

September 17, 2012

Morgan Stanley

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

Dear Mr. Smith:

Morgan Stanley appreciates the opportunity to comment on Notice 2012-43 (the "Notice") issued by the Municipal Securities Rulemaking Board (the "MSRB"). Morgan Stanley supports the MSRB's proposal and the MSRB's efforts to address pay-to-play practices in connection with bond ballot elections. Morgan Stanley also supports the Securities and Financial Markets Association comment letter filed with the MSRB in response to the Notice. While Morgan Stanley supports the MSRB effort to increase transparency relating to underwriter contributions in connection with bond ballot elections, we respectfully suggest that the Notice does not go far enough.

Since 2008, I have been speaking out about the perception of pay-to-play related to bond ballot contributions by dealers and their municipal finance professionals ("MFP") and the awarding of underwriting assignments to those firms who contributed. In 2009, the Heads of the Public Finance Departments of three of the largest dealers (Citi, JPMorgan and Morgan Stanley) signed a letter expressing our considerable concern about the practice of dealers making bond ballot contributions and suggested an extension of G-37 to limit this practice in line with the G-37 rules on candidate political contributions.

While the MSRB has started to collect data on these bond ballot contributions and we support additional disclosure proposed under MSRB Notice 2012-43 to increase transparency with respect to underwriters and MFP contributions in connection with bond ballot elections. However, we urge the MSRB go further and amend G-37 to limit bond ballot contributions where a dealer is acting as underwriter for the bonds authorized by the bond ballot election.

There have been numerous stories in the past year regarding the serious concerns of pay-to-play practices in connection with bond ballot elections, including the *San Francisco Chronicle* ("Bond Firms Campaign Gifts Linked to Sales Pacts," May 6, 2012) and the *Bond Buyer* ("Brokers Gifts that Keep Giving," January 13, 2012). Of particular note was the observation in the *Chronicle* that in 150 of 155 cases (97%) where a dealer contributed to support a bond ballot election that authorized the bonds the underwriter was hired to underwrite. The continued allowance of this widely perceived pay-to-play practice damages the integrity of the municipal marketplace and allows outsiders (regulators, journalists and politicians) to question the practices of our marketplace.

If you or any staff or board member of the MSRB would like to further discuss this issue, please do not hesitate to contact me directly.

Sincerely,

/s/ Stratford Shields
Managing Director