments**

In the Notice, the MSRB has queried whether removing the exception for certain short-term instruments with effective maturities of nine months or less present compliance challenges to meeting the deadlines in the rules. SIFMA's members feel that removing the exception for short term notes with an effective maturity of nine months or less under Rule G-34 would not present compliance challenges. However, removing the exception for reset instruments such as variable rate demand obligations ("VRDOs") under Rule G-34 would present significant compliance challenges. Daily VRDOs are generally priced, allocated, ticketed and settled on the same day. Weekly VRDOs are generally priced and allocated the day before settlement and ticketed and settled on the following date. Typically there is a sole underwriter. To avoid DTCC disincentive fees for short settlements (typically paid by the Issuer), underwriters may apply to DTCC for trade eligibility three days before settlement. The time of formal award is set in advance with the Issuer pursuant to MSRB Rule G-34 in order to efficiently price and close these issues. We believe the unique characteristics of short-term reset instruments, warrants continuation of the current exemption.

Additionally, it is important to note that information dissemination for a variety of information is still required of VRDO remarketing agents to the MSRB's Short-Term Obligation Rate Transparency ("SHORT") system, so interest rate discovery will not be affected. Also, price discovery for VRDOs is typically meaningless, as they trade at par, a price equal to their face amount.

## **II. Time of First Execution**

The MSRB is requesting comment on whether the current requirement to announce a Time of First Execution that is at least two hours after the time that all required information is provided to NIIDS should be shortened. SIFMA recognizes that electronically formatted information can be retransmitted, but wishes to point out that such retransmission is not always seamless. Most broker dealers do not get the NIIDS feed directly from DTCC. Instead, it is common for information to travel from DTCC to one or a chain of information service providers, then to broker dealers for integration of that information into their internal systems. These steps are not instantaneous, there are sometimes issues with the feeds<sup>3</sup>, and there are many instances in the current regulatory environments when the full two hour dissemination period is needed. This situation is true regardless of whether the underwriting was competitive or negotiated in nature.

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<sup>3</sup> Formatting errors appear to be the most common problem with new issue data.

SIFMA would like to suggest one change to the dissemination period paradigm. In the case when the underwriter has submitted all information to NIIDS to make the issue “trade eligible” late in the day, between 3:00 p.m. and 5:00 p.m. Eastern Time, a dealer currently needs to complete the regulatory dissemination period the following morning. For instance, if a dealer submits all the information necessary to make a transaction “trade eligible” by 4:45 p.m., then G-34 mandates the dissemination period must extend at least until 10:45 a.m. the next business morning, and the Time of First Execution may be no earlier than 10:45 a.m.

SIFMA feels that when an issue has been made “trade eligible” late in the day, the current regulatory mandate for a minimum of a two hour dissemination period, which continues into the next business morning, may not be necessary for some transactions, as there has been sixteen hours overnight to disseminate and integrate the information through the information service providers, various electronic transmissions and internal broker dealer systems. The transactions in which the dissemination period in the morning could be unnecessary may have fewer CUSIP numbers, a small amount of trades booked, and those where the underwriter is willing to devote extra staff in the overnight hours to check the data from the information service providers and ensure the transactions are properly set up and processing. There are other scenarios whereby the dealer may want to preserve the dissemination period in the morning. Those transactions are likely ones with more CUSIP numbers, transactions with a large amount of trades booked, and those where time is needed in the morning to ensure all the data from the information service providers is correct and the transactions are properly set up. Therefore, SIFMA recommends that underwriters of any issue that is made “trade eligible” between 3:00 p.m. and 5:00 p.m. Eastern Time should be permitted, though not required, to waive the two business hour dissemination period and at their discretion, set the Time of First Execution to be 9:00 a.m. Eastern Time the following morning. Permitting these transactions to set a Time of First Execution of 9:00 a.m. Eastern Time will enable broker dealers to reduce the risk of carrying these securities, if they so wish, as markets can and do fluctuate.

### **III. RTRS Business Day Hours for G-34 Purposes**

SIFMA represents not only underwriters that underwrite transactions in New York, also but broker dealers across the country that do business in every time zone from Eastern Time to the Pacific Time and beyond. Although expanding the RTRS business hours for G-34 purposes may not be problematic to those dealers operating in the Eastern Time, those that are further west are already required to begin their day early to meet regulatory needs and business demands. Expanding the RTRS Business Day for G-34 purposes beyond the current hours would cause a significant staffing challenge to those regional dealers. Therefore, SIFMA recommends

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keeping the current RTRS business hours for G-34 purposes and revisiting this issue in a few years.

#### **IV. Dissemination of NIIDS Items on EMMA**

The Notice proposes displaying on EMMA certain data submitted by underwriters to NIIDS, such as the Time of Formal Award and the Time of First Execution. SIFMA supports the dissemination of these NIIDS fields on EMMA. Certainly other fields of information may also be useful to investors, including the paying agent and/or registrar information.<sup>4</sup> Underwriters are required to input a voluminous amount of data into specific fields in NIIDS, and SIFMA cautions the MSRB against expanding the amount of information that is displayed on EMMA from NIIDS to a point where critical information that investors are looking for is obscured by minutia required for accurate securities processing. SIFMA does encourage those that would benefit from the full NIIDS feed of information to contact DTCC about receiving the feed directly from them.

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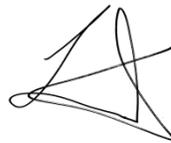
<sup>4</sup> Paying agent and/or registrar information may be particularly helpful to investors in the case of securities that have been conditionally called. The paying agent or registrar would be the appropriate party for an investor to query whether the call had been completed or rescinded.

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We again wish to thank the MSRB for its efforts to streamline information submission requirements, and for the opportunity to comment on this Notice. We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned at (212) 313-1130.

Sincerely yours,

A handwritten signature in black ink, appearing to be 'L. Norwood', written in a cursive style.

Leslie M. Norwood  
Managing Director and  
Associate General Counsel

cc: ***Municipal Securities Rulemaking Board***  
Lynnette Kelly, Executive Director  
Peg Henry, General Counsel, Market Regulation  
Ernesto A. Lanza, Deputy Executive Director and Chief Legal Officer