

# Comment on Notice 2015-22

from Chris Melton,

on Thursday, December 10, 2015

Comment:

Thank you for the opportunity to comment on proposed changes to Rule G-12 and G-15 to reflect the shortening of the regular way settlement cycle to T + 2. Although shortening the settlement cycle will reduce systemic risk, I believe the benefit that reduced risk creates will be outweighed by the resultant increased pricing disadvantage experienced by retail clients.

Several new or proposed MSRB rules (best ex, confirmation disclosures) have been designed to improve pricing obtained by retail investors. This proposal will do just the opposite in that it will all but require retail clients that cannot settle DVP to transact business only with the firm that holds their assets, effectively eliminating any competition for the municipal business of many clients. (I realize that there are some broker-dealer firms that permit next day transfer of funds to other dealers) This flies in the face of the stated goals of multiple regulators when it comes to retail pricing.

Admittedly, as an employee of a firm that routinely competes for, rather than captures, business; one could argue that my position is dictated by where my bread is buttered. However, one does not need a terminal degree in economics to understand that the absence of competition breeds pricing anomalies. Nevertheless, regulation appears to be headed in a general direction favoring that very thing. It is inconsistent to argue that regulators should require municipal dealers to utilize a best ex standard designed for the two sided equity market in order to improve retail pricing and at the same time argue that the settlement cycle should be shortened to reduce, or in some cases eliminate, competition for retail business.

I believe that further shortening of the settlement cycle should be delayed until retail commercial banking can provide investors with a cost effective manner of immediate funds transfer. Thank you again for the opportunity to comment on the proposal.

Sincerely,

Chris Melton  
Executive Vice President  
Coastal Securities