Isaak Bond Investments
Municipal Securities Rulemaking Board
1300 Street, NW, Suite 1000
Washington D.C. 20005

RE: MSRB Notice 2022-07: MSRB Requests for Comment on a Proposal to Shorten the Trade Reporting Timeframe....

To Whom It May Concern,

I do not agree that timelier dissemination would be beneficial for any types of RTRS-Eligible Securities that are currently subject to the 15-minute reporting timeframe for most medium to small firms and retail investors. By subjecting the industry to a one-minute reporting requirement for RTRS-Eligible debt securities, this will benefit the bigger institutions and bond traders at the expense of the smaller broker-dealer and retail client due to consequences MSRB is not accounting for and an incentive structure that will hurt the retail investor.

In your analysis, you reference research done in 2005 as evidence that RTRS Dissemination improved price discovery and reduced spreads for municipal bond investors after reporting was changed from the end of the day to 15 minutes after execution time. This to me is comparing apples to elephants; in other words, this is not a comparable situation in any way since one changed from no reporting until after markets closed while the current request involves reporting throughout the day in either case. I look at the statistics shown by MSRB and the impression to any reasonable person must be, why can't 100% be reported on time and accurately within 15 minutes? Do we need to give more time to report trades to ensure they can be done correctly and timely? Although it's a fact that technology is vastly improved, there is still a lot of human involvement and where there's humans, mistakes are made. I can assure you that cancel and rebills will be far more numerous if this revised requirement is implemented since at a firm our size, we still feel the pressure to get trades reported timely and accurately within 15 minutes. A shorter reporting timeline may have the unintended consequence of reducing the percentage of trades reported within one minute accurately than is currently reported even now. Why? Cancel and rebills being increased could affect what would otherwise be properly reported trades. When speaking with a retail client, it's quite easy to hit the "buy at market" button for an equity execution while continuing to speak with your client on the phone however, it's another thing when trying to execute a bond trade to ensure the position you recommend the client invest in is still available and at the best price due to the nature of bond trading since there is no central bond exchange with quotes as there are with equities. Since bonds tend to be a more complicated investments for the average investor to understand and more numerous with each debt security having unique qualities, it can be quite an effort at times to initiate a bond trade for a retail client. Put simply, there are more steps and there is more human involvement to getting bonds reported accurately and timely. Does the street side still have it available? Can I find a better price for the client? Do we still have it available at the best price in our inventory? Does the client understand what they are investing in and how it works? Did I provide all the risk disclosures before execution for the appropriate debt security? Do I know the security well enough?

There are some retail clients that are day traders and swing traders in the equity markets however, I do not see any advantage to a retail client when trying to rush a bond trade report because bonds are designed to be held as an investment longer than days or weeks, or even months. The bond market, in my opinion, should not be implemented like the equity markets and by shortening the debt trade reporting time without the advantage of an efficient exchange utilized in the equity markets, how can one implement best execution? With 15 minutes, after a trade is executed, we currently have time to check the various ATS's and other posted offer sheets to confirm best execution when there would be no time to double-check under a one-minute reporting time rule. This can harm retail investors.

Although technology is much better, it is still cost-prohibitive to implement straight-through processing in an efficient and accurate manner for smaller firms. There is little competition in the back office for bond trading software designed for reporting executed debt trades within one minute. In fact, it seems to be quite a monopoly since Bloomberg is the only system available that could possibly handle one minute or less reporting time for most debt security trades. Our firm would no doubt have many more trades to cancel and rebill or we'd need to increase our technology costs by tens of thousands of dollars which will not help with any of the aforementioned items I've already discussed. This increased workload and stress would make it more difficult to service our clients, both retail and institutional, more difficult to remain compliant despite our best efforts, and make life less pleasant for all of us at the smaller broker-dealer. And for what? More theoretical transparency on securities that are supposed to be held as medium or long-term investments for the retail client? Do yields change so dramatically within 15 minutes? In my experience they do not. I do not know if this shorter reporting timeline would cause more price volatility in the bond market or not but I do not see it helping nor see it as beneficial. Typically, bond prices are not changing minute to minute or even hour to hour for the vast majority of issues that trade with low volume since we do not see interest rates jumping up and down throughout the day so again, there would be no more transparency than is already the case.

This will monopolize the bond market to be handled by the "big guys", which would provide less competition for the retail client and could, and most likely would, increase investment costs for most of the smaller retail clients. Most bigger firms do not want to consider you if your portfolio is not at least $500 thousand. As the smaller broker-dealer continues to be scarcer, rules like this only make that more likely. Where will the teacher go who has $50 thousand put away, or the construction worker, the restaurant manager or employee, the service industry persons who were lucky and smart enough to save some money? Do they download an app and start day-trading? Maybe get in on the crypto-currency craze? There are hundreds of thousands of folks out there that will not get any help from the larger banks and broker-dealers. Although I will not mention names with the understanding that smaller firms can be culpable as well, we all know of firms that have incentivized their employees to open accounts that clients do not want or need, charged fees that customers may not know about because they did not read the small print and their RR can't find the time for them since they do not have enough money to be bothered with. Do you really believe this will be beneficial to the small retail client? If so, how? That was not made clear in your proposal.

In conclusion, I encourage MSRB to keep the debt trade reporting requirements as-is now and going forward. This is not a need, not a benefit for most, and will even be deleterious for the smaller firm and consequently, the less wealthy retail investor. I appreciate your consideration and hope you do the right thing.

Sincerely,

Donald J. Lemek
VP-Operations & CFO