



OFFICE OF THE
INVESTOR ADVOCATE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

January 20, 2015

Submitted Electronically

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

**RE: Regulatory Notice 2014-20
Request for Comment on Draft Rule Amendments to Require Dealers to Provide Pricing
Reference Information on Retail Customer Confirmations**

Dear Mr. Smith:

Pursuant to Section 4(g)(4) of the Securities Exchange Act of 1934, the new Office of the Investor Advocate at the U.S. Securities and Exchange Commission is responsible for analyzing the potential impact on investors of proposed rules of the Commission and self-regulatory organizations (“SROs”). More broadly, we are also required to identify areas in which investors would benefit from changes in the existing regulations of the Commission or the rules of SROs. In furtherance of these objectives, we will routinely review existing rules and rulemaking proposals of the Municipal Securities Rulemaking Board (“MSRB”). We will make recommendations to the MSRB from time to time, utilizing the public comment process when appropriate. In addition, as required by Section 4(g)(4)(B), we will report to Congress on the actions taken in response to our recommendations.

We are pleased to have this opportunity to submit comments regarding your proposed rule requiring dealers to provide pricing reference information on customer confirmations for transactions in municipal securities, as described in Regulatory Notice 2014-20 (the “Notice”).¹ In short, we support the MSRB’s effort to increase price transparency for retail customers, and we urge you to adopt the proposed amendments to Rule G-15.

Although individual investors already receive some of the information at issue and have access to the MSRB’s Electronic Municipal Market Access (“EMMA”) website, customer confirmations are not currently required to include information about the cost of the security to the firm.² Nor is it easy for individual investors to determine the value of a security using the publicly available information. Requiring dealers to provide pricing reference information on retail customer confirmations is a

¹ The comments provided in this letter are solely those of the Office of the Investor Advocate and do not necessarily reflect the views of the Commission, the Commissioners, or those of any other Office, Division, or Commission staff. The Commission has expressed no view regarding the statements of the Office of the Investor Advocate expressed herein.

² Securities and Exchange Commission, Report on the Municipal Securities Market, at 147, July 31, 2012, <http://www.sec.gov/news/studies/2012/munireport073112.pdf>.

necessary step toward making pricing information accessible to all investors, including those who do not seek it out.

Steps to improve price transparency will benefit individual investors in significant ways. By requiring firms to disclose the price to the dealer in a reference transaction and the differential between the price to the customer and the price to the dealer, customers in retail-size trades will be better equipped to evaluate the transaction costs and the quality of service provided to them by dealers. This will promote competition and improve market efficiency. In addition, the proposed rule will deter abuses because firms will be less likely to charge excessive mark-ups when the price differential must be disclosed so clearly, and customers and the MSRB will likely detect improper practices more easily. Similarly, such a requirement may effectively facilitate the best execution of individual investor orders in municipal securities transactions.

In your consideration of the costs and benefits of the proposed rule, we urge you to consider the current costs already being borne by investors in municipal securities. To achieve the type of pricing information envisioned by the rule, investors today must learn to navigate through EMMA and then take the time to identify prices in corresponding transactions. While the cost or burden to each individual investor may be modest, the aggregate costs are high. It would be far more efficient to shift the burden to the dealers to disclose this type of information in an automated manner, rather than expect investors to go searching for the information.

The Notice seeks comment about the appropriate methodologies to use in determining the reference transaction price and differential to be disclosed when a firm executes multiple corresponding transactions. We believe the methodologies you adopt should be simple, based upon clear logic, and consistent with the methodologies adopted by FINRA.

In conclusion, we applaud the MSRB's efforts to improve price transparency in the municipal securities market. We also appreciate the collaborative and cooperative manner in which the MSRB has worked with FINRA to achieve consistent goals. Your significant efforts will impact post-trade price transparency for individual investors, and we encourage you to continue to make advances not only in post-trade price transparency, but also in pre-trade price transparency. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Fleming", written over a white background.

Rick A. Fleming
Investor Advocate