

Via Electronic Delivery

March 28, 2016

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

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

Re: MSRB Regulatory Notice 2015-16: Request for Comment on Draft Rule Amendments to Require Confirmation Disclosure of Mark-ups for Specified Principal Transactions with Retail Customers; FINRA Regulatory Notice 15-36: Pricing Disclosure in the Fixed Income Markets

Dear Ms. Asquith and Mr. Smith:

Determining a Prevailing Market Price (PMP) for any municipal security should not be a complex, formula-based algorithm or a flexible interpretation left up to each dealer to devise on their own. It should be a straightforward calculation reported (or updated) in real time at the time of the last trade. It should be easily observed by a trader or customer based on existing published (reported) trade information. In fact, the PMP at the time of trade should appear in the trade information posted to the Trade Activity on the EMMA website.

Dealer, retail, and institutional trades must all be factored. For this reason I would recommend establishing a "**Net Price**" calculation eliminating any commissions paid. A "Net Price" would be reported to the MSRB on each transaction and form the basis for the PMP calculation. Commissions paid would be subtracted from a Customer Buy trade to arrive at a "Net Price". Commissions paid would be added to a Customer Sell trade to arrive at a "Net Price". Dealer to Dealer trades would not involve commission so the trade price would be the "Net Price". Trades involving two or more Dealers simultaneously and a Broker's Broker would be only reported once, net of commission, to arrive at the "Net Price".

Examples:

Retail client sells \$25,000 at \$97.50 with \$5/bond commission:	Net Price: \$98.00
Retail client buys \$25,000 at \$100 with \$20/bond commission:	Net Price: \$98.00
Institutional client buys \$1,000,000 at \$98.33 with \$2.00 commission:	Net Price: \$98.13

Broker's Broker trades \$500,000 between 2 dealers at \$98.00 to buyer, \$97.95 to the seller (50 cents commission) One \$500,000 trade is reported Net Price: \$98.00

Broker's Broker trades \$2,000,000 between 1 dealer selling at \$99.20 (50 cents commission), 3 other dealers buying at \$99.25 One \$2,000,000 trade is reported Net Price \$99.25

Prevailing Market Price should not weigh all trade quantities equally. Smaller trades of \$5,000 or \$10,000 par value should not carry the same influence on the "Average Net Price" as larger par value trades. Therefore, the PMP calculation will be a current "**Weighted Average Net Price**".

Prevailing Market Price should be calculated over a specific period of time to reflect current market conditions. I would recommend using a calculation period of 72 hours (from the time of the first trade) but continue calculating on a **forward** rolling basis using "Weighted Average Net Price". If no trades have been reported for over 72 hours then there would be no Prevailing Market Price, and the process would start over with the next trade on that particular CUSIP. Trades that occurred more than 72 hours ago would no longer be included in the current "Weighted Average Net Price" (PMP).

However, a trader or customer could view PMP on a historical basis on the EMMA website in the Trade Activity section. PMP at the time of trade would be displayed on the same line as the reported transaction price. It would be helpful to most market participants if Bloomberg also displayed the **current** Prevailing Market Price on the front Security Description page.

In conclusion, I strongly believe the same PMP calculation should be applied industry-wide for the most consistent representation by all dealers, whether it's the one mentioned above or something different. It should not be left up to each firm to devise it as they see fit. I have worked in the municipal market since 1986 and have learned that fairness and consistency are the keys to investor confidence and understanding. Please feel free to contact me with questions or further inquiries.

Brian Shaw

Municipal Bond trader

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