

Comment on Notice 2016-13

from Jase Wilson, Neighborly.com

on Wednesday, May 25, 2016

Comment:

Hello friends at MSRB,

Thank you for taking a look at minimum denomination.

We appreciate your willingness to look at ways regulation can bring new investors, better pricing and greater liquidity to the market.

While this amendment draft only contemplates the two trading scenarios outlined in the regulatory notice, in which dealers transact below an already-defined minimum denomination, we ask that you please also consider this amendment an opportunity to include further definition that might make lower minimum denominations a tool to bring greater fairness, efficiency, pricing and liquidity to the market.

In our research, involving conversations with hundreds of market participants ranging from issuers to bond counsel to underwriters to municipal advisors, one common observation we're struck by is how little is collectively known about who determines the minimum denomination, and how. Many issuers, even many of their advisors, believe that \$5,000 is the default denomination because of a regulatory requirement. Since a minimum-minimum denomination doesn't seem to be explicitly defined anywhere, it might help to clarify who is in charge of this aspect of an issuance, and how it can be set at any value.

For years, Vermont has found buy & hold investors local to the borrowing community, through its \$1,000-denominated Citizen Bonds program. The City of Denver enjoyed great success issuing \$500 "mini-bonds" in 2013. We learned of several other examples of low-denomination issuances bringing great value to borrowing communities and investors alike. But such examples are extreme outliers in the current era of the market. We believe this is in part due to lack of clarity around how minimum denomination can be set, and by whom.

We wrote a blog post about it with additional thinking and examples if you are interested. In either case, thank you for making the market better for all and for considering this amendment a chance to bring greater fairness, efficiency, pricing and liquidity to the market.

<https://medium.com/@jase/minimum-denomination-5ede12d0c934#.c486czkrk>