Seidel & Shaw, LLC

March 15, 2013

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

Dear Mr. Smith:

In response to MSRB Notice 2013-02 seeking comment on the development of a new transparency platform to make more contemporaneous trade price information available, we submit the following comments.

Under the paragraph titled GAO report it states that perhaps larger trades are being withheld from being reported when executed in order to gain some type of edge. Thought has to be given to the structure of the municipal market. Was consideration given to the fact that larger trades take longer because of the size of the trades so subsequently finding buyers and/or sellers to complete the trade should take longer?

Secondly, reporting multiple transactions to MSRB takes time for the majority of small to medium sized firms because not all can afford to automate the reporting requirements and must input the transactions manually. Not all municipal securities transactions are for larger municipalities and states. And regulatory hardships imposed on smaller broker dealers could impact smaller municipalities who do not garner the attention of larger brokers.

On both counts we think that continued pressure on time reporting could lead to a winnowing of the field in the municipal sector thus effecting liquidity in the same manner that the move in the direction of speed vs. price has negatively impacted the liquidity in the equity space. This led to dark pools, high frequency trading and other less respected practices that have grown from the insistence of the industry that if they are to participate in the space they will find a way to do so profitably. Indeed, there are times when municipal security issues will be worked on the street for days and even weeks before execution illustrating illiquidity currently which could potentially get worse.

Distinction must be made between the difference between an odd lot trade which is probably being sold from a customer to a dealer or from a dealer through an electronic medium to another dealer and a round lot trade which in all likelihood initiates from an end user via salesman to a dealer, to a broker's broker on the street, to another dealer, to another salesman who will finally reach out to another end user. Many hands will be involved in a round lot negotiation verses a small lot. Many hands involved spells slightly less speed but ultimately leads to more **equitable prices.**

Tinkering with the municipal securities market mechanics, which is the envy of the world, could ultimately have detrimental consequences and is another reason not to shorten the transaction

40 Exchange Place • New York, NY 10005
Phone: (212) 269-9008 • Fax: (212) 269-6007 • 1-888-661-8109

reporting time. Squeezing the reporting times will pressure the inter-dealer and small broker dealers both. In a potential example, shortening the reporting time could have a negative consequence to the broker and the customer. Should the broker stop trading and report the already executed trades and possibly jeopardize the obligation to the customer for best execution to meet the new time requirement.

It should be noted that Municipal Securities do not move as quickly as equities. Let us be reminded that there are thousands of municipal securities available and a couple of hundred municipal dealers. On the other hand, there are many more dealers and participants in the equity market with a limited number of issues. Squeezing the limited municipal securities dealers further with additional regulatory burdens can only have a negative effect to liquidity by eliminating participants at the margins and jeopardizing customers and issuers equally. The speed of price change in municipal securities is exponentially less than in the equities market. Therefore, there will be limited beneficial effect by reducing the time to report transactions. Conversely, the effects could potentially be very negative since current market participants will be squeezed out of the marketplace, thus negatively impacting liquidity and guaranteeing a lower quality of execution.

Another factor to consider is that utilizing a broker's broker adds accountability on both an economic and compliant basis. Broker's brokers have to justify prices to their clients and have to comply with FINRA and MSRB rules and regulations. Moving markets to an electronic platform removes accountability from the person posting the bid or offer because in theory, although not in practice, many eyes look at these electronic platforms. The proposed move to an all electronic market will cause wider spreads and less liquidity in an already strained environment thus not benefiting the members or the clients. The place where electronic execution in the municipal market is probably most effective is in the larger more liquid municipal issues. In reality, without regulatory impediments, the municipal securities market is already moving to a hybrid broker's broker/electronic execution model, (BondDesk, Tradeweb, MuniCenter, KnightBond, etc. verses ICAP, BGC, Seidel & Shaw, and others). The market is evolving to become more efficient and offer best executions for all participants without additional regulatory mandates currently.

This is occurring at a very delicate time in the municipal market with many municipalities in need of a well functioning marketplace. When considering upgrading the reporting requirements and applications to be used, please consider **ALL** market participants and not just those members who have big pockets and large in- house technical support staff. One size does not fit all in this industry. There is also potential for very real negative unintended consequences in the municipal sector should these changes be implemented.

Please mark Seidel & Shaw as against these proposals particularly at the current time.

Sincerely,

Thomas W. Shaw
President