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January 12, 2016

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: Request for Comment on Amendments to MSRB Rule G-12 on Close-Out Procedures 2016-02, dated January 6, 2016

Dear Mr. Smith,

National Securities Clearing Corporation (“NSCC”) is writing in support of the Municipal Securities Rulemaking Board (“MSRB”)’s proposed amendments to MSRB Rule G-12 regarding its close-out procedures (File No. 2016-02), in which MSRB is proposing to require that municipal securities transactions be closed-out no later than 30 calendar days after settlement date. As MSRB described in greater detail in the filing, the proposal is intended to benefit customers by providing greater certainty that their fully paid for securities are long in their account, not allocated to a firm short, which is intended to reduce market risk by facilitating the timely resolution of inter-dealer fails.

Most net buyers of municipal bonds in NSCC’s systems take delivery in DTC from NSCC’s Continuous Net Settlement (CNS) system on Settlement Date or within a few days thereafter. However, in a small percent of municipal bond activity, the buyer does not receive the bonds for 30 calendar days or more. Failure to receive municipal bonds from CNS for 30 days or longer may indicate a problem at the firm failing to deliver the bonds to CNS. Therefore, NSCC agrees with the MSRB that it is prudent to require buyers to take action to close out their municipal bond fails within the 30 day period as recommended by MSRB. This requirement will help to identify and promptly resolve any potential delivery problems.

We believe market participants will be given ample opportunity to prepare for the impact of this proposal, and to take steps to mitigate its impact to their business.

Accordingly, we agree with MSRB’s efforts to eliminate aged municipal fails over 30 days, and believe this proposed change will improve the safety and soundness of the U.S. markets.

Should you have any questions, please do not hesitate to contact me at (212) 855-7522.

Sincerely,

Murray C. Pozmanter
Managing Director