

*September 26, 2012*

*Via Electronic Mail*

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

**Re: *MSRB Notice 2012-41, Request for Comment on Concept Proposal to Strengthen Account Opening and Supervisory Practices of Dealers Effecting Online Municipal Securities Transactions with Individual Investors***

Dear Mr. Smith:

TD Ameritrade, Inc.<sup>1</sup> (“TD Ameritrade” or “the Firm”) appreciates the opportunity to comment on the above referenced Request for Comment by the Municipal Securities Regulatory Board (“MSRB”) concerning its Concept Proposal (“Proposal”) to strengthen account opening and supervisory practices of member firms that offer investors the ability to purchase municipal securities online. Although TD Ameritrade supports MSRB’s goal of increasing the likelihood that retail investors understand the features and risks of municipal securities, TD Ameritrade opposes aspects of the MSRB’s Proposal as they would impose burdensome new requirements on member firms without commensurate benefits. As noted below, the Firm believes the MSRB Proposal should be revised so as the costs imposed are more in line with the benefits that the MSRB seeks to achieve.

The MSRB’s Proposal would require brokers that offer clients the ability to purchase municipal securities online to comply with the following:

1. Deliver at account opening a municipal securities education document;
2. Collect investment profile information for each individual investor unless the firm has determined that none of the municipal securities transactions executed with or on behalf of the customer would be recommended;

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<sup>1</sup> TD Ameritrade is a wholly owned broker-dealer subsidiary of TD Ameritrade Holding Corporation (“TD Ameritrade Holding”). TD Ameritrade Holding has a 36-year history of providing financial services to self-directed investors. TD Ameritrade serves an investor base comprised of over 5.7 million funded client accounts with approximately \$461 billion in assets. During August 2012, the Firm averaged a total of 303,000 client trades per day.

3. Have a municipal securities professional approve each new online account before the first municipal securities transaction; and
4. Establish written supervisory procedures to delineate under what circumstances municipal securities transactions would be considered recommendations, how the firm fulfills its obligation to deliver material information about municipal securities transactions to clients, and how the firm fulfills its fair pricing obligations.

### **NEW ACCOUNT MUNICIPAL SECURITIES DISCLOSURES**

The MSRB Proposal would require member firms that offer clients the ability to purchase municipal securities online to deliver municipal securities educational materials to all new individual investors within ten days of account opening. Although TD Ameritrade supports the MSRB's goal of providing investors with educational materials, the requirement to deliver such at account opening targets too broad an audience. TD Ameritrade estimates that less than 1% of clients currently hold a municipal security. Therefore, the educational materials likely would be irrelevant to 99% of the TD Ameritrade clients who would receive them. Given this, TD Ameritrade submits that the MSRB should carefully weigh the costs of requiring member firms to provide municipal securities education materials at account opening versus the perceived investor benefit. As noted below, the Firm believes disclosures can be more focused on the investors likely to purchase municipal securities.

Rather than requiring municipal securities disclosures at account opening, a more reasonable and effective approach would require such educational materials to be available prominently on web pages where clients have the ability to research municipal securities. Prominent placement on the website will ensure that the educational materials are targeted to the most relevant audience – those investors researching municipal securities online and who, therefore, are more likely to make an online purchase. Recognizing that member firms may differ on this issue, the Firm recommends that the MSRB provide member firms with the flexibility to decide when and where to make educational materials available to clients (whether at account opening or at the time of first purchase of a municipal security).

Finally, the Firm strongly recommends that the most beneficial thing the MSRB could do is provide a comprehensive disclosure for use by member firms. TD Ameritrade submits that brokers could easily link to MSRB drafted educational materials. By placing such materials on its website, the MSRB would have the ability to update the materials as it sees fit. Such an approach is certainly in the public interest as MSRB will ensure that investors have access to materials that are both understandable and consistent across firms.

### **SUITABILITY**

The MSRB Proposal reiterates previous guidance that the municipal securities market is different from the equities market and that member firms need to be careful that their electronic

offerings are not structured so as to constitute a recommendation requiring an individualized suitability analysis.

TD Ameritrade submits that consistent with FINRA and MSRB guidance, the analysis of whether a communication results in a “recommendation” involves a “facts and circumstances” approach. On the one end of the spectrum, it should be clear to all that a member firm limiting an offering to a few municipal securities in which the firm acts as underwriter or selling dealer could result in a recommendation. At the same time, it also should be clear that brokers offering investors the ability to research and buy thousands of municipal securities, as they would any equity, mutual fund, or exchange traded fund (“ETF”), are not making a recommendation to buy any single municipal security. The MSRB’s point is well taken in that there is no clear dividing line as to what should constitute a wide enough offering to ensure a recommendation does not follow. At the same time, the Firm submits that it would be unreasonable if a firm’s limiting of the municipal securities available for online purchase to, for example, investment grade only municipals (as TD Ameritrade does), results in a finding that each online purchase was recommended by the firm. It seems counterintuitive to suggest that granting access to all debt securities provides better client protection than limiting offerings to investment grade securities. Furthermore, ensuring that the clients have access to the inventories of hundreds of potential counterparties, who have no affiliation other than employing similar liquidity platforms, does not in any way grant TD Ameritrade discretion over the offering.

Rather than focus on how to delineate when an offering is “wide” or diverse enough so as not to result in a recommendation, TD Ameritrade strongly believes the proper analysis is whether the firm is communicating to clients in such fashion as to create a “call to action” that would qualify as a recommendation. To this end, the Firm believes that rather than debating the “wide universe of securities” exception, the MSRB should focus on when a member firm creates a “call to action” resulting in a recommendation.

#### **NEW ACCOUNT APPROVAL**

The MSRB Proposal would require a municipal securities professional to approve each new account opening before being allowed to trade municipal securities. As noted above, the percentage of individual investors purchasing municipal securities is exceedingly small. In providing an online offering of municipal securities, however, under the MSRB Proposal member firms would need to have a process for identifying which clients *may* trade municipal securities, or have a municipal securities professional approve *all* new accounts. Neither option is practical. Under the first approach, member firms would need to reprogram their systems to identify the first time a client attempts to trade a municipal security and have a process for review and approval. The MSRB has not addressed the costs and benefits of this approach. The second approach clearly would not pass such a cost-benefit analysis given that in the case of TD Ameritrade clients (and as appears typical with most online brokers), the vast majority of the time the approval would be inapplicable and, thereby, a significant waste of resources.

In addition, TD Ameritrade questions why municipal securities would be treated differently than any other equity, mutual fund, ETF or debt security that self-directed investors seek to purchase. As noted above, the Firm believes that retail investors should have the ability to research the purchase of a municipal security and decide on their own whether to purchase without inserting member firm review and approval in the same way a firm would approve a client to purchase options.

Rather than creating an options-like construct for municipal securities transactions, TD Ameritrade believes that the MSRB should focus on educational materials and disclosure. TD Ameritrade's online offering of municipal securities already contains access to the type of information MSRB discussed in its Proposal. For example, assume a TD Ameritrade client decides to research and purchase a municipal security. The client likely would navigate to a screen that contains the Firm's current fixed income offering of CDs, government and corporate bonds and municipal securities. On this screen, municipal securities are grouped by investment grade rating and yield. Immediately below this list is a PDF, "How to Read Your Results," which provides information for understanding the display format for CDs, government and corporate bonds and municipal securities.

The client can then: (1) use a screener tool to search for municipal securities with certain features; (2) simply click on an investment grade rating/yield; or (3) enter a specific municipal security cusip. After doing so, the client is presented with the following information:

1. "How to Read Your Results";
2. A link to the MSRB website and the MSRB Investor Guide;
3. A link to EMMA;
4. A link to the FINRA Muni Bond Checklist.

When a client clicks on a specific municipal security, the resulting screen also contains the links to the MSRB website, the MSRB Investor Guide and EMMA. Screenshots of these web pages are attached hereto.

It also is important to note that TD Ameritrade has taken a conservative approach in what it offers online and how client orders are handled. First, TD Ameritrade's online municipal securities offering has been, and currently is, limited to investment grade offerings. At this time, TD Ameritrade clients have online access to approximately 18,000 municipal securities online. Further, when a client places a municipal securities transaction online, TD Ameritrade's procedures require a municipal securities professional to review the order before routing it for execution. The municipal securities professional reviews the security being purchased to determine whether there are complex features or material information regarding the security that should be discussed with the client. After reviewing the municipal security being purchased, the municipal securities professional can either route the order for execution, or reject the trade and send a message back to the client informing them that they need to call in their order. Based on data from a couple of years ago, approximately 51% of municipal trades placed online by TD

Ameritrade clients were rejected for automatic routing and the client was required to place the order with a live person.

TD Ameritrade submits this to the MSRB for consideration as the Firm believes the manner in which it has structured its online municipal securities offering (educational materials, disclosures, investment grade-only securities and human review of orders), is more cost effective and efficient than imposing an expensive, technology and labor-intensive, options approval-like approach to online municipal securities offerings.

#### **WRITTEN SUPERVISORY PROCEDURES**

TD Ameritrade generally supports MSRB's proposal that member firms should have written supervisory procedures for how they deliver material information to clients purchasing municipal securities and how they obtain fair pricing. To the extent that firms make recommendations, TD Ameritrade believes that member firms should have the flexibility to design overall procedures covering recommendations without having to create specific, stand-alone procedures for municipal securities transactions.

#### **MISCELLANEOUS**

The MSRB proposes that member firms "would be required to collect the individual investors' email addresses and sign them up" for continuing disclosures through EMMA alerts related to the municipal securities they purchase. Although TD Ameritrade assists clients in signing up for these valuable alerts, ultimately self-directed investors should be required to go directly to the MSRB website and submit their email address directly. Requiring member firms to submit client email addresses to third party websites creates privacy concerns and could expose member firms to liability in the event client email addresses and municipal securities holdings collected by the third party vendor are stolen. In this case, such concern may be well-placed as the EMMA alerts are entered on an unsecure website as the URL does not begin with the typical "https:" that identifies secure websites.

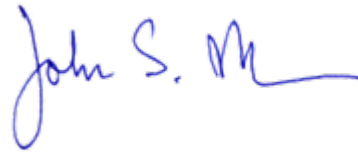
#### **CONCLUSION**

TD Ameritrade fully supports the MSRB's goal of making it more likely that self-directed investors understand the features and risks of trading municipal securities. As noted above, the Firm believes that MSRB-generated education materials that are targeted at the self-directed clients actually purchasing municipal securities online is the most efficient and cost effective approach.

Mr. Ronald W. Smith  
September 26, 2012  
Page 6

Please feel free to contact me at 443.539.2128 with any questions regarding the Firm's comments.

Respectfully Submitted,

A handwritten signature in blue ink that reads "John S. Markle". The signature is written in a cursive style with a long horizontal stroke at the end.

John S. Markle  
Deputy General Counsel  
TD Ameritrade

Attachment

**Bonds & CDs Overview**

- Overview
- CD Center
- Bond Wizard
- Bond & CD Ladders
- Quick Search
- Advanced Search
- New Issues
- Tools and Calculators
- Market Commentary

**Bonds >** Use the Bond Wizard to help choose an investment that's right for you.

**CDs >** Visit our new CD Center or select a range below.

Find individual bonds

View ready-made bond ladders

Build your own bond ladder

3 months 0.150% 1 year 0.300%  
6 months 0.350% 2 years 0.751%  
9 months 0.250% 5+ years 1.002%

**Quick Search**

Corporate and Municipal Bond Reports Now Available

All Products

New Issues

Learn more about Bonds & CDs

CDs	3 mths	6 mths	9 mths	1 yr	2 yrs	5+ yrs
<b>BONDS</b>	0.583%	0.350%	0.750%	1.000%	1.264%	3.575%
U.S. Treasuries	0.160%	0.301%	0.624%	1.062%	1.677%	2.849%
U.S. Treasury Strips	-	0.235%	0.593%	0.971%	1.579%	2.773%
Agencies (GSEs)	-	0.359%	0.935%	1.661%	2.386%	4.420%
Corporates (AAA)	-	0.524%	0.925%	1.498%	2.158%	3.995%
Corporates (AA)	-	0.872%	1.580%	1.882%	2.804%	3.592%
Corporates (A)	0.313%	1.850%	2.598%	3.345%	4.309%	5.270%
Municipals (AAA)	-	0.547%	1.682%	2.314%	3.465%	4.415%
Municipals (AA)	0.254%	2.791%	3.138%	3.357%	4.482%	5.840%
Municipals (A)	1.904%	2.472%	3.061%	3.900%	4.885%	5.478%

**How To Read Your Results**

Looking for below investment grade bonds or other complex fixed income products? Call a Fixed Income Specialist at 877-883-2835.

Enter symbol

Colors: Enter underlying symbol and click Chart | Index use \$T (e.g. \$SLJ)

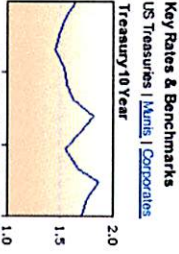
New cost-basis rules will change our tax reporting. | Symbol lookup | Quote disclaimer

**NEW!** Economic Data and Financial Markets Webcast

**NEW!** Investor Education Course: Introduction to Bonds

**NEW!** Stay Updated with Bond Alerts  
Receive alerts on new issue offerings, and rating and status changes for corporate and municipal bonds.

ENRA Investor Overview  
ENRA Muni Bond Checklist



Municipals (AAA)	-	0.5472%	1.6922%	2.3141%	3.4655%	4.4155%	5.3672%
Municipals (AA)	0.2543%	2.2915%	3.1385%	3.3572%	4.4822%	4.6085%	5.6405%
Municipals (A)	1.9043%	2.4722%	3.0615%	3.9002%	4.8855%	5.4722%	5.8022%

**How To Read Your Results**

Looking for below investment grade bonds or other complex fixed income products? Call a Fixed Income Specialist at 877-893-2835.

**Advanced Search:** Customizze your bond search using a variety of categories, including price, quality and maturity.

**Tools for Fixed-Income Offerings**

**Taxable Equivalent Yield Calculator** : Compare the yields of fully taxable investments with the yields of tax-exempt municipal bonds.

**Bond Calculator** : Get yield information, transaction costs and accrued interest amounts on potential fixed-income investments.

**Resources**

**Education Center:** Understand bonds, CDs and ladders, and examine the potential role they can play in your portfolio.

**Retirement Center:** Tools and resources to help you plan for your future, no matter where you are on the path to retirement.

**Smart Bond Investing:** Learn more from FINRA about bonds and bond funds.

**Municipal Securities Rulemaking Board (MSRB):** Protects investors, municipal entities and the public interest by promoting a fair and efficient market, regulating firms that engage in municipal securities and advisory activities, and promotes market transparency.

**Electronic Municipal Market Access (EMMA):** EMMA is the comprehensive source for official statements, continuing disclosure documents, advance refunding documents and real-time trade price information on municipal securities. [Learn more.](#)

*Before investing in a mutual fund, be sure to carefully consider the fund's objectives, risks, charges, and expenses. For a prospectus containing this and other important information, please contact the fund company or a TD Ameritrade Client Services representative. Please read the prospectus carefully before investing.*

The MSRB is not affiliated with and does not endorse any broker/dealer. Registration with the MSRB only indicates that the broker/dealer may legally execute municipal securities transactions.

Fixed-income investments are subject to various risks including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors. For further details, please consult with our Fixed Income Specialists at 877-893-2835.

Below investment grade bonds carry higher-than-average risk in all risks associated with fixed-income investing.

The creation of a list of bonds through the TD Ameritrade search function has been provided solely for informative purposes and does not represent a solicitation or an offer to buy or sell any particular bond. TD Ameritrade does not represent this as a complete list or description of the securities requested. This information is obtained from sources, which we consider reliable, but we have not independently verified such information and we do not guarantee that it is accurate or complete. Prices, yields, and availability are subject to change with market conditions. Customers are responsible for making their own investment decisions and will be solely responsible for the appropriateness and suitability of any bond they own.

Enter symbol

Colors: Enter underlying symbol and Chart Index: use F11 to scroll

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Maturity	Yield	Prev Day	Prev Week
3 Month	0.08	0.08	0.08
6 Month	0.13	0.13	0.11
2 Year	0.27	0.25	0.25
3 Year	0.35	0.34	0.34
5 Year	0.66	0.65	0.70
10 Year	1.71	1.71	1.81
30 Year	2.90	2.89	3.01

Current as of 09/25/12 13:01 ET  
Ratings provided by S&P, Moody's, and Fitch

**See Also**

[Moody's Research Report](#) available for corporate bonds.

[Fixed Income Research](#) featuring analysis and fixed-income ratings.

[5-Year Monthly Income Portfolio](#) now available.

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[Bond Funds](#)

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Tuesday, September 25, 2012 1:17:34 PM EDT

### Search Results

Municipal Bond Search Results  
Showing 1 - 25 of 241

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[How to Beat Your Results](#)

Click on the Buy link to purchase a bond or CD online. Need help? Come visit our Fixed Income Specialists at 877-883-2835.

Municipal Securities Rulemaking Board (MSRB) Protects investors, municipal entities and the public interest by promoting a fair and efficient market, regulating firms that engage in municipal securities and advisory activities, and promotes market transparency.

[MSRB Investor Guide](#)

Electronic Municipal Market Access (EMMA) EMMA is the comprehensive source for official statements, continuing disclosure documents, advance refunding documents and real-time trade price information on municipal securities. [Learn more](#)

ENRBA Municipal Bond Checklist: Use this checklist to help avoid some of the most common pitfalls of municipal bond investing.

TD Ameritrade provides access to S&P Research Reports. Please note that other third party credit opinions may exist.

CUSIP / State	Qty / Min Issue	Coupon / Maturity	Rating / Underlying Rating	YTM* / YTW	Price	Action
081077TR0	10	BELTON TEX INDPT SCH DIST G O REF BDS	5.000 -/AAA/ SRP Report	0.242	106.554	Buy
TX	10	PRIM/SECNDRY ED ULT G.O. ALL BONDS Ser 2004, Non Callable	5.000 -/AAA/ SRP Report	0.242	106.554	Buy
EMMA Disclosure						
45203HAD4	55	ILLINOIS FIN AUTH REV REV BDS	1.750 Aaa/-/ SRP Report	0.147	102.290	Buy
IL	10	NORTHWESTERN UNIV PRIVATE HIGHER EDUCATION REV ALL BONDS Ser 2004-B, Mandatory Tender 03-03-2014 @ 100,000, Extraordinary Redemption Provisions	3.000 Aaa/AAA/AAA SRP Report	0.067	103.803	Buy
EMMA Disclosure						
650035WH7	30	NEW YORK ST URBAN DEV CORP REV ST PERSONAL IN	5.000 -/AAA/AA SRP Report	0.042	107.255	Buy
NY	10	GEN PURP/PUB IMPFT REV ALL BONDS Ser 2011A, Non Callable	5.000 -/AAA/AA SRP Report	0.042	107.255	Buy
EMMA Disclosure						
4854283D6	30	KANSAS ST DEV FIN AUTH REV WTR POLLUTION CTRL	5.000 Aaa/AAA/ SRP Report	0.099	107.792	Buy
KS	10	WTR & SWR REV ALL BONDS Ser 2005CW, Non Callable	5.000 Aaa/AAA/ SRP Report	0.099	107.792	Buy
EMMA Disclosure						
04108KWF1	25	ARKANSAS ST DEV FIN AUTH REV REV BDS	4.000 -/AAA/ SRP Report	0.043	106.624	Buy
AR	25	SEWER REV ALL BONDS Ser 2011A, Non Callable	4.000 -/AAA/ SRP Report	0.043	106.624	Buy

Enter symbol

Options: Enter underlying symbol and tick char. Under use \* for a 3:00.

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