



**S&P
CAPITAL IQ**
McGRAW HILL FINANCIAL

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

Re: Disclosure of Pricing Reference Information – Regulatory Notice 2014-20

Dear Mr. Smith:

Standard & Poor's Securities Evaluations Inc. (SPSE) is an independent evaluated pricing provider and a part of S&P Capital IQ, a division of McGraw Hill Financial, Inc. SPSE appreciates the opportunity to provide the Municipal Securities Rulemaking Board ("MSRB") with comments on Regulatory Notice 2014-20, regarding the disclosure of a reference price when dealers are acting as a riskless principal for retail size transactions in fixed income securities. The MSRB is proposing that for same-day, retail size principal transactions for the purchase or sale of 100 bonds or less or bonds with a face amount of \$100,000 or less, dealers disclose on the customer confirmation the price paid by the dealer and the differential between the price paid by the dealer and the price paid for the same security by the customer. While the proposed disclosure contemplates using actual market prices, the proposal also requests comments on the use of alternatives to using market prices, including among other things, prices provided by independent external pricing services. SPSE would like to take the opportunity to provide its views on why it believes the MSRB should consider the use of evaluated prices provided by independent pricing providers as another source of prices to be used by member firms in computing the differential in the price to the customer and the price to the dealer.

SPSE supports transparency in the fixed income markets that promotes efficiencies and greater investor protections. SPSE has been a leader in providing evaluated prices for corporate bonds and municipal bonds and other fixed income securities and derivatives for more than 40 years, and presently evaluates more than 150,000 corporate securities and 1.5 million municipal securities on a daily basis. SPSE's evaluated pricing service supports operations throughout the financial services industry with client profiles that include dealers, mutual funds, hedge funds, custodians, insurance companies, and financial advisors.

SPSE strongly believes that a reference price proposal should contemplate the use of an independent evaluated price when a market reference price is unavailable or would be deemed to be unreliable for other reasons. A number of reasons may impact the availability of a viable reference price. For example, same-day reference prices may become stale due to timing, increased volatility, decreased liquidity, or the lack of a corresponding order. Adding to the challenge in determining the appropriateness of a reference price are the nuances involved with the pricing of retail-size blocks, otherwise known as "odd lots", and the potential for significant price dispersion as lot sizes change by even minimal amounts. SPSE believes further that using evaluated prices from an independent provider in certain situations could be beneficial to both

dealers and customers, especially when a market reference price is not available due to unforeseen market events or when the last available market price is too old to be reliable.

The cornerstone of SPSE's evaluated pricing service involves its ability to directly observe market inputs and where observable inputs are limited or unavailable, its ability to use proprietary tools that assist it in providing an evaluated price that is based on other indirect, but relevant, market factors and inputs. Grouping bonds with like characteristics enables SPSE to observe other market factors, thereby allowing it to provide evaluated prices across groupings of securities with similar trading characteristics, furthering price transparency reflective of the fixed income market.

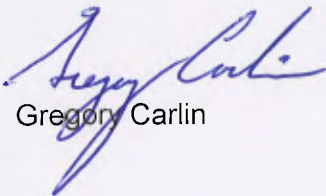
SPSE'S Retail Pricing Service

In addition to providing its evaluated prices to institutional clients, SPSE recently implemented an additional pricing service that delivers adjusted pricing for retail (odd-lot) sized trades. Historically, independent pricing providers have provided prices at institutional levels but accounting standards, transaction requirements, and general regulatory and risk management concerns all indicate that it is time for more reflective odd-lot pricing. The dispersion of prices across different lot sizes can be significant so that a single reference (or evaluated price) may not be enough but instead, a range of values might better serve the evolving market needs, including the retail fixed income market. These values represent a lower-price boundary and an upper-price boundary, and are established through an analysis of observed spreads on both direct observables and comparable bonds that are sector and grouped based on similar market behaviors and descriptive attributes.

Summary

SPSE appreciates the opportunity to submit comments on MSRB Regulatory Notice 2014-20. SPSE believes that there may be a benefit to a review of the feasibility and appropriateness of utilizing independent pricing services to support the MSRB's initiative. Independently sourced pricing could mitigate some of the operational challenges involved with establishing a reference price. SPSE believes that independent sources can play a supporting role in this and other price transparency initiatives. We look forward to working with the MSRB and the dealer community on this critical initiative.

Sincerely,



Gregory Carlin