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May 25, 2016

BY ELECTRONIC MAIL

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

Re: MSRB Rule G-15(f)

Mr. Smith:

The following is submitted in response to Regulatory Notice 2016-13 which requests comment on draft amendments to Rule G-15(f). Founded in 1980, American Municipal Securities, Inc. ("AMS") is a full service broker-dealer specializing in the sale of individual fixed income securities. AMS supports the MSRB's goal of enhancing market liquidity for investors holding municipal securities in amounts below the stated minimums while limiting the creation of new below minimum positions in customer accounts. Our firm agrees that the limited liquidity of below minimum denomination securities positions, although unintentionally created, is real and is a cause for concern.

It is important for all investors to have liquidity for their securities. AMS has found that due to regulatory uncertainty, the liquidity of existing below minimum denomination positions has been dramatically reduced in the secondary municipal marketplace. The aforementioned regulatory uncertainty among dealers has created a situation in which dealers are not willing to actively bid securities in amounts below the minimum denomination or increment. Due to this uncertainty and the lack of a viable marketplace, dealers are reluctant to provide liquidity to even legitimately created, nonconforming positions. Currently, customers that find high credit quality nonconforming positions in their accounts do not have the ability to liquidate at a reasonable bid and the lack of liquidity in the secondary market is artificially devaluing these securities.

AMS believes that the proposed rule changes found in MSRB Regulatory Notice 2016-13 will not dramatically increase liquidity or clear the regulatory confusion involved in these transactions. AMS believes that the MSRB could enhance liquidity in the secondary market for legitimately created positions while limiting the creation of new below minimum denomination positions by clarifying the existing regulatory burden placed upon each side of the customer transactions. The MSRB would be better served by focusing on how and why these nonconforming positions are legitimately created while clarifying and then enforcing the existing rule. Advances in technology have allowed both the clearing houses and the dealer community to trade in the "below minimum denomination" sizes and AMS believes that these advances should be embraced by the MSRB and dealers to increase market liquidity.

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As long as the holdings of our customers are legitimately split, we feel that we have an obligation to provide unencumbered liquidity to the market. It should be noted that the vast majority of these positions found in the secondary market concern high quality, investment grade holdings of retail investors that have been legitimately created to facilitate bond restructurings, trust liquidations, divorce settlements and others.

In order to enhance liquidity in the market, it is important to differentiate between below minimum denomination positions that were created due to external factors such as those previously mentioned and illegitimately or inadvertently created positions that do not meet the exceptions found in the existing MSRB Rule G-15. Currently, the secondary market treats an investment grade rated 2.5m bond position legitimately created from a trust liquidation in the same light as a 75m position illegitimately derived from a once conforming holding of a speculatively rated issuer whose bond documents specify customer purchases in increments greater than 100m. There is no bid in the secondary market for either of these situations even though one customer is being unjustly penalized for a situation that is beyond their control.

To increase liquidity while limiting the creation of nonconforming positions, it is recommended that the rule be amended to specifically permit bidding dealers to rely upon a bid-wanted as "written proof" from the selling dealer that they have abided by the exceptions granted in MSRB Rule G-15. Furthermore, it is proposed that the MSRB exempt from the "written notification" provisions found in MSRB Rule G-15(f) any position found in less than 5m. It is our assertion that these positions will most likely have been created for legitimate reasons while their size will make active trading and/or further size degradation cost-prohibitive and nonsensical. These suggestions will allow small "mom and pop" investors holding nonconforming positions the enhanced liquidity necessary to get them the best bid for their bonds. In turn, this will allow dealers to better understand their regulatory obligations concerning MSRB G-15 thus encouraging more active bid-side participation in the marketplace. We firmly believe that the onus should be on all market participants and regulatory agencies to create a liquid marketplace where all of our customers' investments are valued appropriately.

Yours truly,

A handwritten signature in black ink, appearing to read 'MPetagna', written in a cursive style.

Michael Petagna
President
American Municipal Securities, Inc.